

Vol. 1

3rd Session
24th Legislature

YUKON LEGISLATIVE ASSEMBLY

REPORT

OF THE

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

TOGETHER WITH

EVIDENCE

APRIL, 1980

Legislative Assembly Office

Whitehorse



Yukon Legislative Assembly

Hon. Don Taylor, Speaker
Yukon Legislative Assembly
Box 2703
Whitehorse, Yukon

Dear Mr. Speaker:

I have the honour to present this report of the Standing Committee on Public Accounts.

In all, the Committee met fourteen times. The task of effecting parliamentary control of public funds has been a demanding but rewarding one for the Committee members. I trust the Legislature will find our report evidence of the value of this Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Penikett".

Tony Penikett
Chairman
Public Accounts Committee

April, 1980

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Whitehorse

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Yukon Legislative Assembly
Third Session 24th Legislature

Members

Tony Penikett, M.L.A., Chairman	Whitehorse West
Doug Graham, M.L.A. *	Whitehorse Porter Creek West
Jack Hibberd, M.L.A.	Whitehorse South Centre
Geoff Lattin, M.L.A.	Whitehorse North Centre
Iain MacKay, M.L.A.	Whitehorse Riverdale South

Staff

Clerk of the Committee
Missy Parnell

* Mr. Al Falle substituted for Mr. Graham on
February 6, 7, and 10, 1980.

The Public Accounts Committee would like to extend their appreciation to Mr. Raymond Dubois, Deputy Auditor General, and Mr. Harold Hayes, Principal, from the Office of the Auditor General, for their invaluable assistance.

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Introduction

To the newspapers they mean headlines. To Deputy Heads they are an inquisition or at least an imposition. To constitutional experts they are a necessary instrument of Responsible Government.

They are the PACs: Public Accounts Committees. Most every Legislature following the British model long ago instituted such a Committee. Yukon opted to do so in the Fall of 1979. The Standing Committee on Public Accounts of the Yukon Legislative Assembly is, however, a little more modest than its ancestors. It seeks neither to achieve headlines nor to petrify public servants but its members do believe it will advance Legislative control of the Public Purse.

The General Election of November 20, 1978, first saw the Yukon Legislature formally divided on party lines. In October of 1979 Canada granted Yukon a measure of responsible government. In the same month another event of some constitutional significance occurred.

The first Public Accounts Committee (PAC) in Yukon's history was established by motion of the House following a recommendation in a report of the Rules, Elections and Privileges Committee. The report was concurred in on October 11, 1979, and the Public Accounts Committee was appointed on October 22, 1979. The Committee consists of one Minister, two Government backbenchers, and two Opposition members.

Committee Procedures

The Committee held its organizational meeting on November 17, 1979, at which time, following the British and Canadian practice, the members elected a member from the Opposition as Chairman. It was generally agreed that a member from the Opposition would be more keenly interested in pursuing an in-depth critical study of the Public Accounts

than a Government member, while bound to fairness by the majority from the Government side. At the organizational meeting the members passed several motions of a procedural nature, the most pertinent being in essence:

- 1) THAT the Committee conduct Formal Hearings only when the House stands adjourned or prorogued.

This is in recognition of the fact that during Session the members are far too occupied with the business of the House to devote the time and energy required to conduct fruitful Public Accounts Committee Hearings. It also recognizes the fact that the Minister on the Public Accounts Committee would not be free to attend daily Hearings over a two-week period because of ministerial responsibilities.

- 2) THAT Deputy Heads be the chief witnesses before the Committee.

The Committee decided to call Deputy Heads rather than Ministers for several reasons: The Deputy Heads have the information and the responsibility for the financial management areas which interest the Committee; Ministers, on the other hand, are concerned with questions of policy. Having Deputy Heads before the Committee should preclude policy debate which is not, of course, in the mandate of the Public Accounts Committee. The Deputy Heads are free to bring along any staff that may be required to provide detailed background information.

- 3) THAT expert advisors from the Office of the Auditor General be requested to assist the Committee with its business.

As Yukon does not yet have an Auditor General and as the Auditor General for Canada audits the Territorial Accounts, members felt it would be beneficial to them to have officials from the Office of the Auditor General available to brief members on matters to be raised during the Hearings. Because the Report of the Auditor General provides the topics for examination, it follows that representatives from that Office should be on hand to offer expert assistance during the deliberations. They do not, however, speak during the Hearings or examine witnesses.

- 4) THAT the Committee have the right to examine
 - a) the Territorial Accounts, b) all published reports of the Auditor General, and c) all financial information used by the Auditor General on Government Departments and Crown Corporations in preparation of his annual report.

The Territorial Accounts and the Reports of the Auditor General stand referred permanently and automatically by the House to the Committee pursuant to the Standing Orders of the Assembly. In addition to the actual reports, members felt it would expedite the proceedings if they had access to background material so that they would not have to use the limited sitting time with witnesses to gather routine but essential information.

- 5) THAT the Committee may issue special reports if matters were deemed to be of pressing importance.

As the Committee usually sits while the House stands adjourned or prorogued, members felt that a situation might arise wherein they were not ready to publish a full report but might feel that a particular matter should come to the attention of the House immediately after a Session commenced. With this provision, the Committee could issue a special or interim report.

- 6) THAT the Committee hold Formal Hearings in the Legislative Chamber *in camera* with the provision that transcripts of the evidence be appended to the final report.

The members decided that meetings would be held *in camera* for several reasons, the chief one being that the lack of publicity during the meetings means that the members are less likely to concentrate on "sensational" aspects and pursue instead a less newsworthy but more meaningful line of inquiry. *In camera* meetings also preclude the possibility of the media and/or the public drawing premature conclusions based on partial information as it may take several days to examine fully the officials from a particular department.

As the meetings are held *in camera*, transcripts will be appended to the Committee's report, thus providing a complete public record of the Committee's proceedings.

When the Committee members agreed to the procedures to be followed, they agreed to them on a trial basis. It was decided that if, in time, they were found to be inappropriate, they would be changed. This "gentleman's agreement" ensures that procedures found to be inadequate will not be looked to as irreversible "precedents" or "practices" that would bind the Committee to an ineffective *modus operandi*.

As the size of the Committee makes a Steering Committee unnecessary, to expedite its business, members agreed that there should be three distinct meeting formats: 1) Executive Sessions; 2) Formal Hearings; 3) Informal Meetings.

1) Executive Sessions are meetings at which only Public Accounts Committee members, Public Accounts Committee staff and representatives from the Office of the Auditor General are present. Minutes are kept and parliamentary procedure is followed. It is during these Sessions that all formal Public Accounts Committee decisions are made by motion. Each regular meeting of the Public Accounts Committee is an Executive Session as is the Session following the Formal Hearing each day. This allows members to review, comment on, and in one way or another dispense with the issues raised in examining witnesses. It allows the members to have a frank discussion on the evidence without doing so before the witnesses. It allows for more productive use of time because it precludes any procedural wrangles during the Formal Hearings.

During the Sessions following the Hearings, the evidence presented that day is discussed with various areas flagged either as items to be pursued further in the Hearings to follow, or to be included as Report items. As well, it is decided who the lead-off questioner will be on each agenda item at the next Hearing so that the members involved can be fully briefed on the issues.

2) Formal Hearings, scheduled for two hours each morning for approximately two weeks, involve the examination of witnesses by the Committee. In 1980, two Departments were called but the number may increase in the years to come.

During the Formal Hearings, the Committee members sit on the Government side of the Legislative Chamber, the Clerk to Committee and the representatives from the Office of the Auditor General sit at the Clerk's Table, and the Deputy Head and his officials sit on the Opposition side of the House. When proceedings begin, the Deputy Head may give a ten-minute opening statement. When he has finished, the member briefed on the topic at hand begins the examination. At any time, another member may seek recognition from the Chairman for a supplementary question. Except for a fifteen minute recess, this process continues for two hours or until the business is completed.

3) Informal Meetings may be held from time to time in order to discuss Committee business in a more relaxed manner and perhaps to reach a consensus on matters that aren't required to be recorded in Committee minutes.

Informal Meetings may be used as an avenue for meeting with people not connected with the Committee. For example, in December, 1979, the members met with the Deputy Heads in Yukon Government in order to outline to them the role and functions of the Public Accounts Committee and to give them some idea as to what would be expected of them when appearing before the Committee in Formal Hearings.

Although traditionally a Public Accounts Committee deals with matters that are of a "past" nature, that is, with expenditures that have already been made, this Committee is attempting to play a constructive and future-oriented role. They hope to make recommendations, based on the evidence that they have heard, which may be applied with good future effect on the financial management systems and controls used by the Government.

Realizing that its primary objectives are to ensure the exercise of due regard for economy, to maintain the high standards of government efficiency, to strengthen the internal financial and management systems, and, perhaps most importantly, to complete the process of accountability, the members of the Public Accounts Committee endeavour at all times to act in a co-operative non-partisan and judicious manner. Each member takes an active role in deciding what issues should be raised and in examining the witnesses. The members agree that the first Hearings were productive; they anticipate, however, that as they gain experience and expertise they will perform more efficiently and effectively in carrying out the objectives of the Public Accounts Committee.

As a rule the Committee adopts the modern process of receiving the Auditor General's recommendations, hearing the Departmental witnesses' response and formulating its own recommendations to the House in the form of a report. It is the hope of the Committee that when it tables its report there will be a motion for concurrence and that the report will be debated at length.

1. Recommendation

The House make no change in the Committee structure or procedures at this time.

2. Recommendation

The House seek to have tabled at each Fall Session the annual reports of the Auditor General on his examination of the accounts and financial statements of the Government, and on "any other matter" arising therefrom, in order to facilitate the holding of Committee hearings before the Spring Session of the following year.

FORMAL
HEARINGS

NOTE: *****
*
* In the following section *
* there are number indica- *
* tors in the margin. *
* These relate to the page *
* reference in the appended *
* "Formal Hearings: *
* Evidence". *
*



The Dukon Legislative Assembly

Issue No. 1

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Wednesday, February 6, 1980

9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Mr. Tony Penikett

Vice-Chairman: Mr. Geoffrey Lattin

Members:

Doug Graham

Jack Hibberd

Iain MacKay

Missy Parnell

Clerk of the Committee

Expert Advisors from the Office of the Auditor General

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

Andy Johnston, Territorial Treasurer

Grant Wilson, Director, Budget and Financial Mangement

Arthur Nutt, Director, Financial Planning and Systems Development

ORDER OF REFERENCE

October 22, 1979

ORDERED, THAT Messrs. MacKay, Graham, Hibberd, Lattin and Penikett be appointed to the Standing Committee on Public Accounts;

THAT the said Committee be empowered to examine and enquire into all matters referred to it by the House and to report from time to time their observations thereon;

THAT it have power to send for persons, papers and records, and to examine witnesses under oath; to sit during periods when the House stands adjourned; and to print such papers and evidence as may be ordered; and

THAT the Clerk of the Legislative Assembly be responsible for providing the necessary support services to the Committee.

EVIDENCE

Wednesday, February 6, 1980

Mr. Chairman: The Public Accounts Meeting One, Formal Hearings will now come to order.

I say good morning, gentlemen and Madam Clerk, and welcome you to this first formal meeting of the Standing Committee on Public Accounts.

The Committee was established by motion of the House on October 22, 1979. It is the first time in Yukon that a Committee has existed to complete the circle of Parliamentary control over the public purse. Previously, as we all know, only the Estimates had been examined.

It is this Committee's intention to proceed in a co-operative and non-partisan manner to examine thoroughly and systematically, the expenditures of certain departments to ensure that they have been made in the proper manner and that the public is getting value for money spent.

Without further ado, we will get down to the business before the Committee which is the Auditor General's Report for the year 1978-79.

This morning, I would like to welcome Mr. Raymond Dubois, Deputy Auditor General of Canada, and Mr. Harold Hayes, the Principal in the Auditor General's Office, who will be assisting this Committee during its deliberations.

Gentlemen, would you please take a seat at the table?

It is also my pleasure to welcome today, our witnesses, Mr. Andy Johnston, Territorial Treasurer, and Mr. Grant Wilson, Director of Budget and Financial Management.

Welcome, gentlemen.

I understand, Mr. Johnston, that you have prepared an opening statement for the Committee.

Mr. Johnston: Yes, Mr. Chairman, I have.

Mr. Chairman: Proceed, Mr. Johnson.

Mr. Johnston: Mr. Chairman, I have several documents for distribution, if I may, prior to the presentation.

Mr. Chairman, Committee Members and Committee Advisors, the Department of Finance is honoured to be the first department to appear before the Government of Yukon's new Public Accounts Committee. We certainly recognize the necessity of this Committee and wish you well in fulfilling your difficult mandate. The Department of Finance will make every effort to assist you.

My presentation today, while short and not all inclusive, will hopefully provide background to the Committee which may be useful in the examination process. The topics covered are:

1. authority of Treasurer
2. role of Department of Finance
3. organization of departments
4. responsibilities of Treasurer
5. functions of the branches
6. resources.

Firstly, the authority. Section 4(1) of the Financial Administration Ordinance states that "The Treasurer has the management and direction of the Treasury Department, the management of the Yukon Consolidated Revenue Fund and the supervision, control and direction of all matters relating to the financial affairs of the Territory." The Treasury Department and the Department of Finance are one in the same.

The role of the Department of Finance is to ensure that the financial resources of the Government of Yukon are well planned, properly utilized and controlled in a manner consistent with the goals of the Government.

Organization of the Department, as can be seen from the Organization Chart which is in the other package handed out to you, the Department of Finance has three branches, Accounting Services, Revenue and Taxation and Budget and Financial Management. These branches are further broken down into smaller units called sections.

I will get back to the Organizational Chart and the functions of those branches in a moment.

The responsibilities of the Treasurer, as Chief Financial Officer of the Government of Yukon, the Treasurer has the following responsibilities:

1. advise the Cabinet on the financial and economic aspects of Government legislation, fiscal policy, and resource allocation; and advise the Cabinet on the appropriateness of the Government of Yukon's internal financial policies and operations.

2. advise deputy heads of departments and corporations on financial matters relating to planning, operations, control and evaluation.

3. administer and maintain the necessary controls to safeguard the Yukon Consolidated Revenue Fund.

4. develop policies, systems and procedures for financial administration.

5. provide accounting services such as processing accounts and payroll, collecting revenue and taxes and preparing financial statements.

6. advise the Internal Audit Committee on the coverage and scope of Internal Audits, review audit observations and recommendations and ensure that corrective actions are taken as required.

7. provide overall direction to the staff of the Department of Finance.

8. It is interesting to note that the Treasurer is currently the chairman of, and member of, or an advisor to, approximately ten Government of Yukon and intergovernmental committees.

The functions of the branches within the Department of Finance, it might be useful here to refer to the Organizational Chart.

The Accounting Services Branch:

1. process all centrally paid accounts payable, payroll and other financial transactions and ensure that adequate controls over financial transactions are maintained.

2. maintain a central accounting system for the processing of accounts, cheques and other financial transactions; prepare internal financial statements for the Government and prepare and publish all Government of Yukon financial statements.

3. provide departments and corporations with financial and other reports in an accurate and timely manner.

4. maintain and safeguard official accounting records; liaise with the Auditor General of Canada on the audit of the annual financial statements.

5. maintain a central accounting system to record, control and safeguard assets and maintain accounting records of the physical assets of the government and periodically ensure that these are reconciled with the physical inventory.

6. maintain a system of financial signing authority as an integral part of the system of financial control.

7. the Director of this branch handles general administration for finance including co-ordinating preparation of departmental variance reports and budget submissions.

8. the Director is the department personnel officer handling staff recruitment, staff training, leave forms, et cetera.

The second branch, Revenue and Taxation:

1. review existing legislation governing revenue and taxation, recommend improvements and draft new legislation.

2. maintain an accounting system for the processing and reporting of revenue and taxes.

3. collect revenue and taxes in accordance with legislation, policies and guidelines.

4. maintain a system for monitoring the collection of revenue and taxes and other receivables, for example, audits.

5. establish and maintain banking procedures for the deposit of revenue and taxes.

6. provide cashier services at the main Administration Building.

7. administer heating fuel equalization and homeowner grant programs.

The third branch, Budget and Financial Management, the Budget and Financial Management section of the branch:

1. prepare the program forecasts, Main Estimates and Supplementary Estimates.

2. review, on a continuing basis, the financial affairs of the departments, agencies and corporations; analyze variances between planned and actual operations; maintain allotment control.

3. review financial documents and advise on financial implica-

tions of policy proposals; co-ordinate Treasury Board Proposals, assist in financial negotiations between Canada and Yukon.

4. administer loans from Canada and loans to municipalities.
5. co-ordinate overall government insurance matters.

The Financial Planning and Systems Development section within this branch:

1. develop policies and procedures for the improvement of the Government of Yukon's financial controls and reporting systems.
2. provide financial systems review of various government functions.
3. prepare financial manuals.
4. provide a staff financial training program in co-ordination with the Public Service Commission.
5. will assist in developing and implementing procedures for program evaluation.

The last topic is Resources. As well as various manual systems, we have many EDP Systems running on an IBM Systems 3 Model 12 computer.

The Department has 36 permanent man years. At present, we have two vacancies and one will be filled on February 18.

The technical qualifications of many staff members are excellent. We have two R.I.A.s, and two C.A.s, one C.G.A., three university graduates and eight students at various levels within the accounting programs.

The previous work experience of the staff members is very broad in scope which proves useful in obtaining a variety of views on our projects. I believe the potential of the current staff is excellent and I express my confidence in them.

In closing, Mr. Chairman, I would just like to recap my presentation. I have covered the authority of the Treasurer, the role of the Department of Finance, the organization of the Department of Finance, the responsibilities of the Treasurer, the functions of the branches and the resources available to us.

I would be pleased to respond to questions.

Thank you.

Mr. Chairman: Thank you, Mr. Johnston.

Mr. Lattin: Mr. Chairman, I would move that the Organizational Chart be attached as an appendix to our records.

Mr. Chairman: We will take that as a notice of motion. Thank you, Mr. Lattin.

Mr. Chairman: Mr. MacKay, would you like to lead off with questions?

Mr. MacKay: Just so that you can follow the proposed train of questions, Mr. Johnston, what I am going to try to cover, looking firstly at the FMCS study that was done in 1976, and then following from that, the implementation of the recommendations contained within that with a view to try to elicit where we are today, where we should be in the near future and what problems you foresee in attaining the objective in that study.

Firstly, what I would like to ask you, I appreciate that you have arrived since the study was done, whether you see any major issues unresolved as to whether or not this study's recommendations should be implemented or do you accept, in general, all of the propositions in it?

Mr. Johnston: Mr. Chairman, I think the Department of Finance accepts, in general, the recommendations of the 1976 study. There certainly are some areas within it that we might not think practical to implement, though in theory we accept them all. In fact, the FMS projects, I believe, cover the major components of the recommendations of that study.

Mr. MacKay: The central point in the study, it seemed to me, of the area where it seems that the greatest strides could occur was redefining the role of the Treasurer himself. It was in that area that there appeared to have been an erosion of the legislative authority of the Treasurer over the years and this study was aimed at re-establishing that statutory authority that you had.

Do you agree with that as being the major problem to overcome?

Mr. Johnston: Yes, Mr. Chairman, I believe, at least it appears to me in my year and a half with the Government, that the authority and control exercised by the Treasurer perhaps had, to some degree, been passed to the departments in many areas. We have been, for some time now, in the process of bringing that back, bringing things under control.

I am not sure if the legislative authority of the Treasurer had

been eroded in that. I am not positive of the date of publication of the passing of the Financial Administration Ordinance. Certainly, that gives the Treasurer the power; it is a matter of exercising it. I believe it was 1976 that the Financial Administration Ordinance was passed.

Mr. MacKay: You have indicated in your opening remarks, the powers of the Treasurer. I just wanted to compare your indication of what the role is with the recommendation that was contained in the FMCS study. I do not know if you have that available to you.

Mr. Johnston: Yes.

Mr. MacKay: I would like to go point by point down the various aspects of the role and just see your assessment today of how close you are to fulfilling that recommendation.

Mr. Johnston: Mr. Chairman, I might point out that I read the recommendations on the role of the Treasurer in that paper and was certainly tempted to copy them but that probably would not be appropriate. I think they may cover the same areas but certainly not in the same manner.

Mr. MacKay: You are suggesting that that is not on fruitful ground.

I wanted to distinguish theory from practice. I appreciate the theoretical role that you play but I want to try and find out if in fact there is, in practice, some areas that you have not yet managed to get a hold of. The first item in the recommendations was providing the Commissioner, Executive Council and the Assembly with financial data necessary to assess departmental financial plans.

That was a recommendation, I presume, that arose from the fact that perhaps the financial information was not flowing as well as it should. What projects did you get underway or have completed to be able to implement that recommendation?

Mr. Johnston: Mr. Chairman, we have a project underway which has redefined the classification of accounts that we feel is required for the Government of Yukon. This classification of accounts is a system which will collect the financial data in a manner which will be consistent with the output that we desire at the other end. We hope that some of the management reports coming off of that system, effective April, 1980, will provide to the Commissioner, Executive Council and Assembly, the financial information that is required to make executive decisions.

As well, in the meantime, I could perhaps refer to Mr. Wilson on this, but the budget information and the variance report system that we have developed since this report came out, that we have improved at least since this report came out, is providing much more meaningful information into the executive arm of the government.

Mr. Wilson, do you have any comments to add to that?

Mr. Wilson: Yes, Mr. Chairman.

With respect to the budget, prior to 1976, the information given to the Assembly was by programs by department. We have given more information by breaking programs out to activities, in fact, giving the detail to a line object, standard object type of information for each of those activities.

With respect to the variance reports, prior to the study, the variance report process was fairly inadequate. I would have to say, information being received was not sufficient enough to determine what the expenditure patterns of the Government would be. We have, in fact, revised the variance report procedures and in addition to that, created a statement of appropriation and allotments which indicate the legislative approved figures which then can be used to make comparisons with.

Mr. MacKay: How often are these reports prepared?

Mr. Wilson: The variance reports are prepared quarterly for the Executive Council. The internal variance reports for departments are requested to be prepared by period but they are not analyzed by the Department of Finance.

Mr. MacKay: Are you, at this time then, preparing all that kind of information for the departments or are they still preparing some data on their own?

Are there other kinds of satellite accounting systems going?

Mr. Johnston: Mr. Chairman, the actual expenditures are provided by the Department of Finance, in some cases, not at the level of detail that the departments wish it, so in some cases there are departmental subsystems, if you like, to keep a lower level of detail. We certainly hope that with the low level of detail provided in the new general ledger and classification of accounts package that we are putting forth in April, they will have a lot of informa-

tion, probably much more than they would even use at this point in time.

Certainly the departments that have been keeping these subsystems have indicated that the new system will probably allow them, after they become confident with the new system, to get rid of most of their own internal systems. That covers the actual.

The commitment side of the books, the departments are keeping their own records on that and use this information to project, along with the actual, to the end of the year.

Mr. Chairman: Excuse me, Mr. MacKay, Dr. Hibberd has a supplementary on variance reports.

Mr. Hibberd: I am not sure that it has not been covered here but Mr. Wilson, you indicated that the variance reports were inadequate. Could you tell us why they were inadequate and what steps you have taken to bring them in line?

Mr. Wilson: Mr. Chairman, variance reports were requested from departments by period. At that time, there was no adequate information on statement of appropriations and allotments. It was a direct result of the FMCS report that resulted in our preparing that particular computer report. What was happening was, based on the fact that each variance report was by period and the periods are twenty-eight days long only, the amount of information that had to be processed was so great by any one department that they did not find adequate time to be able to give a variance report by period. In other words, it almost became a pointless exercise.

The variance analysis, in terms of a quarterly report, is looking at two things: one in the long range, the variances in terms of the yearly projections which are important from a financial planning viewpoint; and then in addition, the variances by quarter which would indicate the variance within that particular quarter which could result in a re-alignment or a re-assessment of the particular programs that had been approved. So the type of improvements basically are a major emphasis on those four period variances -- sorry, the quarterly variances, which means that departments can spend, and do spend, more time, more concern on what the variances are and analyze them much more greatly.

Mr. Johnston: Mr. Chairman, I have another topic that I wanted to raise once we finish the variance reports. I just wanted to make that indication.

Mr. MacKay: I was going to move on, too, so perhaps if you want to raise your point --

Mr. Johnston: Mr. Chairman, I wanted to mention that there are other aspects in providing the Commissioner and Executive Council and the Assembly with financial information. The Subcommittee on Finance does meet on a regular basis now weekly, and also more frequently if required, which I believe is a change in the last couple of years.

The Treasurer, and normally Mr. Wilson, attend all of these meetings and provide financial advice on the topics being considered. All of the Executive Council submissions of the Government that have any financial implications, which means almost every one of them, come to the Department of Finance for comment and review prior to being processed through the normal channels. As well, the Treasurer, as I indicated in my presentation, is a member of many governmental committees in various capacities and we have opportunity to give our financial advice at those times as well. The submissions often are processed at Deputy Head Permanent Advisory Committees and so on. So if we happen to miss one that has not come to us for review prior to going to the proper channels, we do hit it in several other areas.

So I think most submissions have been commented on many times by the Department of Finance by the time the Cabinet make their final decision on them.

Mr. MacKay: When you assess these submissions, what criteria are you using to assess them?

Mr. Johnston: We ensure that the Subcommittee on Finance, and subsequently the Cabinet, have all the financial implications so that when they make the decision, they will be aware of all factors.

The departments will often make a submission up and indicate perhaps some financial implications but in most cases the people preparing these submissions are not financially trained individuals and the Department of Finance have that background.

As well, we are aware of what is going on in the Government and are able to put it into perspective and make the proper comments to the Subcommittee on Finance.

For example, the potential man years involved, the potential dollars to be expended, those kinds of information.

Mr. Hibberd: You have described how the department becomes involved in the drawing up of submissions and you indicated that because of the lack of expertise this was necessary. In view of that fact, would it not be important for you to become involved in the actual drawing up of a submission before? I mean, the submission you might be looking at might be a fait accompli whereas it might have required that financial expertise be drawn up in the first place. Are you involved in that step?

Mr. Johnston: The departments do approach the Department of Finance for advice during the the drafting of the proposal. In fact, if they do not, the proposal, the Executive Council submission, is not in fact completed when it hits the Department of Finance after it has been drawn up in that the routing of the submission indicates on there, "Department of Finance", "Department of Justice" and so on, so that in fact part of the drawing up procedure is in consultation with our department. In some cases it is all typed up when we get it, but if we suggest changes they are normally made. If they are not made, we attach our comments so that the Subcommittee on Finance can merge our comments in with the submission of the Departments.

In most cases, the departmental submissions are unique to their field of expertise, if you like. In other words, like wildlife, for example, might be commenting on a wildlife type submission where we would not really be an expert in that sense, so we could not really help in developing a policy. All we can do is kind of make financial comments, which we do.

Mr. Hibberd: So you have a mechanism whereby you are involved in the actual formulation but this is not an obligatory mechanism, is that right?

Mr. Johnston: It is, Mr. Chairman, in that the Department of Finance must be consulted if it has any financial implications. That is the policy of this Government.

What I am saying, Mr. Chairman, is that often the Department will give us their submission. In other words, they will have developed it without us but then ask us if we want to make any comment on what they have done, so our comments are either included in the submission if they are major, or if they are not major, they are normally just an attachment where we point out the extra financial implications not included in the submission.

So in fact, it does go forward from that point on as a complete package, as a total submission, with the financial implications all outlined.

The document, Mr. Chairman, is not completed, if you like, until the Cabinet approves it so all of the steps in there, including the steps that we are involved in, are part of the process.

Mr. MacKay: I would like to move on to the third recommendation and that was recommending interpreting government policy, directives and guidelines in all areas of financial management and control.

Do you consider that today you have the authority to be able to implement or interpret these guidelines for the departments involved? Have you yet reached that stage where Treasury comes and says, "Well, this is what this means and this is what you shall do"? Or are you still at the stage of finding out what everybody is doing and seeing if it complies?

Mr. Johnston: I think, Mr. Chairman, that we probably are in the developmental stage. Certainly part of this process would be to provide, in writing, the interpretation of the various financial policies and procedures that the Government wished to see implemented and carried out.

We have made an attempt to issue some instructions to departments. I am sure all of the areas that have not been covered to this point in time; certainly as well as providing some information in the way of manuals, we do, on a day to day basis, talk to departments when we become aware of something that they are doing that we feel should be done differently or, often, they come to us and request us to assist them in interpreting financial situations and which way they should go on them.

I have to agree that there certainly is room for improvement in that area.

Mr. MacKay: I am going to come back to you later on and discuss in detail the various projects that you have underway. I think we are probably covering, in generalities now, some of the other stuff that we will get into later on.

If I seem to be moving on faster than you think we should in certain areas that does not mean to say we have left them behind.

I noticed in your presentation that as one of your departments you had a Financial Planning and Systems Development section,

you provide a staff financial training program in co-ordination with the Public Service Commission and under the recommendation you have. "Advising the Public Service Commission on the qualifications required for all senior financial positions and providing for their training and career development needs."

Is that where you see the fulfillment of that recommendation under this paragraph in your presentation?

Mr. Johnston: I see most of it being covered there, Mr. Chairman. At this point in time, we have not developed this to the extent that we would like to develop it. During the Public Service Commission's recent review of staff training in the Government, we certainly made our comments known at that time as to how we would like to proceed in this area.

We do provide, quite frequently, training programs for Government for other departmental staff, other than the Department of Finance. For example, during the budget preparation, Mr. Wilson and his staff, as well as handing out instructions, gather together the individuals from various departments that would be preparing the budget submissions and instruct them as to how to carry out this financial function.

The same could be said, for example, with Year-end in the Government, the Department of Finance, right at this point in time, issues a very substantial document on Year-end instructions. As well as issuing this document to all the people involved, the accounting services director individually talks to these individuals to make sure that the areas that they are involved in within these Year-end instructions are clarified to them so that they are aware of what these responsibilities are.

This goes on on an on-going basis. What we would like to see developed though, as well as this method of meeting the immediate area of concern at any point in time, is some kind of system of training for people in the Government, both in the Department of Finance and financial people in other departments, whereby when they enter the Government, they are given some initial training in the financial systems of this particular organization. We feel that that would be useful.

Right now, I am sure it is done on an ad hoc basis. In other words, if somebody starts in the Department of Finance, whoever has time kind of tells them what their job is and how they fit into the picture but it is not a very structured method and certainly, I would believe that in the individual departments, if you have an accounts payable clerk starting in the department, that the administration officer, or whomever, would instruct that person as to what they should be doing, but I think there should perhaps be a more formal method of introduction to the financial systems of this organization.

That is what we hope to accomplish but there is a lot of work involved in all of these projects.

Mr. MacKay: Do you have any formalized situation within the Treasury for the continuing professional update of your senior staff? I see you have a number of qualified people there. Do you have provision in your schedules of time for them to take extra courses and update themselves in the latest developments?

Mr. Johnston: Yes, Mr. Chairman, we have a number of methods whereby this is accomplished. First of all, the Government of Yukon does pay for successfully completed accounting courses so a number of my staff who are students at this point in time, once they complete a course, they are reimbursed for the cost of that. It certainly is an encouragement for them to participate in these courses.

For the members who are graduates, if you like, we do provide in our budget and also it is provided in the Public Service Commission's budget, a number of dollars for various seminars, workshops, during the year. One I can think of recently was the one put on by, I believe, the C.A.s in town, one was on income tax and one was on another topic. We sent four or five people to one or other of those programs.

As well, we try to keep our people updated in the particular field that they are working in here. Again, I can think of a couple of examples. There are seminars put on by the Federal Government on income tax and we have attended a couple of those in the past year, to familiarize ourselves with the income tax procedures that we will be involved in shortly. Fuel and tobacco tax is another one; once a year, we send someone to the western Canadian conference which discusses a number of issues of the day in these fields. So I think there are certainly some dollars and time allowed for this. Whether or not they are sufficient is a matter of interpretation, I suppose, and your particular preference.

Mr. MacKay: So you have a formalized situation where you encourage that further education.

Mr. Johnston: The other thing that I could mention perhaps is that we try to, I suppose, to a minimum extent right now, but we do try to familiarize the staff in the department with other functions in the Department of Finance so that if somebody leaves, is ill or on holidays, we have somebody else who can cover that particular function so if we have a branch manager or an accountant away, somebody else can at least do the minimum to keep that job going.

Certainly in this manner, as well as kind of providing back-up for operational requirements, we do develop the individual so that when openings exist, promotion is done within the department. That has happened on many occasions in the year and a half that I have been here where promotions have been internal.

Mr. MacKay: You have got two vacancies within the department, one of which is being filled. At what level are these vacancies?

Mr. Johnston: The one that is being filled on February 18th is a financial systems analyst working on the FMS projects and reporting to one of Mr. Wilson's managers.

The other vacancy is an accounts payable clerk and we are not actually trying to fill that position. We are in the process of re-aligning duties to come up with a revised job description due to a change of priorities within the department, so I would hope, in a short time, we would have this new job description completed and classified and be out in the field trying to recruit someone.

It would be at probably a senior clerical level when it is reclassified.

The other thing that I would like to mention though is that this is probably the healthiest situation, in my time at least, and I would think in Mr. Wilson's time, as far as staffing goes, I would think that you have to realize that with a staff of 36 permanent man years and 1.3 casual, that if you lose several key people in short order, and I know of one leaving shortly, it is very difficult, in a small organization, to carry on in the same capacity as you were when you had all the vacancies filled.

It is also difficult to recruit. We have been quite fortunate recently in recruiting two chartered accountants in town and several other well qualified people locally, at the expense, perhaps, of some local businessmen, one at least. So we have been quite successful, probably more than we can expect at all times so I am just saying that if we lose two or three key people, it is a blow to the operation.

Mr. MacKay: I wish you continued success.

The management prepared position description which you gave us, what is the status of that? Is that the basis upon which you accepted the position?

Mr. Johnston: Mr. Chairman, the position description was prepared approximately one year ago by the former Treasurer with certainly some advice from myself and other people that he had under him, as well, the Bureau Management Consultant provided some information on this because they are working with us right now on all of our financial projects. It was used last summer when we put forth a new organization package for the Department of Finance. The Treasurer's position was not really considered along with the other positions. It was kind of below the deputy head, if you like, the organization package, but we felt it would be wise to put in what the deputy head's duties and responsibilities were so that the Public Service Commission could use that as a guideline to judge the individuals reporting directly to him.

It certainly covers the main duties and responsibilities of the Treasurer's position and I was aware of it when I took the job, so yes to your question, that is the current, and I accept it myself, it is the current and fairly relevant job position description for this position.

Certainly position descriptions cannot be all inclusive and you will notice the points are quite short and general, but yet specific enough so that you know the area they cover. At that level of position description it is very difficult to get into a lot of detail. You could take up an awful lot of pages.

Mr. Chairman: Is that management job description right now accurate?

Mr. Johnston: In my opinion it is fairly accurate, yes.

Mr. Chairman: Is it undergoing revision now?

Mr. Johnston: Not that I am aware of, no, Mr. Chairman.

Mr. MacKay: Looking at it, there a couple of points that I would like to raise. On number 11 on the second page, you indicate that part of your job is advising on the coverage and scope of internal audits. Would you not consider that as rather a conflict of interest situation where the internal audit department is a separate entity from Treasury so would it not be defining its own scope in conjunc-

tion with the audit committee?

Mr. Johnston: Mr. Chairman, there are a couple of points I could make on this particular item. First of all, I am in the position that is listed in number 11. We have not had an internal auditor here for about a year and a half now and the Treasurer has been put in the position of providing advice to the Government on internal audit. The Treasurer was involved in contract with the Audit Service Bureau to prepare an audit work plan for this Government and also, he has been involved in contracts whereby they are performing various segments of this work plan for us, and also, he has been involved in reviewing their recommendations and, in fact, helping to ensure that they are carried out.

Once an internal auditor is on staff, I would think that the Treasurer would still be a member of the Internal Audit Committee. I would think that in that capacity, he would suggest areas that should be covered because as the chief financial officer of this Government, he would be aware of areas that should be audited. That does not mean that the Audit Committee is bound by his advice but he should be able to advise and certainly the internal auditor, when one is available, would probably have more senior advice, if you like, to this Committee but I would think the Treasurer must have some input.

Mr. MacKay: You would not see yourself ever in the position of controlling what the internal auditor looked at.

Mr. Johnston: No, not at all.

Mr. MacKay: Or are you in the position of doing that.

Mr. Johnston: At this point in time I do not control what the Audit Service Bureau is doing in that the work plan has been accepted by this Government. All I do is initiate the contract for them to carry out portions of it. I think, even after there is an internal auditor, the Treasurer will be involved in, if not responsible for, ensuring that the recommendations are corrected, the observations and recommendations are carried out.

Mr. MacKay: Who initiates the request for an internal audit? Does that come from you or does it come from the Audit Committee?

Mr. Johnston: Mr. Chairman, the Audit Committee has just recently been formed and has not yet taken a very active role in internal audit. I would say that I do not initiate, as Treasurer, the area to be audited because that has been approved by the Government. All I do is say that phase one covers, say, September to December for X number of dollars and I initiate the contract with the Audit Service Bureau so in fact they can plan ahead and have their staff here to do that audit.

Certainly, the Audit Service Bureau, when they made up the work plan, talked to deputy heads in the Government, including the Treasurer and other people that they felt were required to be involved in developing the work plan. They also used their own expertise in deciding which areas probably should be covered. They talked to the Auditor General of Canada to find out which areas should be covered so the audit work plan itself was made up with advice from many sources and data from many sources, the Treasurer being one of them so I do not consider that the Treasurer developed the work plan so therefore I do not think I am telling them which areas to audit.

All I am doing at this point in time is co-ordinating, I suppose because there is nobody else to co-ordinate it.

Mr. MacKay: Point number 8 in that list says that you are responsible for developing, recommending and implementing policies, financial systems and procedures for the measurement of the effectiveness, efficiency and economy of Government programs. That is pretty comprehensive.

Mr. Johnston: Mr. Chairman, you are correct. That is why, as I say, position descriptions are—. You should put in them what the incumbent is expected to do in theory but in practice, normally you do more than what is on there. In some cases, you do not accomplish everything that is on there but you do other things as well.

Number 8, I would suggest that at this point in time there is no formal procedure in the Government for measuring the effectiveness, efficiency and economy of Government programs. Certainly it is carried on. The Department of Finance, to some degree, informally as it may be and perhaps Mr. Wilson may have more points to add on that part, looks at these items, but I think the departments themselves, at their own initiative and also often at the request of their Minister or the Assembly, review programs to determine if we are getting value for money. The only difficulty that I see there is that in fact there is no formal structured manner so therefore the evaluations would be done in different ways by different departments.

At this point in time, I certainly know that there are a number of program evaluations going on. I see this as an item that this Government should be striving towards, however, looking at the size of the organization, the amount of resources we have available, and the many other numerous projects that are kind of the guts, if you like, of financial systems and control, this one will not be tackled in the immediate future as far as I am concerned. If I am instructed to do so, certainly I could drop other projects and proceed with it but I feel that there are many other basic systems that have to be improved before we tackle this one.

Mr. MacKay: So this number 8 really should not be in your job description right now because what you are saying is that you have not got time or resources to tackle it right now.

Mr. Johnston: I would say, Mr. Chairman, that it should be in there as an indication that that is, theoretically, a responsibility of the Treasurer but I am saying, as Treasurer and I know the Treasurer before me, would have thought of that as being one of the last things to be developed before this organization.

I can give you some examples. For example, the accounts receivable system right now, the sundry receivables, is a manual system and we prepare an aids trial balance which takes many man hours to produce manually. Now, I would say that within the next year or so we should computerize that system and probably monthly, quarterly, whatever is the desire, have statements produced to go out to the individuals who owe money to the Government and have an aids trial balance produced so that we can monitor the situation. That particular thing is a basic system that I think should be in place. It will also save you time and give you better control over the finances of this Government.

There are many projects like that that are not even listed on FMS that I think have to be tackled before we can get into something such as value for money. The Federal Government, as I understand, is just getting into it now and they are spending a lot of money and a lot of time and I do not know how much success they are having yet. In talking to individuals who are not involved at the Auditor General level but in departments, they are suggesting that so far it is not very successful so I think we have to hit, if you like, the meat and potatoes and leave the frills until later. That is my opinion.

Mr. Chairman: That may be an issue that we will want to explore in greater detail later.

Mr. MacKay: The point I was trying to make was, to me, a position description should describe what you actually do. This describes more what you ought to do. Would you agree with that?

Mr. Johnston: Well, I suppose it is a matter of opinion. Perhaps before I go on, maybe Grant might indicate if he feels there is a more formal system of evaluation.

Mr. Wilson: Mr. Chairman, I think that when you are looking at a job description like this, you have to consider what is an on-going type of program evaluation or program efficiency or what have you, and what may, in fact, be a long term goal. As an on-going development over the past few years, in terms of looking at the efficiency of programs, I would have to say that there has been a fairly large improvement in determining such efficiency.

For example, the process of the planning function and the budgeting function has improved substantially over the past few years which is one indication of program efficiency. In addition, as we mentioned before with the variance report analysis and the determination of how particular programs are carried out is also an indication. These are on-going types of improvements which I think would fall under the job description as determining the effectiveness and efficiency of Government operations.

In addition, information systems have been improved with the FMS. The present classification of accounts and a number of other projects are all geared towards the achievement of this type of goal.

If you are looking at program effectiveness, we have attempted and will probably continue in the process of looking at a change in the budgeting process, the planning process through the means of a zero base budget implementation. This would allow the Executive Committee to determine particular degrees of program effectiveness by determining what would happen if expenditures were decreased by X dollars. What are the implications of that?

The whole planning process is a gradual evolution from a period of time when quite some years back the planning process was a Federal process basically. I think now we are going more towards a planning process which is geared directly towards the Yukon requirements and that type of thing.

While that item number 8 does appear broad, I think that the type of things that are being carried out do come under that particular mandate of the Treasurer.

Mr. MacKay: I would like to move on to status report on the projects that you alluded to in your presentation.

The last one that we had was, I believe, dated February, 1979. I am not quite sure what you gave me this morning. At that time, out of 29 projects three had been completed. Two were in the process of implementation and the balance were either in the "development", "planning" or "not started" stage. Do you have such a table now as to where you are currently?

Mr. Johnston: Mr. Chairman, we have not updated that particular table, probably in a few months now, certainly there is a more current one than February I believe.

What we have attempted to do is indicate on the more recent schedule that we gave to you this morning, the projects that are completed at this point in time. I believe that there are ten of them, the projects that will be completed by the end of Phase I, as we like to call it, because April 1, 1980 has kind of been our goal for the implementation of some of the major projects.

There are also some active projects right now that we hope to complete in the next fiscal year and others that we plan on starting, some have been started very lightly but starting in a real, concrete way, if you like, and hopefully completing in the next fiscal year or in the future, depending on the requirements. As we get into them in detail we will have a better feel for just how long they will take and resources required to accomplish them.

Certainly, I can address any of the projects that are on here if you like.

Mr. Chairman: Perhaps before we get into the detail on all of the 29 projects, the Phase I and Phase II projects, which I think we are spending a fair amount of time on, perhaps this would be an appropriate time to recess for 15 minutes. I would invite the witnesses to join Committee Members for coffee in the Members' Lounge.

Recess

Mr. Chairman: Gentlemen, the Committee will come to order. I would like to welcome, at this time, a new witness to assist the Treasurer, Mr. Art Nutt, who is in charge of Financial Planning and Systems Development.

When we recessed, we were just beginning a discussion of the FMS projects. I am not sure if it is 29 or 30 according to the numbering on the list. I believe Mr. MacKay was about to lead some questions on these items one by one.

Welcome, Mr. Nutt.

Mr. MacKay: I think perhaps I would just like to step back. I would like to get some clarification on some of the answers I got earlier. With respect to the recommendations of the FMCS report, we talked about the qualifications of staff, the training, career development, perhaps I missed the key area and that is, do you now advise the Public Service Commission on the qualifications required for all senior financial positions? Not only do you advise but do they accept?

Mr. Johnston: Mr. Chairman, this was initially discussed with Mr. McPhail prior to his leaving and he agreed that we should develop a process whereby we could be involved in all of these. To this point in time, I would say that it is an ad hoc situation and there are a number of examples that I could give where we have been involved but I would doubt that we have been involved in them all.

The internal auditor is an example where the Department of Finance has been asked to look at the position description, sit in on initial interviews, to screen applicants. The accountant for the Liquor Corporation is another. There are a number of others so we have been involved on some of the positions. I think, as well, it may be a matter of definition as to what is "senior". Often the administrative officer of the department is probably, in the most cases, the senior individual as far as finance goes, but in some smaller departments, though, you might have a clerk who would handle all the financial affairs of that particular department.

It has not been formalized yet but it is being done on an ad hoc basis.

Mr. Chairman: Just on that point, is it your intention, now that you are a relatively new Treasurer and a relatively new incumbent in the Public Service Commission to take some initiative in the question of those positions where the financial skills are critical in terms of the performance of your duties and your mandate to look at the overview to ensure that you have some input into the writing of those job descriptions and the setting of the professional standards and qualifications for the applicants?

Mr. Johnston: Mr. Chairman, the intention is to go that far. It is just a matter, I believe, of developing a system to work with the Public Service Commission, and also the departments because they are involved as well. We have to ensure that we do not overstep our jurisdiction and kind of get into theirs because, to some degree, the department head is responsible for providing the proper personnel to run his department, including financial individuals. So we have to ensure that we work together as a team and it is a matter of developing a formal method of doing that. I think that is the only thing left to do now. I think we all agree in theory that that is what should be done. Certainly it is a project that we hope to finalize in the near future.

Mr. MacKay: Going back one step further, when we talked about Treasury and recommending and interpreting Government policies, directives and guidelines, you said that this was something that you were doing but you were not entirely satisfied that it had been implemented. Do you have any mechanism where you get feedback as to whether or not people are accepting your interpretations? You send out the memo, I guess, how do you know that that is accepted or that you are not meeting passive resistance at some other departmental level. Where do you find that out?

Mr. Johnston: We issued a manual approximately a year ago which contains the Financial Administration Ordinance, the various financial regulations, financial policies, procedures and financial directives that this Government has issued in the past. We included an opening statement by the Treasurer which asked all departments to review the material contained in this manual and to feel free to comment on any errors or omissions and changes. Certainly there have been a few comments on it but not very many so we assume that they have accepted our interpretation of the policies as they stand at this point in time.

Mr. MacKay: Could we go further and say perhaps that one of the roles of the internal auditor will be to ensure that that is being complied with?

Mr. Johnston: Certainly. The Department of Finance has a responsibility to ensure that the financial policies, procedures, et cetera, of the Government are adhered to but we do not play the role of the internal auditor. It would be his responsibility to go even deeper than we go. If we see something wrong, we comment on it but it would be his job to actually go out and investigate to find out what is wrong, not to just see the obvious. Certainly I see it a dual responsibility of the two positions but certainly, the internal auditor has a larger duty to investigate, I believe.

Mr. MacKay: Has that been the topic or the subject of any of the contracts that you have given to the Department of Supply and Services at all? Have they been asked to look at that?

Mr. Johnston: Precisely. They have, for example, investigated the expenditure control of departments which is being done under certain policies of this Government and they have commented on a number of situations where the departments, including the Department of Finance, have not been, in all cases, following the proper procedures.

I might mention, as well, the reason I said this was being done but there was room for improvement is that in this particular manual, we are aware that because there are a number of vehicles that have been used, as I quoted, regulations, policies, procedures, directives, in some cases they cover the same topic and in some cases they do not agree with each other fully. What we have done with this manual is simply issue everything that we are aware of that exists in this Government. What we have to do now is come up with a new manual which will improve on the presentation of this material and also will correct any deficiencies or any situations where they conflict with each other and also add items that are not covered at this point in time.

We feel that there is work to be done there. We have done some work on a new manual and we are finding, to be honest, that it is a difficult task. Manual writing is a specialty I suppose. We know what should be in it, it is a matter of how you say it and how you write it. Also because of the lack of resources we have not been able to finalize it yet but we hope that we will in the next fiscal year.

Mr. MacKay: Do you have a manual like that in preparation now?

Mr. Johnston: Yes, we have. We have spent a fair amount of time on it. We have not been satisfied with the result so that is why we feel that we need more time to change it to something that we feel would be acceptable to other departments and cover the areas that we should be covering.

Mr. MacKay: Are any of the parts of it acceptable?

Mr. Johnston: I would say no. It is something that is very hard to issue partially. I think it has to be a complete package. I think in the meantime, the departments have found this document quite useful.

If you want to, for example, find out how you process a travel advance or how to process an accounts payable, a batch of invoices or whatever, the information that we have is in here.

Mr. MacKay: Does each department have one copy of that or is it a fairly widely circulated document?

Mr. Johnston: We asked the departments how many copies they require and we gave them the number of copies that they wanted. Fifty were issued to 18 or 19 departments, so two or three to each department, depending upon the size.

Mr. MacKay: Returning for a moment to the partially completed manual, due to the time that it has taken to get to this stage and the concern that we would probably have of stretching on into the future, is there not some way in which you could compartmentalize that manual so that you could at least get certain things under control as you go along? In other words, do it on a step by step basis rather than all at once. Is it not possible to do that?

Mr. Johnston: We have tackled it in the sense that we have broken it down into units and we have identified chapters that we feel should be contained in the manual and have done outlines on several, as a matter of fact.

The difficulty I have with the manual personally, I think, is that perhaps we are trying to be too sophisticated and get too much information in there. We are covering things like philosophical, financial concepts and then getting into detail of how you use the system.

To my way of thinking, the departments really are not interested. Although if you look at manuals perhaps of the Government of Alberta or the Government of Canada, they are fairly extensive and do go into the theory first and then how you use the system. The difficulty we probably have here is that in most departments, the financial people using them probably are not as qualified, because it is a small organization, so they really do not want to get into the theory. They want to know, "How do I use this system?"

The other thing to keep in mind is that as we develop the new classification of accounts and general ledger system that will be in place, hopefully, by the first of April, we would want to include that new concept of using the system in this manual so that in fact it may be an appropriate time, as this system is developed, to get the manual out.

Mr. MacKay: Right now, you have got some philosophical problems with the approach that has been taken, is that right?

Mr. Johnston: That is correct, yes.

We have had outside advice on this but that varies as well. We have talked to other Governments, we have hired consultants and we are at the point now that we have to make up our own mind as to which direction we are going to go and proceed with it.

Mr. MacKay: Do you have a timeframe for that?

Mr. Johnston: I do not have a definite date, Mr. Chairman. As I said, in the next fiscal year, we certainly hope to get it out.

The difficulty is that we do have a few people allocated to this systems development work and at this point in time, have what we consider higher priorities in that we have a deadline to meet April 1. Certainly we could have had somebody working on the manual for the last few months but if we do not meet the April 1 deadline, we are in a lot of trouble on the implementation of the new general ledger and so on because it is the first of our fiscal year and the budget will be input of the new classification of accounts and so on. So we felt that we had to leave the manual at this point in time and proceed with other things that had concrete deadlines that we had to meet.

As a matter of fact, we even hired contract people locally to help us meet that deadline. We have not forgotten about it but we just felt that we had to put it aside for a few months.

Mr. MacKay: To get on to the specific projects, I think we probably talked about— I was following the list in this order, I think it talked about the role of the Treasury. It was at the point of development in February. It is still in Phase I so you consider that you will have that completed by the end of March. Perhaps you could describe that particular project as to what you are doing in concrete terms.

Mr. Johnston: Yes, Mr. Chairman, we have produced several drafts on the role of the Treasurer and the Department of Finance and we are hoping that with the information that we get out of the two weeks here, that we will be able to finalize that particular document and submit it to the Subcommittee on Finance and then the Cabinet for approval. Once it is approved, we intend to communicate it to departments.

We feel that we are at the point now where we should be able to, as I say, with the information we get in the next couple of weeks from this Committee and talking to the Auditor General, we should be able to solidify what our role is and be able to issue that document shortly.

We had intended, at one point in time, to include it in the manual that we are talking about but there is nothing to preclude us from issuing that now and then including it in the manual as part of the manual when the manual does get distributed.

Mr. MacKay: Is there any significant variance in your draft at this stage from that recommended by the FMCS study? Are you expanding on it?

Mr. Johnston: The FMCS study? It certainly has more detail than the FMCS study recommendations. It does get into not only the role of the Treasurer but also the ways by which the role is accomplished. In other words, the various branches within the department and the functions they perform, also the relationship between the Treasurer and other deputy heads, for example, in other departments, so I think there is more meat in the particular document that what is contained in the recommendations themselves. Certainly it is consistent with the recommendations but it has more meat in it.

Mr. MacKay: Do you contemplate any requirement for legislative change as a result of your project?

Mr. Johnston: No, Mr. Chairman. We feel that the Financial Administration Ordinance gives the proper level of authority to the Treasurer at this point in time and it is a matter of detailing how he goes about accomplishing that role and getting it out to departments.

Mr. Chairman: Are you experiencing any administrative problems as a result of, if you like, complexity created by the fact that the executive authority is now vested in the Executive Council but the signing officer is not a member of that body anymore.

Mr. Johnston: The signing officer, which, Mr. Chairman?

Mr. Chairman: The signing officer for this Government is still the Administrator or Commissioner, in law.

Mr. Johnston: The financial signing officers of this Government are designated by the Commissioner. In other words, for example, we will take an example, signing cheques. At this point in time, the Commissioner and the Treasurer have their signature on cheques but it states in the Financial Administration Ordinance that the Commissioner may designate whomever he or she wishes to sign cheques.

In the case of the corporations, it is, I believe, the General Manager of the corporation and the Commissioner.

Mr. Chairman: The Commissioner is now bound by the advice of the Executive Council but that is not producing any problems from your point of view?

Mr. Johnston: I do not see any problem. The Commissioner may in fact change the designated signing officer but that would be the Commissioner's choice, probably upon the advice of the Executive Council.

Mr. MacKay: Just to recap then, you, on this particular project, got a draft, presumably, of the recommendations at this stage, is that correct?

Mr. Johnston: Yes, we have. On the role of the Treasury?

Mr. MacKay: On the role of the Treasury, yes.

Mr. Johnston: Yes.

Mr. MacKay: So you have a draft. You anticipate that from this session, you will get some feedback.

I should say, perhaps, at this point, that it is unlikely that you will get a lot of that. Maybe just through talking to the Auditor General you but from us, our report, and I do not want to preempt the thing but I would suggest that our report may not be readily available within the next month. I do not know how long it will take us to write that report but that is something that we should bear in mind.

Mr. Johnston: I think, Mr. Chairman, just being here and hearing the conversation for us to go back— The report may not indicate everything that was said here but I think we will get a feel for what the Government feels is the role of the Treasurer.

Mr. Chairman: On that point, I would hope that a report of this Committee, and these hearings, will be tabled in the House in the next Session of the Legislature. Whether there will be a debate on it or whatever the House does with that report, of course we will not know until that time.

Mr. MacKay: Going back to the timetable then, are we to assume that after this session, you will then be able to present your draft to

the Executive Council? Coincidental with that, maybe a consideration of it will be the PAC report which will come out sometime in March, I presume.

Mr. Johnston: I anticipate being able to table that with the Executive Council.

Mr. MacKay: You still hope that by April 1, at least you would have the Executive approval of what you plan to do even if thereafter it takes some time to implement?

Mr. Johnston: Yes, Mr. Chairman.

Mr. MacKay: The next item was project management and we had a little discussion about that whether the projects referred to all the projects that we are talking about or outside projects of the Government and assumed that the project management meant that where the Government undertakes a project, that the financial controls that were surrounding these projects were not adequate in the past and are not now being approved and perhaps you could explain to us, or have Mr. Nutt explain to us, what improvements have occurred.

Mr. Johnston: Mr. Chairman, this particular project was identified by the Bureau Management Consulting and basically, they said that if we are going to be managing our own projects, we should have a session with people who have done it in the past, experts, is you like, to give us some guidelines as to how to approach managing projects.

We decided to expand that to include representatives from all the departments in the Government feeling that they would then understand what we would be doing as management projects and also they might be able to use the information obtained in managing projects within their own departments, maybe not financial but whatever projects they happen to be involved in, so we brought up two individuals from Ottawa, Mr. Ken Stubbings, and I forget the other gentleman's name, from the Bureau of Management Consulting and they put on a two day seminar attended by a number of representatives from Finance and representatives of other departments, to indicate the procedures that could be used, not necessarily the only way, but could be used in managing large projects. We found it fairly informative and certainly we have used some of the concepts in managing the projects that we are involved in.

The departments themselves had various comments. Some appreciated the information obtained and others said they would never use it. We found it a session that was made available to all Government personnel. It was simply a two day seminar.

I believe they put on a half day session for deputy heads and Executive Council as well, to give them an idea of how you manage projects, the techniques involved and so on.

That is what that project covered. It was completed in the fall of 1978 just when we were starting into these projects.

Mr. MacKay: Maybe just to get specific so that I can understand, take a project like developing 500 lots in Hillcrest, and that is a real one that happened, are you aware if any of the information and techniques that were discussed in that seminar were used in managing that project?

Mr. Johnston: Mr. Chairman, the Department of Finance did not follow up after the seminar to see if the departments who attended ever use the process that was explained to them. Certainly they took the documentation away with them and the experience of being exposed for two days to these individuals who have quite a bit of expertise in that area. I know some of the areas covered, I had been exposed to before in various courses or experiences that I had been through myself but some of the items were new but I think I gained from it and probably put some of the information to advantage in the work that I have done since then. I cannot say as to how other people used it.

Mr. MacKay: So from the session, there has been no follow-up, other than if individuals took the initiative to use the information they got, that is as far as it went.

Mr. Johnston: That is right. It did not appear to the Department of Finance that it was our mandate to ensure that there was a uniform system of project management in the Government of Yukon. As I say, we initially expanded it to include the other departments because we were bringing the individuals here at a certain expense and that expense did not increase if we had more people joining the session.

Certainly within our own department we are using the techniques on a consistent basis because we have a project manager who attended the session and he is at least managing other project managers who are all doing the work so we are approaching them all on the same consistent basis.

Mr. MacKay: You mean you are talking about how they manage people and their time and how to get reporting systems coming back.

Mr. Johnston: How to assess the data to determine what your project should entail, how to manage your resources, how to meet deadlines, how to plan the project and the various steps involved in it so that if you get to point A and before you go to point D, you have to have C done so they are done at a time they can interface each other and move on to point D.

Mr. Hibberd: In your opinion, would it be of value if this project management was instituted and followed by the departments?

Mr. Johnston: Mr. Chairman, that is certainly a difficult question to respond to. There are many techniques in managing projects. I think it is a matter of preference as to which one you use. Certainly a lot of the information that was presented in those two days was common sense. In other words, I think we have all, even around the house, when we go to do something, had a plan of attack and I think it would vary from individual to individual but I think it would be very difficult to implement it Government-wide because projects do vary significantly, the people doing them vary as to how they are approached and their history, background and their training.

I do not know how you would implement it and monitor it. In a project, you could use the technique for something very minor that might take you a half an hour or might take you a year. They are projects that can be handled in the same way even though they are very different in scope. I really do not think it could be applicable, Mr. Chairman.

Mr. Chairman: Mr. Johnston, perhaps I could just get in a brief question on this subject. As I understand our discussions of the briefing of the FMCS report, there was an opinion expressed by the Auditor General about the responsibility of the Treasurer for supervising or ensuring that correct financial management systems are in place throughout the whole Government by your department.

We have this item here which is called "Project Management". Mr. MacKay mentioned that there was some confusion in the Committee as to which projects were being referred to. This is one of three on the progress list that we have which is marked as completed; however, you have just told us that you really do not have the kind of follow-up or any kind of review system which would check on whether those project management systems, or whatever they are, or methodology, have been implemented by departments, whether they are small projects or large. I would assume that there are some fundamental rules or principles behind such a system. I am curious as to how this item, this project called "Project Management" can be described as finished in the project report without this kind of review or referral back or checking up by your department.

Mr. Johnston: It is probably a matter of my not communicating to you properly then. I would never have identified this as a project if I had been around when the work plan was drawn up. The Bureau of Management Consulting simply said to us, if you are going to embark on a number of major financial projects, you should have a little bit of training as to how to handle them, control them and so on. We agreed to that.

It happened to be listed in their work plan, this purple book, as a project for us to do in part of the overall scheme of things so as far as we are concerned, we took the initiative and we hired some of their staff to come and give us this two day session and leave the documentation behind. That, to our way of understanding, was the project, to get this training and to use it. We are doing that.

We took it upon ourselves to ask other departments because it was at no extra expense to take in this information. They came along and got the information and they went away. It was never intended that that was part of the project. I know what you are saying, once that was done, maybe it should have been followed up but I think it is not relevant to what we were attempting to do.

Mr. MacKay: Okay, I think you are right there. I was looking, through the FMCS study and that really was not a recommendation of theirs.

Mr. Johnston: That is right. It was simply a method of training us to take on these projects, of assisting us.

Mr. MacKay: Except to the extent where in the role of the Treasurer, they do say "approving and monitoring of all financial management and control systems within the Government".

Mr. Johnston: Control there, Mr. Chairman, I believe would refer to financial control, not to project management control.

Mr. MacKay: That is where we are getting off the track.

Mr. Johnston: I think so. That is my opinion, that we are getting off base.

Mr. MacKay: You still exercise financial management control over a project.

Mr. Johnston: Yes, if there are any financial projects underway in the Government, we certainly provide advice and sometimes assistance and certainly monitor the results to make sure it conforms with what we want to see in place.

Mr. MacKay: If you reduce the relationship you have with them to the one where you are talking about value for money, this is where other Members of Committee were saying that this project management project was a value for money exercise, how to expedite things efficiently and you are saying that you do not foresee that as your role yet, that is not within your mandate at the present time.

Mr. Johnston: Mr. Chairman, I am sorry, I cannot even tie the two together, project management and value for money, I have heard what you said but I cannot relate the two in my own mind.

Mr. MacKay: I honestly do not understand what you mean by project management.

Mr. Johnston: I guess what I am saying is, we had a project to bring two people up for two and a half days and we did that so it was completed, I am not too sure now, Mr. Chairman, how Mr. MacKay is relating that to value for money and so on in other departments in the Government, I am sorry, I cannot understand it.

Mr. MacKay: The purpose of these two people coming up was to explain to the Government—

Mr. Johnston: To the Department of Finance.

Mr. MacKay: To the Department of Finance, and interested other departments, how to manage a project efficiently.

Mr. Johnston: Mr. Chairman, the purpose of these two individuals was to explain to the Department of Finance only a means by which they might manage the FMS projects. The rest of it was something that we did on our own, thinking that the Government would take advantage of it but that was not the project.

Mr. MacKay: That, I understand.

Mr. Chairman: There seems to be some problems with this word, "project".

Mr. MacKay: So that was the first thing you did in order to be able to expedite the remaining projects of the FMCS.

Mr. Johnston: Yes.

Mr. MacKay: Now, I have got you, I thought it was how to improve all of the Government systems in handling their different projects.

Mr. Johnston: No.

Mr. MacKay: Okay.

The next item we had was training and career development that had not started yet last February and it is still not started. Are any plans underway to—

Mr. Johnston: Mr. Chairman, we briefly discussed these areas earlier this morning, where we said that at this point in time, we do have informal training sessions with departments when it comes to that particular point in the year when we want to instruct them as to how to prepare budgets and so on, but what we are lacking is a system of financial training for either new people coming into the Government or just people in the Government who are going to a new position or also people who might have been here for a year or two but might want to be refreshed, if you like, on the financial systems of this Government.

That is something that we have talked to the Public Service Commission about. We have addressed it in the recent study that they are conducting on Public Service Commission training programs. We hope that in working with them that we can come up with some kind of a package for both financial people and non-financial people, individuals who come into the Government at all levels, at deputy head levels, should be aware of financial systems of this Government and how they go about using them. Certainly just telling them that we have a manual available that we should look at, we do not do that. They just come in and start working and if somebody else tells them what to do they go along and do it. If nobody tells them, they struggle.

We are saying that there should be a formal method of training.

As I say, we have done some investigative work on that and again, it is very important but we feel that it is the kind of thing that is in the later stages of development. It is refinement of what we are doing now.

Mr. MacKay: Do you then anticipate having it developed and implemented by March 31, 1981? That is what it says here, is it not?

Mr. Johnston: Perhaps I was being cagey, Mr. Chairman, but the way I typed that section up was projects to be started in Phase II.

It is very difficult at this point in time to say that all the projects that are not done by the end of March this year will be done by the end of March next year. There are quite a few of them and some that we have not done very much work on yet. We are not really aware of the resources and time that will be required to complete them. We are saying that that is one of the projects that we will do more work on in the next fiscal year. We may, or we may not complete it, I am not trying to be vague, Mr. Chairman, but it is difficult to say that all of these will be done in another year. In my own personal opinion, they will not all be done in the next fiscal year. We have indicated the ones that we think will be completed, that is the third category, active projects that will be completed in Phase II, Phase II being the next fiscal year.

The other ones, we will start. Some we will complete and others, I am sure we will not. They are quite major, some of them.

Mr. MacKay: Time is running out but could you, for tomorrow, indicate a priority number for each one of these items to be started? In other words, where you see it in priority coming forward next?

Mr. Johnston: Yes, Mr. Chairman, we could do that.

Mr. MacKay: What we are looking at is coming back next year with you sitting over here and hopefully us sitting over here, and being able to ask you how it has gone and whether you will be able to live up to the commitments you have made so you are quite right not to make a commitment that you cannot fulfill. At the same time, we do want to have a clear idea of how far you are going to get in the next year and what other items you see as the most important in fulfilling the recommendations in that FMCS study.

Mr. Chairman: Do any other Members of the Committee have any questions at this time?

As the saying goes, "My, how time flies when you are having fun."

We shall shortly be reconvening into executive session in the caucus room. Formal hearings will continue tomorrow morning at 9:30 a.m. I would like to ask you, Mr. Johnston, if you can make yourself and your officials available at that time?

Mr. Johnston: Yes, Mr. Chairman.

Mr. Chairman: Following our executive session, sometime this afternoon, our Clerk will advise you as to which matters we wish to pursue in detail tomorrow so that you can be adequately briefed.

I would like to thank you for being with us this morning, Mr. Wilson, Mr. Nutt and look forward to seeing you tomorrow morning.

At this point we will adjourn and reconvene in executive session in the caucus room.

The Committee adjourned at 11:28 o'clock a.m.



The Dukon Legislative Assembly

Issue No. 2

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Thursday, February 7, 1980
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Mr. Tony Penikett

Vice-Chairman: Mr. Geoffrey Lattin

Members

Doug Graham

Jack Hibberd

Iain MacKay

Missy Parnell

Clerk of the Committee

Pursuant to Standing Order 46.(3)

Mr. Falle substituted for Mr. Graham

Expert Advisors from the Office of the Auditor General

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

Andy Johnston, Territorial Treasurer

Grant Wilson, Director, Budget and Financial Mangement

Arthur Nutt, Director, Financial Planning and Systems Development

EVIDENCE

Thursday, February 7, 1980 — 9:36 am

Mr. Chairman: The Standing Committee on Public Accounts, meeting number two, formal hearings, will come to order.

This morning, we are dealing with the Department of Finance. Initially, we are going to be going back in some detail over some items we covered yesterday.

The first question we will be going into in more detail is the question of variance reports. The second issue we wish to pursue is the timing and mechanics of the Treasurer's input into Executive Council submissions. The third item which was raised yesterday is the priority rating and timetable of Phase II of FMS projects.

If we clear those, we will then proceed where we left off yesterday, with the FMS project review. Is that all clear?

Perhaps, before I proceed, I would like this morning, to introduce to the Committee and witnesses, Mr. Al Falle, MLA for Hootalinqua, who is substituting for Mr. Graham this morning.

I would like to welcome again our witnesses from the Department of Finance, Mr. Johnston, Mr. Wilson, and Mr. Nutt.

If there are no questions about the agenda, I will ask Dr. Hibberd to proceed with the first question.

Mr. Hibberd: Thank you, Mr. Chairman.

I am somewhat concerned with regard to the variances that we got into yesterday to a certain extent because it seems particularly germane to this Committee's function. I am concerned as to how effective this mechanism is.

Could you explain to me how these variances are transmitted from your Department to the Executive Committee and what mechanism is there whereby there might be action taken by the Executive Committee.

Mr. Johnston: Mr. Chairman, I would like to have Mr. Wilson handle the topic of variance reports as it is the responsibility of his branch.

Mr. Wilson: Yes, Mr. Chairman, the variance reports are drawn up by department personnel by the use of various information. Initially, we have a statement of appropriations and allotments which is a computer report which indicates variances by primary or line object, by activity, by establishment. In other words, by activity, by program.

The variances are listed as a period variance, and a year-to-date variance.

They are determined on the basis on initial input from departments as to their estimated expenditures by period throughout the year, the variance then being the difference between the actual expenditures for that period or for that group of periods, and the estimated expenditures that they had thought that they might incur up to that point.

So, the variances that we ask for are the year-to-date variances, on the one hand. In other words, if there has been a variance of significant proportion from the beginning of the year to, say, December or whatever period we may be asking, and, on the other hand, a projected year-end variance based on the information that is obtained or that is arrived at when the year-to-date variance is received; then a department is asked to project what further activities would occur to the end of the year.

So, for example, if there were expenditures in salary allotment that appeared to have a large variance which would show an over-expenditure, the department would be asked to explain, first of all, why there was a variance, why the over-expenditure, and, on the second hand, ask to project if this over-expenditure would continue on to the end of the year, realizing that there may be errors in the initial cash flow projection which would mean that, in some cases, while there may be a variance for year-to-date, there may not, in fact, be a variance to the end of the year.

Now, these variance reports, as I said, are prepared by the department personnel, normally the administrative officers. All of them are reviewed by the deputy heads of the department. It is his responsibility to determine that the variances are reported, to the best of his knowledge, correctly.

There is a policy procedure of this Government that indicates the variance reports and the forms are explained as well as the steps and procedures in order to carry out the variances are explained.

When the variances arrive in the Department of Finance, the budget personnel will, first of all, take the information given,

analyze it to see if it appears to be correct, with the knowledge that they may have gained from other areas, other sources and basically put the variance down in different form for the Executive Committee.

This is so that, for example, if the department shows a variance of, and I will use salary again, that they will be over-spending a certain amount of money because of a transfer of one man year from one other allotment to this allotment, then we will explain in a form that is more readily readable to the Executive Council. This would indicate the beginning year's approved budget, the budget that is approved by the Assembly, plus all of the minuses and pluses, all of the changes that have occurred according to the department personnel.

These variances are, as I indicated, reported to the Subcommittee on Finance who review the financial position based on the variance reports. The Department of Finance draws up a financial position paper indicating the level of working capital, the increases, decreases in expenditures and revenues and any other changes that may be considered pertinent, this ending up to be summarized on basically one sheet which indicates the working capital levels.

From that, the Subcommittee on Finance can make recommendations to the Executive Council as to whether or not certain actions should occur. If it is felt that certain expenditures that are projected should not, in fact, occur, then that direction will come back to the Subcommittee on Finance and will then be directed to the department involved.

Mr. Hibberd: Mr. Wilson, you described how your department would deal with the variance report when it received it, would it take into account the normal variations, seasonal expenditures, that might occur? For instance, Parks would very well have their expenditures accumulating in a very few months' time. How would that be taken care of in the variance report?

Mr. Wilson: Mr. Chairman, it does to the extent that a department will project its expenditures correctly.

Now, for example, at the beginning of the year, we have a budget that is approved by the Assembly. Based on that budget, we will go back to the departments and ask them, "How do you anticipate spending this money?"

The budget branch receives these projections, analyzes them in respect to what happened in prior years to see if certain expenditures are not just split evenly by periods. Say you have got \$1,300 and you split it by 13 periods to get \$100 per period. If that is not realistic, we do not want it because it means that the variances then will be unrealistic and so on.

So, the first step of course is to determine that the cash projections appear reasonable and those we can only do based on past experience and our knowledge, plus discussions with the departments.

Mr. MacKay: I just want to clarify the role of the Department of Finance because in your explanation, I was not sure when you referred to "department", whether it was your department or the reporting department. So, perhaps when you answer, you can try and differentiate clearly between these two.

Yesterday, in answer to a question about variances, you said that the variance reports for the departments are requested to be prepared by period but they are not analyzed by the Department of Finance.

Maybe I was confused as to which department you were talking about this morning but I thought I understood you to say that the Department of Finance does do some analysis work. Now, perhaps you could clarify who is analyzing the variances and explaining them.

Mr. Wilson: Yes, Mr. Chairman, the Department of Finance analyzes quarterly variances only. This analysis is to assist the Executive Council in its decision-making role.

The individual departments may or may not—in most cases they do prepare period variances and that is for the deputy head to determine his role, his decision-making capabilities and his ability to make changes depending upon the period variance.

So, the Department of Finances does not get involved for every period, other than the possibility of special requests. For example, with the Intergovernmental Committee on Federal/Territorial Financial Relations, at times we do require a special variance report to be given to us so that we can be more up to date on the financial affairs of the total Territory, the total Government.

But in most cases, as I say, the individual departments will do it for themselves for all but the four basic quarter ends.

Mr. MacKay: In the quarterly reports, do you ensure that the information contained in that matches what you have in your central accounting system, or do you accept the figures as presented by the department from their satellite system? Or am I wrong in assuming that is where the figures come from?

Mr. Wilson: Mr. Chairman, we use the central accounting system as the method for the initial variance.

There is provision in that variance, however, to have departments place commitments or other things that they know that have occurred that have not yet been reported on the central accounting system.

This provides for a more accurate position in some cases. In others, it is not needed because there is no necessity. The variances would not be major.

Mr. MacKay: A final one, with respect to the reference to the overall financial position of the Government, do you produce a quarterly statement similar to other provincial jurisdictions, I guess, in which you can determine a surplus or deficit of the Government?

Mr. Wilson: The Accounting Services Branch, Mr. Chairman, prepares a quarterly financial statement, financial position. The financial position I am talking about, basically, is a budgetary financial position, which is fairly different from the two, so that there are in fact two separate types of papers prepared for the Executive Council.

Mr. Johnston: Mr. Chairman, I might add that on the quarterly financial statements that, as well as being used internally, they are sent to Ottawa.

Mr. Lattin: I notice, Mr. Wilson, in reading the FMCS Report, 1976, that the Liquor Control Department and the Department of Highways generally do not report their operating variances. Do they now?

Mr. Wilson: Mr. Chairman, the Liquor Corporation does, in fact, report variances. The Garage Operations, at times, have not prepared variance reports for various reasons, most of which are time or capability reasons more than anything else.

I receive a variance report and at times they have not been adequate, but these will vary from department to department.

But, certainly, every branch, department and corporation does prepare a variance report. It is an order of magnitude, let us put it that way. Sometimes a variance report is not very good, other times it is excellent. It is a process of learning and teaching as to what eventually will become a meaningful variance report.

It is a constant upgrading state.

Mr. Johnston: I think, Mr. Chairman, it is fair to say that, because these variance reports are prepared by a number of personnel in each of the departments, that their capabilities and interpretation varies with the individual. So that is one reason as well why you would get an excellent report versus a medium to poor report from other people.

Mr. Hibberd: Perhaps this brings up another concern. If these variance reports are, indeed, that important in maintaining control over government expenditures, do you contemplate any system whereby you might have either an initial or an on-going training for the people who are preparing these variance reports so that they might become standardized?

Mr. Wilson: Mr. Chairman, we do, in fact, have on-going training on these. I might mention that the third quarter report is in fact used for the Supplementary Estimate preparation.

So at that point, we have a meeting with all finance personnel in departments to go over the variance report requirements. Over the past year, we have sent a number of up-dating letters, basically, plus individual discussions with department personnel to get them to appreciate better the usefulness of the variance report.

Of course, we are always finding more areas where we could have improvement and we continue to basically go back to those all the time to try and get that improvement.

Mr. Hibberd: Mr. Wilson, how often has the Executive Council acted on the variance reports that they have received?

Mr. Wilson: The Executive Council acts either positively or negatively every time the variance report is received.

In other words, because the financial position paper is given to the Subcommittee on Finance, those papers are used to determine various actions in the future. A lot of the cases, in terms of interim appropriations, are determined based on the variance report.

If in fact some activity within a department appears to be exces-

sive from the basis of original estimates, certain action does take place. But this is quite often done on a passive nature as opposed to an active nature.

Mr. MacKay: Are you satisfied, Mr. Wilson, that the whole information system works where there is the creation of the variance report following through to your department, following through to Subcommittee on Finance, following through to the Executive Committee, and then the feedback down to department? The chain is complete. In other words, that there is an action and a reaction to this reporting system that is working? Or do you think there are areas for improvement?

Mr. Wilson: Mr. Chairman, I am satisfied with the process. I think that the major problem is one of training and that was one of the, I think, major points of this committee, is that it is important to have the various departmental financial individuals made more aware, spend more time in this area than possibly has been done in the past.

Of course what happens is that some individuals are much better trained and have much more knowledge of the process. Others are learning it or do not spend as much time in it.

This is a constant process from the Budget Branch. We have daily communication with all of these individuals. Every time variance reports are presented to us, we will take a day or two days out with that individual, have him redo the whole process, get them to the point where they understand the true process.

So, that is not a problem with the cycle, it is more a problem of whether the financial information is accurate and timely.

Mr. MacKay: You are generally happy with the explanations you get, though, from each department.

Mr. Wilson: Mr. Chairman, we are generally happy. In most cases, I should say in a lot of cases, we do not and we will not accept it at face value. There is always the inter-relationship between Department of Finance personnel and departmental personnel because certain things may not be explained fully and we want to assure ourselves exactly what they mean.

So, there is not acceptance at face value, if that is what you mean.

Mr. MacKay: Does your role, in your mind, extend to acting as a brake on over-expenditures? In other words, how do you visualize your role? Do you visualize it as one in which you just report the overage further up the line or do you endeavour to find solutions with that department within the policies that they are trying to implement?

Mr. Wilson: Mr. Chairman, I think because of the role that we have played, the assistance that the Department of Finance gives is one in trying to look at and trying to suggest other than just showing over-expenditures.

In other words, if an over-expenditure does show up, the first question is brought up, where can you under-spend? What can you cut? Without affecting those programs that have been approved, what are the areas that are flexible?

So certainly we will approach departments on that basis, and if we are convinced that they cannot do anything other than do what they are going to be doing, then we have to accept that and we report it.

Mr. MacKay: In your mind, who is responsible at the end of the year, if you have a budgetary overrun in the whole government of \$2 million? Maybe I should not be asking this question. I want to determine how you perceive your role in the process. I am not asking you to say if somebody else is to blame. I am just asking where your role is.

Where do you perceive the ultimate control to rest for that, or the ultimate responsibility?

Mr. Wilson: Mr. Chairman, the deputy heads are ultimately responsible for their budgets. They are the ones, if, based on Supplementary Estimates, they become overspent, they are the ones responsible.

Mr. Chairman: Any other questions on the matter of variances?

If not, we will then go on to the second issue which was raised yesterday, which is the timing and mechanics of the treasurer's input into Executive Council submissions.

Would you like to lead off on this, Dr. Hibberd?

Mr. Hibberd: Mr. Johnston, yesterday you explained the process whereby Executive Council submissions are drawn up and, as you perceive the participation of your department in that mechanism.

My concern at that time was, and still is, that the submission

from your department very well could be vital to whatever the submission might be. I am concerned that it might have gone a long way down the road in its development before there is actually participation by your department.

Can you conceive of any mechanism whereby you might be involved at the inception of a plan before it gets too far down the road and before there might be some hardened positions taken on a submission? Can you see any mechanism whereby you might be involved earlier or would you perceive it as being valuable if you were involved earlier?

Mr. Johnston: Mr. Chairman, I have handed out one document there, it is titled "Request for Decision", which may be useful in this conversation.

Mr. Lattin: A point of order, Mr. Chairman. I would move that this be attached as an appendix.

Mr. Chairman: I will take that as a notice of motion.

Mr. Johnston: I am wondering if it might be useful if I take a couple of minutes to review the mechanics of the procedure. I know I talked about it yesterday, but, perhaps with this in front of us, it might be easier to understand. Then I can address Dr. Hibberd's concerns.

Thank you.

Mr. Chairman, there are actually two forms involved, the one that you have in front of you is the second form in the procedure. Attached to it is a summary sheet and these two items, as I say, form the second form used in the process.

The first form is a more detailed submission, with the same topics as the summary sheet. The summary sheet is done so that the Executive Committee can, at a glance, see what the proposal is all about. Often the submissions are quite lengthy.

So in the formation of the original submission, which is the first form in the process, these topics are covered. Once the submission is completed by the department it is signed by the Minister of that department. One of the items that they do consider are financial considerations.

There is nothing at this point in time to ensure that the department talks to the Department of Finance to consider what the financial considerations are. But the Minister, when he is reviewing this and signing it, must, in his own mind, feel that the financial considerations are stated fairly.

Once that is prepared and accepted by the Minister, then the second document, which I have sent out to you, is attached. It is called a "Request for Decision".

On this form, this is where the Department of Finance must get involved. On the first form it is up to the department as to whether or not they consult us.

This form is started out and, as you can see in Part No. 1, it says "consulted with Legal Services, Finance, Public Service Commission and other departments if required". So, in other words, the Department of Finance is highlighted as one department that must be considered.

We sign these documents after reviewing them and, at this point in time, if there are major financial implications that really have not been addressed in the original submission, we suggest at times that they be redone.

Other times, if the comments are not major or if, in fact, there is a time restraint, we attach our comments and where we sign our signature we say "Comments Attached". So, at this point in time, the individual in the department is going around getting these signatures, after all these signatures are obtained, the deputy head of that department then signs, at the bottom of Part 1, that all the pertinent departments have been contacted and the submission has been discussed.

Again, under Part 2, the Minister of that department that is submitting the Executive Council submission, reviews this sheet to make sure that all the steps have been taken and he again, for the second time, puts his signature into the process.

So, as I said before, he has signed the detailed submission, he has now signed this Request for Decision form indicating that the proper steps have been taken. So, he is indicating that as far as he is concerned the responsibilities of his department have been carried out.

Now it goes to the Executive Committee office and they fill in Part No. 3 and they make the decision then as to which committees this particular document should go to. If it has financial implications, it goes to the Subcommittee on Finance.

There are also two internal management committees that are listed. They are Economic and Social Planning and Internal Management. Normally, documents go to one or the other, or, in some cases, both of these committees.

Now, it is important to note that the Treasurer is an advisor to the Subcommittee on Finance, an advisor to the Economic and Social Planning Committee, and an advisor to the Internal Management Committee. So often, by the time this document gets as far as the Subcommittee on Finance, I have seen this three or four or five times. As a matter of fact, you almost get sick of seeing the same submission over and over and over.

But nevertheless, it is interesting in the fact that each one of these committees and each one of these processes are different. So, sometimes it draws out different comments even from myself, because you see it in a different light if a different individual is talking about it.

So, I would suggest, Mr. Chairman, that by the time it gets to Cabinet, if, by some chance, and I do not know how it would happen, something got to Cabinet without being seen by the Department of Finance that had financial implications, our last hope is that the Government Leader, at this point in time, is the Minister of Finance and he has a very good relationship with our department and insists that every financial item is reviewed by ourselves.

So, if by chance it did get past all the procedures I mentioned, then he would, at that point in time, refer it back to either the department or back to one of the committees, where we would have a chance at it.

So, I think it is a fairly lengthy procedure and I think we have many chances to get involved. Dr. Hibberd's question, I believe, is do I think that we get involved at the best stage, in other words, the earliest stage, where we might be of some use.

I think I could answer that by saying that although departments are not obligated in their original submission that goes to their Minister to talk to us, I would say that where there are major financial implications, they know that once it gets out of their hands and into the system, we are going to be there commenting on it and they want to make sure that the comments are as favourable as possible.

So, they do come to us on major items. On the ones that are minor, we do see it very shortly afterwards and, as I say, I do not believe that we could get involved in the detailed writing of all of the submissions because, in most cases, they are policies, procedures, legislation that we really do not have a knowledge of that particular field.

I think that that is up to the individuals in the department. They do, to the best of my knowledge, use us as early as possible.

Mr. Hibberd: Thank you, Mr. Johnston. You have indeed explained the mechanisms whereby your department does become involved, but I think you have related primarily to the mechanisms and how you might be involved in the actual writing of a submission.

I am talking about the actual whatever the project might be and it is still at the idea stage and it still has major ramifications from your department. I am talking about the consultative process that would go on before pen is ever put to paper.

Is there no mechanism whereby you could be involved at that stage?

Mr. Johnston: Mr. Chairman, I would suggest that many policies, procedures, suggested legislation starts as a seed, I suppose, at the political level and these ideas are passed down to administration to develop.

Certainly, many departments are thinking about the possible wording, the possible approach to many of these submissions prior to coming to the Department of Finance, but I would suggest that until they formulate the approach, the mechanics and so on of a particular piece of legislation or whatever, we could say very little about the fiscal, financial, accounting aspects of it.

We would have to know from the department what they are planning on doing. So, it is a consultative thing and I think that we do talk with departments. I have meetings almost every day with departments when they come in and ask advice. I would say that the more successful departments at least ask us at as early a point as possible. We do get involved from the very beginning, in most cases, in most major pieces of policy.

Mr. Chairman: Mr. Johnston, let us pursue that for a second.

To extend your analogy of the seed, when some department presumably has an idea, in order for it to grow, it obviously has to

be fertilized with money at some point.

Presumably, your department is best able, perhaps not to do their cost estimates of really what it will cost. I mean, they will have some ideas about that, but these things have to be paid for. Surely there is some special expertise that your department has to bring to bear on that question, as to whether the money can be found, whether, in fact, the estimates are reasonable.

There has been a lot of public concern, as you know, in recent years, about the growth of government spending and a lot of that is from some perception that the programs were underestimated or under-budgeted in their germinal stage.

I think I would just like to pursue Dr. Hibberd's question a little bit, is there any formal way that you can perceive where, right at the start, where the egg is there and it is looking for some seed money to fertilize it, that your department could have some formal way of saying, look, this will cost too much, or you cannot do it this way, or what are you going to do for revenue. I mean asking the tough-minded financial questions that should be the test of any new idea in government.

Mr. Johnston: Mr. Chairman, Mr. Wilson has some comments to make, but just before he gets involved, I wanted to say that I think it would be very difficult to develop a policy whereby you say that when you are thinking about something you must talk to the Department of Finance.

I think the point I am trying to make is that the first form that I am talking about, prior to the second one being introduced into the procedure, is where the department is coming up with the idea and that is where the Minister says, okay, I like your idea, now go out and consult with all the people who should be involved and come back to me at that point in time when you are satisfied, as a deputy head, that you have consulted with everybody on this idea. Then only at that point in time will this idea go further.

So, I think that until you get the Minister's signature, it does not get into the political process, which is Part 3 of the form.

So, we have, in fact, right now, established that, "Okay, department, think about your ideas, put them down as a submission, and then I will sign it if I like the idea. Now, I want you to go out and you get the opinion of the legal people as to the wording. You get the opinion of the finance people as to the finances, Public Service Commission as to man years and so on, and any other department or agency that you think should have some input into this idea. Then you sign it as a deputy head. Tell me that everything has been done, then come back to me and I will review the idea now, and it will likely have changed significantly from the time that the idea originally came up."

It is only at that point in time that it goes on. So, I think we have established the point that we get involved. Really, the department is only putting down in writing what their idea is and then they start consulting. I do not think it could be much earlier.

Mr. Chairman: Let me zero in on this for a second, this consultative process, and that is what it is. Presumably, if Finance expressed some strong reservations about the program because of its cost or its efficiency or whatever, on whatever grounds, what happens, particularly, on the Request for Decision form. I mean, can you decide not to sign it?

Presumably you are only signing that you have been consulted. It does not really say whether you concur or support it or have expressed your strong reservations or what.

Mr. Johnston: What happens, Mr. Chairman, is there are two ways of going about it.

The odd time if what we have to say really changes the paper, then the department will go back and rework the submission.

If the comments are not major or if, in fact, there is not time to go back and rework the entire submission, but our comments are still major, then in either of those two cases we would attach comments and where we sign, this simply says that we have seen it, but we do say "see attached comments" and if those comments are not attached then the package is not complete.

Where it is reviewed then in the committees and also in Subcommittee on Finance, if our comments were not there, we are present to say, "Hey, we have said, 'See attached comments,' and they are not there."

So, certainly it does not go beyond us without our ideas being included in the package. The fact that we have signed it does not mean that we approve of it because in many cases it is a policy, a political decision whether or not they proceed and we do not pre-

tend to be politicians. So we are simply ensuring that the political level is aware of financial implications.

So, our signature does not say that we like the policy. We are just saying, "Be aware of these financial implications."

Mr. Wilson: Mr. Chairman, one of the questions you asked was referring to the possibility of the budget input and the implications, the policy implications of new programs or changes in programs that may be reflected in the budget.

This process, in terms of a Request for Decision, or a policy request, is one step. It is one of two, basically, one of two steps in obtaining a policy decision. The other one is through the budgetary process, the financial planning process. Decisions, through the budgetary process, we would start out with what we call the program forecast, which would indicate a department's requests for certain levels of funding programs, or what have you, over an extended period of time, let us say three years, the first year being the next following budget.

This document is first and foremost reviewed by the Department of Finance and the Department of Finance makes comments on that type of thing. Quite often what will happen is that a new program, for example, will be put forward, we can and will make comment at that time, and it may, in fact, come up for a possibility to be put in the budget.

The discussion then will carry on to a broader extent after that time for a Minister to ensure that his department and Department of Finance are satisfied with the types of funding that are provided in there and so on.

So, that is another side of this process.

Mr. Johnston: I might, Mr. Chairman, just indicate that I am not aware, in my five or six months as Treasurer, of any policies that have been acted upon by the Cabinet that had major financial implications that we were not aware of.

In other words, this is the system and it seems to work. I am not aware of any exceptions that have got by us. That perhaps proves that it maybe is working. It does not prove that it is, but it is an indication that it is.

Mr. Chairman: You are satisfied with the process.

Mr. Johnston: Yes.

Mr. Hibberd: Just a comment, Mr. Johnston, it had been my impression in the past that the Department of Finance was indeed concerned that they were not involved early enough. You are satisfied that that is not the case at any time now.

Mr. Johnston: Mr. Chairman, within the last couple of years, I believe during Mr. Sherlock's time as Treasurer, the Department of Finance was not always consulted.

The form was changed so that, in fact, we had to be consulted and also the word was given to the committees and to the deputy heads that, in fact, nothing would be processed without the Department of Finance being involved.

So, I would say that you are right, the concern was there and Mr. Wilson could perhaps indicate the time, roughly, that it started changing. But in recent history, we are satisfied with our input. We were dissatisfied a short time ago.

Mr. Wilson: Yes, Mr. Chairman, I think it was probably around a year and a half to two years ago. It was at that time that the Department of Finance insisted on seeing these policy papers that had financial implication. We had to see them; certainly if an Executive Council Member decided to take it into Cabinet by himself we did not see it, well, there is not really very much we can do, but that displeasure, if you want to put it that way, would be made known at the Subcommittee on Finance level.

Mr. MacKay: I think you are to be complimented on obtaining that kind of improvement.

Mr. Chairman: Thank you, Mr. MacKay.

Okay, if there are no further questions on this particular matter, then we can perhaps move on to the next item we have left over from yesterday, which is a request from Mr. MacKay near the close of yesterday's proceedings, which was a priority rating and timetable of Phase II of the FMS projects.

Mr. Johnston: Mr. Chairman, again I have distributed an exhibit that indicates a priority rating and also a timetable. If you like, I can address the document.

Mr. Lattin: Mr. Chairman, I give notice of motion that we would like this attached to the Appendix.

Mr. Chairman: Thank you, Mr. Lattin.

Mr. Johnston: Mr. Chairman, what we have attempted to do with this document is indicate to you, for the active projects that we have right now that we are going to complete, we hope, in the next fiscal year, we have indicated, in our opinion, the priority of them within that particular group and also the expected completion date in the next fiscal year.

The second part of the submission indicates the projects that we plan on starting in Phase II and again we have assigned a priority within that group of projects. We have said when we expect to start them.

It is only after we start them, Mr. Chairman, and get a feel for the magnitude of them and the way that we may be proceeding with them that we will be able to put an ending date on them. But it does indicate our starting date, it is a commitment to start them by that point in time.

Mr. MacKay: Just so that we define our terms, when you say starting dates, what do you mean by that? Does that mean when it goes into the planning stage or the development stage?

Mr. Johnston: Mr. Chairman, we have indicated that these projects will be started in Phase II, however, in the past year and a half, on some of them we have done some investigative work already.

For example, on asset control, we have talked to other jurisdictions and obtained information on one or two systems in place in the country already. So we have done some investigative work.

Projects to be started, I guess that phrase means to me that we will actively pursue that project. We would investigate the project, we would come up with some observations, some alternate ways of attacking the projects and, I would suggest, finalize the approach that we are going to take.

In other words, there might be alternatives one, two, three, and we might say we are going to take number three. At that point in time, we will have to assess the magnitude then of that project. In other words, if we picked alternate number three, is it going to take six months, two months, three months, how many man years, how many dollars. We are going to have to use consultants, buy software packages or whatever.

I think, at that point in time, we would be able to say, okay, based on what we are aware of now, we can either pursue it, because we have the resources, or we cannot. So, I would say that by starting it we would get to that point. We would determine what is required to finish the project.

Mr. MacKay: As a lot of these projects are resulting from the one FMCS study and it seems to me that they are inter-related in many ways, my concern would be that the order in which you implement the programs might leave some significant gaps.

Do you foresee that problem arising? For example, the big start-up date is April 1 for your new central and planning system. Can you successfully carry that off without having a financial administration and accounting control manual in place at that time?

Mr. Johnston: Mr. Chairman, the comments are well taken in that yes, many of these projects are inter-related. That is why, as you will notice, we have assigned the same priority to several, for example, in the first category, because we feel that some of them should be carried out at the same time. The same as in the category, we feel, for example, that the audit verification and pre-audit function, which is talking about accounts payable, should be carried out the same time as we review whether we should centralize or decentralize the accounts payable process, which is on the second page.

So, yes, some of them are inter-related, some of them you have to do at the same time, or it is wise to do it at the same time.

I would suggest that what we are attempting to do for April 1 would certainly be more complete if we had a financial administration and accounting control manual which will, in some cases, refer to the system being implemented, but I still feel that we will be successful in starting up April 1. The departments have been very involved. We have had all kinds of meetings; we have been working with them because they have been doing some of the work, that they will be familiar with the system and be able to use the system without a new manual.

But certainly, if we had a manual to hand out on April 1, we would like to have that, but it will not be possible. It does not appear that it will be possible at this point in time.

Mr. MacKay: What about mechanical things like internal charge-backs? Are they programmed now in your new accounting system or is it something that is just not going to be there until you have completed this project?

Mr. Johnston: Mr. Chairman, that particular project is not to initiate internal charge-backs. They are happening now, for example with equipment, labour, and so on.

What we want to do is evaluate our method of doing that. We feel that we can improve on the system. So, on April 1, the subsystem of charge-backs or several subsystems of charge-backs have been changed so that they will now interface with the new general ledger package, as they interfaced with the old one.

But the method of internal charge-backs will not be changing. So the program of internal charge-backs itself will evaluate all of the various charge-back systems that we have and, perhaps suggest changes and make those changes.

If you want more details on charge-backs, Mr. Nutt could indicate some of the chargeback systems.

Mr. MacKay: I am afraid we are getting into too much detail. I will ask this directly, are you conscious of any defects in your system, that is to start on April 1, which are significant enough to give some concern as to the accuracy of the information you will receive? Are you conscious of anything right now that you are worried about that will be corrected when these other projects are completed?

Mr. Johnston: Mr. Chairman, we do not feel that we have any major deficiencies. We feel that in the changeover that we will, in fact, be improving the system substantially. There certainly still are areas for improvement, but the departments will be inputting data at a lower level and, because of that and because of the new classification system of classifying data once it is input, the number and type of reports that are coming off at the other end, particularly for the department's management reports, are much more varied, much more detailed in some cases. In some cases they are very high-level reports. There is quite a variety of reports that will be used by different levels of individuals within the Department for different financial functions.

As well, the Department of Finance's Central Agency will be getting better control reports off. It will also be getting our financial statements produced by the computer for the first time ever. Right now we take a trial balance and add all kinds of accounts together, it takes us days, and then we type up financial statements. That will be done automatically.

So, we feel that there are many improvements in what we are putting into place and we feel that, along with these improvements, that there will be enhancements that we must work on in the future to further develop the information for departments.

Mr. MacKay: This is really an aside, but do you consider the existing equipment that you have in the EDP centre sufficient to handle the immediate future, the next year or two?

Mr. Johnston: Mr. Chairman, that is a very interesting topic. When FMS was started, the EDP branch, Data Systems and Computer Services was part of the Department of Finance. At that point in time, we had had a number of projects listed that were related to EDP because it was, in fact, our responsibility. Since then, as you know, it has been taken out and put into the Department of Government Services.

We did investigate, when we got into these projects, the capabilities of the equipment to the point that we decided that we were going to buy a general ledger software package rather than manufacture one in-house. We went out on the market to see if, in fact, we could get one for the equipment that we had. The system that we picked we purchased from Software International.

This particular company has implemented this general ledger package and I think it is 1,500 systems around the world, 300 of them on the same equipment that we have. So, what they have had to do is they have had to develop a unique package, all these packages have similar features and they had to develop a package for the IBM System 3 Model 12 that we have and a package for another IBM machine and so on.

So, they have the same system that can be used on many types of equipment. So we went to that for the reason that we have the IBM equipment now, but if we want to change in the near future, then all we have to do with the software people is pay the difference in price, if there is any, from what the original cost is of the new package we want and the new package that we originally bought. If it was \$2,000, we would pay \$2,000 and get the new package and just put it downstream.

So, we did in fact look at the EDP situation and we feel that any particular system that we want to develop in the future could be done on this equipment. Now, we would, if they had new, more powerful, fancy equipment — I should say not "fancy", that is a poor term, but more economical, efficient machinery, than, certainly, we would be happy but we can run our new system on this

equipment and we can, in fact, make changes to payroll, accounts receivable and so on, on this equipment.

Mr. Chairman: Thank you, Mr. Johnston. We will take a short break now.

Before I declare a 15 minute recess, I would first excuse the witnesses and ask them to be back here at 10:45, if that is possible.

The committee will stand recessed until that time.

Recess

Mr. Chairman: I would like to welcome our witnesses back again.

We were in the process of discussing the priority rating and timetable of Phase II of the FMS projects. Mr. MacKay has the floor.

Mr. MacKay: I am a bit concerned about the implementation of your new system on April 1, without having a manual to go with it.

We discussed yesterday the idea of breaking down that manual to constituent parts and issuing it piecemeal. You thought you did not like that.

The original study recommended a manual with eight parts. One of these parts was accounting systems and reporting. What is the problem of not issuing that at this time?

Mr. Johnston: Mr. Chairman, it is probably, I suppose, an interpretation of what the financial administration and accounting control manual is.

I was uncomfortable with the answer I gave early this morning, so I thought perhaps I should clarify. I am glad Mr. MacKay has raised the point.

On April 1, we will be implementing a new general ledger package and a new classification of accounts. They are two separate projects. The general ledger package was a software package that we purchased from an international company. With that package comes seven manuals.

Okay, the manuals cover a variety of areas: the input forms to be used in the system, the electronic data processing procedures in the system, the audit reports coming off the system and various other reports coming off the system. So, in fact, we have complete documentation of the new general ledger system going into effect.

The classification of accounts is another topic. On that particular topic, we have developed ourselves a new Classification of Accounts Manual, which has already been distributed to departments so that they could, in fact, prepare their budget based on the new system.

This new manual, which Mr. Nutt has a copy of, defines the system being used, defines all the elements of it, defines everything about the new classification system, it indicates all the actual numbers. In other words, Salaries, permanent staff, is 0100, or whatever the number happens to be. So, in fact, the two new major systems going into place April 1 are well documented.

The Financial Accounting and Administration Control Manual, to my way of thinking, is something similar to the manual that we have already issued, which indicates all of the policies, procedures, all of the financial policies, procedures, legislation, et cetera, of this government. With, certainly, other things included, but that would form the main part of it.

That is what we have to develop, but I think as far as the system going into place, they are well documented. The individuals in Finance and departments are well aware of the documentation and have the parts that they require to use the system.

So, I feel that is well covered, Mr. Chairman.

Mr. MacKay: So each department will have a copy of the code of accounts with instructions as to how to classify each thing?

Mr. Johnston: Yes, sir, they have that now.

Mr. MacKay: And each department will have some of these manuals?

Mr. Johnston: Each department will have the parts of the manuals that they require. In other words, how to fill in various input forms, they will have that. How to review various reports coming off the edit list, they will have that. There will certainly be some details in here they would not require, for example, how the electronic data processing system works. Now who would have that would be the data people and they would have that in their office so that they can run the system.

Mr. MacKay: So, you visualize the manual that the FMCS study proposed to be a sort of umbrella manual through which you would refer to the subsidiary type manuals. You would say, okay, for classification of accounts see manual such-and-such. It will form

part of the overall manual, but it will not be just in the same package, is that it?

Mr. Johnston: That's right, Mr. Chairman. Another manual, for example, that we have developed and distributed, I know it says that it is not complete on our list because we have a couple of sections to do yet, but in our own Department, we have developed an internal operating manual for our staff that indicates, for example, to the individual processing fuel tax returns, that you receive this document from the company and this document from somewhere else, you add this to that and subtract that. It gives them every step they must use to perform their function.

So, again, we have many manuals in place and I think it is just a matter of terminology as to what manual is missing.

Mr. MacKay: With respect to the status of the projects then—

Mr. Chairman: Mr. MacKay, I wonder if you could just excuse us a second. I recognize Dr. Hibberd for a supplementary.

Mr. Hibberd: Mr. Johnston, what have you done to ensure that the people who are involved in the utilization of these manuals are developing skills to use the manuals?

Mr. Johnston: Mr. Chairman, as the departments are becoming involved in the process, and the one process I can go back to, one part of it would be for example the budget process. The Department of Finance held a meeting with all the staff that would be involved in the departments in preparing the budget under the new classification of accounts. At that time, the coding manual was distributed. It was explained how it would be used. The budget people were there to explain the new forms that they had developed to, in fact, accommodate the new classification of accounts and instructions were drawn up, actually in English; we did not just give out forms, we actually gave out instructions indicating how to use these new forms.

So, in fact, everyone involved in that process was instructed, both with a verbal presentation and with documentation they could take away with them. As they then went through the budget process, certainly they had problems with it, because it was the first time around and they were continually in contact with either Mr. Nutt or the budget branch, getting clarification as to how to use the process.

That will continue, Mr. Chairman. Mr. Nutt has scheduled education seminars with departments to indicate to them how, for example, they input a journal entry into the system. As that is explained to them, they will get a copy of the pertinent section of the manual showing the form that is going to be used and what they put in each part of the form.

So, it is a continuous process and it is not given to them all at one time. It is given to them as they require to know it so that they can practise it while it is being explained to them, which is the best way to learn.

Mr. Hibberd: Then you would agree that there are some problems in bringing these manuals in at the department level.

Mr. Johnston: I am sorry, Mr. Chairman, I am not clear on the question.

Mr. Hibberd: You have described to us a procedure whereby if there are problems encountered how you might deal with them. Are you telling us then that as this manual is being implemented there are problems with this implementation?

Mr. Johnston: I am talking, Mr. Chairman, about the manuals that have to do with the new system we are bringing into place on April 1. What I have said there is that we are giving the departments the required sections of those manuals and we are giving it to them in piecemeal form, as they require that particular section so that they can learn each section as they go along.

The overall manual that Dr. Hibberd, I think, is referring to, has not been completely developed yet. Certainly we have some concepts and we have spent quite a bit of money and time developing some concepts.

What I am saying is that we have not finalized that manual so therefore we do not want to issue it. I suppose it is possible to issue it chapter by chapter, but I honestly do not think it is required at this time and I think it would be less effective to issue it part by part.

Mr. Hibberd: Mr. Johnston, I have not made myself clear. You have described how you are disseminating this information to the departments and I am asking you if there are problems with this information you disseminated and what you intend to do about it so that the new system, when it does come in, will be handled adequately by the departments.

Mr. Johnston: Okay, I understand the question now, Mr. Chair-

man. As I indicated, for example, during the budget process, we did, in fact, disseminate the information that was required by the departments. In fact, when they then left the meeting, because it was completely new to them, when they went back to try to put it into practice, certainly they had questions and, at that point in time, they dealt either with the FMS group or the budget group to clarify the situation and to better understand.

As far as I am aware, the budgets then came in in very good shape. I do not think there were very many major problems with them and, in fact, if a department did have minor difficulties we would go back to them and say you have misunderstood how you use this and we would explain it to them.

Mr. Wilson, could you comment on the quality of the budgets?

Mr. Wilson: Mr. Chairman, the submissions based on the new classification of accounts were done very adequately. There were, of course, some concerns and those concerns, with respect to the actual numbers and where certain things are placed within the budget, were discussed with the financial assistance branch in co-ordination with the budget branch to ensure that there was, in fact, a consistency in both the terminology and how it would show up in the Main Estimates.

So, in that respect, it would appear to me that from a coding classification of accounts area, that this has been readily accepted. The next area, of course, is that once the information starts to come out, then there is another process of training, so to speak, and this process is on-going and, in fact, has already been discussed with department personnel.

Mr. MacKay: Just to follow up one further step then, presumably, on April 30, or the 28th if you are on a 28-day cycle, you do your first month's end run, then you would really know how effective your training program has been to that point. What plans or contingency plans do you have in case there is an obvious breakdown in the whole system? Do you have personnel available to then rush off to the various departments? Are you going to spend a lot of time analyzing the data at that time, or will it take months and months and months for the basic errors to appear in each department?

In other words, how are you going to monitor this system immediately it is implemented?

Mr. Johnston: Mr. Chairman, I would like Mr. Nutt to answer that.

Mr. Nutt: Mr. Chairman, with the present system, or the system we are implementing, we have two options. As we edit the data throughout the period, naturally we are not going to wait until the end of the period and have a mass of data all at once. We will edit it daily or every second day or whatever, we have not defined the actual timing as yet, but as the data comes out we have an option of either the system will take the batches, because it is a batch entry system, it will take the batches, if there are errors we can either process the batch and kick the errors into a suspense account or reject the batch entirely.

Because it is a new system and there are going to be a few minor problems, we have said no, we are going to kick the batch out entirely and correct the edit report and correct the batch at that time and re-submit it.

In other words, we are not going to let a suspense account build up and build up because, traditionally, or historically, these types of things are the last or one of the lowest priorities and then you do have a problem later on. We are going to correct them as we go.

In response to some of the other implications, yes, we do have people available to go and assist the departments, as we move along. In fact, we are doing that now.

Mr. MacKay: So you anticipate no problems?

Mr. Nutt: Hopefully.

Mr. Johnston: Mr. Chairman, we are realistic. We know that there will be problems, but we think we have the capability to resolve them and get on with the job.

Mr. MacKay: Okay.

If nobody else has a question in this area, I would like to go on with the project review.

The projects we started in Phase II, you have indicated the starting date. Can you give us a rough, I mean rough within, say, six months either way of the completion, you anticipate of these Phase II projects to be started.

Mr. Johnston: Mr. Chairman, I could certainly give an indication, but I would feel uncomfortable with doing that.

Mr. MacKay: You need not feel uncomfortable, Mr. Johnston.

Mr. Johnston: Well, I was going to explain why I would feel uncomfortable.

First of all, I think that we know now as we have been on this for a year and a half, the magnitude of some of these projects. As a matter of fact, the classification of accounts and the general ledger package have been much larger than we thought a year and a half ago, very much larger.

A couple of these items, the ones that are listed as priorities 1(a), (b), and (c), are very large. We feel that there is no way we could probably do all three of them at the same time, maybe two of them is a possibility. They may take six months to do. One of them may take six months of all of our resources, or it could take three months or a year.

As I have indicated before, until we investigate them further and come up with some kind of a work plan, it is difficult for me. I do not think there is any sense in me fooling you by saying, okay, I will have them done at the end of next year. In my own mind, I know that all of these projects will not be done at the end of the next fiscal year.

There is no sense in me making a commitment I cannot keep. It is no good for either one of us.

At the same time, I suppose I could guess at some wild number, but I really do not know that that would be of any use to us. We have not analyzed and developed work plans, so until you do that I honestly feel that I cannot give an ending date to these projects.

Mr. MacKay: What is the problem with getting them done? I am concerned that time is drifting by. I know it has not all been under your tenure in the office. These are recommendations that date back to 1976. We are now looking at some of them not starting until five years later, in 1981.

What is the problem?

Mr. Johnston: Mr. Chairman, I think the previous statement has to be clarified in that the study was done in 1976. It was received by this Government in early 1978 and tabled with the Government, in April or May of 1978. Immediately upon that tabling and upon the Government recognizing there were weaknesses, the Department of Finance did, within a month of that time, enter into a contract with the Bureau of Management Consulting in Ottawa to, in fact, assist us in developing a work plan and helping us on some of the projects.

So, in fact, we are looking at the middle of 1978, not 1976, as far as when this Government actually became aware of and started taking action.

Mr. MacKay: Could I interrupt? Why the time lapse between 1976 and 1978? Why did it take a year and a half to surface in Yukon when this study was apparently completed before?

Mr. Johnston: Mr. Chairman, I am in no position to answer that. I believe the Auditor General of Canada would have to answer that question.

Mr. Chairman: We may ask it.

Mr. Johnston: Mr. Chairman, I think the point then to remember is that there were many areas identified and the Government agreed that most of them, yes, were areas that we should tackle. The Government then allocated certain resources to that job.

Unless those resources were increased substantially, there is no way they could all be done in a very short period of time. I do not think it was ever thought they would all be done, for example, in a two year period. We have now been on it for less than two years.

The other thing is, and I should mention it here is I am afraid of a lot of change all at once. I think that we should, to some degree, make changes and become comfortable with them and then develop on those changes. I am talking not so much from the Department of Finance's personnel, but from the other departments in the Government.

Right now we are making two major changes April 1 and because that is the implementation date, that does not mean that it will all be rosy on April 1. I would say that six months after that point in time we will still have some difficulties to clear up, but we will work on them and clear them up.

If we, for example, made major changes to the internal charge-back systems, if we introduced a commitment system, if we introduced asset control and many other major changes all in that short period of time, I do not think that the personnel would be able to cope with them. That is my own personal opinion.

So, I think that, okay, we are making hay slowly, if you like. We are making continuous progress and I know the people working on

the projects are putting in many hours and I think we are getting value for money for the resources we have allocated to it.

Mr. MacKay: Is it a fair conclusion then that you have two approaches to this problem. One is that you did not have any more resources available at the time, in the past, to proceed any faster than you have. Another one is that you did not want to proceed any faster anyway because you do not think this would absorb the changes as well.

Mr. Johnston: Right. As I say, the first one is a fact, about the resources. The second one is a personal opinion and I have only been in charge for the past few months, so I am not too sure what the previous Treasurer may have thought of that.

Certainly, I believe in getting as much done as possible in the shortest amount of time. But I am suggesting to you that we cannot change everything all at once. It just would not work. In practice it would not work.

We have to get on with the day to day business and if you change everything all at once, then all the day to day business changes and I am saying that you should introduce change and have it accepted and move on and introduce more change and so on.

Mr. Chairman: Let me ask you a question about your opinion on the practical matter that you have raised. You obviously considered it carefully. Is it not potentially a problem, on the other side of the coin, in that if these projects are not implemented at a faster rate you could see here, in the coming years, a process where, for the personnel of the Government, the financial systems are undergoing a process of continual change which could be equally as unsettling as trying to absorb, if you like, a fairly radical change in a short period of time?

Mr. Johnston: I think, Mr. Chairman, that the one problem I have with that concept is that people out in the departments, again having limited resources, and everytime you change means that it takes them much longer to do a job. As well, while they are using the old system, up until we will say the end of March, they are as well learning the new system for the first of April and on.

So up until the end of March they are using the old, learning the new. Once they get into the new system, they have another learning process and that is actually using the new. It is one thing to kind of learn it and have instruction and so on, it is also another thing then to actually use it and get some results out of it.

So, what I am saying is that I do not think we can have these people continually learning new and using old. I think there has to be some kind of—you put something in place and you start using it and become comfortable with it and are getting some results out of it. We work on other projects and then, a few months later we say, okay, now that we have kind of got that under our belt, now here is another major change.

You can only take so many major changes, from my experience, and get the job done.

Mr. Chairman: Surely, the point, even though you have not committed yourself to any deadlines in any of these projects, you have outlined some starting dates and what, it seems to me, you have really given is a program of continual change for approximately the next five years.

Given your point about them absorbing this, it means they are going to have to, if it is "suffering" for them, suffer through those changes for a much longer period than they might have with an alternate strategy.

Mr. Johnston: Well, I do not know. I think it is the kind of argument or discussion that you really cannot draw a final conclusion to.

Mr. Wilson, you wanted to say something?

Mr. Wilson: Mr. Chairman, I just might mention one other thing, that the projects identified under the FMCS and being carried out by FMS are not the only projects that, in fact, are being carried out by the Department of Finance.

In the budget process, either the variance report process, the total budgetary process and the financial planning process, those also are being carried out with the resources that we have.

Certainly they may not be carried out as quickly or as efficiently at certain times as might be required because of a certain amount of pressure on achieving some of these FMS projects. So, I just would like to say that it is not—the whole direction of the Department of Finance is not on FMS necessarily. There is a constant change through all the areas, revenue areas, accounting services areas and the budget areas also.

Mr. Hibberd: Mr. Johnston, do you feel that your Department's resources are adequate for carrying out these changes and to carry

on, as Mr. Wilson has indicated in your other projects?

Mr. Johnston: Mr. Chairman, over the last few years we have had a number of vacancies in the Department and it has only just been recently that we have had a full complement of staff.

It has been difficult in my first year and a half with the Government to kind of keep up with every project and every demand that was placed on the Department of Finance. We are hoping that with the full complement of staff that, if we can keep them for awhile, we will be able to get on at a faster rate and also, at that point in time, we would better be able to evaluate if, in fact, we have enough people.

Certainly, a lot of it depends on the rate of progress that we proceed with these projects. If we wanted to proceed at a faster rate, I am sure that our complement would not be large enough. But I think we have to realize, too, that the Government is a fairly small organization in relation to other organizations in the country and that there is probably no way that you could afford, if you like, to bring a lot of people and spend hundreds of thousands of dollars more per year than we are now to move faster on this.

I think that we have a basic system in place, with relatively adequate controls and that we are improving those and certainly when we improve them then there will be less reason to have suspicion that the controls are not adequate.

But, we feel relatively comfortable with what we have now and, as well as recognizing that there should be improvements, that is why we are working on them, but I guess that is a political decision, but I cannot see the Government I suppose allocating very many more resources to this project.

Mr. Falle: Mr. Chairman, I am going to ask the obvious question because it has been bothering me here. You have got 1(c) Asset Control. Surely, we have some record of asset control now and you said it would probably take six months in the implementation of this.

Can you explain this to me?

Mr. Johnston: Mr. Chairman, we certainly do have a form of asset control now. As a matter of fact, we have two man years in the Department of Government Services that do control the assets of this Government. As well, we have a Board of Survey which controls the disposal of the assets of this Government, of which I am chairman.

We have, within those two man years, as well, a system of controlling the assets. They are reconciled to the general ledger of the Government, but we are saying that we should improve the system.

Again, I think it is fair to say that almost every project listed here is an improvement here to what is in place now. There is an internal charge-back system, there is a commitment system within the departments. We have to look at whether or not it is adequate, whether it should be centralized, whether it should be controlled by Department of Finance, by the departments, whether it should remain decentralized but put on the computer.

So, what I am saying is that all of these exist now. I do not think the Auditor General has said that they do not exist. They are saying that we should improve them. Even when we get these improved, I am sure the Auditor General will come up with other areas that we should improve.

It is just a continuous process and eventually, many years down the road, it will look better and better, the same as this year, it is better than it was five years ago. All I am saying is that we have to put it into perspective.

Mr. Chairman: I am sure you know how disappointed we are that you will not have achieved perfection when you have completed these projects.

Mr. Hibberd: Mr. Johnston, do you feel that the resources of the departments are adequate to meet these changes at the present rate you are planning to implement them?

Mr. Johnston: Mr. Nutt, would you care to comment? You are dealing with the matter.

Mr. Nutt: There again, Mr. Chairman, that is a value judgment on my part, but I think it varies from department to department. I am not going to name them, but some can handle it very capably, whereas others cannot. To be very blunt, no, they cannot.

Mr. Hibberd: In what way, how are they falling down?

Mr. Nutt: They do not have the qualified people.

Mr. Hibberd: Is it your responsibility to point this defect out or to do something positive to correct it in terms of training programs? Do you have anything—?

Mr. Nutt: We are currently working with the individuals that are presently in the department, trying to, I do not know whether it is the right phrase or not, get as much out of them as we can with explaining the system, explaining it at their level even. I am not trying to be facetious here, but we have some ladies in our group that go out and they will deal with, say, the people who code the invoices, try and talk on the same level with the individuals concerned. One of my main concerns is that, say, some of the top notch administrative people, they are not going to have any problem, but when you get down to the grassroots where the people who feed the input, the original documentation, into the system that is where the level of comprehension varies just like night and day.

Over and above that, I think Mr. Johnston indicated prior that we are going to implement training sessions on a standard or uniform basis, once this system is up. We do it now on an ad hoc basis as certain things come up, but one of the things that we do have to formalize is a training system basically for FMS.

Mr. Hibberd: By which you tell me that there are certain departments that are falling down in this area.

Mr. Nutt: Getting back to the original question, sir, yes. You asked me whether I felt they were qualified to handle it. Some are and some are not.

Mr. Hibberd: Given that some are not and it certainly is going to affect the overall effectiveness of your projects, do you feel that anything more should be done in terms of adequate selection and training of these people within the departments?

Mr. Johnston: Mr. Chairman, I suppose we come to some questions where we do not know how we should respond, where, perhaps, it is out of our jurisdiction, or at least partially out of our jurisdiction.

I think the departments, all departments in the Government have various levels of qualified people, not only in finance but in other areas, other operations. Certainly we find that some individuals are better at their job than others.

I think we have to realize, too, that within different departments, they have individuals, they have positions classified at different levels. In other words, one department might have an Administration Officer 1, another an Administration Officer 2, some other department may not even have an administration officer, but may have an accounts payable clerk or an accounting clerk. That is the level we are dealing with.

So, it does vary and this often depends on the size of the department, what they can justify for their operation. It also, to some degree, depends on what the deputy head of that department feels that he wants in his department as manpower and where he puts his priorities.

So, it is a difficult question. We certainly advise where we feel it is appropriate, but sometimes it gets into a situation whereby you are not too sure what you should say.

Mr. Hibberd: Mr. Chairman, I was concerned, we have been discussing in these meetings the implementation of various programs and it occurs to me that the whole essence of the effectiveness is when it gets down to the departmental level and whether they can be implemented and you can garner your information as required and yet we seem to have the potential for a major defect here. My concern is, what do you think can be done about it and what do you think should be done about it?

Mr. Johnston: Mr. Chairman, what we have done already is the people that are grasping it, if you like, not as quickly as others, we are spending more time with them and I think that is producing some results.

I would suggest that because of the of number controls within the system that certainly the input going into the system cannot be wrong. Perhaps we may have to go back and say, "Correct this," but the final input, once it is edited, the system has controls and it has to meet all of the criteria of these controls before it gets posted into the general ledger.

As to what we can do, I think we have suggested that we are working with the Public Service Commission to come up with training programs. I think Mr. Nutt is not saying that the people are not capable of learning in some cases but perhaps they do not have the previous training or experience and that by developing some training programs for these individuals that we would in fact improve their capabilities to work within the government systems.

Again, it is a value judgment on our part. Some people may think that in finance there are people more capable of solving their problem than others. It is always a value judgment. To some

degree it is our responsibility to make sure that the financial systems in the Government are running properly and that other resources, for example, manpower within the departments are adequate. I do not know that we could point out and say that that individual is not adequate at all for the job but that individual may be weaker than others in that similar job elsewhere.

Mr. MacKay: To put this whole question into perspective and going back to yesterday and the role of the Treasury, one of the recommended roles was that you would advise the Public Service Commission on the qualifications you require for all senior financial positions and provide for their training and career development needs.

We started yesterday at the top and now we have come down to the bottom line and this is why that recommendation is there. In your draft proposal in the role of Treasury, do you include specific recommendations in this area whereby Treasury would have that authority to go to the Public Service Commission and say, "If you are going to put a financial officer in that department, it has got to be somebody with X amount of experience." Is that going to be part of your submission?

Mr. Johnston: Mr. Chairman, I cannot recall if it is included or exactly what wording is included in the role of Treasury on that particular aspect of it. I could find out for you but I do not have it with me and I do not know what it is off-hand.

Mr. MacKay: Would it be possible to perhaps have a copy of the draft of that position now? I do not know if that would be exceeding our authority but it would be very interesting just to read that.

Mr. Chairman: I am not sure about our authority. Perhaps we could request it from Mr. Johnston for tomorrow morning's proceedings and if he is able to provide us with it, no doubt he will.

It seems to me, as to Mr. MacKay's point, that it does seem to be a central point arising out of the FMCS study and the long discussion we had yesterday about the role of the Treasurer and whether some of the duties that have been identified ought to be more expressly specified in the job description as such.

Mr. Wilson, you wanted to get into this?

Mr. Wilson: Yes, Mr. Chairman, I would just like to say with respect to the ability of the Treasurer to make recommendations to the Public Service Commissioner, they would in fact be only that. The Public Service Commissioner has an ordinance which provides him with the authority and the final word, basically, on the selection and on the certification of individuals, so in many respects, this particular question cannot be taken separate from that responsibility that the Public Service Commissioner does have under his ordinance.

Mr. Chairman: I would just add the comment that there are a number of Members of the House, to my knowledge, who have come to the conclusion that perhaps that is one ordinance that might be due for revision so we would be particularly interested in the recommendations of record of the Treasurer on that score because this may be a legislative area that the House may want to address itself to.

Mr. MacKay: Just one more on that, has it been the practice in the past for Treasury to be able to sit in the selection of candidates, for other departments, who are actually going to be carrying out financial functions?

Mr. Johnston: I was going to make this point and I think I can make it now with Mr. MacKay's question. Within the departments, often they have several levels of financial positions and I think the financial systems naturally then have input from these different levels. We have been in the past, and currently are, involved often with senior level people within the department but we do not get involved with some of the clerks who are in fact providing input for the central system.

I think that is perhaps where the difficulty would be. We just could not afford the time to sit in on all the interviews on every individual in the Government who is going to have some input into the financial systems. I would say that there have been many examples recently in the last couple of years where we have had some discussions or actually sat in interviews for senior level financial people within the department.

Mr. Chairman: Just on a point, for the junior positions, Mr. Johnston, given your natural reluctance to participate in the interview for every clerk in other departments, would it not be possible, however, to define in some way where they are a financial officer, or whatever grade, some qualifications you would recommend to the department, minimal qualifications for that person or minimal levels of experience as Mr. MacKay has suggested?

Mr. Johnston: It is certainly possible. Mr. Chairman. I do not know if it has been done in the past or not.

Mr. Chairman: You have not been invited to do this?

Mr. Johnston: I have not been involved and I am not aware of the department being involved in the time I have been here but I could not say that for sure. In other words, I do not know if the former Treasurer was involved or not.

Mr. MacKay: In the light of all of that, I would state my concern that the training and career development is priority two and not commencing until December 1, 1980. Can you explain why you would put that in a lower priority than perhaps asset control, where you already have a system, and in training and career development where there is not really very much.

Mr. Johnston: Mr. Chairman, just to clarify, I think the project that we should be talking about then is financial orientation training. The training and career development is within the Department of Finance itself. The orientation training is for other departments which is September 1.

I think what we are saying is that we expect that the projects that we are on now, even though they will be implemented the first of April, will take some time to kind of get it all under our belt and getting it running smoothly. As well, summer time is a rough time to start new things because not only are many of my staff on holidays, but other departments are often on holidays so we are suggesting that early fall would be the time to start into that. We feel it would be the soonest time that would be appropriate.

For example, if it is July and August, there is no way because there is nobody here. Not nobody, but there are fewer people here.

Mr. MacKay: September 1, 1979 would have been more appropriate because by the time you get into your system you would have had these people oriented towards it.

Hopefully you are not going to wind up with an awful mess.

Mr. Johnston: Mr. Chairman, I am sorry, but I do not like to keep on--. The difficulty is, as I said, right now we do have training for the system that we are implementing April 1. This does not mean that there has been no training done for the employees that are going to be in the new system. That has been done for months now and will continue even after the first of April. What the project means is that we will want to develop a standard system for the Government so that when financial employees come into this Government at whatever level they are at, they get an appropriate package orientation. It may be in writing, it may verbal, it may be a combination so that when they start into their job, they have some basic knowledge of what they are working with.

This really is different than training people who are going to be using this system. We are doing that right now. I just wanted to clarify what that project was.

Mr. Falle: Yes, Mr. Chairman, we have identified a bottleneck in the system. What we really want to know is, what is your solution to that bottleneck?

Mr. Johnston: Mr. Chairman, my staff have not told me that it is a bottleneck. They have told me that there are some individuals who are more capable than others. There are no easy solutions. You do not fire everybody that you feel is below a certain level. You try to train them and we are doing that.

We are still implementing April 1. I do not think it is a bottleneck.

Mr. Chairman: Mr. Johnston, the time is now approaching 11:30. I would like to thank you, Mr. Wilson and Mr. Nutt for being with us this morning. I hope you can stand available to attend the Committee at 9:30 tomorrow morning.

The Committee will now reconvene in the executive session in the caucus room. Formal hearings will continue tomorrow morning at 9:30 a.m. in this Chamber.

Committee stands adjourned.

The Committee adjourned at 11:30 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 3

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Friday, February 8, 1980
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Mr. Tony Penikett

Vice-Chairman: Mr. Geoffrey Lattin

Members

Doug Graham

Jack Hibberd

Iain MacKay

Missy Parnell

Clerk of the Committee

Pursuant to Standing Order 46.(3)

Mr. Falle substituted for Mr. Graham

Expert Advisors from the Office of the Auditor General

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

Chris Pearson, Government Leader and Minister of Finance

Andy Johnston, Territorial Treasurer

Grant Wilson, Director, Budget and Financial Management

Arthur Nutt, Director, Financial Planning and Systems Development

EVIDENCE

Friday, February 8, 1980 - 9:30

Mr. Chairman: The Standing Committee on Public Accounts, meeting three, formal hearings, will come to order.

We are dealing this morning with two questions: first, the internal audit and then some continuing discussion, later this morning, with issues arising yesterday from the hearings of the Department of Finance.

I would first like to welcome this morning the Government Leader, Chris Pearson, who has kindly consented to appear before the Committee in his capacity as Chairman of the Internal Audit Committee. Mr. Pearson, we appreciate your being here today.

Mr. Pearson: Thank you, Mr. Chairman.

Mr. Chairman, I, in fact, am not the Chairman of the Internal Audit Committee, but, rather, I am the Minister of Finance. The internal auditors, when we do have them, report directly to me.

Mr. Chairman: Could I just clarify that thing, because we are somewhat confused as we were advised by someone else, a day or two ago, that you were, in fact, now the Chairman of the Internal Audit Committee. Is that still the Commissioner?

Mr. Pearson: We have an Internal Audit Committee established. The chairman, in fact, is the Administrator. He was appointed chairman when he was the Deputy Commissioner and is still acting in that capacity. The Committee has been inactive, to some degree, up to this point.

I am prepared to talk to you, if you wish, about that Committee, its terms of reference and so on.

Mr. MacKay: It seems rather unfair for me to be sitting on this side of the House and still be asking you the questions, Mr. Pearson; however, I have no doubt I will get as astute an answer as I do sitting on the other side.

On the Internal Audit Committee, Mr. Pearson, are you a member of that Committee also?

Mr. Pearson: No. The membership of the Committee, it was established in April of 1978. I should not say that. It was established in January of 1979. That was when we got the thing really set up.

The Committee consisted, at that time, of Mr. Bell as Chairman; Mr. Sherlock as the Director of Finance; Mr. Weninger from Education; Mr. Johnston from Government Services; Mr. Baker from Highways and Public Works; and Mr. Besier from the Public Service Commission.

Now, since that time, there have been some changes. Mr. Johnston is now a member of the Committee as the Director of Finance; Mr. Vantell as the deputy head in charge of Government Services; and Mr. Roddick as the Public Service Commissioner.

The Committee has met. It has established some procedures and it has distributed some material to the departments. I would suggest that the change in the Commissioner's office and so on has had some bearing on the inactivity of the Committee, to date.

Mr. MacKay: Looking ahead somewhat, do you anticipate the Administrator, or whoever fills that position, would remain as Chairman of that Committee?

Mr. Pearson: No, it is just a matter of convenience, because Mr. Bell is still here in the building, physically in the building. It is a matter of convenience that he has remained as Chairman of the Committee.

Mr. MacKay: So, in the future, we would be looking at an elected person as Chairman.

Mr. Pearson: Yes, that is right.

Mr. MacKay: I understand that some internal audit work has been done by the Department of Supply and Services at the request of the government. Are you aware if the Internal Audit Committee requested that or was it done—

Mr. Pearson: Because of the lack of internal auditors, because of our inability to hire internal auditors, we have entered into a number of contracts to try and get work done with the Audit Services Bureau.

Our first contract was with them to prepare an audit work plan. They completed that contract. We are now in a second contract with them to implement and perform phase one of their audit work plan that they recommended to us.

We anticipate another contract to perform phase two.

It is felt that even if we have two internal auditors in place, the

workload is going to be such that we will very likely have to contract once again, once this contract has expired, with the Audit Services Bureau, just in order to get everything in place.

Mr. MacKay: I am curious about the initiation of the authorities behind the requests for this audit assistance, from which department it emanates, where the impetus for this work is coming from.

Mr. Pearson: At that time, from Executive Committee, now from Cabinet.

Mr. MacKay: They are making these decisions?

Mr. Pearson: Oh, yes.

Mr. MacKay: When the internal auditor, the Chief Auditor is hired, could you explain to us how you see the reporting system working, to whom will he report, who will give him guidance on what areas to audit?

Mr. Pearson: I foresee that the internal auditors will report directly to me, as the Minister of Finance. I, then, have a responsibility, of course, to report to Cabinet.

Mr. MacKay: Where do you see the Internal Audit Committee fitting in this system?

Mr. Pearson: We felt that it would be of benefit to the internal auditors to have a cadre, a small group of deputy heads that they could, in fact, sit down, talk to, bounce things off of.

We anticipated that the membership on this internal audit committee amongst the deputy heads would rotate, possibly on a two-year basis. Deputy heads would be on the Internal Audit Committee for a specific length of time and, in fact, their appointments are two years now, and then they would go off. We would appoint other deputy heads.

I can see it being a method of involvement of all of the deputy heads in this.

Mr. MacKay: To whom would the Internal Audit Committee report then?

Mr. Pearson: To Cabinet.

Mr. MacKay: Directly to Cabinet.

Mr. Pearson: It is a committee appointed by Cabinet.

Mr. MacKay: So, let us just take the example where the Internal Auditor, then, just having done the work, comes back with a report indicating that there is a severe weakness in a certain department. So, that report would go to you as Minister of Finance.

Mr. Pearson: Correct. I have a responsibility to Cabinet to report that.

Mr. MacKay: For action, then, would that report be submitted to Cabinet, who would then delegate it to the auditors?

Mr. Pearson: That is correct. I do not foresee, nor do I think you are foreseeing the internal auditor as being the enforcer of or the impetus to cause action to be taken. The internal auditor reports and it is then our responsibility, as administrators, to react to that.

Mr. MacKay: So, the sequence would be he reports to you; you, then, report to Cabinet. Cabinet then passes it on to, probably, the Audit Committee for action.

Mr. Pearson: No, no, no, no.

Mr. MacKay: I am having trouble finding where the Audit Committee is going to do anything other than assembling the report.

Mr. Pearson: The Audit Committee was established for the auditors, not for the administration. At the time of the establishment of the Audit Committee, we had hired, or we thought we had hired, a Chief Auditor.

The question that arose was what is this person going to do? He is going to walk in here. There are some 1400-odd employees. They are spread all over the country. Who is going to get this guy working? Who is going to tell him what the Government of Yukon is all about, how it functions and so on and so forth? The committee was established, set up specifically for that.

Mr. MacKay: So, it advises the Internal Auditor, really?

Mr. Pearson: That is right. It is a convenience that we foresaw for the Internal Auditor. It does not perform the audit functions itself.

Mr. MacKay: Nor is it involved in the administrative reaction to the audit.

Mr. Pearson: No.

Mr. MacKay: Can I turn then to the type of person you have been looking for?

I have a standard government advertisement for this one, the Chief Auditor. I am not sure how up-to-date it is. The salary range,

effective April 1, 1979, is \$31,000 to \$37,000.

I just wanted to get some feel from you as to what kind of person you are looking for, how senior, experienced, that kind of thing.

Mr. Pearson: Yes. We have advertised a number of times, as you are aware now, as late as October and November, in all three of the major auditing, accounting publications, the national publications in Canada.

Our Public Service Commission has now come to the conclusion that, although we got a large number of applications as a result of the last advertisement, because of the salary, primarily, that we are offering we have received a number of applications that are probably suitable candidates for the junior, if you like, auditor's position. The Public Service Commission, right now, is trying to re-evaluate, once again, that senior position and we intend to re-advertise as quickly as we can, hopefully at what we anticipate will be a competitive level to get a competent person.

I am sorry, I could table with the Committee, if you wished, the job descriptions, if that would help you. I think, probably, that would be the easiest way.

Mr. MacKay: Yes.

I am just trying to get a mental picture of the kind of person that you would like to have. Would you envisage him, presently, holding down a pretty senior job, say, in industry, involved in internal audit or working in a public accounting firm or working with the Auditor General's Department?

Mr. Pearson: Yes, I think he would have to be because this Government is now of the size that it is, in fact, a major industry, it is getting fairly big.

It has to be someone who will be able to deal with enough internal authority, I mean internal, in himself, authority for the job to be done properly, because it is a watchdog type of function.

Mr. MacKay: There are a lot of different terms for this. One of the more commonly used ones is called "operational auditing" and that is not necessarily as concerned with the asset function, its legal authority, but more with the efficiency.

Mr. Pearson: That is right.

In respect to the asset function of it, we feel that we have got a pretty good handle on all departments in the Government. In that respect, our Department of Finance, in fact, does that now. It is one of their chief responsibilities.

It is more the operational aspect. Not only the operational aspect, but I would suggest also the functional aspect. Is it being done right and is it necessary anymore? I would expect those kinds of answers from an internal auditor.

Mr. MacKay: The job description indicates the participating and supervising of the internal audit team on projects. I am wondering what kind of staffing are you looking at?

Mr. Pearson: Two auditors, we have a staff establishment of two internal auditors. Maybe the term "team" is used a bit loosely there, but that is, in fact, what it is.

Mr. MacKay: Would you envisage the internal auditor, and I am asking this specifically because it has happened in the past, being asked by you or by Executive Council to drop his normal duties and get into this particular investigation of a financial nature?

Let me throw out an example. Perhaps you wanted somebody to look at the records of White Pass. Would you envisage that person performing that role?

Mr. Pearson: No, in fact, that was happening in the past and I would suggest that was a bad mistake. I do not think that that is the function of a YTG internal auditor.

We have people on staff to do that kind of thing and they are in the Department of Finance.

Mr. MacKay: Yes, I see that you have a casual man year there for that kind of consultant, I guess, that you have to bring in.

Okay, just to go back to the role of the Audit Committee. I was not just too sure, would the Audit Committee be involved in following up observations, say, of the Auditor General?

Mr. Pearson: The observations of the Auditor General?

Mr. MacKay: Yes.

Mr. Pearson: I would think so, to a large degree, because certainly we have to be cognizant of the Auditor General's recommendations to us and react to them immediately. If something shows up that is amiss or it is anticipated it is going amiss in one of the departments as a result of the Auditor General's report, that would be one of the criteria for the internal auditor to move in and see what is going on, to get to the bottom of it and find out what we have

to do to make those changes.

Mr. MacKay: Would you envisage the Internal Audit Committee, then, sitting down with the — let us take a situation that the Auditor General's department recommends changes in the Department of Education.

Mr. Pearson: Yes.

Mr. MacKay: So, these recommendations come to this House, presumably, or maybe to the Treasurer.

Mr. Pearson: Well, they come pretty well simultaneously to the House and to the Treasurer, yes.

Mr. MacKay: So, then they might get referred to this Audit Committee, who would, sitting with the internal auditor, decide on the plan of action of how to correct that?

Mr. Pearson: I think one of the major functions of the Internal Audit Committee would be programming the work of the internal auditors, determining, for the good of this Government, where should the internal auditors concentrate their efforts.

Mr. MacKay: So, it would be a future planning for the audit plan and then also for reviewing the recommendations of the Auditor General and, presumably, the auditor himself?

Mr. Pearson: We established this Internal Audit Committee sort of out of the blue. We thought that it was something that could be of value. If we find a year hence, or two years hence, that it is of no value at all, then, of course, we will do away with it. Or, if it is not needed then, you would do away with it.

Mr. MacKay: Perhaps I could comment that the concept of an audit committee appears to have arisen mainly in a Canadian context in larger companies where the board of directors appoint a committee of the board to be in contact with the auditor and act as a communicating device, really.

Mr. Pearson: This committee will not impinge upon the reporting procedure of the internal auditors. That has been made clear.

Mr. Hibberd: Mr. Pearson, you indicated earlier that you had had several applications for the junior auditor position but you did not fill this?

Mr. Pearson: No, again, we feel that the key position to fill is the senior auditor position. That is the person who is going to set the tone and make the function work, as far as we are concerned. That is the person that we must find, that, in fact, we are better off, at this point in time, staying with the Audit Services Bureau under contract, than hiring the junior position and leaving that senior one open.

Mr. Hibberd: Another question, Mr. Pearson, I am having a little trouble understanding the reporting position of your auditor.

I see that he has, in a sense, two bosses, or, in a sense, he is being directed in his work, I gather, to a certain extent by the Internal Audit Committee and yet you mentioned that he reports to you, or he will be reporting directly to you.

Mr. Pearson: He will be directed by the Internal Audit Committee only in the programming of his work, not in his work. They are not his bosses by any stretch of the imagination. It will be a consultative committee, someone for the internal auditors to sit down and talk to primarily about organization in this Government.

A multitude of things happen in this government. I do not have to tell you but I should tell the rest of the committee, primarily because you are dealing with a large number of people and usually, to every crisis and everything that happens, there are, in fact, two sides of the story.

I would suggest that it is critical to an internal auditor that he knows both sides of pretty well everything that does happen.

We are in a conundrum. Although we are getting big, we are still small. There are an awful lot of personnel involved, et cetera, and someone coming in here brand new is going to have difficulty with that kind of a problem.

We felt that this kind of a committee could alleviate some of those problems.

Mr. Hibberd: Mr. Pearson, I can appreciate that these are certainly advantages for the auditor, but I am still having trouble sorting out who he is responding to.

Now, what if this consultative committee were to suggest certain lines of action that would be most appropriate in their estimation and what if the Minister of Finance felt otherwise? Where does that leave the internal auditor?

Mr. Pearson: I am confident the Minister of Finance would prevail. I do not think there is any question.

Mr. Lattin: Mr. Pearson, after you have got a report from your

internal auditor, I have a little difficulty to see how you handle it and interpret it and how you implement his suggestions. Would you kindly explain where the reports go once they get to you? I see they go to the Cabinet, but what happens to them from there on in?

Mr. Pearson: Cabinet will issue a directive, normally through the responsible Minister and it becomes an administrative matter from that point on, depending upon what the problem is. We have to make our best judgment on how to react to solving the problem. Hopefully, we will be capable of solving whatever the problem is.

It is pretty difficult to pinpoint what should be done in any specific case, but it becomes an administrative matter from that point on.

Mr. MacKay: One final question, Mr. Pearson, this review of the salary of the Chief Auditor is underway now?

Mr. Pearson: Yes.

Mr. MacKay: Do you know when it is going to be completed?

Mr. Pearson: It is a priority thing in the Public Service Commission and will not be set aside for anything else. I do know that. They are working actively on it.

I was speaking to Mr. Durrant as little as two days ago about it and he said that work is progressing on it. I did not ask him for a date, I am sorry.

I want to assure that we want this position filled and as quickly as possible. We have been making every effort to fill it. We have spent quite a bit of money trying to fill it.

Mr. MacKay: Do you foresee this review being completed perhaps within this month and then advertising in March?

Mr. Pearson: Oh, I would foresee certainly by the end of this month, oh, yes.

Mr. MacKay: Then advertising in March and, hopefully, hiring in the spring.

Mr. Pearson: Yes, we have got an extensive number of applicants now, as a result of the last advertisement and, as I indicated, the Commission feels that there are some very suitable, very desirable candidates for the junior position. We do not want to lose that opportunity, either, so that has caused more impetus for them.

Mr. MacKay: You mentioned, I think, earlier that you would continue to use the Audit Services Bureau. The Audit Services Bureau then would work under the direction of the Chief Auditor.

Mr. Pearson: Yes. That is a very flexible thing. I do not like closing off all doors anymore than I have to. I want to indicate to the Committee that that is an option that is open now and one that certainly will be considered after we are successful in our hiring campaign.

Mr. Hibberd: Mr. Pearson, this is perhaps a dumb question. How do you anticipate the role of your internal auditor in relation to the Auditor General of Canada?

Mr. Pearson: Do you mean conflict?

Mr. Hibberd: No, no, what would their relationship be?

Mr. Pearson: Probably our internal auditors would be very, very interested in the comments of the Auditor General for advice in respect to "these are upcoming problem areas" or "this is a problem area", things like this.

I would think that our internal auditors would, in fact, react to information from the Auditor General's Department.

Mr. Chairman: If there are no further questions, I would like to ask you, Mr. Pearson, if you would like to make a closing statement of any kind. The Committee would be pleased to hear it if you have.

Mr. Pearson: I do not think so, other than I want to assure you that we want very dearly to get our internal audit system working as quickly as we possibly can.

We feel that there is a real void without it and hopefully, it would be something that would be of benefit to your Committee, as well, in their work.

Mr. Chairman: Thank you, Mr. Pearson, for being with us here today. We appreciate your taking the time out.

Perhaps we could take a brief recess now rather than later, before we call our next witnesses.

We will stand adjourned for fifteen minutes.

Recess

Mr. Chairman: Committee will come to order.

We are dealing this morning with the Finance Department, one small item arising out of yesterday's discussion, which is the mat-

ter of departmental co-operation. Then we will continue the FMS project review.

I would like to welcome this morning, again, from the Department of Finance, Mr. Andy Johnston, Grant Wilson, Mr. Art Nutt.

Mr. Hibberd: Mr. Johnston, or perhaps it was Mr. Wilson referred yesterday to the problems that might be encountered in obtaining departmental co-operation. We thought we would just like to review this briefly.

Are you having any problems as far as instituting these FMS projects with the departments and what might you see as how you might improve that co-operation with the departments?

Mr. Johnston: Mr. Chairman, because Mr. Nutt is working on a day to day basis with the departments, I would like to refer this question to him.

Mr. Nutt: Yes, Mr. Chairman, I think, on the whole, we can honestly say that during this entire process the co-operation with departments has been, on the whole, very good.

As an example, this was a very massive project that we introduced and it is a very radical change. To monitor progress, we formed what we call a steering committee and, as the work evolved, the working group, of which I am a member, reported to the steering committee.

Mr. Johnston, from the Department of Finance, as Treasurer, was the chairman, but we wanted a cross section from all government departments so we had the Superintendent of Education, Director of Highways, Director of Health, Director of Library and Information Resources, and the Director of Government Services. So, that gave us a cross section of some of our major, maybe not major, but bigger departments.

This type of monitoring, if you like, served two purposes. One, it kept us on our toes in that we had to report our progress to them on a periodic basis. Also, it communicated to the people in those departments the importance of the project, just the fact that their deputy head or their boss was involved. It sort of communicated the importance and they had vocally and by means of their actions supported us all of the way through. So, in terms of that, I think we have had excellent co-operation.

That is at the very high level. Then we go to the other end of the spectrum where we have got the clerical people and what have you. One of our initial projects, which we called User Survey, we went out and canvassed every department in the Government. So, by means of that project we sort of forced, if you like, though it is probably not the right word, but we encouraged participation and we did not let up. For example, if the departments were shy or whatever about coming forward, we pursued until we, in fact, had input from every single department.

I guess basically what I am saying is that no state of the project was developed in isolation. It was done as a result of the consultative process.

Going back in time, this entire project was conceived, if you like, as a result of the original FMCS study. What we did, we took that in conjunction with the Bureau of Management Consulting report, we hired them to give us assistance, plus the User Survey. So, we took the three sources, put them together and then came up with our own work plan and those are the projects that we are going through item by item.

So in terms of co-operation and involvement, I think that, really, except for the odd incident here and there, which you have in any case, I think co-operation has been very good.

Mr. MacKay: Supplementary to that, Mr. Nutt, we are aware that there are subsidiary accounting systems in existence in some of these departments. Are you running into any problems about possessiveness by the people who have nurtured these things along? Are they reluctant? Do you feel now they are convinced that your system is going to be able to replace their system and they will be better off?

Mr. Nutt: Yes, Mr. Chairman. Eventually, our system will be able to replace theirs.

We have adopted the view that, in the short run, we will let the system gain its own credibility. We are not asking them to divest themselves of or get rid of their satellite systems immediately, but, as they gain confidence in the system, we know in our own minds that we can provide enough information that they will not need those systems any longer.

Mr. MacKay: What timeframe do you have in mind to see them phase out these satellite systems?

Mr. Nutt: Off the top of my head, I would say approximately a

year.

As an example, our present system has approximately 20,000 accounts in it. Okay, counting the corporations which were running on the separate general ledger systems, we now have just under 100,000 accounts. So, the order of magnitude is tremendous in terms of what we have as to what we are going to.

The willingness, if you like, to give up the systems varies. Some departments are ready to just drop it right as of April 1 and we are saying, even ourselves, "No, hang on to your own until you are satisfied in your own mind." We are going to monitor it very closely. In the User Survey, that was one of the points that we brought out was the fact that the reasons that satellite systems are being kept is because they felt the central agency accounts were inadequate.

Mr. MacKay: I will look forward to asking you about that again, I guess next year, to see how many of these systems have withered on the vine and how many you are going to have to chop.

Mr. Nutt: Mr. Chairman, if I may clarify one point. We are bringing in now a new classification of accounts, along with the new general ledger package. There is one area that we have identified in Phase II that will have to be brought in before they can completely divest themselves and that is the question of a central commitment accounting system.

At present, the raw financial data would be fine but the departments still will have to manually, or in some form, keep track of the commitment system. We plan to incorporate that in, as we have indicated, during Phase II. That is why I said that when you asked me how long it would be at the end of the central commitment. At that point in time, then, everything would be.

Mr. MacKay: That leads very nicely into the questions I was going to start asking Mr. Johnston, if I could.

That is with respect to the priorities which you outlined to us yesterday of the Phase II projects.

I guess I had a problem with the priorities assigned to the central commitment system and to the internal charge-backs, these two in particular, in that, just dealing with the central commitment system, it seems that is the starting point at which you begin to control, at the point of decision you begin to control the Government's expenditures.

Now, when you make the commitment is when you committed the funds, so once the funds have been committed, everything else is really historical, the data you are generating.

The point at which you make the decision to commit is really the key area for gaining control, yet I see that central commitment system—I know that it is replacing the existing satellite systems, but I see that central commitment system only coming in, it seems, or work commencing later on in this year, with the view, presumably, of having it completed by, although you could not give this commitment, but presumably by a year from now.

Should that not really be moved up into your active projects immediately and perhaps drop the EDP policies manual down into a lower priority because you have, in fact, got EDP manuals in place for the new system, supplied by yourself or consultants.

So, my question is, just to recap it, the central commitment system seems to be a very, very important project, perhaps more important in the scheme of things that the EDP policies manual, would you consider moving these priorities?

Mr. Johnston: Mr. Chairman, that is a very good question. The reason the EDP policy manual, for example, is indicated that it would be completed in the near future or, if you like, in Phase II, is that this is one project, and most of the other ones as well, being carried out by other areas of the Government. We are just monitoring the progress on it.

The Department of Finance is not, in fact, preparing the manual. The Data Systems Branch of Government Services Department is doing that.

The transportation policy, for example, as well, that is being developed by the Government Services Department, the Supply Services Branch. All we are doing is monitoring the progress on them.

Whereas the central commitment system, which we will be performing ourselves and, as I indicated yesterday, we expect that with the major projects being implemented the first of April, that there will be quite a bit of effort on our part for the first three to six months to ensure that they are implemented properly. We felt that we would need that much time before we could take on another major project.

You will notice that we have indicated that we will take on the

central commitment system and internal charge-backs. They are kind of both priority ones. We are saying that we would start them both and, hopefully, do them in conjunction with each other.

So, that is the logic that we have used.

Mr. MacKay: In view of what Mr. Nutt said in terms of being able to phase out your satellite systems, it seems that that is going to be a very key component, getting a central commitment system in place.

Mr. Johnston: Yes, Mr. Chairman.

Mr. MacKay: I guess what I am asking from you is an assurance that this is really the top priority.

Mr. Johnston: Mr. Chairman, it is.

One other thing I should point out is that the general ledger package system that we have purchased does not, at this point in time, have the commitment capability within the package. It does not mean it could not be a separate or subsystem, but the company is working with the Province of Nova Scotia at this point in time, and implementing a commitment system there which they will then include with the general ledger package.

So I am not too sure of the deadline, but they are, as I say, currently working with that province. We hope, in the next few months to have word that it has been successful and that we could then purchase that subsystem, if we wanted it, to include with our general ledger package.

So, we are tying a number of things all in together and it is unfortunate that we cannot give you all this information, but there are just so many pieces that it is very difficult to provide it all on one piece of paper.

Mr. MacKay: So you are really somewhat in the hands of your consultants in this then, as to when you can implement it, if you are waiting for the software package?

Mr. Johnston: Normally it is cheaper to go that route. If you tried to develop in-house, it takes quite a few resources, manpower resources, which are difficult to get into the Yukon, if you like.

As an example, the software package for the General Ledger cost us \$18,000 and that included all the manuals you saw yesterday, that included educational sessions where they came up and explained the system to us, and it is a very massive system.

For the \$18,000, we, in fact, got the package and just put it on the computer and it was running. To develop that in-house it would probably cost \$100,000 and several years of effort. So, we are attempting to go that route.

Mr. MacKay: I am making the observation that you can give us all the assurances you can about when this system is going to be implemented, but really you are still in the hands of your consultants. When they have succeeded in doing it in Nova Scotia, then we can get it here. Is that not the case?

Mr. Johnston: Yes, Mr. Chairman, that is correct. If we decide to go with that package, we are in the hands of the consultants.

Mr. MacKay: What other projects are presently being done by departments other than yours? You mentioned transportation and EDP as being done by Government Services. Are any other projects the responsibility of other departments? I am talking about the Phase II projects, either underway or about to start.

Mr. Johnston: I will just quickly run down them here.

The Central Shipping and Receiving project will be done in conjunction with the Supply and Services Branch of Government Services. As well, asset control would be done in conjunction with that same branch, because they, in fact, have the two man years that handle the asset control for the Government.

I would suggest that we would be dealing with other departments on a consultative basis on items such as invoice, accounts payable invoice processing, whether that should be centralized, decentralized. The account verifications and pre-audit function, in other words the checking of the invoices, the preparation of them, we would, as well, be dealing with departments to get their ideas on how this perhaps could be improved on.

So, many of these would be done in conjunction with the departments, but the three or four that I mentioned, actually a lot of work would be done by a particular branch.

Mr. MacKay: What are you doing right now, apart from answering our questions? What is your department doing right now in terms of projects?

Mr. Johnston: In terms of FMS?

Mr. MacKay: Yes. Well, tell us about the other ones, too, because I

think it is important that we get a balanced viewpoint.

Mr. Johnston: Okay, I will turn it over to Mr. Nutt, but the point I would like to make before he gets involved is that we have three permanent man years for FMS and two of them are filled and one will be filled the 18th of February.

As well, we have three local people on contracts that come in on an as-needed basis to help with the input into the system, setting up account numbers and so on, checking the tests that come out of the computer.

So we, in fact, have five today and shortly six people working on that pretty well fulltime. So there are a lot of resources on it.

I think I will turn it over to Mr. Nutt now. He can more ably answer the questions.

Mr. Nutt: Thank you, Mr. Chairman.

Presently we are devoting 100 per cent of FMS efforts to what we term the classification of accounts project. In simple terms that is an umbrella project that includes the program activity structure, responsibility centre accounting, and appropriation of allotment control, as well as, of course, our new general ledger package.

As I indicated prior, with the new system we will have approximately or just under 100,000 accounts and it is a massive task to get that up, tested and running by April 1 of this year. So, in simplest terms, that is what we are divesting our total effort to, at this point in time.

Mr. MacKay: So that is your department now. Are there any projects that you have, Mr. Johnston? I think we have covered the role of the Treasury as something you have under active consideration. Anything else?

Mr. Johnston: The one thing I could add to Mr. Nutt's comments, Mr. Chairman, is that the Workers' Compensation Board, because they are on a different fiscal year than we are, are already running on the new general ledger package in the classification of accounts. So, in fact, we will be monitoring the activity there for the first three months with quite an amount of interest because it will give us any indication if there are problems with the system.

I do not believe I am, myself personally-- the administration, as you can see by the organization chart is myself and a secretary and that the casual man year in the department is charged to my allocation, I do not think I am personally involved on a day-to-day basis, very actively in the FMS projects.

What I would like to perhaps indicate is that if you want some of the things that I am involved in, besides the Public Accounts Committee, there are about ten other committees that the Treasurer spends an awful lot of time in. They do not all meet every week, but certainly a great number of them do.

The general administration of the department takes up quite a bit of time. I guess I had mentioned the responsibilities. Rather than going into all of them, I think I will just pass.

I should, perhaps, speak for the two branches that are not represented here. The Accounting Services Branch is very actively involved, at this point in time, in preparing for the year-end. The one major project that the Director just completed was the year-end instructions, which is probably about a 25 or 30 page manual that goes out. That is just ready for printing at this point in time.

We are certainly getting the various account analyses and working schedules all started. The Auditor General will be here, I believe around the 18th of February, to start their interim audit for this current fiscal year. So that Branch will be very involved in liaison with these people.

The Revenue Branch is involved in, as well as the day to day operations, well, right now we are very busy with motor vehicle plates being sold, that particular function, through the cashier services. But, we are working on a number of areas, some which we have not received a policy approval on yet so I cannot mention them here, but with a view to improving some of our operations.

Certainly, we are working on various pieces of legislation and so on for the upcoming Session and the Fall Session, again which I cannot divulge.

We have, in the Accounting Services as well, naturally the year-end for payroll, which means getting T-4's out this month and other related things such as setting up the new master file for the new calendar year.

I think we are getting into a lot of detail here, but I just wanted to indicate some of the major areas that the department is working on.

Mr. MacKay: I was looking at the summary of FMS projects that you gave us the first day here and there are active projects that will

be completed in Phase I. There are about half a dozen of them, appropriation and allotment control, program activity structure, responsibility and accounting, delegation of financial signing authority, EDP hardware and software considerations, and the role of the Treasury. I am wondering who is doing these things.

Mr. Johnston: I can address that, Mr. Chairman.

The delegation of financial signing authority, I have a draft policy on my desk that was prepared by the Accounting Services Director. The reason that individual prepared it is that, in fact, she maintains the signing authorities for the whole Government. There is the master manual to go with all the specimen signature cards and so on that is in her office.

So she has reviewed both what we are doing now and also the comments of the Auditor General and the way the Federal Government interprets their section of their Act which is written almost word for word as ours is. I guess it is the other way around, we have copied off of them.

So, we have come up with significant changes which we are proposing to the Cabinet before the end of March.

The other items which you have mentioned, appropriation of allotment control, program activity structure, responsibility accounting are all tied in with the new classification of accounts. We are providing, for example, management reports on appropriation of allotment control that will be better than the ones that exist now. They will be used both by the central agency and by the departments.

The program activities structure, this was a very interesting procedure. We worked with every department in the Government and drew up charts, which are available in our offices, on large pieces of paper, showing all the programs that they have, broken down by activities within the programs and even finer, by activity elements done within the activities.

These charts are all signed off by the departments and they are part of the new coding structure.

The responsibility accounting, for three departments we have come up with responsibility centres. That is for the Department of Education, all of their schools, for example, are individual responsibility centres. The Department of Highways, all of their work camps, is another example. Renewable Resources is the other department where they have actually come up with responsibility centres.

The other departments are accomplishing responsibility accounting by the program activity structure of the account number, because, in fact, their management is structured along the same lines. In other other words, the manager would be responsible for an activity or program, so they did not have to develop a separate system for responsibility accounting.

I believe that covers the three areas, Mr. Chairman, but, in fact, they will be done as soon as this system is implemented and that is what we are saying.

Mr. Chairman, we did not ask Mr. Wilson. A couple of the major projects he is working on you might be interested in.

Mr. Wilson: Mr. Chairman, at this time of year, the Budget Branch is basically involved in the Main Estimates' and Supplementary Estimates' preparation.

In addition, we are presently reviewing the financial planning process, the program forecast method of planning for the future financial requirements.

At this time of year, we are also preparing information for the Intergovernmental Committee on Territorial/Federal Financial Relations, and in the process of preparing Treasury Board submissions for capital requirements for the following year.

We are reviewing all our government insurance requirements and also capital policies and guidelines for the major projects, that type of thing.

Mr. MacKay: Perhaps more for our education, so that we know we have a handle on this next year, perhaps we could discuss in a little more detail what some of the projects that we have not gotten into so far will involve and what your goal is, not only in terms of completion, but in terms of accomplishment.

I am particularly interested in the account verification and pre-audit function project. Is that going to be undertaken by your department or would the internal auditor perhaps be doing that?

Mr. Johnston: At this point in time, Mr. Chairman, we would plan on doing that project ourselves, as I mentioned earlier, in consultation with some of the user departments, just to get a cross section of their ideas.

Mr. MacKay: What is it actually going to do, this project? When you say account verification, what does that mean?

Mr. Nutt: Yes, Mr. Chairman. Presently there is a considerable amount of duplication and, basically, it pertains to payment of bills, invoices or whatever. The department does certain functions. It seems like the same function is being repeated in Finance and it is slowing down the process considerably.

Well, we have to review the situation to find out what is happening and streamline the process to find out who should be responsible for signing what and just the approval process.

It is a project, I think, once we get into, it will not be all that long, in terms of completing, but it is something that has to be addressed and has not been as yet.

Mr. MacKay: The pre-audit function is—, that does not mean an auditor, that means that the department is going to scrutinize each account.

Mr. Nutt: Each invoice or what have you, as it comes in.

Mr. Johnston: Checking to ensure that the extensions or corrections are correct, that, in fact, the goods were received and payment authorized and these types of procedures.

As Mr. Nutt indicated, the departments prepare the invoices and process them up to the central agency, the Department of Finance, in batches of 25 or less. We, then, take them and do an audit of them and, in some cases, we are doing the repeat of exactly what the department did.

We feel that, possibly, if the responsibilities could be clearly outlined and if we were confident in each other's work, that, in fact, everything would not have to be checked again.

So, I think it is just a matter of clearly identifying who has what responsibilities and communicating that to the proper individuals.

Certainly with an internal auditor on staff, it would be then up to the auditor to ensure that the responsibilities of the departments are being carried out properly by checking to make sure that they are doing their work on some kind of a work plan that he would have.

Mr. MacKay: Would you envisage, then the Treasurer having less work to do, as a result of this project, you would be doing less of the checking? Or would you envisage you doing all of the checking and the departments doing none?

Mr. Johnston: Well, we have not investigated it, but, as a gut feeling, I would suggest the departments would probably not be doing any more because they are doing most of it now, but we likely would not be checking as much as we are checking.

So, I would suspect that it might be a little less work for us and likely the same amount of work for them.

Mr. MacKay: Will this project involve the process by which purchasing is done? Presumably you are going to tie in your invoice and your supplier to your shipping document and then, perhaps, to the purchase order. Would that all be part of this process?

Mr. Johnston: I would suggest, Mr. Chairman, that we would go back, to the very start of the process, which is the actual purchase itself.

Again, this is tied in with commitment accounting, it is tied in with Central Shipping and Receiving. That is why these projects are indicated that they would kind of be done in conjunction with each other, have the same priority, roughly the same start date.

Mr. MacKay: Are you aware of any purchasing going on in the Government now that does not fall within the policy guidelines, with respect to, say, departments buying things on their own authority, without going through Central Purchasing? Is that a problem in the Government?

Mr. Johnston: Mr. Chairman, I do not know that it is a major problem, but it does occur. A short time ago, the Supply and Services Branch was part of Finance and we certainly were aware that it was happening at that time.

I believe certain controls have been strengthened in the meantime and, certainly, watching the reading files, Purchasing very frequently comments to departments that they are not following the proper procedure and outlining what the procedure is and telling them they had better start doing it.

So, certainly, it is something that happens. It is being monitored and controlled as much as possible under the current system.

Mr. Chairman: Are there particular departments where this is a problem?

Mr. Johnston: I cannot answer that, Mr. Chairman. The Supply

and Services Branch of Government Services Department would have to answer that. I am just looking at it from an outsider's point of view. I do not know the details of it. I know it does happen.

Mr. MacKay: Would you envisage that problem being partially solved by this project, a better system being developed whereby it would be pretty hard to circumvent the policies?

Mr. Johnston: Not likely, Mr. Chairman, because the project that we are looking at, we say that we would go back as far as the purchasing function, but, in fact, the aspect that we would address in our FMS project would be from the invoicing process and the payment of it.

I should say that I know the Executive Council have taken strong measures over the last couple of years that I have been here to encourage adherence to purchasing policies. I know that, for example, a department tries to issue what we call a confirmation purchase order, in other words, you have already done it but you have to get the papers so you can process the invoice, they must, I believe, submit a letter, signed by either their deputy head or their Minister, indicating why they circumvented the procedure.

So that activity dropped off drastically when that step was put into place.

That step was put into place by the Executive Council when they became aware of the problem. I think it curbed a lot of it.

I guess what I am saying is that there are still some things being circumvented, but I think it has improved tremendously.

Mr. Falle: This new system you are putting in place, do you anticipate a curtailment on duplications?

Mr. Johnston: Which project are we talking about?

Mr. Falle: I am talking about the new computer system you are putting in place here, your package system you call it. You mention that there are a lot of duplications. Would you envisage this cutting down the duplications?

Mr. Johnston: Mr. Chairman, the duplication I was referring to was in the checking of invoices. It would not be affected by the system we are putting into place, but that particular system will cut down on other duplication.

For example, one major thing I could tell you is that the Department of Education, right now, keeps cost records by each one of their schools on a manual system. Under the classification of accounts we have set up for that particular department, we have, as I indicated, set up responsibility centres for each school so that every time they code a charge to their department, they will indicate which school it is for. The computer will then run off a report at the end of the month with charges by each school, so that their manual system will no longer be required. So that would cut down on a lot of duplication.

Mr. Falle: Will it cut down on the actual volume of paperwork, streamlining the system?

Mr. Johnston: We believe it would, yes.

Mr. MacKay: Are there any significant savings in man years anticipated in this, or do you anticipate that just increased volume of Government activity will use up the existing staff's time.

Mr. Johnston: I think, Mr. Chairman, that if we were producing the same amount of information, certainly the number of man years would probably decrease as far as the actual involvement with our system goes.

Because we are attempting to produce much more management information, in fact, it is a harder system to maintain. Right now, as I said, instead of a choice of 20,000 account numbers, they will now have a choice of 100,000 because they want better information off the other end. So, I would say that the system will be harder to keep, but the fact they can drop some of their own internal systems should offset that.

So, I think that we would come up with a computerized, central management information system that provides everything which is required and in a much better way, in that certainly using the computer, with standard input forms and so on, is going to give you much more accurate information than 18 departments keeping their own little systems, some of which have certain controls and some of which do not.

So, I do not see a drastic decrease in manpower, but I see better information being provided.

Mr. MacKay: The internal charge-back project, what is the problem with the system as it is now and what improvements do you see?

Mr. Johnston: I think I will refer most of the comments to Mr. Nutt, but, in general, the problem is we have internal charge-backs

right now and they are being charged through departments. The difficulty is there is not a very good method of authorizations by the departments before they are charged and there is not a very good method of following up to find out what the charge was.

Mr. Nutt, can you add to that?

Mr. Nutt: Thank you, Mr. Chairman. What Mr. Johnston said is, in a nutshell, basically it.

The charges flow through from our subsystem into the general ledger in just summary form. So, if an individual in a department wants to identify a charge, it is a massive job to follow the audit trail back through. It is there, but eventually what he does he comes in, he looks at the computer report and then he has to go back to the subsystem and then he has to go back to the original source document and then back to the Department of Highways.

So it is very, very cumbersome and obviously what happens is that people become busy, they just sort of, *carte blanche*, have to accept the charges.

In internal charge-backs, we do have a system, the charges are there. What we are anticipating is some kind of work order system which would give proper authorization, that the authorization now is, as an example, one of the rural schools needs a driveway plowed or something. They phone the maintenance camp and the fellow goes down and clears the driveway for them. Well, by the time that cost flows through to administration, to find it is a massive, massive task. (a) They do not know who authorized it, and (b) they do not know what it is unless they walk right back up to the Department of Highways and find the individual employee's time sheet.

So, I guess in the simplest terms, we need some kind of work order system that incorporates the proper authorization and allows for proper identification of the costs.

Mr. MacKay: So this internal charge-back system that exists today will be implemented with the new system and then you are looking to find a way of improving it.

Mr. Nutt: Yes, Mr. Chairman. Due to the volume or the massive size of our general ledger system, we had to make a decision to try and change the subsystem at the same time, or just correct or properly interface it to the new general ledger and then look at it subsequently. That is what we are trying to do.

Mr. Falle: I would like to just get a little more on this charge-back, because I do not really understand it.

You were mentioning the gateways or the school driveways and I would like to know how you people come up with a charge-back system on, we will say an individual driveway? How can you come up with a cost on that? Let me explain myself, the machine is there, we are paying the man, how can we get a justifiable cost that this driveway or this school property costs X amount of dollars to plow when, in fact, we own the equipment, we hire the man, we are going to be paying that man regardless?

How can we say that that particular driveway cost \$50 to plow?

Mr. Johnston: Mr. Chairman, I will let Mr. Nutt explain how the charge-back is obtained.

The only opening comment I would like to make on that though is that the Government tries to determine the cost of the individual programs within the Government so try to keep that in mind.

Now Mr. Nutt will explain how the costs come in and why they are charged the way they are.

Mr. Nutt: Yes, Mr. Chairman. We do not attempt to distinguish, say, if you are plowing out a driveway or clearing snow off the side of a road in two different locations. We do not say, well, one job is worth \$50 and another job is \$100 type of thing.

What we do do, as you mentioned, the Government does own the equipment, we do pay the employees. The money that is budgeted for the type of information is in the Department of Highways initially. Based on operating costs, the wage costs and that type of thing, we set what we call standard rates.

In other words, for every time a grader goes in to a certain place, it is charged out at a specific rate. The employee driving that grader, for example, his wages are charged out at a standard rate. So, if the Department of Education requires assistance from Highways, they know that if Joe Smith, or whoever, comes in and plows out the driveway and he works for four hours, then that piece of equipment is charged out at four hours at its standard chargeout rate and the individual's time is charged out at four hours at his individual chargeout rate.

Then, the employees involved in Highways have what they call

activity cards. At the end of each day he fills out a time sheet and he allocates where he has spent his time for that day. Based on that, that flows through the system and the charge is generated against, in this case, Education.

Mr. Falle: We will take the Department of Highways, when they budget for their general budget, they put in their budget money to plow or to grade. You are shaking your head. I just wonder if they allocate monies to look after a road. This is in their estimates and I understand that we do pass that money to them.

Mr. Johnston: Mr. Chairman, maybe Mr. Wilson would like to get in here in a second, but, basically what happens is that all the charges originally go to the Department of Highways for all of the types of activities that we are talking about now.

In other words, the costs of running the equipment, the cost of paying the drivers of these pieces of equipment, but what we attempt to do then, and it happens during the budget process, as Mr. Wilson can explain, is to get all the costs out of the Department of Highways that are applicable to other departments so that you can come up with the true cost of a particular program within the other departments.

I think Mr. Wilson might better aptly describe how it is handled in the budget process. In fact, what happens, actually, also is done in the budget process.

Mr. Wilson: Mr. Chairman, the charges, either for equipment rental or for labour maintenance, in other words, the charge for having that individual doing a piece of work, is budgeted by department on an estimated basis. In other words, if Education, over a period of years, finds it has to spend \$20,000 doing some work on its driveways, then they budget that as an equipment rental type of charge and a labour type of charge.

The budget within Highways, however, is shown on a gross basis. In other words, we show the expenditures, but then we show a net recovery equal to those expenditures. In other words, every time that we have, for example, a million dollars budgeted for doing road work or some other type of work like this, we will— to other departments, I am saying in this case, that we have that, we show an internal charge-back, charged to other departments basically. So you are looking at that expenditure twice but you are really only voting it once and that is you vote it to the department involved and the information, the break-out of that information is shown in Highways.

Mr. Falle: The Department of Education, we will say, has so many school yards to plow out. When they ask the Department of Highways to plow that school out, then you are telling me it is charged to the Department of Education and the Department of Education pays to the Department of Highways. Is this not what you are telling me?

Mr. Johnston: Mr. Chairman, that is correct. It is a paper transaction. The Department of Education would get a charge. The Department of Highways would get a credit so by the end of the year, all of the work that was done for other departments would show up as a credit in the Department of Highways.

You could carry that further, and we are thinking of other areas. For example, the central data processing unit of the Government does work for a lot of the other departments in the Government, so what we are saying is, the cost of processing data is not allocated to the departments, so in fact you do not really get a true cost of what it does cost to run the Department of Education or the Department of Finance because I have a lot of work done on the computer but the charges do not show in my budget. So you really do not know what the full cost of running the Department of Finance is. That is another possible kind of charge-back. So it is just simply a matter of trying to allocate charges to the department that gets the work performed.

Mr. Falle: I must ask: the Department of Education knew they had so many gate ways to plow out and it was going to cost them X amount of dollars, they put it in the budget and we passed it. Again, money is in the budget of the Department of Highways to cover the cost of the equipment, the fuel, the whole upkeep of that department. Where does this double charging come in? It seems we are allocating the money twice.

This is my opinion so far.

Mr. Johnston: From what you have said, it seems that way but if you take it one step further, we are not. Mr. Wilson can explain it.

Mr. Wilson: Mr. Chairman, I think maybe another example would

be more appropriate and that is with respect to the accommodations charges of this Government.

In the Department of Highways, there is approximately a million dollars that is charged to that department and the Department of Highways is responsible for incurring all those expenditures. They pay the bills, they maintain the buildings and so on but in order to more readily indicate what it is costing various departments to operate their programs, the Department of Highways charges those costs against all other Departments.

Now in a budget, there is an item for each department for a rental of building space and that is the amount that is voted. Over in the Department of Highways, however, there is an expenditure of one million dollars and there is, further, a recovery, an internal charge-back of one million dollars, so the net cost to Highways is zero. So you are not voting it twice. You have information in two places but the voted requirement is in each individual department involved.

This is the same as for the rental of machinery and also for hire of individuals who will operate that machinery.

Mr. Johnston: Mr. Chairman, I was just going to suggest, in Highways, you can see the gross of 900,000. For example, in 1978-79, there was \$932,000 for salaries, fringe benefits, rental of buildings, maintenance and so on, so that showed up in the Department of Highways to indicate the type of costs they incurred. Then right under that line we said that they are going to charge out the same \$932,000 so their costs will be zero at the end of the year.

Then under all the other departments, you will get an internal charge for rent and that adds up to \$932,000 as well. In fact, Highways will end up getting some of their own charge because they occupy some of the buildings.

Mr. Chairman: Mr. Johnston and Members of Committee, you know that we still have an outstanding item we want to discuss in connection with the Estimates. I hope we will do that on Monday, so rather than get into a long discussion of the Estimates right now, perhaps we could just continue with the FMS projects. Perhaps there is one other item we might get to before adjournment today.

Mr. MacKay: It is probably an appropriate time to get into it because we are talking about charge-backs. There is a qualification on your audit report this year with respect to the road equipment replacement account and there are two problems involved in that, I feel. One is that you have a statutory problem that the Fourth Appropriation Ordinance, 1971 did not contemplate any more than a million dollars being accumulated there.

I would like your opinion on that.

The second problem that I am going to ask you to address is the efficiency of the method in which you are charging for depreciation and the purpose of this account, whether or not there are other ways of achieving the same objective without what may, in fact, be setting up reserves which are beyond the voting control of this Assembly.

Mr. Johnston: Mr. Chairman, the question was two-part.

On the first part, the statutory problem, we agree, yes, the limit has been exceeded.

Depending upon what we do on the second part of the problem, rectify that by the end of this fiscal year.

On the second part of the problem, what we have done already is, we have started discussions with the Department of Highways. We have started discussions amongst ourselves in the Department of Finance and we are also reviewing various documents that we are aware of, for example, the report on the Accounts of Canada, and so on, to look at the philosophy of this kind of account. We hope that between now and the end of March that we will be in a position to go to the Executive Council with some kind of recommendation. I do not know what it will be yet so I cannot say whether we would agree or disagree with continuing this type of account.

At that point in time, if we decided to recommend that we should continue with this type of account, then we would have to determine a reasonable limit on that type of account. It may be a million dollars, it may be less, it may be more, but we would have to ensure that it covered the activity that we would propose would be going into that account.

If we decided that the account should be changed to another system, then we would not have to worry about the limit in the future, we would have to worry about it for this current fiscal year because we are using the present concept. It will depend on the recommendations that we come up with as to how we tackle the statutory problem.

Mr. MacKay: Are you aware of the recommended procedure now

where the Government of Canada is not to have these types of accounts because you erode the ability of Parliament to be able to vote on specific items? You are aware of that, are you?

Mr. Johnston: I am aware of that. Certainly if we recommended that we stayed with the type of account, we would ensure that there was some method for the Assembly to vote on the dollars in it.

What I am saying is that it is very difficult now to get into a discussion of what we would recommend because we are just starting the research on it.

Mr. MacKay: I just want to make sure that you remember the poor legislators in your recommendations.

Mr. Johnston: Yes, sir.

Mr. MacKay: The mechanics of changing this system to another would involve, it seems to me, a distortion, shall we say, of one year's budget. For example, if it was decided not to retain this account, my debit and credit would wind up with, somehow, that 2.5 million being credited to revenue. Is that a possibility?

Mr. Johnston: Mr. Chairman, I find it difficult to discuss what may happen because, as I say, we are just investigating it now. I understand what Mr. MacKay is saying in that if you have a surplus in your charge-backs in a particular year, then that money, if we did change the system, may end up in general revenue; however, you would also have capital expenditures for that year which would come out of our money as well.

They would offset each other or one might be more or less than the other, I agree, yes. I do not think the amount of equipment purchased would change because that is based on requirements of the government but the method of accounting for the surplus from the charge-backs and the method of accounting for the costs of replacing the equipment would change if, in fact, we recommended a change in the procedure.

Mr. MacKay: As I understand the history of this thing, it resulted from the Federal Government gifting to the Territorial Government a certain amount of equipment, say, of up to a million dollars at a particular time. So the Territorial Government, at that time, decided that we better set aside amounts for the replacement of that equipment as it wears out because we cannot expect it to come out of general revenue in any one year. Is that the correct history?

Mr. Johnston: Mr. Chairman, I am not aware of the history. Perhaps Mr. Wilson might be aware of it.

Mr. Wilson: Mr. Chairman, that is partially correct. Really, one of the major reasons for setting up the equipment replacement account was, of course, to replace that equipment that had been received but more important was the fact that we were maintaining Federal Government roads, if you want to call it. In other words, federally funded highways, the Alaska Highway and what we used to call Territorial engineering agreement type highways. In order for us to be able to allocate certain charges and ensure that we would be able to replace that piece of equipment after use on those highways, the system was set up.

The road equipment replacement account cannot be considered separate from these other operational accounts because, after all, it is created up and down; the input into it, of course, is the rental plus various other charges, the profit, so to speak, of operating that piece of equipment. That in itself was one of the major reasons for setting up that account.

Mr. MacKay: Do you agree that that equipment that was given to us by the Federal Government so that we could maintain federal roads was then proceeded to be charged back to the Federal Government again through the cost of maintaining these roads, is that one interpretation?

Mr. Wilson: Mr. Chairman, in effect, that is correct. The alternative, of course, is that since we received federal funding for our capital, it would have happened that way anyway.

Mr. MacKay: Okay. I do not really have any more questions on that other than the fact that I, as an accountant in my private life, fully understand the need for you maintaining these accounts so that you are recovering your costs but as a legislator, I hate to see any proliferation of that type of account whereby we lose direct control of what capital purchases are going to be made in a year.

That is your dilemma and I will look forward to your report.

Mr. Johnston: Certainly, Mr. Chairman, we hope to have our report well substantiated. We are just looking at it now so it is awkward for us to indicate. We have no preconceived idea of the result of the report yet.

Mr. Chairman: If we have no further questions on the items on our agenda today, perhaps I could, before we reconvene into executive

session, advise you, Mr. Johnston, the one major point of discussion that I think we wish to pursue Monday is the question of the form of the Estimates. There may be one or two other matters which, following our meeting today, we can advise you of this afternoon. In any event, I think I could probably safely predict that Monday, in all probability would be the last day that we would need to make demands on your time. I hope that whatever staff you may need for that meeting on Monday may be available.

Mr. Johnston: Yes, Mr. Chairman, they will be.

Mr. Chairman: Thank you.

At this point, we will recess and reconvene in five minutes or so into executive session in the caucus room.

The witnesses are excused.

The Committee adjourned at 11:22 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 4

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Monday, February 11, 1980
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Mr. Tony Penikett

Vice-Chairman: Mr. Geoffrey Lattin

Members

Doug Graham

Jack Hibberd

Iain MacKay

Missy Parnell

Clerk of the Committee

Pursuant to Standing Order 46.(3)

Mr. Falle substituted for Mr. Graham

Expert Advisor from the Office of the Auditor General

Harold Hayes

Principal

Witnesses:

Andy Johnston, Territorial Treasurer

Grant Wilson, Director, Budget and Financial Management

Wilf Chaisson, Assistant Budget Director

Peter Kent, Deputy Head, Department of Tourism and Economic Development

Karl Crosby, Director of Tourism

EVIDENCE

Monday, February 11, 1980 - 9:34 a.m.

Mr. Chairman: The Standing Committee on Public Accounts, meeting four, formal hearings, will come to order.

This morning, we welcome as witnesses Mr. Andy Johnston, Mr. Grant Wilson, again, and, this morning for the first time, Mr. Wilf Chaisson, who is the Assistant Budget Director.

We have for tabling this morning two documents from the Department of Finance, which arise from our discussions on Friday of the internal auditor's position. They are the class concept for both audit positions and position description for the chief auditor.

Mr. Lattin: Mr. Chairman, I give notice of motion that the class concept and the position of the auditor be appended to the proceedings of the formal hearing.

Mr. Chairman: Thank you, Mr. Lattin, for that notice of motion.

This morning, as we announced, we are going to begin with what I anticipate to be a fairly general discussion on the form of the Estimates, which would be precipitated by a number of comments and observations made by the Auditor General in at least two reports about that subject.

Mr. Hibberd: Thank you, Mr. Chairman. Perhaps as a kick off to this, we could have a brief description of the program forecasts and the way that they are drawn up. Are you still using the ABX system and what do they mean?

Mr. Johnston: Mr. Chairman, Mr. Wilson is our resident expert on Main Estimates, et cetera, and he will be handling most of the discussion this morning.

Mr. Wilson: Mr. Chairman, with respect to the program forecast, we do presently use the method that is used in the Federal Government, Program Planning Budgeting System. This particular document is modified to be used for our particular needs, of course, and we do, in fact, request submissions from departments for an operation and maintenance program forecast for a period of three years and for capital program forecasts for a period of five years, the following year from the Estimates being the first year.

Those requests are received from departments, based on an A-level, a B-level, and an X-level type submission, the "A" being for on-going programs, volume related price increases, though the forced growth type of increase required for particular programs. This B-level is the new type programs, enhancements in programs, that type of thing, and the "X" being deletions, eliminations of certain aspects to a program. So, that particular system is still used.

We are reviewing this, of course, on an on-going basis and adapting, as I indicated, certain requirements for our needs under this procedure.

Mr. Hibberd: Mr. Wilson, I have before me the FMCS report and perhaps I could quote from it and ask for your comments. "We were informed, however, that several departments do not identify cost-specific workplans as the basis for aggregating activity costs for their Main Estimate submissions. Further, we were also informed by some department managers that they have little or no input into identifying the resource requirements of the programs they are expected to manage."

Mr. Wilson: Mr. Chairman, the budgeting process, by starting out with the program forecast, does, in fact, assist or provide for the input from the departments at all levels. In fact, when we give out the instruction manual for the program forecast, we do request that the department personnel making that program forecast discuss with the individual department managers, those people who are responsible for certain activities, certain programs, to have their input into that.

The program forecast level is, of course, a broad level. It does not get into too much detail at that time. It is more an incremental type system, whereby you may have original estimates and you are adding on or subtracting from that original estimate.

At that point, we do get the input from all levels of departments.

The Main Estimates' targets, let us put it that way, are derived from the review of the program forecast and once those levels of expenditures are approved, the departments, once again, will go back to their line managers to receive particular input from those at all levels.

Mr. Hibberd: When you are making the adjustments, after you have initially received the estimates from the departments and for some reason it is found necessary to make alterations in their submissions, how are they consulted on that basis?

Mr. Wilson: Mr. Chairman, this varies from situation to situation. In most cases, however, if there is a decision at the Subcommittee on Finance level that particular action should take place, for example that certain funds requested should not be approved, that is notified to departments by the budget branch to indicate the direction that the Subcommittee on Finance has indicated how they would like to go. Based on that then, we will receive input back from the departments to resubmit to the Subcommittee on Finance for their consideration.

Mr. Hibberd: I would like to further quote, Mr. Wilson. "The YTG does not have a formal policy requiring a detailed review and analysis of continuing departmental programs and activities to ascertain whether or not their original objectives are still valid, the current level of activity is still justified and whether they are achieving their objectives", the question being that a formal policy requiring detailed review and analysis.

Mr. Wilson: Mr. Chairman, the formal policy, as such, probably does not exist as a separate policy, but is incorporated under a number of functions that the Department of Finance does carry out and functions that the Subcommittee on Finance also carry out. That is that the review of departmental priorities, the programs that they would like to see and so on, is done through the program forecast and Main Estimate route.

The after-the-fact review is, in fact, more a financial review than would be what is being referred to in the comments, I must agree with that. In other words, it is more a variance report analysis. Individual department activities are reviewed by the budget branch on an on-going basis throughout the year to determine if, in fact, what has been approved by the Assembly is, in fact, what is going on, but this review is done mainly on a financial basis, as opposed to a program evaluation basis.

Mr. Hibberd: In other words, there is no evaluation of whether the objectives are still valid, whether it is actually achieving the objectives which were originally outlined.

Mr. Wilson: Mr. Chairman, formally, I would say that is correct, but, informally, there does tend to be an evaluation. There is a review, I would put it, that projects are looked at from time to time, but I would have to agree that there is no formal process of program evaluation, at this point.

Mr. MacKay: In the preparation of the Estimates, I have heard around government circles where the word will be out that this year you only have 9.7 per cent increase, or last year it was 6.4 per cent. Is it the habit of Treasury to tell their departments the size of the increase they are allowed before they go into the estimating process?

Mr. Wilson: Mr. Chairman, this is done on various terms, once again. The Main Estimates' targets are arrived at from review by the Subcommittee on Finance of the various documents before them, the major one being the program forecast. Based on the amounts of revenues and grants anticipated, a certain level of expenditures can be given.

Now, this is not done on a global basis. In other words, if, for example, we could afford ten per cent increase overall for the government for next year, this is not announced that everybody gets ten per cent. Each department is reviewed by the Subcommittee on Finance and a level of expenditures anticipated, at least a guideline, is given based on the certain requirements of each department.

That guideline is given to the departments in a dollar amount, in total, on the one hand. It is also detailed as to what new programs have been approved in the Estimates for the next year, what other provisions, for example, price increases, would be allowed and other volume increases and so on.

So this can equate, of course, to a particular per cent for any one department, but it is not stated to the departments that you have got X per cent to go with and go ahead and give us an estimate. That is not the case, it is much more detailed than that.

Mr. MacKay: Could you explain to us your understanding of the meaning of the term "zero base budgeting"?

Mr. Wilson: Yes, Mr. Chairman, there are really two steps in the zero base budgeting process. The first is the financial planning process, which will break out certain programs and activities into levels of activity, so to speak, say, to start out with, a certain level being the existing level of activity, so many man years, so many dollars. Other levels may be three man years less, so many man years less, that sort of thing, which would assist, in this case, the Subcommittee on Finance to determine certain levels of activity that they could carry out the programs with. This is a planning process which would be used to assist in the allocation of certain funding.

The next process, once the levels of activity are approved through the zero base, is a submission by departments of their estimates by activity, possibly even a lower level, by the lowest possible level of expenditure, the line object. These amounts, the budget is basically made up from the ground up. In other words, each expenditure item, each line object item is substantiated fully. For example, if there is a travel budget, the budget is not last year's plus ten per cent, but, in fact, consists of air travel, cost for accommodation and so on and so forth for these five or six specific trips.

So, in that respect it is the basic outline of the zero base system.

Mr. Hibberd: Perhaps, appropriate to that, Mr. Wilson, a further review here of the FMCS Report, it is stated that "This review program, by the Subcommittee on Finance, or by the Territorial Treasurer, cannot be fully effective since resource requests seldom provide the necessary information to allow for constructive assessment of departmental plans." Do you have a comment on that?

Mr. Wilson: Mr. Chairman, this comment was mainly relating to the capital requirements of departments and I would say that the program forecast method does allow for a number of reviews of any particular submission. For example, we receive a program forecast on capital in January of the year. It is reviewed by the Subcommittee on Finance and general guidelines are given, based on the original submissions, realizing that we are a full year before these requests are actually put in the Estimates.

There will be a further review just shortly before April to provide us with some backup in our negotiations with Indian Affairs and Treasury Board, at Intergovernmental Committee on Federal-Territorial Relations. Then, once again, there will be another review, usually in August, to provide for the final figures so that we can go to the Assembly with our Capital Estimates.

So, I would have to say that, in some cases, there may not be as much information as may be required, but that information is built up over the period of time, so that by the time the Estimates do come out, I would say they are fairly well documented and can be quite reliable.

Mr. Hibberd: This comment, though, Mr. Wilson, refers to the ability of the Subcommittee on Finance and the Territorial Treasurer to evaluate the Estimates, not the Assembly. Therefore, I would have to go back to your first phase, which is before your first meeting in Ottawa, that, at that time, the concern was that there was not adequate information to evaluate the program.

Mr. Wilson: Mr. Chairman, I would say that, probably, at the first submission, that would be correct. To a large extent the requests by departments are in the beginning stages. In other words, there have been no architectural drawings, no conceptualizing; some of these projects have not been put down into a solid basis. In other words, we may not know exactly how much it costs, how we are going to go about it and so on, at that time, but it is a planning process, one that has got to be flexible, and I think that, initially, the submissions may not be as adequate as required, but over the period of time they are built up so that Subcommittee on Finance does, in fact, receive that information.

I just might add that because of these comments that were raised in the FMCS study, and because Treasury Board also looked at this, in terms of the Government of Canada requirements, the Treasury Board did put out a policy guideline for the management of major Crown projects that we have reviewed and we will try and incorporate some of those suggestions within that policy and guideline paper that would give more assistance and information to the Subcommittee on Finance.

Mr. MacKay: I wonder if I could ask Mr. Johnston if he is familiar with Chapter Six of the "Financial Management and Control Systems Study". I think it was done for the Federal Parliament.

Mr. Johnston: I have, in the past, looked at the document, but I do not know it in detail.

Mr. MacKay: Perhaps I could just preface my remarks by saying that it is part of the "100th Annual Report of the Auditor General of Canada".

The thrust of the thing was that, in order for parliamentarians to exercise their proper function, that is to control government expenditures, to vote them, that they have to be given perhaps not more information, perhaps less, but of a different kind.

Do you have a copy of the 1979-80 Estimates in front of you?

Mr. Johnston: 1979-80?

Mr. MacKay: Look at the lead sheet on Tourism, please.

Mr. Johnston: I have the 1978-79, but I have not got the 1979-80.

Mr. MacKay: I did not look at that one, but I suspect the problem is exactly the same.

I would just ask you if you would agree that the description of the—I am looking at page 134 of the 1979-80.

Mr. Johnston: I have it, yes.

Mr. MacKay: Would you agree that the description of the use of these funds is perhaps a little brief?

Mr. Johnston: Yes, Mr. Chairman.

Mr. MacKay: Fine. I made the point and the point is, and I want to talk to Mr. Wilson about the methods by which to improve that, Parliamentarians have a great deal of difficulty standing up and sounding coherent at the best of times, however, at times when we have to debate a budget in which we have about eight words to describe a million dollar expenditure, we have a lot more difficulty.

Mr. Wilson, have you looked at the problem—or, perhaps Mr. Johnston wants to, have you been looking at the problem?

Mr. Johnston: Mr. Chairman, I just wanted to say that, yes, the Department of Finance agrees that, in the past, we had tried to simplify the process by cutting down on the amount of numbers, if you like, shown to the Assembly so that they are dealing with a higher level of decision-making. We have, to some degree, neglected to, when we cut down on the numbers, increase the amount of words available to fully describe the programs.

Mr. Wilson can speak to that, but we are certainly in the process of trying to upgrade that part of our Main Estimates.

Mr. MacKay: I want to phrase this properly.

Here is the context of the report and I would like you to try and address ways of answering this, it says that, and I am quoting now from Chapter Six of this report, "Our proposals assume that in considering changes to the form of estimates, all Members of Parliament will wish to make the procedures agreed to in 1969 more effective and that the Estimates should disclose the government's plan in a way that permits them to be understood, debated and compared to past performance, thereby establishing with greater certainty accountability for the fiscal year concerned."

I am concerned about "permits them to be understood, debated and compared to past performance". You do have information that allows a comparison on a very basic level. Perhaps this example is not the best one that I could have picked for you because the actual 1978-79 is a single total and I know that there were changes within that department.

Can you give us some of your own ideas of how you could improve this particular presentation to try and meet the objectives that are outlined in that previous statement?

Mr. Wilson: Mr. Chairman, with respect to the actual figures in the Estimates, that is correct. The 1977-78 actuals were not adequate, the major reason being that during 1978-79, there was a major reallocation of resources, a number of new departments were created and the difficulty in going back into 1977-78 to break those figures out was, in some cases, insurmountable. The same breakout was not necessarily given in a prior year.

So, most of those cases in 1977-78 were determined in terms of actuals by activities and by programs, but, in some cases they were not.

With respect to how better the numbers can be shown, I would say that from the information given, both in the Auditor General's "100th Annual Report", and in other documents, most numbers, put it that way, on the summary sheet, for example, would appear to be there. The only one that I would say that may not be would be a column for difference. In other words, the difference between 1979-80 and 1978-79, but that could readily be calculated and could be put in.

Mr. Chairman: Just to make an observation, Mr. Johnston, perhaps I will put a question to you, because I do not want us to get too much off track and into too much detail on this. It seems to me the substance of that report that we are dealing with, the "100th Annual Report of the Auditor General", was that, from a point of view of Parliamentarians, the Estimates contained, perhaps in some ways, far too much financial detail but not nearly enough narrative detail.

One of the things, it seemed to me that I learned when I was a municipal politician and dealing with municipal budgets there, was something that would come as no surprise to you, that not every politician can read a balance sheet like a poem.

In fact, the debate, at the municipal level, as I recall, often the best debate was, in fact, about the narratives. That is not such a

bad thing, it occurs to me, because what we really, as legislators, ought to be talking about are the main goals of the program and whether the programs of the department are working towards achieving those goals, whether the activities under those programs, in fact, are achieving the ends of those programs and the goals, some kind of indication, some big trends about the variances in terms of the spending and the performance of the department, that kind of narrative detail in words, which seemed to be much more the medium of our kind of exchange than numbers, much of the time, more basic kind of figures.

It seems to me if we continue with the kind of format that we now have in the Estimates, what ends up happening is the kind of debate, because we have so little to do with it that we want to break down the detail and we end up discussing the relative merits of a new social worker in Riverdale, or a police car in Johnson's Crossing, rather than the philosophical and principle questions behind the overall expenditure.

It seems to me that even if the Legislature is persuaded the budget should be cut or increased by ten per cent, it should not be our business to discuss cutting the police car in Johnson's Crossing or adding the social worker in Riverdale. It seems to me what we ought to be doing is, if we ever, on that basis of an opposition motion propose to cut it, it ought still to be the line department that makes the management decision about whether that comes.

What happens now, it seems to me, the form of the Estimates invites exactly that kind of discussion from us, rather than the higher level discussion, which a good narrative would precipitate.

Let me just put this general question to you, Mr. Johnston, is this an issue to which you had an opportunity to address yourself at all yet?

Mr. Johnston: Mr. Chairman, I have to agree with you that the narrative is lacking, in that my observation last year, the first Mains I was involved in as an observer, I suppose, was that a lot of the initial discussion in the Assembly took place on what is the program.

In other words, the Members could not prepare themselves in advance because there was not that description on the program there. They had to ask that question and debate back and forth as to what the program was prior even to getting into the Main Estimates for that year.

Mr. Chairman: That is exactly, Mr. Johnston, why we asked the question. The Minister gives the explanation and we are hearing it for the first time, trying to follow it, and then having the debate from there. Whereas, if it was laid out clearly, we might, in fact, spend less time debating the Estimates, but might have a better quality debate for the time we spend.

Mr. Johnston: Mr. Wilson has indicated to me that the Budget Branch is in the process of upgrading, providing more information in the narratives. I think we would be best to ask him as to exactly how far he has got on that.

Mr. Wilson: Yes, Mr. Chairman, I might just give a little bit of background on this. We are well aware that the information, the vote wording, as such, was just exactly that, it was strictly to achieve a guideline for particular departments to carry out a program within that vote wording and that was the sole intention, initially.

We, as I indicated in another Session, went from a book that basically had no information to one that had a lot of information and now we are changing that again so that and I will talk about the numbers for a second, rather than showing 25 or 30 numbers in a row, we will be going to a standard object level which will indicate, at most, seven specific areas of concern that you could address, not only looking at those seven concerns—it actually goes up to ten, but in most cases, we will be looking at a maximum of seven, we are looking at those separated by activities.

With respect to the description of the programs, last year was the very first year that we had asked departments, when we called for the budget submissions, to give us a description of their programs, their goals and objectives of those programs and of the activities, being well aware that this is the interest of the Assembly to delve into that area.

Unfortunately, because there has been no consistency in the submissions, some of them being very good and others maybe three or four pages long, since some programs are quite difficult to try to explain in a concise and proper manner, we have had to, once again, request for the 1980-81 Main Estimates, this same information. I must admit that I am very doubtful that that specific information will be placed in this book.

However, I would indicate that the 1979 Estimates, when they

were presented to the Assembly, at the beginning of each discussion of each of the Votes of each department, the information that was given was, in fact, read out to the Assembly, realizing that this, of course, does not allow you any time to look at it, to delve into it very deeply. I would suspect that this may, in fact, be the same case for the 1980-81 Estimates, but it certainly is in our long-term goal to provide a narrative information on the activities, information on the programs, because that is really what we think the Assembly is most interested in.

Mr. Chairman: Mr. Johnston, how receptive do you think your department, and perhaps others in the Government, might be to the process which seems to be underway in Ottawa whereby the Auditor General, in this report, has made the number of recommendations about the format of the Estimates.

I am not quite sure whether it is the Comptroller General or who, but someone has assisted a couple of departments in developing sample kind of formats, along with the old format and, in fact, presented them simultaneously, or are in the process of presenting them simultaneously. Do you see any prospect for, with, perhaps, some assistance from outside from our friends from Ottawa, some similar kind of process emerging here?

Mr. Johnston: I think it already has started to emerge, in that because of comments made and because of our observations of the activity in the Assembly, as Mr. Wilson indicated, last year we did ask departments to provide narratives and this year we have asked them again, because last year's results were not exactly spectacular.

I suppose the difficulty we have is that we want to provide very good information and we feel we have to polish up the narratives prior to putting them into the Main Estimates, as it is a published document.

Certainly, if we could get assistance from Ottawa, that would be most welcome. I am not sure exactly what definitions or guidelines we gave to departments to assist them in the development of the narratives. Perhaps it was a lack of time on our part to assist them. Mr. Wilson, perhaps you could comment on what information was given to them.

Mr. Wilson: Mr. Chairman, the basic information was the definitions of the programs and definitions of activities. In terms of the objects and goals, those particular definitions may have different understandings by different departments.

This is, I am sure, the subject of another kind of review, other than a budgetary review process, whereby, and I know this has happened in the past, departments have, in fact, had general meetings to discuss their goals, to discuss the objectives, and so on, all of those being quite important with respect to the Estimates, but not necessarily being very consistent with one another.

So, I would say that that is probably the starting point, is to determine truly the goals and objectives of departments, at least what they themselves feel they may be and then writing those up within the program activity structure that we have in the Estimates to make a meaningful document.

Mr. Lattin: Thank you, Mr. Chairman. When you are updating your information, I notice on the capital program, in the FMCS Report, it is noted that the policy is being developed to show that capital budget section of continuing capital programs in the main budget is not showing the actual cost to date and, secondly, the estimated cost to complete the project, which extends over more than one year, is not very clear.

Now, I realize you are updating these, but how have you addressed these two particular points?

Mr. Wilson: Mr. Chairman, within the Estimates for each of the capital projects that run over one year, we do indicate the revised cost. In other words, we will say that this is a second year of a three-year project, costing X million dollars, and I must admit, the costs to date are not recorded in the Estimates. They are recorded in the Territorial Accounts.

Certainly, it is a direction that we will consider.

Mr. Lattin: On the capital projects, I notice that if there is more than one project, the Territorial Treasurer maintains allotment control, but the Legislature and the Cabinet are not provided with enough information to know how one is going compared to the other.

What have you done to correct this, or what is your intention to correct this error?

Mr. Wilson: Mr. Chairman, the allotment control is, in fact, control for each project, in this case. So, for example, if there is a

project of \$5 million, that is one allotment, as opposed to a project of \$5,000.

The control within that \$5 million is determined through the variance report analysis and subsequent reports to the Subcommittee on Finance and also reports to the Assembly through the Territorial Accounts.

Mr. Lattin: On the other thing, too, back on salaries, if you had a salaried position that was not filled for quite a length of time, there would be a certain amount of money that would not be spent. How do you show where this money goes to? I was not quite clear when I was reading over the report. There seemed to be some confusion that this was not identified or shown where it went to.

Mr. Wilson: Mr. Chairman, I am not exactly sure of the question, but I would say that there is a policy on salaries and if, for example, there is vacancy and salaries become available, departments cannot spend that salary money unless they receive approval by the Executive Council.

Mr. Hibberd: Perhaps we could swing back to this business about the narratives and, at the risk of belabouring what is not quite a dead horse, I refer to the FMCS Report.

You have described your efforts in trying to obtain co-operation with the departments in improving the quality of the submissions and of the narratives. I see in the recommendation in this report that three words are used to improve the quality of the reporting, and those three words are, first of all "developed", as you have talked about. The second and third are "documented" and "communicated".

Have you developed any system whereby you are documenting what procedures the departments have to follow? I can go on to further elucidate what that recommendation states. It says "develop, document and communicate regarding the preparation of estimates including supporting structures analysis of both financial and non-financial nature, the role of the Subcommittee on Finance and the Treasurer's Department, and the review and assessment of all continuing programs within the government to assure compliance with stated objectives and priorities."

Now, again I refer back to the fact that you appear to be preoccupied with developing something to improve this, but I have not heard a word yet about if you have documented any procedures to improve this rather serious lack.

Mr. Wilson: Yes, Mr. Chairman, with respect to the role of Subcommittee on Finance and the role of the Treasurer, we have discussed that and it is subject to a manual being drawn up, which will be in Phase II, under the FMS study or report.

With respect to the Estimate preparation, each year we put out a document, which is the Main Estimate instructions, as well as the program forecast instructions, and, in addition, the Supplementary Estimate variance report instructions. Those are not only given to the departments as a written form, but there is a discussion, a meeting with the deputy heads, in one instance, and then the financial administration type officers, those people who will be preparing these documents, on the other case.

During this review, the instructions are gone over in detail, as well as certain requirements that may not be within that document that have come up. We request feedback and then we follow up later with specific discussions with individual departments who may have various problems with it.

So, I would say that, in this respect, the full financial cycle is gone over at least once a year, quite often more frequently, depending upon any problems that we anticipate.

Mr. MacKay: I would like perhaps to move just a little ahead on this. Perhaps Mr. Johnston should answer this one initially. Is there any formal process whereby the accounts or the objectives of the departments and their performance are compared?

Perhaps, more simply put, are the actual Estimates tied in exactly to the performance, the dollar performance? Is there a relationship between these two things? Do the Territorial Accounts get compared directly to the original Estimates at any point?

Mr. Johnston: Mr. Chairman, the results in the various departments are compared on a quarterly basis, through the variance report system and the variances from budget must be accounted for. This takes place through the whole year and then the final results of the department are published in the Territorial Accounts. So, yes, I would have to say that there is a formal procedure for comparing the results of the department with the planned program for that department.

Mr. MacKay: As I understand from last week, we talked about the variance reports, that this data was derived from within the de-

partment's own system.

Mr. Johnston: No, Mr. Chairman, that is partially correct. The actual expenditures for the individual departments are derived from a central system, controlled by the Department of Finance's computer system.

The commitments, which is the other amount that the departments have to account for, are maintained in departmental commitment systems, which are, in most cases, just a manual system.

So, the answer then is, as we get to the end of the year and all of these commitments are recorded in the last quarter, then, in fact, they are all in the central system because they are recorded by means of accruals. So, for the first three quarters, part of it is from the central system and part from the manual systems within the department.

Then, for the last quarter, in fact, it is all recorded in the central system.

Mr. Wilson: Yes, Mr. Chairman, I would just like to say that, with respect to the final, year-end figures, those that are within the Territorial Accounts, we do request a variance report indicating, by departments, exactly why and in what areas the variances occurred from the Supplemental Estimates or the original Mains, whichever was the last one and the actual results.

In other words, no matter if a department is over-spent, under-spent or what, we do receive a report from every department, based on the actual expenditures for that year, on that basis.

Mr. Chairman: If I could, just for a moment, there is another half to Mr. MacKay's question which does not seem to have been picked up on.

As I mentioned my municipal experience earlier on, one of the things that became very clear when you looked at those narratives on an annual basis was there might be plenty of evidence in the financial information that the department had really substantially changed its programs or objectives, but if they had not updated the narrative it became painfully obvious.

Of course, if they are in the budget process updating the narrative, that shift in emphasis and goals and programs and activities will show very clearly in the narrative, much more clearly than it will in the financial information that we are presenting.

I think the other thing that has to be asked is do you have any way, from the point of view of your department, of, in fact, becoming aware of that, other than just sort of vetting the expenditures? Is there a formal way in which the department advises you that the top priority is no longer this, that it is this?

Mr. Johnston: Mr. Chairman, the departments account for their expenditures by activity within programs and when they vary from the budgeted amount, then they must account for the difference. In their substantiation they then indicate the reason why they varied from the budgeted amount which would indicate the change in priorities, I suppose.

During the year, if there is a major shift within a department, in priorities, and a major change within and how they want to spend their dollars, they must come to the Executive Council for approval for those major shifts before they take place.

Mr. Hibberd: Perhaps, continuing on that, Mr. Johnston, you are assuming that there has been a deliberate shift in the priority within that department and they must receive approval for it, but is there any monitoring system whereby one can be assured that the department is continuing on to maintain the objectives as originally outlined?

Mr. Johnston: Mr. Chairman, the levels of control are quite low in this Government, as opposed to a large Government like Canada's, or maybe some provinces'.

The allotment control takes place at basically two levels, one being the salary, the other is a grants type of situation, so that if any expenditures are up or down within that area, those have to be explained, but, in addition, they are also controlled by activity and by program, so that it does not take very much change in any direction of a department before that shows up somewhere or another in an expenditure area which would twig questions to be asked, in fact, which we do ask, if a department appears to be going in a different direction.

That is basically the way, other than a voluntary submission by a department during the preparation of the variance reports that a department has indicated that rather than going a certain direction, we have gone a different direction to achieve the same means. We certainly do get reports based on that type of information on the variance report analysis, yes.

Mr. Hibberd: It is a form of reviewing process whereby you would

be able to ensure that a continuing program is following the original track.

Mr. Wilson: Mr. Chairman, once again, we are getting back to the program evaluation aspect and I would say that is correct. We do not have a formal program evaluation section or function at this point in time.

Mr. MacKay: You started out your previous answer saying that the level of control was low in this Government.

Mr. Johnston: He meant the level of control was low, that it was a low priority.

Mr. MacKay: I just wanted to clarify that before we went off and wrote our report.

Mr. Chairman: You have to be careful, Mr. Johnston, four people make notes.

Mr. Johnston: I was going to pick up on that, but then I thought when nobody asked a question that it was understood.

I think, Mr. Chairman, as a department manager, when you look at the operations within my own department, it is broken down by various activities within my programs and if, for example, I tried to spend a lot more on salary dollars in one particular activity than I should, that would certainly be picked up the very next variance report.

There are always ways of getting around that. I could charge people to the wrong accounts, I suppose, so that the variance did not show up, but I think we have to assume that all the activities are honestly accounted for.

Mr. MacKay: I got a bit sidetracked further back by some supplementaries, but you did say, at the end of each year, there is a formal process whereby you take your actual results as are to be reported by the Territorial Accounts and compare it to your budget estimates, as prepared by Mr. Wilson's department a year or two earlier.

Mr. Johnston: Mr. Chairman, it is the same process that we use at the first three-quarters of the year. It is also done at the end of the fourth quarter.

Mr. MacKay: In this instance, you know the numbers are correct, because you have all the numbers in at this point.

Mr. Johnston: That is right. At the end of the year, we have all of the accruals for any commitments for goods or services that are going to be received by the end of March into the system.

Mr. MacKay: What happens to that comparison? Is it Treasury's role, then, to go and seek explanation for major variances or do you report the variances to some higher level?

Mr. Johnston: All of the quarterly variance reports are communicated to the Subcommittee on Finance, who, in turn, communicate it to the Executive Council, Mr. Chairman.

Mr. MacKay: So, there it rests, or do they come back to you and ask you to inquire as to this particular item or that particular item?

Mr. Johnston: In most cases, I believe we have the information and can explain the variances to them. Certainly, if there is something that they feel should be accounted for that we have not accounted for in the explanations from departments, then we, or the department, would have to provide the information.

Mr. MacKay: Is that information in such a form that perhaps it would be useful to this Committee to see?

Mr. Johnston: I was going to ask that question myself, Mr. Chairman. There are a number of documents, procedures that we have referred to whereby we say we do communicate instructions out to departments. For example, for budget preparation or variance report preparation that we have manuals on, if you would like, instructions, small instruction manuals. If any of those are required, we could table a number of them with the Committee so they could have a look at them.

Mr. MacKay: Perhaps I could suggest to the Chairman, for our hearings next year, that we be given a copy of the final variance reports where we could tie it into Territorial Accounts versus the Estimates. That would be useful.

Mr. Chairman: Very well.

Perhaps, Mr. MacKay, we could just take that as a notice of motion for our executive reports, because we do not need to deal with it in terms of this year.

Mr. Wilson: Yes, Mr. Chairman, I just wanted to make one other comment upon what Mr. MacKay was talking about. This is with reference to what action the Department of Finance might make on certain variances.

At times, we, in the Budget Branch, will, after the analysis and

certain variances are known, go back to the departments to determine what impact these variances will have on the coming year's Estimates. In fact, in many cases, if there is an under-expenditure, certain requirements will be needed over and above the Main Estimates that have been approved so that those requirements are indicated to the Subcommittee on Finance to receive interim appropriation.

In other cases, when there are over-expenditures, quite often an estimate will be reduced by any over-expenditures. This is at the discretion, of course, of the Executive Council. So, certainly, action is taken on a number of those variances.

Mr. MacKay: I would just like to summarize this morning's discussions with a few quotes from a study that was done for a proposed reporting standards for Estimates and Public Accounts, December 1979.

I am going to read them more for the record, but I would like to get your comments at the end of it.

"Estimates should include:

- All significant components, activities and operations of the entity.

- Narrative descriptions which explain the entity's activities, its results, its organization and the resources it uses.

- Significant assumptions used in determining resource requirements.

- Internal or external events or constraints which significantly affect program delivery or resource requirements.

- Functional, program and activity information relating costs to purposes.

- Historical comparisons and future projections, along with appropriate explanations of trends and assumptions."

There are other items and I am sure that we can obtain copies of this for you, but does that sound like a reasonable goal for you to seek in the presentation of Estimates?

Mr. Johnston: Yes, Mr. Chairman. I did want to make the point that, on the narratives, we do not foresee including very much improved narratives in the 1980-81 Main Estimates, but we do have, as a goal, to provide much better ones for 1981-82.

Mr. MacKay: One final comment, to perhaps summarize our frustrations, "our" being on the Opposition side, having to deal with it. On page 128 of last year's Estimates, we were asked to approve a \$7.5 million expenditure, with the explanation that it was to provide funds for the development of land throughout Yukon.

If I could flag that one particularly to you, the kind of information we would like to have had was where, how much per lot, what were the main expenditures—lands, acquisition of sewer, roads, how does that compare with previous performance, what was the inventory of land on hand; all the management type information that you would require to make a decision to spend \$7.5 million.

I will leave that one with you.

Mr. Chairman: Mr. Falle?

Mr. Falle: My question has been answered.

Mr. Chairman: Dr. Hibberd?

Mr. Hibberd: My question has been answered, too. Good summary, Iain.

Mr. Chairman: Just so I can zero in on this question, Mr. Johnston, can this Committee understand that you have, today, given us a commitment to revise the former content of the Estimates in the light of some of the recommendations from the Auditor General on this subject?

Mr. Johnston: Yes, Mr. Chairman.

Mr. Chairman: We began the discussions with the Department of Finance, and, in your opening remarks, you referred to some practical problems, implementing the FMS and the FMCS recommendations.

I wonder if you would have any closing comment you might care to give to the Committee at this time before we excuse you?

Mr. Johnston: I do not have any closing comments particularly about FMS, Mr. Chairman, but I do have a couple of words I would like to say.

The Department of Finance has been pleased to appear before the Public Accounts Committee and we hope that our answers are adequate to allow you to reach proper conclusions.

All of the Finance witnesses have found the sessions to be infor-

mative and held in a co-operative manner. We look forward with interest to your report to the Assembly.

The one major comment I would like to make, along with these others, is that we feel that most of the points raised here have been good points, however, it should be kept in mind that all of the items have been addressed by the Department of Finance and that something is in place on all of them.

We, I think, all agree that, in some cases, there could be improvements made and that there has been a very active effort on the part of this Government, through the Department of Finance, to provide certain resources that were not available a couple of years ago, both in manpower and dollars, to, in fact, implement some improvements and I think there has been, certainly, some progress in the last year. We see a lot happening in the coming year.

So, hopefully next year at this time, we will have further good information to pass on to you.

Mr. Chairman: On behalf of the Committee, Mr. Johnston, I will just say that I am glad the experience has not been too unpleasant for you and that I hope it has not been too time-consuming. I know this is a busy time of the year for you.

I would also express the hope that you will continue to find the Committee future and positively oriented, rather than dwelling on negative aspects of the past record in the Government. I hope that will continue to be the case and, therefore, will not make your appearances here too unpleasant.

I would like to thank Mr. Johnston, Mr. Grant Wilson and Mr. Wilf Chaisson for being with us here this morning. The witnesses from the Department of Finance are now excused.

The Committee will now recess until 10:45 when we will be moving on to our next agenda item which is the Department of Tourism.

Recess

Mr. Chairman: The Standing Committee on Public Accounts, meeting four, formal hearings, will come to order.

This morning, we are dealing with the Department of Tourism. I would like to welcome, this morning, as witness, Mr. Peter Kent, Deputy Head, and Mr. Karl Crosby, Director of Tourism Yukon.

Mr. Kent, do you have an opening statement to make?

Mr. Kent: Yes, a small one. I guess it was my intention today to have George Sinfield here, the man responsible for administration and financial management, but he is sick. I hope to have him here tomorrow.

Because this is new to us, there may be some questions that we cannot answer and we will have to take on notice, because we are not sure of the exact line of questioning, so, if I bumble a little bit, it is because I am perhaps not as well informed as I should be.

As well, I should note that I was not in the employ of the Territorial Government in 1978-79, so there may be some questions of matters that arose during that year which I will have to defer to my Director of Tourism.

Mr. Chairman: Mr. Kent, perhaps I could just explain something about the tone and the manner of proceedings of the Committee which may assist you.

We intend to be essentially non-partisan in our approach. We will be avoiding policy questions and deal substantially with administrative questions. It is not our intention to observe the tradition of some public accounts committees to dwell on horror shows in the past. We may deal with some negative historical observations, but the whole tone of the Committee is intended to be future-oriented and positive.

So, even if there are some financial control systems that the Committee may find wanting, our whole emphasis will be to extract commitments for the future rather than to be dwelling on the past.

I think I should explain that our method of proceeding is to get into fairly general kinds of questions today. We will be meeting in Executive Session at 11:30 where we will determine what matters that have come up in general discussion that we want to pursue in further detail and we will notify you this afternoon, and each successive afternoon if necessary, what those matters are so that you can be adequately prepared to come before the Committee the next day.

Mr. Kent: I wonder if, before you start your questioning, I was advised I could have five or ten minutes.

I guess what I would like to talk about for that ten minute period

is basically the tourism industry, what its contribution to the Yukon economy is and some of its major problems and opportunities are, and I think perhaps that will give us a context within which we can deal with the department and what Government does to help that industry.

The statements I am about to make refer to 1978. I guess I would start off by saying, in that year, we had 367,000 visitors or tourists to Yukon. That represents approximately 15 visitors for every Yukoner.

In that year, total expenditures were something in the order of \$42 million, is what was injected into the economy by the tourism industry: \$33 million of that was direct expenditures and \$9.1 was indirect, through multiplier effects.

Those expenditures represent something in the order of 11 per cent of the gross Territorial product. In terms of jobs, the tourism industry employed approximately 1,800 people in that year which is approximately 15.3 per cent of the labour force. That statistic of 15 per cent, incidentally, compares with something like 11 per cent in mining. So, basically what I am saying is that the tourism industry, and it is a fairly broad definition of the tourism industry, employs more people than the mining industry in Yukon.

I should also state that in the mining industry, approximately 80 per cent of expenditures are imported from outside the Territory. That is in terms of construction, machinery, et cetera.

In tourism, where there is a great deal of local content, the percentage is something in the order of 37 per cent of tourism imports are imported.

Unfortunately, Government revenues from the tourism industry cannot be quantified, though I am making efforts to do so. Nonetheless, they are substantial in terms of gasoline tax, the Yukon share of personal and corporate income taxes, property taxes, et cetera.

I should also say that Yukon is one of the few areas or provinces of Canada that has a travel trade surplus. In other words, people coming into the Territory spend more money than Yukoners spend outside the Territory. I think Yukon and one other province in Canada share that attribute.

I guess those are some numbers. In terms of qualitative statements, I think I would like to put the role of tourism in the context of stability and diversity. Yukon historically has been dependent upon the mining industry, which are large, discreet projects that come and go and contribute to that boom and bust that you people know better than I.

My feeling is that, unless we can diversify the Yukon economy and stabilize it by having different sectors of the economy dependent upon different factors, you will always have that.

Tourism has some considerable advantages that may not be available in other sectors. It supports over 300 businesses. Number one, they are small, family-oriented type businesses, which I think is socially desirable and economically desirable instead of being dependent upon three or four large businesses.

I should also say that tourism is diversified throughout Yukon, which is another useful economic and social attribute.

In terms of tourism expenditures, the numbers are something like 49 per cent in the Whitehorse area, 17 per cent in the Watson Lake area, 17 per cent in the Kluane area, and something like 15 per cent in the Klondike area.

Tourism also has the benefit of providing recreation benefits and facilities to Yukon residents, as well as to outside tourists. It also permits a better level of services, by both government and the private sectors, than could be justified by the expenditures of Yukon residents only. In essence, the tourism facilities we have, be they Takhini Hot Springs or be they the bars or restaurants, simply would not be here if we did not have tourists to provide that basic nut or contribution to their overhead.

In terms of trends, a couple of numbers: over the last two decades, visitors have increased at an annual rate of 10.2 per cent and real expenditures by 7.6 per cent per year. When I say "real expenditures", that is if inflation is 10 per cent, then expenditures, on an average, have increased by 17 per cent. It is on the basis of those kinds of numbers, those kinds of statistics you get that desire to diversify the economy that we feel, and I think the Government feels, that tourism is a very important part of Yukon economy.

Now, perhaps I could just give an overview of what we see as some of the trends in Yukon. I will not quantify them, I will just give qualitative statements.

Approximately 65 per cent of our visitors to Yukon enter Yukon as single vehicle traffic along the Alaska Highway primarily as a transportation corridor between Alaska and the southern United

States and the passive wilderness experience.

Our feeling is, because of the energy situation, because of the trend toward shorter but more vacations, because of the trend to smaller vehicles as well as the price and availability of gasoline, that these kinds of vehicles are not appropriate for that kind of trip anymore. We think that is a market that does not have a lot of growth potential. As well, a couple of inadequacies in this market are that usually the expenditures are very low in self-contained recreational vehicles.

Now, if we are going to develop Yukon's tourism industry as a strong contributor to its economy, we think what we have to do is develop Yukon as a prime destination area. In other words, people are not stopping off here and spending a few bucks on their way to Alaska. They are coming here to enjoy our attractions and our destinations, which are primarily history and wilderness.

When I say "wilderness", I do not mean driving a recreational vehicle up the Alaska Highway and looking at trees. I am talking about things like white water rafting, fishing, backpacking, horse-back riding. This is a real growth market where expenditures are high, in the order of \$1,000 a day, not the \$26 a day or so that the guy spends for groceries.

We think that is the way the tourism industry has to be developed. We also think that we have to develop the mass mode transportation system, both to develop markets away from our traditional basis, such as southern United States, but into Europe and other areas.

Basically, this kind of mass mode transportation is in response to the energy situation. It is also quicker than the vehicle, which responds to the trend of the tourism people or visitors for shorter vacations.

Now, when I say that the highway travel market has no growth potential, it is still a big market. It is 65 per cent and one of our prime thrusts is going to be to divert that traffic into destination areas where they will spend a lot of money because, basically, highway travellers have a large amount of discretionary travel time.

When they come up here, they usually are coming up through British Columbia, Alaska, Yukon. Our exit surveys have shown they have about a week of discretionary time. In other words, they say let us set aside a week and take it as it comes. That is a real opportunity for us to capture, but we have got to have the attractions, we have got to have the facilities and services, otherwise that money will be spent elsewhere.

Another problem that is often referred to is seasonality. Okay, one response I can make to that is that, in a sense, that problem is perhaps not as serious as we think it is and, by illustration I will give you an example of where I come from, which is Nova Scotia.

Nova Scotia has a longer mild season, if you like, but it is a total family-oriented vacation. So that means, regardless of the season or the weather, the tourism industry in Nova Scotia is July and August because that is when the kids are out of school.

Yukon's market is different than that. It usually does not have a strong family orientation and that is why we have an opportunity here for a much longer tourism season than even southern provinces.

Our efforts are to broaden and enhance that season and a good illustration of that is that if you could increase off-season occupancy rates in hotels, even by 10 per cent, that would make a major significant contributions to the viability and growth of the hotel industry.

I guess the last point I would like to make, and I do not wish you to judge me unfairly, but I had an opportunity a month or so ago to go down to Anaheim outside Los Angeles to take a look at one of these consumer shows we run and when I was down there, I was enormously surprised at the service I got. People would come up to me and they would smile, they would say, "Yes, sir," they were proud of their job, they would give you good service, they were courteous, they really realized that I, the tourist, was important to them, their livelihood and their economy.

I think we have a lot to do with that in Yukon, in terms of the attitudes of people, the service we provide, the level of training in management. I think that is an essential part or measure that has to be taken in the development of the industry in Yukon.

So, basically, I think I would like to consolidate the statement I just gave you into a one or two page document that I could hand out to you people.

Basically, that is my view of the Yukon tourism industry, why it is important and why my department is here.

Mr. Chairman: I will look forward to receiving that document and we will entertain a motion to append that to the record at that time.

Mr. Hibberd: Thank you, Mr. Kent, for your most informative remarks.

Your department was kind enough to issue us some information prior to this meeting. Included in that was an organization chart, but I see that it was dated February 1, 1978 and, as this is now February 1980, do you have a more recent organization chart of your department available for us?

Mr. Kent: Today, the organization of the tourism division of the department is identical to what is shown on that organization chart, with the exception that the Tourism director reports to the Deputy Head of the department, rather than a Minister, today.

Mr. Hibberd: And the personnel?

Mr. Kent: With the exception of clerical staff, it is the same, but if you would like me to supply you with another one of these, with the changes and the names of the clerical staff, I would be pleased to do so.

Mr. Hibberd: Thank you.

Mr. Kent, this might be a difficult question for you, in view of your recent assumption of your duties, but could you outline to us the duties and responsibilities of the Deputy Head?

Mr. Kent: I am not sure that I will be giving this to you in a clearly laid out, concise manner and I might backtrack a bit, but I will do my best.

Basically, in two sentences, my job is to advise the Minister on policy and other matters related to Tourism and Economic Development and then to execute his directives. That is a very simple general definition.

I guess I have about four responsibilities. One is to manage and administer the department, that is in terms of a staff responsibility. I have written up a paper on that, because when I came here I wanted it very clearly understood from my Minister what I did and what he expected of me, I wonder if I could take that on notice and provide you with that paper tomorrow?

Mr. Hibberd: Good, thank you.

Mr. Chairman: That will be fine, Mr. Kent.

Mr. Hibberd: What activities take place in the marketing development branches and how do they contribute to your tourism goals?

Mr. Kent: Perhaps I will start at the end and work back, and I may refer part of this question to Mr. Crosby.

In terms of our marketing programs, I guess I will quote a number to start off with. For every dollar in Government investment in the tourism industry, that generates something in the order of \$112 in tourism expenditures. That, incidentally, is the highest statistic in Canada. It is lesser in every other jurisdiction.

As well, and I am moving from your question, I will come back to it, but I have it here. Tourists spend an average of \$1,200 per Yukoner in Yukon, which is also the highest in Canada.

Now, coming back to your question, I will answer in general and if you have any specific questions, I will ask Mr. Crosby to handle them. Some of the specific programs we have are magazine advertisements. We place advertisements in a number of travel magazines throughout Canada and the United States, primarily in the western markets. That is one tool.

Another tool are the consumer shows, which are the travel trade shows in the United States, where the department goes down, sets up a booth, and with private industry from Yukon, has a general awareness program.

As well, we participate in what are called trade consortia shows with the Canadian Government Office of Tourism. As well, we have a program of familiarization tours, where various wholesalers, travel agents, people who might want a package and promote Yukon, are brought to Yukon on a co-operative basis to show them Yukon, what the area is about, and hopefully, that will provide them with the incentive to develop a package to sell Yukon. As well, we participate in various market shows with travel wholesalers and agents and operators.

This is just simply external marketing you are interested in, Mr. Hibberd?

Mr. Hibberd: No.

Mr. Kent: The handout I provided you, the things I am talking about are generally described on page 4 of the handout.

I wonder if I could ask you to lead questions from that. Mr.

Crosby, would you like to add something supplementary to this?

Mr. Crosby: Mr. Chairman, when we assessed the marketing program within the department, we have to relate that specifically back to the goals and objectives that we have established consistent with the marketing program.

If you look at the document that Mr. Kent refers to on page 2, the document is entitled "Department of Tourism and Economic Development", on page 2, the goals and objectives of the tourism program are identified. For those who relate marketing activities directly to those goals, it is a relatively simple process.

The basic tourism objective of the department is to stimulate the development of a tourism industry which will contribute to the social and economic well-being of residents of the Yukon Territory.

That is the basic objective of tourism, but those objectives, or that major goal is broken down into several objectives, many of them directly related to marketing, such as to develop Yukon as a destination point for visitors. That is a specific marketing undertaking which requires certain activities to achieve objective.

Of course, to increase the gross flow of money into Yukon in the form of visitor expenditures on goods and services, to increase the growth potential for existent businesses and to provide opportunities for new enterprise in tourism related service fields, to encourage private sector participation in decisions influencing tourism development, and to develop expertise in the Yukon tourism industry.

Now, in our marketing program, we relate to that one specific goal and those sub-objectives in achieving our marketing objectives. To give you an example of some of the activities that we carry out, we produce and distribute something over 400,000 pieces of literature annually. This is not random distribution, because unlike our competitors in the provinces and other jurisdictions outside of this country who are also promoting tourism, who can afford sometimes to be extravagant in literature distribution, we have to be very market-specific. This requires a modest amount of research on our behalf to ensure that our expenditure is cost efficient in the area of literature.

Last year, the travel counselling section of our department handled over 100,000 tourism inquiries. These are from people who have been encouraged to solicit more information from Tourism Yukon to help them prepare for a visit to the Territory.

We do advertising, again, using the rifle approach because we cannot afford to create consumer awareness in specific markets. Over the years, our advertising program has been extremely small when compared to other competitors in this particular industry.

We have samples of the types of advertising that we do and also the studies that we do, the conversion analysis that we do to determine if our advertising is effective or cost efficient.

We participate very closely with the Canadian Government Office of Tourism which is within the Federal Department of Industry, Trade and Commerce. There are really thirteen partners in tourism in Canada. There are ten provinces, the two territories and the Canadian Government Office of Tourism. We all co-ordinate very closely, our efforts in selling Canada on a regional basis for internal sales, but also in North America and markets outside of North America.

We participate in a process which will not only motivate the consumer who is buying travel to buy the Yukon as a travel product but we work very closely with the travel industry and that is the trade within the travel industry, including retail travel agents, wholesalers, large transportation companies such as airlines and others, automobile associations, to encourage their efforts to sell the consumer on Yukon's travel products and many activities are undertaken to motivate the travel trade to represent our products for us.

We participate in a number of marketplaces, as Mr. Kent referred to, more on the trade level than we do on the consumer level.

Our philosophy there is that with the amount of money that we have to expend to create identification, interest and awareness of our product in consumer markets is more effective to spend our money in trade development which motivates a much larger number of consumers.

In other words, one travel agent may motivate thousands of consumers in his particular sales market, where if we tried to make that representation on an individual basis, it would be very costly and consume more time than we have when we look at the critical timing for tourism sales.

We support a close co-operation with the Yukon Visitors' Associ-

ation which is the umbrella trade association for tourism in the Yukon Territory.

We develop co-operative marketing programs through a joint committee which the Association chairs, to encourage the support of Yukon's private sector in tourism marketing, not only in the activities associated with marketing, but the expenditures, the input of private sector money into our marketing programs.

We participate in international and overseas marketing programs which are very specific market developments. For instance, we have been working in the West German market for the past three years with good results and as well as new markets in the Netherlands.

We have made no efforts, to this point in time, to develop the Asian markets, the PanAsian markets, of Japan or Australia, primarily because when you look at tourism development as opposed to tourism marketing or in conjunction with tourism marketing, it is like an equation and it must be balanced. Once that equation becomes unbalanced, you lose a tremendous amount of credibility in the marketplace and also your ability to be effective to develop the tourism industry. For example, the Japanese market is a mass movement market which requires hundreds of thousands of bed-nights in the Yukon which we are unable to provide at this time.

So our efforts in the Japanese market, initially when we approached that market problem, will be to develop specific small group markets that the Yukon can accommodate and handle.

Mr. Hibberd: Mr. Crosby, you referred to your goals and objectives in the information that was given to us and I note that these goals and objectives were formulated in 1974. I am sure that you are aware that from 1974 up until the present time, there was a marked shift in the emphasis given to your department, first, away from the marketing more to the development aspect of it to create a better climate for the Yukoner involved in travelling throughout the Yukon and then again that was shifted backwards to a more extensive outside market.

In the face of all these, changes have happened in where your programs are directed since 1974, and yet your goals have remained the same?

Mr. Kent: If I can take that, I think the goals are unchanged, the strategy to achieve those objectives, which are your programs and their priorities, have changed but the objective remains the same.

Mr. Hibberd: Perhaps I could put it another way. Was there not a time when the number of tourists arriving from elsewhere did not go on what has been an increasing scale throughout the years and which was attributed by your department to the lack of marketing of that industry in the outside?

Mr. Crosby: If I could just reiterate, I know it is a very simplistic approach to a complex problem and that is maintaining that equation which is necessary. I might comment that these goals and objectives are not identical. The goal is the same as was developed several years ago but the objectives have changed. Some have been added and some have been deleted over the years, so this document that I am referring to which specifies the goals and objectives was updated to 1978.

Mr. Hibberd: So it is not actually as it is formulated here, as it tells us.

Mr. Crosby: The first development of the goals and objectives for tourism was undertaken in 1974 and that is correct. These goals, internally within the department, have been updated and changed as not only conditions changed in the marketplace and internally here in the Yukon Territory, but they changed with our ability and emphasis, or the emphasis which was placed by the Yukon Government on marketing and development.

Mr. Hibberd: Mr. Crosby, if I may, I think your approach is admirable and I think your ability to try to keep abreast of the times and what your goals might be is indeed an admirable thing but I think it is incumbent on you to report to this Committee what your goals and objectives are at the present time rather than telling us now that they are 1974 objectives.

Mr. Kent: Mr. Chairman, this is a problem. My understanding is that these were the goals and objectives that justified, if you like, the expenditures in 1978-79. I understand that we are dealing with 18 or more months ago, but this is part of the learning process on this Committee, we thought your attention was being directed on the expenditure programs of that year so you needed goals, objectives and strategies in which to measure the efficiency and effectiveness of those expenditures.

Mr. Chairman: Mr. Kent, that is exactly correct but if there has been a substantial change, presumably the changes are made, in

part, as a result of some reflection on the previous goals and strategies and cost effectiveness of them or the performance according to those goals; therefore, if it is possible, we would appreciate some kind of explanation as to why those goals and strategies may have changed and how they will serve the increasing value for money of the department.

Mr. Kent: Just for clarification, are you interested in the transitions of goals, objectives and strategies from 1974 to 1978 or from 1974 to now?

Mr. Chairman: Perhaps I could let Dr. Hibberd—

Mr. Hibberd: I think, Mr. Kent, what we are interested in, we have been given a document which outlines your goals and objectives. It is stated in here as being 1974. We have heard from both of you that these are 1978 objectives. I would just like clarification on what your goals and objectives are.

Mr. Kent: The question as to whether they are the same, whether they are 1974 or 1978 goals. I will simply have to refer to Mr. Crosby.

Mr. Crosby: It is true that the first exercise that undertook to define the goals and objectives, not only of this department but of all of the departments within Government was conducted in 1974. Since that time, there have been additions and deletions which are not shown on the document which you have here. They are not substantial changes.

For instance, the basic tourism objectives as shown on page 2, to my recollection, is an incomplete list. I believe that there were eight basic tourism objectives and I would be pleased to bring that information to this Committee to show that complete list.

Mr. Hibberd: While you are doing that, could you elucidate for me, you have outlined here that Information Services and Parks are no longer part of the tourism branch but they were in 1974. Are these goals and objectives applicable to them as well?

Mr. Crosby: No, these are the tourism objectives of that program. At that time, the program had three operating divisions, or the department had three operating divisions. In fact, it was a branch of the Department of Tourism, Conservation and Information Services, which included tourism, parks, historic resources and information services, what is known today as the Bureau of Public Affairs within this government.

Other branches within that department were Game Management and Library Services, which, today, Game Management is located within the Department of Renewable Resources and Library Services has formed the basis of the Department of Information Services. So at one time, within Tourism and Information, as it was called, that program was responsible for tourism and with separate goals and objectives, Information Services with its own goals and objectives, and Parks and Historic Sites with their own goals and objectives.

What is shown here is only the tourism goals and objectives for that period.

Mr. Chairman: Could I just get in here with one supplementary. This is a problem of definitions that I have. My understanding of "goal" is something that can be achieved, a short term goal. An "objective" is something that may not be easily or immediately achievable but is, in the long term, desirable. I wonder if it might be useful to Committee if we could start, in some of these descriptions, differentiating between the two.

Mr. Kent: Perhaps I should give the definition that I work with and maybe we will work one out between us.

My understanding is that a "goal" and an "objective" are almost synonymous. Basically, in terms of effectiveness or evaluation, they are the things that you measure your programs against.

Now, if I can refer to this document, as I read what our basic tourism objectives are, as I understand it, those are really strategies. Those are the methods by which you are going to achieve that goal. You are going to achieve that goal of stimulating the goal of developing the tourism industry by developing destination areas. You may have another strategy of developing tourism so really, to get some common terminology, most of the things that I would call basic tourism are going to achieve your goals, your programs.

You start off with your goals or objectives, I use the same word, strategies come next and then your programs come after that.

I am prepared to accept any other convention. This is a little misleading but is that approach satisfactory?

Mr. Chairman: That is fine. We just wanted to understand what your terms were.

As we said the other day, time seems to fly when you are having

fun. We have reached our point of adjournment for today. The Committee will be reconvening into executive session.

I would like to thank you, Mr. Kent and Mr. Crosby, for being with us today. We would appreciate it if you could be back tomorrow morning at 9:30 a.m.

Some time this afternoon, following our executive session, we will advise you as to what matters we may want to go back into in more detail, though I think it is fair to say that the Committee has a number of general questions yet and we are still only a short way down that list.

You have identified a number of documents that you are going to bring to us.

Mr. Kent: I would like to review those before we terminate.

Mr. Chairman: Could I ask you for one other thing that you might add to your list, because we are interested in value for money and the performance standards. You gave some figures at the outset of your remarks, I think it was an annual rate of increase of tourism of 10.2 per cent and I seem to remember a 17 per cent figure, an annual rate.

Mr. Kent: Seven per cent on expenditures. That was an average over a 20 year period.

Mr. Chairman: Over the same period, would it be possible to give us some kind of figures, over the same period of time, of the growth of man years and spending by the department?

Mr. Kent: Okay.

Mr. Chairman: Even going back to the days that there may have only been one officer involved.

Perhaps, Mr. Kent, we should work from your list of documents that you have.

Mr. Kent: I was going to undertake to provide you with a document that more or less outlined, in point form, the statement I made when I introduced; a paper outlining the basic responsibilities, the functions of my position, I think that was the question. I think that is what I have got listed but I may have missed something.

Mr. Chairman: Would it be possible, I do not know how inconvenient it would be, to give us some update of your organizational chart with regard to the incumbents in the positions that are identified on that chart.

Mr. Kent: Okay, but as I advised you, there will be only about two changes in clerical positions but I will be pleased to do that.

Mr. Chairman: I notice a couple of other people that have left the Government service on this chart, the head of marketing, for example.

Mr. Bell is mentioned on the chart.

Mr. Kent: In any case, I will have it updated.

Mr. Chairman: Is that agreeable, on that?

Thank you very much, Mr. Kent and Mr. Crosby. We look forward to seeing you tomorrow morning.

The Committee adjourned at 11:32 o'clock a.m.



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Formal Hearings: Evidence

Tuesday, February 12, 1980
9:30 a.m.

Chairman: Tony Penkett

Standing Committee on Public Accounts

Chairman: Mr. Tony Penikett

Vice-Chairman: Mr. Geoffrey Lattin

Members

Doug Graham

Jack Hibberd

Iain MacKay

Missy Parnell

Clerk of the Committee

Expert Advisor from the Office of the Auditor General

Harold Hayes

Principal

Witnesses:

Peter Kent, Deputy Head, Department of Tourism and Economic Development

Karl Crosby, Director of Tourism Yukon

George Sinfield, Assistant Director of Tourism Yukon

Russ Graham, Chief of Planning and Development, Department of Tourism Yukon

EVIDENCE

Tuesday, February 12, 1980 - 9:35 a.m.

Mr. Chairman: The Standing Committee on Public Accounts, meeting five, formal hearings, will come to order.

This morning we are dealing with the Department of Tourism. I would like to welcome as witnesses, Mr. Peter Kent, Deputy Head; Mr. Karl Crosby, Director of Tourism Yukon; Mr. George Sinfield, Assistant Director of Tourism Yukon; and Mr. Russ Graham, Chief of Planning and Development. Welcome, gentlemen.

Mr. Hibberd: Mr. Graham, I understand you have a Yukon joint marketing with the Klondike Visitors' Association. Can you tell me how the Government is sure that the private sector is meeting its obligations?

Mr. Kent: Yes, sir, the funds provided to the Yukon Visitors' Association are managed jointly by a committee of Tourism Yukon and the Yukon Visitors' Association. As well, they are required to provide us with quarterly financial statements.

Mr. MacKay: Are these financial statements audited?

Mr. Sinfield: Yes.

Mr. MacKay: By a qualified auditor?

Mr. Sinfield: Yes.

Mr. Hibberd: In your statistics, you refer to Yukon Tourism 1978. Do you make allowances for Yukon residents who are travelling by air or across borders?

Mr. Kent: If you are referring to the numbers I gave you yesterday, they are included. If Yukon citizens go through a border crossing or travel by a commercial airline, they are included in those numbers.

Mr. Hibberd: So anybody who travels, whether they are here on a commercial enterprise or as a tourist, per se, or is resident.

Mr. Kent: Yes, sir. I should say that we recognize the inadequacy of that information. We have recently conducted, though not completed, an exit survey of tourists, which will give us a good handle on the various proportions between government, business, tourists, et cetera.

Mr. Hibberd: Does the department itself conduct that exit survey?

Mr. Kent: It is a joint study by the Canadian Government Office of Tourism, Yukon Government, and the Northwest Territories Government.

Mr. Hibberd: Is that how it is funded, Mr. Kent? I was asking who is conducting the survey itself.

Mr. Kent: I may ask George to correct me if I am wrong, but I believe the study is being implemented by CGOT. The study costs something in the order of \$150,000. I think we are putting up in the order of \$10,000 towards it.

Mr. Hibberd: Who is actually managing the survey itself?

Mr. R. Graham: The project is managed by ourselves, that is the field work portion of the project, in conjunction with CGOT, but we provide the on-site field supervision.

Mr. Hibberd: Is that survey run during the summer or is it run on an all year-round basis?

Mr. R. Graham: No, it is run from May to September.

Mr. Hibberd: May to September?

Mr. R. Graham: The study is in place during that period. May to September of 1978 was when the field work took place for that exit survey.

Mr. MacKay: Perhaps we could have your definition of a tourist before we get too far into details. What do you consider a tourist?

Mr. Kent: Our definition of a tourist is that which is applied in all other provinces of Canada. Basically, it is anybody who travels more than 50 miles.

Mr. MacKay: So a prospector driving from Whitehorse to Dawson City and staying there for five nights, or for two months, is considered a tourist under your statistics.

Mr. Kent: That is correct, as is the case with all other provinces in Canada.

Mr. Hibberd: So your exit survey would not include that kind of information.

Mr. R. Graham: No, that is correct. An exit survey, as the word suggests, is a survey of people as they exit the Territory, so that anyone who drives in Yukon is not interviewed.

Mr. MacKay: Would it be possible for you to produce the audited financial statements of the YVA and KVA for 1978-79?

Mr. Sinfield: I will be able to get that information, yes.

Mr. Hibberd: Do you have an inventory of potential consultants that you use for the variety of reports that you do?

Mr. Kent: Yes, sir.

Mr. Hibberd: Do you have a list of such consultants?

Mr. Kent: Yes, sir.

Mr. Hibberd: What criteria do you use for the selection of these consultants?

Mr. Kent: I will give a very general answer and if you want more specifics, I will give it to Mr. Graham.

Based on the expertise, the skills, the background of the consultants, and the price, the quality of their proposal or methodology as to how they plan to do a piece of work, I think those would be the main criteria.

Mr. Hibberd: Do you ask for a variety of proposals when you are asking for a contract to be done?

Mr. Kent: Yes, sir, we have never done a study in the last several years without asking for at least three proposals.

Mr. Hibberd: On what basis do you select the successful candidate?

Mr. Kent: On the basis I just described to you, sir.

Mr. Hibberd: Do you have any method by which you would have a cost benefit analysis made of these proposals?

Mr. Kent: No, sir. Perhaps you would like to rephrase that question, but technically you cannot do a cost benefit analysis on a proposal.

By this I mean, suppose you hire a consultant to do a feasibility study on a certain matter. I cannot understand how you can do a cost benefit study on his proposal. You might ask him to do a cost benefit study on a particular idea or concept, but you cannot do a cost benefit study on his proposal.

Mr. Hibberd: Well, then, what do you do to assess the adequacy of a proposal that you have received?

Mr. Kent: Basically, when you give an invitation to a consultant, you tell him what you want him to do and he provides you with a methodology as to how he proposes to do it, what skills he plans to bring to bear on the job, how much he is going to charge, how long it is going to take, what expertise he can bring to bear on the subject and how much he is going to charge, as I said earlier.

It is on the basis of those criteria that you generally select the one that you feel will do the job the best.

Mr. MacKay: Just perhaps to clarify or put it in a different light, included in the proposal, do you ask them to show how they intend to assess the value of their proposal, if it is implemented? For example, if they are suggesting a certain marketing strategy, do they include at the end of it, say, "Okay, we, having done all this, we will then be able to tell you what impact the implementation of our proposal has had on the problem at hand"? That is the kind of cost benefit. I think, that we are talking about, is how you measure how good that thing has been at the end of it and do you insist that the consultants include, in their proposal, that measurement device?

Mr. Kent: Again that will depend. For example, suppose I hired engineers to design an information centre. There is no way that I would ask them to evaluate the benefit or effectiveness of that information centre.

So, it all depends on the terms of reference, what you ask the man and that, I think, is going to depend on each individual study analysis or consultant study you want to do.

Mr. MacKay: I noticed that reference to the Yukon Tourist Development Strategy. In that particular instance, did you have such a measurement included in that strategy, whereby they will be able to tell you, if you implement this, how successful or unsuccessful the program has been?

Mr. Kent: I am going to refer this to Mr. Graham, but one thing I should say is that tourism strategy did not identify specific, hard programs. In order to assess cost benefits you would have to know what the programs are, what their dimensions are and what they are going to cost to get your cost factor in order to assess potential benefits and measure them to get the ratio.

If you would like further elaboration on that—, I think that answers your question.

Mr. Chairman: Just a general question then, Mr. Kent, so, I understand that Tourism Development Strategy did not have that kind of

detail in it. Did you have any idea at all, when it was received, what kind of global figures you might be talking about in terms of implementing that strategy as it was outlined in that proposal?

Mr. Kent: I was not here at the time, Mr. Penikett, so I will refer that question to Mr. Graham.

Mr. R. Graham: The financial cost of implementing the strategy?

Mr. Chairman: The global terms of implementing the kind of strategy proposed in that report.

Mr. R. Graham: We had ideas of how much each of the measures would cost, given the fact that each one of them could be implemented on a number of levels. For example, the suggestions that proposals regarding tourist attractions, any one of those tourist attractions could be built for \$250,000, perhaps, or \$2 million.

So, with that type of latitude, yes, we knew what costs were involved. Costs were not, of course, specifically identified in the Strategy Report, as you know.

Mr. MacKay: The Tourist Development Strategy Report, you said it was of a general nature and did not identify specific projects. Does that mean that, in order to implement that particular strategy, we will now have to hire further consultants to propose specific implementation of the general suggestions?

Mr. Kent: That would depend on the kind of programs you had, but I would think, if you followed the approach that was used in that strategy, to carry it one step further would be to identify the specific kind of projects and programs required to implement that strategy. Some could probably be done in-house, some may require outside expertise.

Mr. MacKay: When you requested that general development strategy, did you know that you would have to have a two stage program or did you expect to be able to get, from that strategy, some specific things to do?

Mr. R. Graham: Yes, we did know that. That was exactly the intention.

Mr. Hibberd: I am sorry, what was the intention?

Mr. R. Graham: The intention was to proceed on those two stages, as Mr. MacKay has suggested. Your first stage is a general framework, a direction for development of the tourism industry, which the document called "Yukon Tourism Development Strategy" provides.

As you implement that general framework and as you move in that direction, further detailed studies and assessments are required of the priorities as you work with them.

Mr. Hibberd: What have you done with the Tourism Development Strategy?

Mr. R. Graham: I will tackle that.

The Tourism Development Strategy, since it was completed in October of 1978, has been used in a variety of ways, both internally, within the department and our own planning and program forecasting and as a document to deal with the private sector in the Yukon to inform them of the direction that we see taking in tourism development. It has been used as a working document in a variety of things in terms of development projects.

Mr. Chairman: Mr. Kent, do you still see the document as the basic funding document for the department, at this stage?

Mr. Kent: I see it as one input. I think there are other inputs, other factors. It is a useful document, but I would not say that was the be-all and end-all of tourism.

Mr. MacKay: What did this study cost, Mr. Kent?

Mr. R. Graham: The total cost of that study was approximately \$70,000.

Mr. MacKay: What was the original proposal supposed to cost?

Mr. R. Graham: The original proposal by the consultant was approximately \$40,000.

Mr. MacKay: That is an 80 per cent overrun. Can you give me some explanation of the reasons for that overrun?

Mr. R. Graham: There were three reasons for that amount of cost overrun. Number one, after the project started, the Yukon Government, the Commissioner's Office at the time, announced a policy or a program of public involvement in planning, which we were not aware of when we wrote the original contract; therefore, we added in a public participation program, which involved additional costs.

Mr. MacKay: Excuse me, could I just know where the initiative for that public hearing process came from? Did you say it was from

the Commissioner's Office, or was it from the Government?

Mr. R. Graham: Well, as I understood the process, the Economic Research and Planning Unit had developed a program or an approach to public participation. It was then announced publicly by the Yukon Government.

We took that as an indication of direction to proceed with a public participation component for our tourism development strategy and proceeded on that basis.

The second factor was the pipeline and the fact that the timing of our project coincided closely with the pipeline arriving on scene, if you will recall, in late 1977. What eventually happened was that we set aside the Development Strategy, after some work, and proceeded with a separate report on the pipeline and its effects on tourism and then went back to the original Strategy document which created delays in time, unfortunately, overlap in the field work and the putting off of the original strategy.

This, again, led to the third problem, which as the original project wore on, we were getting close to the Yukon Visitors' Association Annual Convention and it necessitated an additional field trip to attend that convention and present findings, which was not envisioned at the original.

So, there were factors that came after the strategy was underway that we were not aware of at the time of signing the original contract.

Mr. MacKay: Was the entire bill presented by the consultants paid then, or did you dispute some parts?

Mr. R. Graham: No, the entire bill presented was not paid. The invoice that was sent by the consultant for cost overruns was in excess of \$40,000. We paid only \$30,000 of it. The balance we felt was work that was included in the original terms of reference and was simply a miscalculation by the consultant on the amount of time that he might spend.

Mr. Hibberd: Mr. Kent, or whoever you wish to refer this to, this is a document that has been prepared at the bequest of your department by someone who is a non-resident of Yukon and there has been some considerable work put into this.

I gather that this document has been accepted as policy by your department. What has been the input of your department into editing a document that has been prepared by someone who lives in another part of Canada or are you merely accepting what he is giving you as a document, per se, without your own input of your own department?

Mr. Kent: I think there are several questions you are asking there. One is, it is my understanding that that document was accepted as a working paper or a working document by our Government. It was not accepted as Government policy, that is item one.

Item two is the man is not a resident of Yukon; however, the expertise to undertake that kind of work was simply not available within Yukon, on a professional basis. I think that perhaps that inadequacy, in terms of local participation, was met through this participation process.

Mr. Hibberd: Perhaps I could on on a general basis then. When you do get a contractor's report, how to you go about assimilating that into the policies of your department?

Mr. Hibberd: Would you not agree that with the expertise of your own department, it should be a major factor in any government policies that might...?

Mr. Kent: I beg your pardon.

Mr. Hibberd: Would you not agree that, with the expertise within your own department, there should be major input into such a resolution of such a document?

Mr. Kent: I am sorry, I do not understand what you mean by "a resolution".

Mr. Hibberd: Well, you are calling this a working paper towards developing policies within the Department of Tourism. All I see is this document. How has it been used to develop policies in your department?

Mr. Chairman: Perhaps, Mr. Kent, before you get into that, I feel I must caution the Committee and the witnesses opposite. We may be getting into an area where we are very close to a policy discussion and I want to preclude that possibility before we get into it.

Perhaps I could ask Dr. Hibberd to consider perhaps rephrasing his questions so that they would be more clear to you and, perhaps in the meantime, Mr. MacKay might have something he wishes to pursue.

Mr. Hibberd: Perhaps I could on on a general basis then. When you do get a contractor's report, how to you go about assimilating

that into the policies of your department?

Mr. Kent: It would vary upon the type of report. Some consultants' reports may contain certain recommendations which are immediately implemented, in terms of programs, expenditures, legislation policy. Some may be just background papers. Some may provide direction for further work, such as suggested by Mr. Graham.

But I do not think there is a general rule. It depends upon the study, its terms of reference, the output.

Mr. MacKay: Mr. Kent, you may want to refer this to Mr. Graham. I am concerned about the overrun. I think what I am more concerned about is how do you become aware of these overruns, how often did you have to authorize the work to continue, based upon new overruns, under what basis do you monitor your projects, generally, and in particular, how did you follow this one through?

Mr. Kent: Can I answer that question generally, and I will ask Mr. Graham to deal with that particular one.

The policy of our department now, in terms of financial and quality control, management of consultant studies is: number one, the terms of reference have to be tight. They cannot be loose, general, vague. It has to specify a final product by which you can measure whether the guy completed his task or not. It is to specify an upset, final price. It is to specify per diems for the various types of people who will be employed in the project and how many man days for each of those people. It will provide a budget that estimates how much each component of the work you are going to do is going to cost. There will be constant management of the consultant, with progress reports on a regular basis.

So, that is today's policy.

Mr. R. Graham: During the course of the project, there were a number of checkpoints that were instituted. There was a steering committee which directed the project and which directed the consultants to carry out certain tasks and certain work and go through the whole process of the study.

Invoices were received and processed and evaluated, during the course of the study. Time and field work costs were assessed, as they related to specific tasks, such as the public participation that I have mentioned.

The cost overruns that you are alluding to were known early in the process. We knew, for example, that the public participation exercise would involve some cost overruns. We tried, as much as possible, to accommodate that in other field work. That is, if we were in an area, such as Dawson City, we would hold a public participation meeting at that time so that we were not duplicating field work.

The costs were accumulated, the time was accumulated throughout the exercise and the final figure, as I say, was then negotiated, if you like, so that we were not paying the total cost of the overruns, but only those costs which we thought, which we decided were additional work added after the contract was signed.

Mr. Chairman: Mr. Doug Graham, you have a question for Mr. Russ Graham?

Mr. D. Graham: I have one question. How many of these overruns, of the three areas that you are speaking of, came as a result of direction provided by other than Department of Tourism officials?

By that question, I mean how much of this cost overrun could be directly attributable to direction that you received from the Executive Committee?

Mr. R. Graham: Of the three areas that I mentioned, I suppose two of them would fall in that category. The public participation exercise was outside of our department. We understood it to be, it was announced as a general policy of Government that that process would take place.

The pipeline factor was totally outside of our department. The decision to include the consultants and use a presentation at the annual YVA conference was a decision of our department, with direction from our Executive Committee Member of the day.

Mr. Hibberd: Mr. Chairman, I am going to excuse myself from further questioning at this hearing, at this moment, because I was a Member of the Executive Committee at that time and I must directly refute what the witness has told this Committee at this time. None of this evidence was ever brought to Executive Committee.

Mr. R. Graham: No, I did not say Executive Committee.

Mr. MacKay: Moving right along, could I switch the grounds a little bit. I just want to examine some of the basis for the statistics.

My feeling is that the statistics are somewhat loose and we do wind up making decisions based on these statistics.

So, on your Annual Report from the department in 1978, there are some curious anomalies. If you turn to page 15, Exhibit 5, in 1976, 306,000 people entering Yukon are estimated to have spent \$20 million, approximately. In 1977, 300,000, 6,000 less, are estimated to have spent \$29 million, which is approximately a 50 per cent increase in dollars while there was an actual decrease in numbers.

Can you explain that, because I do not think your methodology changed between these two years.

Mr. Kent: I believe it did, sir.

Mr. R. Graham: Yes, there were several factors involved there. First was in the method of estimating expenditures. In 1976, for the first time, we used a technique called a tourism expenditures model, which is a computer based model provided to us by the Canadian Government Office of Tourism. That was a different method of estimating than up to 1975; therefore, we found that we had been slightly over-estimating the expenditures on our previous techniques.

The other factors were that, in 1976, if you recall, it was a year when international travel trends were disrupted by such things as the Olympics, it was an American election year, the first of the gas crisis in the States, with a shortage of gas and price increases and so on, all of which affected international travel. So we did have a decrease in travel receipts in that year.

Mr. MacKay: I followed the difference between 1975 and 1976, when you switched to the tourist expenditures model. You still have not explained to me, while using the tourist expenditures model in 1976 and in 1977, we have a marked 50 per cent increase in expenditures while there has been a decrease in numbers. I do not think you explained that to me satisfactorily. There did not seem to be a change in methodology between these two years.

Mr. R. Graham: No, the methodology is identical in both years; however, some of the other factors which influenced that were increases in hotel occupancy, increased length of stay, increased expenditure—that is, an increased daily expenditure by visitors, and probably another factor is better data in 1977.

Mr. MacKay: Okay. Would it not be true that in 1977, that there was probably a very large increase in the number of people spending longer periods of time in Yukon, due to economic developments other than straight tourism— pipeline hearings and that kind of thing?

Mr. Kent: It could very well be a factor.

Mr. MacKay: So, given that and given the fact of the previous answer that travel within the Territory by Yukoners, such as miners and so forth, are all part and parcel of these things, I am not trying to downgrade the volume of tourism, but I am saying how do you separate out the real tourists from these statistics. I mean a "real" tourist is somebody who comes to visit Yukon in the traditional touring sense.

Mr. Kent: I think I will be the first to concede that our data base is poor and I think that is a reflection of two things. It is a reflection of the resources and the dollars and the staff to get a good data base, and the, if you like, interference, the political difficulties of imposing all kinds of questionnaires on all kinds of people.

The only information that we collect on an annual regular basis is basic information at the tourism information centres and hotel accommodation/occupancy surveys. That is the only information the department collects upon which to generate statistics.

Now, what we do, like in 1978, the exit survey was started. The information will be available within the next month or so, the final report. That will address some of those ratios. The questionnaire says where do you come from, what are you doing here, what motivated you, et cetera, and that will give us some kind of ratio of the breakout of whether it is business, whether it is mining, whether it is tourism.

I guess what we will do is we will apply those ratios for the next 40 or 50 years until we can do another exit survey.

But generating that kind of statistics costs money and imposes burdens on a lot of people that people resist. So, I am the first to say some of this information is inadequate, we recognize the problem.

Mr. MacKay: I am glad you recognize the problem and I think that my concern is that from these statistics that you are then going to spend money directing your tourism budget, your rifle shot at your target groups and so forth. Do you have sufficient data, really, at this point, to make sure you are spending that money in a meaningful way?

Mr. Kent: It is a question of, the more data I had, the more

confidence I would have. If I had twice as much data, I may have twice as much confidence. But I cannot apply numbers on to that. I cannot say I have 50 per cent confidence or 70 per cent confidence, that because of the data inadequacy, which would cost a lot of money and resources, some of the decisions we make, some of the information that we have to deal with, is, to a large degree, by the seat of your pants.

Mr. Chairman: Okay, Mr. Kent, I think we are getting into the core of the kind of issues that this Committee is concerned with.

Earlier, Dr. Hibberd asked about the question of contracts. Yesterday, Mr. Crosby made a reference which I have heard Mr. Tracey also make about the horrors that would result from spending a lot of money in Japan because of the multitude of 747s that might be landing here that we could not accommodate.

Could you, essentially for the laymen in this Committee, outline, in the period we are talking about, or, if they have changed, perhaps you might indicate how they have changed, the kind of performance indicators you use. If you are spending a lot of money in one market, advertising, how, at the moment, other than the things you have already indicated, if there are any other means of assessing if you spent some advertising dollars, some information dollars in this area you are getting any tourists in this area?

For example, there was reference made yesterday to, I think, 100,000 inquiries in writing, whether we have any follow-up method to find out at all how many of those 100,000 people might have visited here. That kind of performance indicator.

Mr. Kent: One thing we do is what are called conversion studies. Perhaps if I give you an illustration it will help. We place an advertisement in a travel magazine, whose circulation, let us say, is California and in and on that advertisement is a coupon for further information send off to Tourism and we will send you some brochures and some maps. That coupon comes in, we send it out to the person.

Now, what a conversion study is is sometime later, six months, a year, you conduct a survey and you send those people a questionnaires saying, did you come to Yukon and, if so, where did you go and what did you do and will you come to Yukon?

On the basis of that kind of information, you can measure cost effectiveness.

The last one we did was in 1977, because, again, that is something you should be doing periodically because people, the impact and benefits of different kinds of advertising media changes over time, but that, again, is a survey that costs money. We have done them in 1977. I would be pleased to provide a copy of that conversion study to this Committee.

Mr. MacKay: Could you perhaps just briefly summarize its findings? How successful were we being?

Mr. Kent: Well, we did this conversion study primarily on the travel shows where people fill in coupons and we send them the information and media advertisement. On the basis of the conversion studies, we stopped advertising in certain magazines. Certain magazines showed a good rate of return on investment and certain ones did not.

I do not know if I could make a general statement, because the study was on each different kind of media. Some of them showed very large rates. If you would like me to, I will give you one or two illustrations?

By way of illustration, one magazine called Holiday Magazine, for every dollar we spent in advertisement in that magazine, there was approximately \$48 spent in Yukon. It seems to be a reasonable one.

Now, another example is one magazine called Backpacker, for every dollar that we spent in advertising, the tourist spent 70 cents in Yukon. We terminated that advertisement very quickly.

Those are the ranges, but this is something you have to look at each kind of media, each kind of program and it is how you evolve your advertising program.

Mr. Chairman: Because this is the kind of information we are particularly interested in, let me throw out a kind of situation, a hypothetical situation, perhaps, and ask you what kind of procedures you would go through in assessing this kind of situation and how this might have an impact on your strategy?

You have a year in which you have a number of indicators that in California, which has done relatively well in all those delightful octogenarian retired school teachers that come up in the Westour buses and so forth, that at some point, there are indicators that you may have saturated that market, that they are not coming back and their numbers do not seem to be increasing. At the same time,

the kind of services, facilities that we have here for those people, such as hotel rooms of a certain type. Travelodge, so forth, are packed to the limit in the summer.

How would that situation change your strategy? Would you, in fact, talk about changing some of your goals and objectives or would that produce a shift? How quickly could you respond in any year to some kind of indication that, perhaps, there was not any room to grow in some area?

Mr. Kent: I guess one point I should make, and I will ask Mr. Crosby, perhaps, to speak in a little more detail, is you cannot develop a market overnight. It is not something you say we think there is some potential in Puerto Rico or something, so let us launch a blitz advertising program and six months later you evaluate it. Because, without a question, at the end of that six months period, that short term evaluation would demonstrate that it was a poor investment.

I am advised that to test a market requires a minimum of two years. Now, to remove yourself from a market does not take much work. You just stop advertising there, but still, the previous work is still going to have an impact on that market for three or four years.

Mr. Chairman: Let me ask you a specific question, then. During the period we are talking about, how long are your advertising contracts for, the kind of contracts you have with your major advertisers?

Mr. Crosby: Perhaps a contract is a misnomer because we really do not have a contract. We have a letter of understanding with our advertising agency which appoints our agency of record for a two year period. That was undertaken in 1978. We have never had an agreement with an advertising agency up to that point in time.

Mr. Chairman: Let me ask you, Mr. Crosby, what is the difference between a contract and a letter of record, is that the term you used?

Mr. Crosby: There is a contractual process and perhaps I might ask Mr. Sinfield to give you more detail, if it is required, but we do not, for instance, sign a contract which is a normal type of contract with an advertising agency.

It is based on performance. The agreement we have with our present advertising agency can be terminated within 30 days by either party.

Mr. Chairman: Based on performance, what are the performance indicators in assessing the advertiser's performance?

Mr. Crosby: Primarily in the area of creativity and design, in meeting production deadlines and effectiveness on the marketplace when it comes to placement of media or advertising.

Mr. Chairman: I can understand how you assess the third of that list of four which you gave, but how do you assess the first two and the last one.

Mr. Crosby: To give you an example about creativity and design, and I am speaking primarily of the requirement for our literature production and other sales and collateral materials supporting sales in tourism. Yukon has won three international design awards for its literature production in North America in the last four years. That is directly as a result of having an extremely competitive agency that has been able to produce that type of material for us.

It should not be confused with the fact that we did not go out to win designs. We went out to sell people on coming to Yukon. That was a bonus that we received, but it is also a sign of measurement of the expertise and the effectiveness of the agency that we employ.

Mr. Chairman: Thank you. The last question on the market effectiveness, I think was the term you used, what are your measurements there and you have got some kind of an arrangement with an advertising agency for two years. How, in that two year period, do you assess their performance in terms of their impact on the market? As Mr. Kent says, you cannot assess the impact on the market overnight, you cannot have an impact on the market overnight.

Mr. Crosby: Of course, in the area of advertising, conversion studies are perhaps the best vehicle to assess the effectiveness of advertising expenditure. But we have spent very little in advertising and that only represents a small portion of our total marketing mix.

Mr. Chairman: The conversion studies have been the principal tool by which you have done some assessment up until now, is that correct?

Mr. Crosby: Yes.

Mr. Chairman: Okay, let me ask you about the literature. What kind of quantities are we talking about, in terms of pieces of literature?

Mr. Crosby: We are producing, at the present time, and I stand to

be corrected, 150,000 pieces of our main piece.

Mr. Chairman: At what kind of cost in the year in question that we are talking about here?

Mr. Crosby: I will defer that question to our administrator at that time, Mr. Sinfield.

Mr. Sinfield: Can I clarify one point? In this question we are talking about 1978-79. In 1978-79, the literature cost came to about \$100,000.

Mr. Chairman: Is the figure of 150,000 pieces correct?

Mr. Sinfield: In that year it was 125,000. Currently, it is 150,000.

The final figure of printing actually was about \$105,000. I think. Then, on top of that there were freight charges.

Mr. Chairman: Is it standard for the literature to include any kind of coupon such as has been referred to in the advertising?

Mr. Sinfield: The literature itself does not, no. It includes the address to write to for further information.

Mr. Chairman: Have you attempted to do any conversion studies on the responses to the literature, in terms of written inquiries?

Mr. Sinfield: No.

Mr. Kent: I should note that the literature is primarily sent out on the basis of coupons, so that is part of the conversion process.

Mr. Chairman: Do you dump any literature into the market on a speculative basis with travel agents in an area where you do not have any previous indicators of interest?

Mr. Kent: Well, I would not say "dump" it, I would say on request.

Mr. Chairman: I am sorry. I used the word "dump" because of the quantities involved. "Place", I think, is the polite word.

Mr. MacKay: Just to pursue this, I thought you said yesterday, Mr. Kent, that there were some 400,000 pieces of literature distributed.

Mr. Kent: No.

Mr. MacKay: No? I wrote it down yesterday, so I had a question.

Mr. Kent: Well, I never said that, but someone says it is true.

Mr. MacKay: Perhaps it was Mr. Crosby who said that.

Mr. Crosby: Perhaps just to clarify this, we produce, at the present time, two major pieces for distribution to sell our tourism products. This is what Tourism Yukon produces. One main piece, which contains general information and specific information on facilities, in other words, it is a sales and service piece combined. The second piece is a map of the Yukon Territory.

We also produce and distribute a number of other items. This year, for instance, we will be using tour shells, something that we have wanted to do for some time, and that is to encourage the use of the development of Yukon tours by providing some incentive to the wholesaler or tour operator to develop a brochure on our specific products for his sales.

We also have another shell, if you will, that can be used by the small operator in Yukon, who normally, in the past, has not been able to afford to produce his own brochure or sales aid. This is a four colour blank brochure, if you will, that he merely fills in the space with the information on his own facility. It can be used by any small operator in the travel industry.

We also distribute the publication which is produced by the Yukon Visitors' Association, that booklet, under an agreement with that trade association.

Mr. MacKay: That is where the 400,000 came from yesterday.

Mr. Crosby: Yes, and that figure could be corrected by Mr. Sinfield. I was trying to give you a global number, a concept of the amount of materials that we handle.

Mr. Chairman: Just a couple of brief questions, Mr. Kent, before we leave this area, the letter of understanding with the advertising agency fascinates me. Is that a standard kind of contractual document between a provincial government, say, and an advertising agency?

Mr. Kent: My understanding is that it is impossible for us to specify a final product with an advertising agency, so it is impossible to specify a specific price. So, basically, and I understand it is applicable throughout the trade, it is on what I guess the layman would call a retainer basis.

You have given us a proposal, we have seen the quality of your work, we have seen your reputation, we will take you under retainer to be our exclusive advertising agent for the next X years. But each specific activity or expenditure has to be jointly agreed

and negotiated between both parties.

Mr. Chairman: Let me understand the process a little bit. Given that we now have, as I understand it, a couple of agencies here in Yukon, and there may be a number of agencies in the country that might be interested in the Yukon Government as a client, especially the Department of Tourism.

What kind of tendering procedures, if I can use that word, perhaps it is the wrong word, might you use to look for the advertising agency? Do you invite proposals? I guess you cannot do tendering because you do not know the price, but do you invite proposals from a long list or is there a short list?

Mr. Kent: We, within the next month, month and a half, will be inviting proposals from advertisers to handle our advertising account for the next period of time. In that invitation, all Yukon companies that have any skills or expertise in that area will be asked to submit proposals.

Mr. Chairman: How was that done in the past?

Mr. Crosby: The Yukon Government first employed an advertising agent in 1968-69. At that time, I believe the total expenditure in advertising was something like \$12,000 to \$15,000. Although I was not here, I was advised that it was extremely difficult to find a competent agency that would even talk to us for that amount of expenditure. That is not a large billing. That is what you pay for a modest priced ad, let alone a program or a campaign.

But there was an agency in Vancouver that recognized future development of the account and of other accounts in the Yukon Territory and undertook to put together an advertising program for the Yukon Department of Travel and Information, as it was known at that time. That advertising agency was Fosters Advertising Agency in Vancouver.

From that beginning, the advertising account of the Department of Travel and Information increased, but only in a very small way, but was retained by that agency based on the criteria that I mentioned previously. The principal account executive for that agency, in 1972, formed his own agency and we made a decision at that time to have that particular individual retain the account.

Mr. Chairman: So until this coming year, there has never been in process before where proposals have been formally invited from a number of firms.

Mr. Crosby: There has not been a recognized need that we have seen to go to proposal because there have never been local agencies until just two years ago.

Mr. Kent: One point I want to make, even if there were not local agencies, we would still be insisting that there be competitive proposals.

Mr. D. Graham: I have a couple of questions on the conversion tables. Are they done on an on-going basis now?

Mr. Kent: No.

Mr. D. Graham: Recognizing the expense, they are not.

In your opinion, how accurate were the ones that you did do?

Mr. Kent: With the exception of the timeframe, who knows? If a guy read an advertisement today, it may not sink into his head for two years, but other than that time factor, I think they are quite accurate assessments.

Mr. D. Graham: So you would say they were a useful tool, at the time that this one was done.

Mr. Kent: A good evaluation methodology.

Mr. D. Graham: Okay, thanks.

Mr. Chairman: I guess this would be a good point to take a short recess. I thank the witnesses for being with us and hope that you can be with us at 10:45, when we will come back to order.

Thank you, gentlemen.

Recess

Mr. Chairman: Committee will come to order.

Mr. MacKay: Okay, I would just like to clean up a couple of items relating to the Tourist Development agreement.

Mr. Kent: I beg your pardon?

Mr. MacKay: I would just like to clean up a couple of items relating to the Tourist Development Strategy Study so that we have it very clear on the record.

First of all, can you give us a copy of the original contract and any amendments that were agreed thereto as it progressed?

Mr. Kent: I can give you a copy of the base contract.

Mr. R. Graham: The amendments to the total cost, is that what you

mean?

Mr. MacKay: Presumably you entered into an agreement for some \$40,000 that they would perform this job.

Mr. R. Graham: Yes.

Mr. MacKay: On that file, as changes arose, there must be some documentation of how these changes were agreed to.

Mr. R. Graham: Yes, that would come about in the form of steering committee minutes, of which there are a number of volumes. There were a number of meetings, a great deal of discussion about these changes and the direction for the study. There are minutes from those meetings, of course. That is where the decisions were made, at least in terms of directing the consultant.

Mr. MacKay: So, do I take it then the steering committee authorized the additional work?

Mr. R. Graham: No, but that is where the documentation for purposes of instructing the consultant to do certain things, subject, of course, to our own internal authorities in Government.

Mr. MacKay: I want to examine these internal authorities. The problem having arisen, your steering committee having discussed and having then made a recommendation, who then approved the expenditure?

Mr. R. Graham: Then it would be up to me, as chairman of the steering committee, to take that back to the department and to my director and hence, in most of the cases we are talking about here, to the Member of the Executive Committee for his direction.

Mr. MacKay: Mr. Crosby was then the Director to whom you reported, is that correct?

Mr. R. Graham: Yes.

Mr. MacKay: Perhaps I could direct the next series of questions to Mr. Crosby.

Having received the recommendations of the chairman of the steering committee, and probably being aware then of the problems which were on-going, you were faced with the problem of authorizing continued work at a higher price than originally contemplated. Is that correct?

Mr. Crosby: That is correct and the first such consideration was the study that was done within the study, addressing the impacts of the proposed Alaska Highway Pipeline on tourism in Yukon.

Mr. MacKay: Before we get into the details of what the changes were, I just wanted to get the administrative framework clear.

You became aware of the probability of overruns and I want to know, did you then go to your Executive Committee Member and say look, we budgeted \$40,000. With the Alaska Highway Pipeline, it looks like it is going to be \$50,000 now, for example. Do you hereby authorize the \$10,000 overrun?

I am simplifying it, but please tell me how you did this?

Mr. Crosby: That is correct.

Mr. MacKay: Did you feel that you had any authority on your own to authorize increases in that contract?

Mr. Crosby: To some extent, yes.

Mr. MacKay: Is there a dollar limit on that? Do you have a dollar limit which you can have discretion on?

Mr. Crosby: Yes, my spending authority only goes to a certain limit.

Mr. MacKay: What is that limit?

Mr. Crosby: It changes. I believe, at present, it is \$15,000.

Mr. MacKay: At the time we are dealing with?

Mr. Crosby: It was \$10,000 at the time.

Mr. MacKay: So, you had a \$10,000 spending limit. In this particular case, then, you determined that the cost was going to go more than \$10,000, I presume, and got permission then from the Executive Committee Member to proceed with the contract on the recommendation of the steering committee.

Mr. Crosby: Not at that time, because these cost overruns, with that particular study, did not become apparent until quite late in the year and quite late in the contract period, as a result of the requirement for a large number of public meetings throughout the Yukon Territory and an appearance by the consultant at the Yukon Visitors' Association's annual convention of that year.

Mr. MacKay: I am not sure how you keep the records in these things, but is there a minute or a memo in the file approving the overrun from your superior?

Mr. Crosby: Prior to the payment of that overrun expenditure? I believe there is a communication, but I should explain that most of

that communication was verbal communication between myself, Mr. Graham, and our Executive Committee Member of the day.

Mr. MacKay: Is that the normal procedure? Was it the normal procedure?

Mr. Crosby: For most of our operations, at that time, it was the normal procedure.

Mr. MacKay: Is that now the normal procedure, where you are dealing with a cost overrun, to have all the communications, or most of them, in verbal form, Mr. Kent?

Mr. Kent: Not today, sir.

Mr. Chairman: Mr. Kent, just to summarize this point so that we do not belabour it, could you just review for me very briefly, if there were an identical circumstance today, what procedures would come into place if a \$40,000 contract were budgeted and then it appeared there were going to be substantial overruns because of, perhaps, some additional work that may have been authorized or some other reasons that caused the overruns.

Mr. Kent: How would I deal with it today?

Mr. Chairman: Yes.

Mr. Kent: If there was a cost overrun because of an extra that either the consultant identified or that we identified, what I would do is I would discuss it with my Minister, as a matter of courtesy, if it was a technical matter. If it was a policy matter, then I would discuss it with him very seriously and leave it with him as to whether he wanted to make that decision or whether he wanted to go to the Cabinet.

If the funds were available within the budget, and the Minister supported it and I thought it was a good thing to do, then I would approve the extra, subject to funds being available within the budget.

Mr. Chairman: Could I just ask, just very briefly because there is some confusion in the previous question, how exactly that would be documented? Would there be an Executive Council minute or some kind of memorandum to yourself from the Minister?

Mr. Kent: No, if funds were available in the budget, I would consult verbally with the Minister, because I would have the authority to approve that expenditure.

Mr. Chairman: You would, at some point, sign some kind of document approving that overrun.

Mr. Kent: Yes.

Mr. Chairman: Okay.

Mr. D. Graham: Mr. Kent, did these dollars, the extra \$35,000 or \$40,000, come as a supplement?

Mr. Kent: I believe they did, sir, yes.

Mr. D. Graham: They did come as a supplement.

What I am trying to bring out is the procedure if those dollars were going to be found within your own budget, what would that procedure be, just so everyone here gets to know just exactly what happens. If those dollars were going to be taken from some other area, say lapsing salaries or something like that, what would the procedure be?

Mr. Kent: If the funds could be accommodated within the budget and it was a good thing to do, had no major policy implications, then I would approve it and we would simply advise Finance if there was to be any change between primaries.

Mr. MacKay: Just to wrap this up, I will address it to you, Mr. Kent, who authorized this original contract?

Mr. Kent: The original consultant study?

Mr. MacKay: The original contract, who authorized it?

Mr. Crosby: It was authorized by the Executive Committee Member responsible for the department at that time.

Mr. MacKay: Was that the same Executive Committee Member throughout the time of the contract that they were dealing with?

Mr. Crosby: I do not believe so. We have had so many, but the contract did cover a two year period. It was not a one year period in which that particular work was done.

Mr. MacKay: I would just finally say that I would like to see whatever evidence you have on your files respecting the authorization and the documentation of the overrun. We would like to have that.

Mr. MacKay: I think that is the last question on that, unless there is something here.

Mr. Chairman: Can I just ask you just one brief question while we

are on the question of overruns? Was there in that year a substantial overrun in the Tourism budget for the whole year?

Mr. Kent: Yes, sir.

Mr. Chairman: Can you recall the figures?

Mr. Sinfield: The total overrun, which was covered by two supplemental votes, was \$96,000, in round figures.

Mr. Chairman: Just briefly for a moment, we do have the one quantity which has been identified. The other amount that would make up that \$96,000, do you happen to recall what that was?

Mr. Sinfield: The initial indicator that we were going to have an overrun in 1978-79 came in August, after the period four accounting period. By that time, we had also been getting quotations for the printing of literature and a number of other factors beyond our control, forcing us into volume and price increase situations.

So, in August, I estimated then that we would be \$67,000 over at the end of the year. By the end of period nine, in December, when the variance report was produced, on which is based the Supplemental Vote Number 1, we reduced that estimated deficit to \$56,000.

The circumstances leading to these, as factors that made up this deficit, was \$36,000, caused because the estimates were drawn up in November of the previous year and it was December of the previous year before we knew the printing quotes for that year. They had increased dramatically. So, for the 1978-79 print, they had increased even more.

So, what we budgeted, the \$72,500, was going to come in at something like \$110,000 or more. There was an estimated \$36,000 there.

We had had increases in demand for our literature and these were unsolicited requests so we had no control over this. There was a much greater increase in demand for bulk supplies by travel agents in different markets. These bulk supplies were sent by surface carrier and we paid the freight. Individuals who sent a coupon in or a letter, that goes in the mail and another department covers the postage, but where it is bulk shipments, we pay the freight.

We estimated that there would be a deficit in what we budgeted for freight charges of \$5,000.

There is an increase in the amount of activity we did jointly with the Canadian Government Office of Tourism and neighbouring jurisdictions of Alberta, B.C., and various out-of-country offices.

At the same time, the quality of mail service had deteriorated so that it was taking 14 days for a letter to get from Ottawa to here, five to ten days for a letter from Vancouver or California, and we had to resort to long distance telephone calls more and more. We are anticipating a deficit in that area of \$4,000.

The increase in interest that was being exhibited by travel agents, tour operators, outside media people, both TV, radio and writers, the pressure being brought to bear on CGOT in Ottawa by the Minister of DIAND, after he had representation made to him by the local YVA to spend more money to help promote tourism to Yukon, this produced a number of familiarization tours by travel agents, for which we had not budgeted, but which we were honour bound to pay part of the cost. We pay about one-third of the ground cost and the Canadian Government Office of Tourism, the carrier concerned, they pay the rest.

But, in these visits by media personnel and travel agents, we foresaw a deficit of \$13,980, \$14,000 in round figures.

There were a number of unforeseen travel requirements. For example, the Federal Minister of Tourism, in conjunction with the provincial ministers, organized a task force of deputy ministers to look into what was wrong with tourism in Canada. For the first meeting of that task force in Ottawa we were required to pay the travel expenses of the Director to go there. We then pleaded poverty to Ottawa and they paid all the other expenses for subsequent meetings.

The Dempster Highway Co-ordinating Committee was formed. Some of their meetings were here, some were in Yellowknife, which entailed travel.

It goes on.

Mr. Chairman: Perhaps we could just move on now.

Mr. Lattin: Thank you, Mr. Chairman. Mr. Kent, I would like to get on to the planning approach. Have you defined objects that you are trying to fulfill, would be my first question.

Mr. Kent: The objective of the department? I think, Mr. Lattin, the paper we provided you earlier as an introduction to the department provides that answer.

This is the paper entitled "Department of Tourism and Economic Development".

"Tourism goals: to stimulate the development of a tourism industry which will contribute to the social and economic well-being of the residents of Yukon Territory."

I guess one thing I should say, in terms of goals, because I know performance evaluation is important to your Committee, you have to be able to measure goals in order to know if you have achieved them or not.

So, this is a general qualitative goal, in terms of measurable goals, sometimes you have to corrupt your goals in order to make them measurable, do you know what I mean, because you cannot measure that general statement I just made.

In terms of measurement, I would say to increase employment and income opportunities in the tourism sector, that is measurable and to diversify the Yukon economy, that is measurable, too.

Does that answer your question, sir?

Mr. Lattin: Partially, yes.

Mr. MacKay: In trying to achieve these goals, you obviously must plan certain tactics of strategy and you have outlined what was called "Basic Tourism Objectives", which I think we agreed was your strategy.

To get into more detail, how do you identify the markets you are trying to influence?

Mr. Kent: These are goals or strategies of 1978. Okay now, how do you identify what, sir?

Mr. MacKay: How do you identify the markets you are trying to influence? There is a demographic way and there is a geographic group, you are going to Germany, you are going to Japan, or are you going to Seattle? How do you decide where to go?

Mr. Kent: I would like to answer part of that question, but refer the balance to Mr. Crosby.

In this tourism exit survey, which will be finalized in a month or so, in there are a number of motivational questions which were asked: why did you come to Yukon? What are you doing here? What are your preferences? What services do you demand, et cetera? Those kind of motivational questions will form some of our appreciation of market opportunities.

Other than that, and perhaps more general, I will turn over to Mr. Crosby.

Mr. Crosby: We use various methods to identify principal markets or new markets for new market development activities. Primarily, when you go offshore in Canada, it is very confusing, to use for an example, the West German market, to identify a particular region within Canada; therefore, when we go to Europe and sell Yukon's travel products, we identify with a region known as Canada-West.

But, in our traditional markets, and we do have traditional markets for the Yukon Territory, and that is the Pacific westcoast of North America. Other markets which we have identified and have some demographic information on are the eastern United States, eastern Canada, and also some information within our own region.

Mr. MacKay: Excuse me, Mr. Crosby. The question I was trying to get the answer to was not what markets you are going after, but how do you determine which markets to go after?

Mr. Crosby: Based on limited research, knowledge of travel trends, information received from the Canadian Government Office of Tourism, which has a large marketing analysis branch, also our associates within the region, but we carry out very little basic market analysis identification ourselves.

Mr. Chairman: Mr. Crosby, could I just get a supplementary? Can I assume from your statement then that the basic strategy has been to improve upon the existing markets?

Mr. Crosby: To this point in time, that is correct.

Mr. MacKay: Just to refer back to Mr. Kent, you are saying that the exit survey you are doing now is an attempt to meet this lack of hard information that we have had in the past.

Mr. Kent: It is an attempt, but those are only one or two of the questions in the exit survey. The exit survey covers more than that, but I should say that we think that, in the future, we have to do more than rely on our traditional markets. We think there are new markets, more higher value markets, and those are areas that we are looking hard at, although, I will be quite honest, in terms of hard, quantifiable research, it is not very good.

Mr. Lattin: Before you approach a new market, do you attempt to establish how you will measure the impact of your efforts?

Mr. Kent: What you generally do, that is certainly the case, but you measure your marketing tools rather than your market.

By that, suppose, again in the West German market, we could do advertisements, as we talked about earlier, then you would apply your conversion studies to that advertising campaign in that market.

So, yes, one would certainly want to evaluate whether you have been successful in penetrating that market and if your money had been cost effective.

Mr. Lattin: Thank you, Mr. Chairman.

Do you have an inventory of services available? This is a two part question, by locality or area, and, second, by type of tourist market.

Mr. Kent: Yes, sir.

Mr. Lattin: Would you elaborate a little more on it, please.

Mr. Kent: That information is largely contained within the printed material. It identifies the services, facilities, attractions within Yukon and within its various regions. Over and above that, we have supplementary information for things like fishing, et cetera.

Mr. Lattin: Do you have a review on these inventories and when would be your last review on that? I am interested in your updating of this information.

Mr. Kent: The inventories are basically, as I understand it, correct me if I am wrong, updated every fall.

Mr. Chairman: Mr. Lattin, would you like that information that has been provided to the Committee appended to the records?

Mr. Lattin: Yes, Mr. Chairman. I give notice of motion that I would like the information appended to the proceedings of the formal hearing.

Mr. MacKay: Turning from the planning process now to the post-evaluation process, do you maintain any statistics on tourist volume by type of tourist, those that come by bus, those that are over the age of 50, those that like to go on wilderness outings? Do you have any statistics of that type?

Mr. Kent: The exit survey will give us that. As I say, these exercises cost \$150,000 apiece and if the Legislature, in its wisdom, wants to provide us that money every year, we would be more than pleased to do an exit survey every year.

Mr. MacKay: The Legislature, in its wisdom, provides something like a million dollars a year on other items and we are wondering the value of that without the \$150,000. I think that is what it is coming to.

Mr. Kent: You have a point, but, on the other hand, if you gave us a million dollars for evaluation, then we would have no programs to evaluate.

Mr. Chairman: It raises a provocative question, Mr. Kent. Let me ask you a purely speculative question because it really asks a very tough performance question in the tradition of zero base budgeting.

Have you any idea what would happen to the tourist volumes here if we spent no money on promotion and advertising whatsoever?

Mr. Kent: One point I would like to make on evaluation, I suspect that if one jurisdiction had a million dollar marketing program and another jurisdiction had a 20 million dollar marketing program, the cost of evaluating both of those programs would probably be pretty close to the same because you have a fixed overhead, so you run into a problem where you have one of the smallest marketing programs in Canada, and yet the cost of evaluation is the same as for Ontario, a trade-off between dollars becomes very difficult.

Mr. Chairman: On the same score, of course, the proportion of the, if you like, Provincial or Territorial budget might be just as high here, therefore, the value for money question becomes critical from the Legislature's point of view.

Mr. MacKay: You have an exit survey going on. Have you conducted any other kinds of surveys?

It seems to me that I remember being in the airport a year or two ago and being asked questions by somebody interested in tourism. Have you had any other studies?

Mr. Kent: That was the exit survey. We do an accommodation/occupancy survey. It is voluntary by the various hotels and motels in Yukon on a monthly basis and they comply to varying degrees. We also have short questionnaires at the information centres. Those are the only surveys that we carry out on a regular, on-going basis. Other than that, when we can corral the funds, we do specific

kind of surveys on a once-only kind of basis.

Now, there have been other ones done. For example, a number of years ago, there was a survey done in Dawson to look at people's expenditure patterns, how much do you spend here per day and on what kind of goods and services. But the only one, because of budget limitations, we do on an on-going basis are the occupancy surveys and the information centre questionnaires.

Mr. Chairman: Let me just ask one brief question. When was the decision made to undertake the exit survey?

Mr. R. Graham: It was made during the course of the tourism development strategy exercise which we discussed earlier. It became apparent during that exercise that our data base was incomplete in many areas but more specifically, the types of information that we would need in future to make the development decisions that we were talking about, specifically, 1978 was the key year because it was envisioned in 1979 that new highways, such as the Dempster and Carcross/Skagway Road, would open and would affect travel trends in Yukon to a considerable degree; therefore, we did the base data for 1978 and the decision to go ahead was made in late 1977.

Mr. Chairman: Just let me understand, it sounds like the decision to undertake this exit survey was taken at a point when you were already over budget, the decision was made to start this very expensive project. Could I ask you about the authority for that? Who made the decision about the exit survey?

Mr. R. Graham: In terms of authority and financing, it was an internal decision because we assumed that there would not be a dollar available to carry out the exit survey.

The only money that was spent in the course of the exit survey, of Yukon Government funds, was some salary money for field staff and that was taken out of our existing salary money, so there were no additional funds required or sought to carry out the exit survey.

Mr. Chairman: There is no way that the exit survey contributed to any overruns at all?

Mr. R. Graham: No.

Mr. Chairman: Do any of the Members have questions on this particular area?

Mr. MacKay: A fascinating phrase was used yesterday in terms of having the "rifle" approach to marketing. For a very vivid example, I am wondering if, Mr. Kent, from what we have talked about today, because of the lack of surveys, the lack of real knowledge of the type of visitor you have and what he is interested in and why he might come back, whether the rifle approach was really fired at the sky or was fired at particular targets.

It seems to me that we have been using traditional approaches, we will concentrate on the existing market, but we have been unable to identify, so far, positively, the more lucrative markets such as the tourists from Europe and Canada who would come to the Yukon for the Yukon's sake. This is something that the department is now addressing, is that correct?

Mr. Kent: Yes, sir.

Mr. Chairman: Let me ask you a supplementary question to that, Mr. Kent. It is conceivable at a certain point that our promotions may be so successful that we will be bringing tourists here that we cannot house. Do you have any flexibility in terms of your program or strategy to provide or develop plans for developing incentives for increasing the number of rooms available in the market, or the transportation infrastructure?

Mr. Kent: Do I have a mandate in that area in terms of policy formulation? Yes, sir.

Mr. Chairman: Are you doing any planning in that area?

Mr. Kent: Very intensively, sir.

Mr. Chairman: Let me ask you another planning question because there have been several references made to the pipeline and I know there is a strong division of opinion among experts in the field on this question. One body of opinion in Alaska has it that the tourist industry is very fragile, the markets are very fragile, that during the period of pipeline boom in Alaska, many of the facilities were filled to over-flowing and they could not accommodate the genuine, narrowly-defined tourist during that period and they were in danger of losing their position in the market following the pipeline boom. Do you anticipate any similar problems here?

Mr. Kent: I will give a quick— My personal opinion would be yes, we anticipate problems but part of the study addressed that issue. Perhaps you would like to speak a little more on it, Mr. Graham.

Mr. Chairman: Before you answer that question, let me be more specific on the question and just ask if that indicates to the department that they should, in promoting tourists for the period when we can expect a pipeline, indicate to them that we should perhaps cut back in promotional expenditures?

Mr. R. Graham: That is one possibility; however, the other possibility, to answer your specific question, would be that we increase promotion to alert people to the pipeline construction activity and ways and means of adjusting their visit to Yukon so that it does not conflict with the pipeline.

Mr. Chairman: Conceivably it could be a period when we would like the people in campers much more than the people who want to use the hotel facilities because they might not be available.

Mr. R. Graham: Or we might want to steer them to other areas such as away from the Alaska Highway and into other communities where the pipeline activity is not an influence.

Mr. Kent: Or wilderness activities.

Mr. R. Graham: Mr. Chairman, that was the subject of the study we alluded to earlier, an action plan for tourism in light of the pipeline.

Those issues are dealt with in some detail in that report.

Mr. Chairman: Do any other Members of the Committee have any further questions?

Mr. MacKay: Yesterday in some remarks that were made, I think it was Mr. Crosby again, indicated that the department had decided that it was more beneficial to approach travel agents directly to promote the Yukon holiday rather than trying to hit the tourist himself. I am wondering what was the basis for that decision? Was it a cost factor, limited dollars, or is it a more effective way of advancing into the market?

Mr. Kent: I should say that that is not a decision. It is a question that we are intensively looking at now, what are the best mechanisms to market Yukon, direct to the consumer, through wholesalers. I am not sure that the question is going to be resolved with a yes or a no but an appropriate balance or mix. That has not been a decision, sir, it is something that is under review at this time.

Mr. MacKay: I guess the other area, and perhaps this would be tied in with your previous answer, some wag has said, looking at the department's budget, that it is not the Department of Tourism, it is the Department of Tourists, when you look at the travel budget for the department. I do not really go along with that but I am wondering if you are reviewing the areas to which your counsellors are travelling with a view to tying it in to the targets that you are trying to promote and the approach of going to travel agents rather than going to the advertising medium and so forth. Is that under review?

Mr. Kent: That is under review but it is part of the more general review in the sense that our objective has not been just to say, "Let's see how we can cut down travel." The objective has been, "Let's see what we can do to have the most effective marketing program possible and what is it going to cost to deliver that program?"

Mr. MacKay: Certainly the Committee on Public Accounts would not like give the impression, I think, of suggesting that the dollars are being wasted in promoting tourism. I think we are concerned about trying to determine the best way to spend them and I am pleased to see that you have been addressing that problem.

Mr. Kent: Very much so.

Mr. Chairman: Did you, Mr. Kent, have any remarks that you want to conclude with today?

I should explain that we are going into executive session at 11:30. There may be some questions that we will want to pursue, picking up from today's discussion tomorrow. It is also possible that the Committee might conclude that they have heard enough and are happy with what they have heard. I cannot prejudge either possibility. I would hope that in either event that you could, yourself and any officials you may need, stand available for 9:30 tomorrow morning. We will advise you early this afternoon if we will be sitting tomorrow morning and what particular items we will be going to go back to, if there are any.

If you so wish, you may wish to make some concluding remarks at that time, if we sit tomorrow.

Mr. Kent: Okay.

Mr. Chairman: The Committee will stand adjourned. We will reconvene into executive session in the caucus room.

The Committee adjourned at 11:28 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 6

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Wednesday, February 13, 1980
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Mr. Tony Penikett

Vice-Chairman: Mr. Geoffrey Lattin

Members

Doug Graham

Jack Hibberd

Iain MacKay

Missy Parnell

Clerk of the Committee

Expert Advisor from the Office of the Auditor General

Harold Hayes

Principal

Witnesses:

Peter Kent, Deputy Head, Department of Tourism and Economic Development

Karl Crosby, Director of Tourism Yukon

George Sinfield, Assistant Director of Tourism Yukon

Russ Graham, Chief of Planning and Development, Department of Tourism Yukon

Andy Johnston, Territorial Treasurer

Janet Robson, Director of Accounting Services

EVIDENCE

Wednesday, February 13, 1980 - 9:37 a.m.

Mr. Chairman: The Standing Committee on Public Accounts, meeting six, formal hearings, will come to order.

We welcome this morning, as witnesses, again, Mr. Peter Kent, Deputy Head; Mr. Karl Crosby, Director of Tourism Yukon; Mr. George Sinfield, Assistant Director of Tourism Yukon; and Mr. Russ Graham, Chief of Planning and Development. Welcome, gentlemen.

This morning, there are two items which follow from the previous two days' hearings, which the Committee wishes to examine in more detail.

The first of these questions is the question of cost overruns and contracting authorities and procedures.

Mr. MacKay: Yes, Mr. Kent, I must say, on reviewing the testimony of the last couple of days, my brain is befogged in the process of how the one particular contract we were referring to, the Tourist Development Strategy, was authorized, but, also in general, how your department and, by inference, I guess, all of the Government makes decisions to spend money.

So, I think there are probably two parts to the question. One is how is it done today and, the second is how does that differ from the way it was done on the particular contract we are referring to?

Let me just get some specific questions to you along that line. Each year you prepare your budget for the ensuing fiscal year. You lay out programs that you plan to undertake. That may include the hiring of a consultant to carry out certain studies and you then take that to your Minister, explain it to him and get his approval of that, is that correct so far, is this the procedure you follow?

Mr. Kent: His approval to submit the budget to Finance, Treasury Board and the Subcommittee on Finance.

Mr. MacKay: So, having agreed within the department and with the Minister that this is what you would like to be approved, you then take it to the Subcommittee on Finance, who presumably go through it and approve or disapprove it. It then goes to Executive Committee, who go through it, approve or disapprove, and finally, it winds up on the floor of the House as part of the Estimates.

Mr. Kent: Yes, sir.

Mr. MacKay: So far, so good. The House passes it and this is where I begin to get into a few problems. You then have spending authority from the House to proceed with that budget. What are the steps that you then take to, again narrowing it down to one thing, hire a consultant? The funds are already budgeted, the price of the contract may be in the range of say, \$50,000. What are your steps now to hire that consultant? I am referring mostly to your authorities, your spending limits, your channels of communication with Treasury, with Subcommittee on Finance, with your Minister. Would you describe the process for me, please?

Mr. Kent: Stop me if I am on a slightly different area. You start off by preparing the terms of reference, or is that an area that you do not want me to get into?

Mr. MacKay: I have got a series of questions later, I think, about the criteria for selecting a consultant. I am not too concerned about that right now. I am more concerned about how the money authorities are in place.

Mr. Kent: Okay, you select your consultant, you draw up a contract and enter into that contract. At that time, it enters the "commitment ledger", if you like, as a charge against a particular budget item.

Mr. MacKay: Excuse me, it enters that commitment ledger at what point? When you decide which consultant you want to hire, or when you have signed the contract? And who signs the contract?

Mr. Kent: When the commitment is made, the contract is signed, then that is a commitment, that is a charge against a particular budget item.

Mr. MacKay: And you sign the contract?

Mr. Kent: It depends upon the level of authority, but yes.

Mr. MacKay: If it was a \$50,000 contract.

Mr. Kent: If it was a \$50,000 contract I would sign it, yes, sir.

Mr. MacKay: Do you have any limit to your spending authority?

Mr. Kent: My understanding is I have authority to sign up to the limit of the budget.

Mr. MacKay: So once the budget is passed, as long as you stay within the framework of that budget, the dollar amount, you have

authority to enter into any contract on behalf of the Government. Is that correct?

Mr. Kent: That is my understanding of it, sir.

Mr. MacKay: There is no point at which you have to refer back to Subcommittee on Finance or necessarily, you probably will, but necessarily to your Minister. There is no point where you say, okay, \$50,000, you go into Subcommittee on Finance, like the Treasury Board in Ottawa will approve expenditures for quite small amounts. That process does not exist in your department, vis a vis the Subcommittee on Finance or any other money. You do not have to go back to anybody.

Mr. Kent: That is my understanding, sir.

Mr. MacKay: That was what I thought it all came down to. I am glad that we have determined that.

Mr. Kent: One qualification on this, if the contract exceeded budget authority, then I would have to take different kind of action. Suppose I estimate it was going to cost \$50,000, but when we selected the consultant and the budget, the maximum was \$50,000 and the contract ended up being \$60,000, then I would have to go through certain actions to get more funding authority.

Similarly, if I felt that the contract was contentious or that it involved certain policy elements where I needed direction, then I would go to Executive Committee, but probably not Subcommittee on Finance.

Mr. MacKay: So as long as you are following your budget, you are following the policy that was evolved in drawing up the budget, you are implementing all that, you have the authority to just proceed.

Mr. Kent: Yes, sir, that is my understanding.

Mr. MacKay: And that is no different today than it was in 1977.

Mr. Kent: I will have to refer that to Mr. Crosby.

Mr. MacKay: Mr. Crosby, I understand you were in that position in that year. Is that the way you understand the system to work, too?

Mr. Crosby: No, sir, it is not. I do not mean to go back over ground we have just covered particularly, but unless authorities have changed that I am not aware of, and also Mr. Kent is relatively new in this position, the procedure is correct up to the point, as explained, until the amount of the contract is determined, based on proposals, if we are talking about consultants in this case.

The spending authority by the deputy head or a director, as it was at that time in the department, was \$10,000. I believe that has been changed now, it is \$15,000. Any amount above that figure must be signed or cleared with signature by an Executive Committee Member.

Mr. Hibberd: Well I wanted some clarification on that particular point and I think Mr. Crosby has clarified it, except, Mr. Crosby, you say it requires the signature of the Executive Council Member. Are you inferring that it goes to Executive Council if it does exceed that amount, or does the Minister have the authority to sign for a larger amount than what you have indicated?

Mr. Crosby: In my experience, the contract, in its final form, does not go to the Executive Council, but the Executive Council Member does have that authority. I do not know what the level of that authority is but all contracts from my department that exceed that director's spending authority go to the Executive Council Member.

Mr. Lattin: Excuse me if I am asking a frivolous question, but all this procedure seems to be wishy-washy to me. Have you any manual or procedure or what? I am bothered, I cannot pin it down. Is there a manual or something that you follow, Mr. Kent, on this? What is your authority to go whichever way you do go?

Mr. Kent: I guess one point I should make is the question of whether I have signing authority of \$15,000, or whether I have signing authority of the maximum of the budget. I was advised by the Department of Finance two days ago that I had signing authority to the maximum of the budget. Now, if the policy has changed since then, I am not aware of it or, perhaps, I was misled by Finance.

In terms of the procedure to be followed, I believe there is a procedure. Would you like to know just if there is a procedure? Yes, it is documented.

Mr. Lattin: Yes, I would like to know, because it seems to be quite a grey area that you are existing in and I just want to see if a situation comes up, how do you handle it? What is your reference point? Up until now, I cannot see what your reference point would be. That is what I want to know. Do you have a manual or a procedure and what is it?

Mr. Kent: Yes, sir.

Mr. Hibberd: Mr. Kent, I understand from your direction from Treasury in the last two days, there might have been some adjustment that has not seemed to be clarified yet.

You say that you have the signing authority to the limit of your budget. What do you mean by the limit of your budget? Do you mean the line item you are referring to, or are you referring to a particular establishment?

Mr. Kent: I have authority to spend up to the maximum of the budget for the intent and purpose and programs specified in the budget.

Mr. Hibberd: Thank you.

Mr. MacKay: So to go from the general to particular again, Mr. Crosby, on the particular contract we were referring to, and we are talking about the Tourist Development Strategy, I take it from your answer previously that, in that instance, the initial contract, which was some \$40,000, was signed, authorized in writing by the Executive Council Member at that time, who was in charge of the department. Is that correct?

Mr. Crosby: That is correct, sir.

Mr. MacKay: That the subsequent overruns were also signed or authorized by an Executive Council member who is in charge of that department also. Is that correct?

Mr. Crosby: That is correct, sir, with some qualification. The cost overruns that were incurred, respecting that particular contract, were approved through Supplemental Estimates, which I understand went through Executive Council approval, not just the Executive Council Member.

Mr. Hibberd: Apropos to what you said, Mr. Crosby, when in relation to the recognition of the cost overrun was this supplement proposed?

Mr. Crosby: The first identification of the cost overruns, with respect to the Tourism Development Strategy, were identified in May, 1978. The account was satisfied, with respect to overruns, in March, 1979.

Mr. Kent: Well, Mr. Chairman, if I could say something, when you talk of overruns, there are two kinds of overruns. One, you overrun a contract. The other is you overrun a budget. They are different things and you can have one occur without the other occurring.

Mr. Chairman: Thank you, Mr. Kent, we may well get back into more detail about overruns later. Perhaps we could just do something about the contract.

Mr. D. Graham: Being as refined and as subtle as I can be here, I am going to ask the question that everyone in the front row here would like to ask and none of them are quite as blunt as I am, I guess.

The particular contract we are talking about, did you guys blow it or did you not? That is essentially what it is down to, everyone would like to know.

Mr. Crosby: Mr. Graham, in reviewing the circumstances surrounding this particular contract, it would appear that certain formalities and fiscal considerations were overlooked. I genuinely believe that this oversight was a direct result of three things: enthusiasm to deliver a quality product on behalf of the contractor and our urging to do so; the pressures of valid deadlines associated with the requirement of that contract; and the desire to involve a broad cross section of Yukon's tourism industry for good private sector input into that study.

The magnitude of the overruns regarding that contract were not identified until late in the contract. I believe the blame for this could be shared between the control procedures within the department, as well as the contractor's tardy accounting procedures within the company.

Mr. Chairman: Dr. Hibberd, just a second, this is fascinating to hear Mr. Graham sounding like an opposition member and Mr. Crosby sounding like a Cabinet minister.

Mr. Hibberd: I think for the record, and we really seem to be going around and around on this contract, so I would just like to ask some basic questions, just for the record to get it straightened out, if I may.

First of all, Mr. Crosby, what criteria were used to select the consultant in this case?

Mr. Crosby: I refer that question to Mr. Graham.

Mr. R. Graham: In this particular project, six written proposals were received according to the terms of reference which we distri-

buted and invited consultants to propose. Of those six, we carried out an evaluation which covered a number of different areas. It was an evaluation of their individual methodology, which included awareness and understanding of the problem, direction and completeness of their methodology, attention to fieldwork, originality and so on, an assessment of their personnel, the people they proposed to use in the project team, their background experience, related work and so on.

We used a numerical assessment, that is a ranking on a scale of 100 points, so that we had a ranking of these projects in our estimation. We then considered cost, what we were getting for our money, based on each proposal, and we made our recommendations for acceptance of one or the other consultant, on those bases.

Mr. D. Graham: I have one other question, if I may, Mr. Hibberd, on this subject, it is my understanding, after speaking with some people yesterday, that the person who got the contract was not the organization that the Tourism Department recommended. Is that correct?

Mr. R. Graham: That is correct. It was not our first choice.

Mr. D. Graham: Would you explain that?

Mr. R. Graham: Our first choice was a contract with a proposal that was valued at \$86,000, which, needless to say, was far in excess of our budget. We considered, at one point, requesting a Supplementary Estimate to accept that \$86,000 proposal, because we had evaluated it and considered it the best proposal and most complete proposal.

It was obvious, however, that those funds would not be forthcoming. We had some internal opposition, as well, to accepting that proposal, based on the differential in cost, and we then adopted the second choice, which was the firm of Frank Wolman and Associates, which was considerably less in price.

Mr. Hibberd: Perhaps I could have a turn at trying to get some basic information on this, Mr. Graham. Did these consultants submit a proposal for the work to be done to you?

Mr. R. Graham: I am sorry, I did not hear that.

Mr. Hibberd: Did Frank Wolman submit a proposal and did the others submit proposals for the work to be done?

Mr. R. Graham: Yes, there were written proposals received.

Mr. Hibberd: Did they submit dates that they established reported progress during the study, did they milestone it?

Mr. R. Graham: Yes, that is all part of the proposal, as we requested it. We set out a format for each proposal and requested certain information to be supplied to us, as part of the proposal. So they would propose a schedule, a timetable of tasks.

Mr. Hibberd: Did Wolman and Associates fulfill these milestone criteria?

Mr. R. Graham: Yes, they did.

Mr. Hibberd: Who signed the contract?

Mr. R. Graham: Do you mean by name and position? Our Executive Council Member of the day who is the Assistant Commissioner.

Mr. Hibberd: What date was that signed?

Mr. R. Graham: If I recall correctly, August 22, 1977.

Mr. Hibberd: When did work begin?

Mr. R. Graham: It had, in fact, begun the previous week. We had an agreement-in-principle to sign the contract and the consultant had been selected early in August and in order for him to get here and physically be present at meetings and to sign the contract, we reached an agreement-in-principle prior to the formal signing of the document.

Mr. Hibberd: What was the date of the first billing from the contractor?

Mr. R. Graham: I will have to refer that to Mr. Sinfield.

Mr. Sinfield: August 31, 1977.

Mr. Hibberd: Can you tell me when the department first became aware that there was a cost overrun?

Mr. R. Graham: The fact that there would be cost overruns was known to me during the course of the project, simply due to the fact that we were adding work to the consultant's original proposal. The magnitude of it and the dollar amounts of those overruns were known in April of 1977, the exact dollar figures.

Mr. Hibberd: Gentlemen, you tell me --

Mr. R. Graham: I am sorry, April of 1978.

Mr. Hibberd: Then did the department take any action at that

time to advise the person who signed the contract, your Minister at the time, that there was likely to be an overrun? Did you discuss that with him?

Mr. Crosby: Yes, sir. I discussed the possibility of those overruns with the Assistant Commissioner and with the Department of Finance.

Mr. Hibberd: When did this occur? Was this on a continuing basis or when did you first precipitate that discussion? Can you give me an idea, Mr. Crosby?

Mr. Crosby: That was in May, 1978.

Mr. Hibberd: Did the Assistant Commissioner of the time, who was your Minister at the time, sign the amendment to cover the overrun?

Mr. Crosby: There was no procedure, sir, for endorsing or signing an authority for those overruns, that I was aware of, at the time.

The magnitude or the amount of the overrun was not known until, to my knowledge, late April or early May.

Mr. Hibberd: But, when you became aware that, indeed, there were going to be overruns, is there no procedure whereby the Government has some form of procedures or controls when such overruns occur, or is it just on, as you are suggesting, an ad hoc basis?

Mr. Crosby: I am not aware of the procedures for endorsement or authorization for overruns, other than the variance reporting procedure that is currently in existence within the Government.

Mr. Hibberd: I can understand this if the overrun is of a fractional nature, but we are talking about a considerable overrun. Do you think, then, that perhaps there should be some procedure whereby there are controls directly on such an overrun.

Mr. Kent: Perhaps I can speak to that. My view is a couple of things. In a contract with a consultant, unless it was very unusual, there would be a fixed price on the contract and the consultant would be instructed and legally bound to produce a final product as specified in the terms of reference.

I cannot think of why there would be an overrun unless you assigned the man extra work. As a policy, at the time you assigned him the extra work, you negotiate a price for that extra work. If that extra is consistent with Government policy, if it can be accommodated within the budget, then the extra contract, if you like, is drawn up at that time. If it cannot be accommodated within the budget, then you advise Subcommittee on Finance and Executive Committee whether they are prepared to provide you with the extra funds.

So, I would say there is a policy and there is a procedure, in my view, to deal with extras and overruns.

Mr. Hibberd: Well, I have one point of confusion then. From the answers we have received so far, it became a process where you gradually became aware that there was a cost overrun but, from what you tell me, Mr. Kent, it was your department that instituted the overrun. Is that not correct?

Mr. Kent: That is my understanding, sir.

Mr. MacKay: The overrun, we have had explained to us, was a result of three things. One was the pipeline planning. It became apparent afterwards, after the original contract was signed you had to allow for planning around the pipeline, as well. You had to go into a public hearing situation.

The third thing, I am sorry, I cannot recall.

Mr. Kent: I believe it was the attendance at a YVA conference.

Mr. MacKay: Right, it was the attendance at the YVA conference.

That latter one would appear to me to be a very small amount. One person going to a YVA conference would not appear to be of a very large cost. Is that not correct?

Mr. Kent: It was \$3,450.

Mr. MacKay: Okay, the pipeline, I noticed that in the list of tourism contracts, there is, in fact, a separate contract for \$14,000, with Wolman and Associates to carry out a study concerning potential pipeline impacts on Yukon's tourism industry.

Mr. Kent: Could you direct that question to Mr. Crosby?

Mr. MacKay: Yes. There was, in fact, a separate contract for that, is that not correct?

Mr. Crosby: Yes, sir, that is correct.

Mr. MacKay: Okay. So the overrun then boils down to some \$30,000, less \$3,400 for the visit to the YVA convention, leaving some \$26,000 which is because of the public hearing process. Is that correct?

Mr. R. Graham: I would have to go into a great deal more detail to explain how those costs are arrived at.

Mr. MacKay: We have already given three reasons for the overrun. I have covered two of them.

Mr. R. Graham: Well, you are right. It is just that there are many divisions of work and factors that enter into those broad areas.

For example, in the process of preparing the pipeline study, which you have just referred to, it was necessary to prepare a summary, in advance, of the development strategy as it had evolved to that point. See, the two were very closely connected and it was impossible to divorce a study on pipeline effects on tourism industry without really considering where the tourism industry was going at the time.

Mr. MacKay: Okay, if I could just stop here. At the point where you entered into the second contract, for \$14,000, did you negotiate with Wolman, these other costs that would arise in the original contract? Did you nail them down at that time?

Mr. R. Graham: No, we did not.

Mr. MacKay: That, essentially, is where the whole problem is though. You authorized additional work without nailing down what it was going to cost.

Mr. R. Graham: That is correct.

Mr. Hibberd: Perhaps this is not important, but it seems to me I remember, at the time that this report was becoming public, you mentioned that a YVA meeting was one of your cost overruns. Did that include an audio-visual presentation that you had prepared? Was that part of the contract?

Mr. R. Graham: No, it was not part of the cost overruns.

Mr. Hibberd: It was part of the original budget, was it?

Mr. R. Graham: As a matter of fact, no. The total cost of that audio-visual presentation was paid by CGOT, the Federal Government.

If I might add, Mr. Hibberd, the original cost of the contract was a similar arrangement, where the original cost of \$48,000, I believe, on that contract, of that amount, \$18,000 was paid by the Yukon Government. The balance was paid by CGOT and DIAND.

Mr. Hibberd: Well then, we do run into problems, do we not? We have been talking about the costs with reference to YTG's participation and now you are telling us that the original cost to YTG was \$18,000?

Mr. R. Graham: That is correct.

Mr. Hibberd: What was the final cost then?

Mr. R. Graham: \$48,000.

Mr. Hibberd: We heard a quotation yesterday of \$90,000.

Mr. R. Graham: But I am referring now to the Yukon Government's share.

The project was cost-shared with the Federal Government. It was not entirely paid by the Yukon Government.

Mr. MacKay: I think that is probably an interesting sideline, but it does not really affect our examination of the procedures of how these contracts are handled. It is all the taxpayers' money sooner or later.

I would like to return to the authorities here. I want to be absolutely clear, so we do not have to call you back tomorrow morning on this, where you have a contract that was within the budget, it has been authorized by the Legislative Assembly, you have the authority in that contract and it is within the policies that you have proposed.

Mr. Kent: The Department of Finance has advised me that is correct, sir.

Mr. MacKay: There is no dollar limit. I mean, there is a \$15,000 limit we have heard about. It does not, in your opinion, presently apply.

Mr. Kent: Well, I have heard of this, sir, and because of the uncertainty, I talked with Finance and they advised me as such.

Now, obviously, it still appears to be a contentious issue. What I will do is check it for the third time.

Mr. MacKay: Do other people in the department have other spending limits or is it just the deputy head that has this? If this \$15,000 limit exists, is it just yourself that has this and everybody else in the department has to have your approval or do you delegate

spending authorities to them?

Mr. Kent: I have spending authority for \$15,000 delegated to Mr. Crosby and Mr. Sinfield.

Mr. MacKay: And Mr. Sinfield. Okay.

Mr. Chairman: It is \$15,000, Mr. Kent?

Mr. Kent: That is correct.

Mr. MacKay: Provided that they are operating within the budget and the policy has been approved.

Mr. Kent: That is correct?

Mr. Chairman: Could I ask you just one question about the procedures here. We just heard an example of a contract which was issued, the department had made a recommendation for a contractor and the Executive officer in charge of the department at that point made some other decision.

Now, it appeared to be based on a largely budgetary consideration. As we were operating in the year 1978-79, or as it might reflect on the operations of the department now, is there a procedure whereby you, Mr. Kent, having made your judgment, would have received a number of proposals from people who wanted to do work for the department. They were within budget, you were ready to make a choice or commitment in terms of the particular contractor you wanted. Is there any procedure whereby which you would have to obtain any kind of approval, then, from the Executive Council or from your Minister? Or is it that the buck stops entirely with you?

Mr. Kent: I believe there is no requirement, sir. Now, I would certainly advise my Minister, as a matter of courtesy and just for good communication and information flow, but I believe that is not mandatory.

Mr. Chairman: Let me ask the question from the other direction, are there any procedures, manuals, standard instructions and so forth which give you any parameters for choosing those contracts, which are not based on your kind of normal and professional considerations, cost and so forth?

Mr. Kent: There are professional management manuals on how to evaluate consulting proposals and our own internal mechanisms, but there is no government policy on the kind of criteria that will be used to evaluate proposals.

Mr. Chairman: To give you an example of the kind of thing I am thinking of, recently this Government made announcements about, I think, highways and public works contracts and some preferential bid system for, in fact, local contractors. You have no criteria or standards or guidelines like that in place, in terms of your department.

Mr. Kent: That is correct.

Mr. MacKay: Just a couple of clean-up questions: the exit survey, was it part of the reason for the overrun in the Tourism Development Strategy, or was that a completely separate project?

Mr. Kent: There is no relationship between the two, sir.

Mr. MacKay: The cost of that exit survey, I got somewhat confused, I thought somebody said \$150,000, at one point yesterday and, later on, we were told it was really absorbed just in the budgets of salaries.

Could I have some description of what that cost will be for the exit survey?

Mr. Kent: I am going to ask Mr. Crosby to answer that particular question. What I said, though, is we think exit surveys are useful tools for evaluation and data collections. I said generally, an exit survey costs in the order of \$120,000 - \$150,000, but I did not say that in the context of that particular one.

I believe the exit survey was actually done by CGOT and we made a contribution toward it.

Mr. Crosby: I would like Mr. Graham to answer this question.

Mr. R. Graham: The total cost of the exit survey, from the beginning of field work to the processing of a final report would be in the neighbourhood of \$150,000. Of that amount, we paid, initially, about \$20,000 in casual salaries and recently, an additional \$6,000 for processing and analysis of the final tables and the writing of the final report. The balance was paid through various programs which were approved through CGOT, the Canadian Government Office of Tourism.

The fieldwork, for example, was carried out under a Young Canada Works program and that was entirely funded through the Federal Government.

The computer work was done primarily on CGOT computers, at no charge to us. The cost of the consultant to do the final analysis

and report writing was shared between CGOT and ourselves.

Mr. MacKay: The cost out of your budget is \$26,000.

Mr. R. Graham: Approximately, yes.

Mr. MacKay: That was budgeted for the 1979-80 fiscal period.

Mr. R. Graham: Yes, that is correct.

Mr. MacKay: Are you within budget?

Mr. R. Graham: Yes.

Mr. MacKay: Good.

Mr. Chairman: Perhaps we might shift ground slightly and there may be some other questions come up. Yesterday, Mr. Sinfield was kind enough to give Committee a long description of the reason for the number of other overruns in the department, many of which were caused by the fact of a fairly rapid greater inflation during the period we were considering.

At the end of Mr. Sinfield's narrative on these overruns, there was reference made to one unanticipated expenditure, which was the Dempster Highway Co-ordinating Committee. Mr. Sinfield mentioned that some of their meetings were here, some were in Yellowknife which entailed travel. I wonder if I could ask, through you, Mr. Kent, Mr. Sinfield, how many people from the department were involved in these committees, how many meetings they attended and how many people from your department went to Yellowknife, incurring these travel costs?

Mr. Kent: I am not sure that that question should be referred to Mr. Sinfield. I think, perhaps, in terms of money, yes, but, Mr. Crosby or Mr. Graham?

Mr. Crosby: Mr. Chairman, the question was: how many staff members participated?

Mr. Chairman: If I may rephrase my question. There was reference made here yesterday, as part of the cost overruns during the year, approximately \$96,000, I think was the figure we were given, and, at the tail end of Mr. Sinfield's description was reference to the Dempster Highway Co-ordinating Committee, of which there were meetings here and meetings in Yellowknife which entailed travel.

I would like to know, one, how many members from your department were involved in this committee; what meetings they attended and what costs might have been incurred here for them attending meetings here; and, secondly, in reference to the meetings in Yellowknife, how many people from the department actually attended those meetings to incur these increased costs?

Mr. Crosby: To answer your first question, sir, myself and Mr. Russ Graham were both involved in the Dempster Highway Committee.

I attended one meeting in Yellowknife as the only departmental representative.

There were a number of meetings here and I do not really recall their number.

Mr. Chairman: This one trip you made to Yellowknife, Mr. Crosby, would not have been a significant expenditure then?

Mr. Crosby: No, only a contribution to the expenditure, but not significant in itself.

Mr. Lattin: Mr. Chairman, first I would like to give notice of motion that I would like this purchase order appended to our formal hearings.

Secondly, I would like to ask: could the Committee be provided with a copy of proposals submitted by Wolman and Associates.

Mr. Kent: I believe that could be done, yes.

Mr. Chairman: Mr. Doug Graham advises us that it is a public document already, but if we could get a copy, it would be useful. We might want to append it to our proceedings.

Are there any further questions that the Members of the Committee wish to get to before our break?

I will at this time, then, declare a short recess. Let us say until 10:35 and I will ask if our witnesses could be back at that time.

Before we recess, however, there were a number of documents that we were promised yesterday. I understand we can expect most of them later today?

Mr. Kent: Yes, sir.

Mr. Chairman: Mr. Kent, are there any problems with providing us with any of them that we should be aware of?

Mr. Kent: Where there is a problem is time. You have (a), (b) and (d) I can provide for you during the intermission, but it will not be until later today that I can give you the documentation on the overruns. That is just a question of accumulating all the informa-

tion.

Mr. MacKay: The tabled purchase order, would that normally be signed by someone?

Mr. Kent: I understand that a copy of this, which is not here, was signed by Wolman and sent back to the Government, which is on file.

Mr. MacKay: Nobody in the Government signs it when issuing it.

Mr. Kent: I believe there is a signature. It is obscured.

Mr. Sinfield: Mr. Chairman, Mr. MacKay, perhaps I could explain the system as it existed at that time. A service contract, a special form did not exist then. It does now. A purchase order form was used.

In order to get a purchase order issued by the Purchasing department, which has now changed name, the department, ourselves, would issue a requisition for purchase and that would be signed by the Commissioner or the Deputy Commissioner, if it was, in this case, over the limit of \$10,000.

That request for purchase went forward to the Supply and Services Purchasing Department, who then issued a purchase order and the purchase order was signed by a purchasing officer.

Now, this system does not exist today. There is a very definite different form of service contract, which is signed by an authorized officer, depending on the limit. It goes to the contractor, who also signs it and returns the whole thing to the Government and then he is given one copy and the other copies go on a file and so on.

Mr. Chairman: So it seems that we have much more formal kind of contracts now with these kinds of people.

Mr. Sinfield: The system now is very different and much more formal and better controlled.

Mr. Chairman: If it is not too inconvenient, I wonder if it would be possible to get a copy of that new contract form.

Mr. Sinfield: Yes, by all means.

Mr. Chairman: Could I just ask, was there, in the period we are talking about, any ceiling, any maximum amount for contracts under which this kind of form was used?

Mr. Sinfield: I could not answer that, Mr. Chairman. There may have been, but it did not affect us. That form was the type that was used.

Mr. Chairman: It occurs to me it was a very insubstantial document for the kind of sums of money we are, in fact, talking about.

Mr. MacKay: One more thing, could we get a copy also of Requisition No. 011481-3, which is the requisition which authorized this purchase order, so we can follow the sequence?

Mr. Sinfield: Yes.

Mr. Chairman, while I have the floor, I would like to clarify some erroneous information I gave Mr. MacKay yesterday. He asked, relative to the Yukon Visitors' Association accounts, specifically the joint marketing account, was it audited and was it audited by a reputable, qualified accountant?

I answered in the affirmative to both questions. I have since discovered that, in fact, it was with the accountant for a considerable time. I understood it was being audited. In fact, it was only a financial statement being prepared, unaudited. I stand corrected and copies of that unaudited statement will be provided.

Mr. Chairman: Is it the practise now to audit those?

Mr. Sinfield: It is now a practise to have them audited, yes. We had not specified, in previous contracts with YVA, that their accounts should be audited. We have now so specified and the current account will be audited.

Mr. Chairman: It seems like the longest adjournment debates that we have had in a long time.

Perhaps we could recess now and reconvene at 10:40. That will give everybody 15 minutes. We look forward to seeing you back here then. Thank you, gentlemen.

Recess

Mr. Chairman: The Committee will come to order.

We were, when we recessed, engaged in the fascinating discussion about contracting authorities. We are waiting an official from the Department of Finance to join us as a witness, and I will

introduce that witness when he is available.

Perhaps I could just ask Mr. Kent a general question to start off with and maybe other Members of the Committee have things they want to go back to and pick up on.

Mr. Kent, are you aware of a document known as the Delegation of Authority Document, which is a document, I gather, originally issued under the Commissioner's authority to deputy heads in this Government?

Mr. Kent: Yes, sir, I am aware of it.

Mr. Chairman: Have you, to your knowledge, been functioning according to the authorities that are laid down in that document?

Mr. Kent: That is my understanding, on the advice of my director of administration, sir.

Mr. MacKay: I will leave the authority until we get to Treasury.

Perhaps I could ask a couple of questions on the nature of the amounts that got to the YVA and KVA. I will try and be as disinterested as I can. We budget a grant to the YVA of, I think it was \$45,000 for the year ended March 31, 1979 and in addition to that, we have what is called a co-operative joint marketing program.

In your opinion, that joint marketing program, is it a donation to the YVA or is it a joint effort contract, where you set out to achieve the objective? Are we looking at straight contributions to the YVA or are we looking at a joint effort?

Mr. Kent: Joint effort.

Mr. MacKay: So, as a result of that conclusion, the decision was made to request an audited financial statement, presumably, for March 31, 1980. Is that correct?

Mr. Kent: I believe a good overall policy, but primarily motivated by the grant.

Mr. MacKay: You are requesting an audit because of the grant, rather than because of the joint marketing effort?

In the case of the KVA, could you explain how much was given to the KVA in the year in question, that is March 31, 1979 and what were the conditions placed upon that?

Mr. Kent: This is the \$5,000 item?

Mr. MacKay: Yes. I do not know. I am asking.

Mr. Kent: Would you state your question again, sir?

Mr. MacKay: How much was given to the KVA and under what conditions was it given? What were they to do with it?

Mr. Kent: At what time, sir?

Mr. MacKay: March 31, 1979, the year ending March 31, 1979.

Mr. Crosby: There was no grant made to the KVA in that year.

Mr. MacKay: Has there ever been a grant to the KVA in the last two or three years?

Mr. Hibberd: Mr. Crosby, perhaps you could correct me if I am wrong, but there was a continuing grant to KVA until this last year. Is that not correct?

Mr. Crosby: There was a continuing grant to the KVA, Mr. Hibberd, until, I believe it was three years ago, at which time that annual grant was discontinued, at their request, I might add.

Mr. MacKay: So there have not been any grants to the KVA in the last two or three years?

Mr. Crosby: No, there have been no grants.

Mr. Chairman: Mr. Kent, as I understand this joint marketing agreement with the YVA, there are some travel and expenditures incurred by officers of this Government under that budget.

Mr. Kent: Yes, sir.

Mr. Chairman: I recall last year, when we were debating the Estimates, there was some confusion about the reporting of those amounts. Could you explain to me your rationale for, in fact, having officers of this Government, even on that joint marketing agreement, travelling under a budget of the Yukon Visitors' Association, which, of course from the point of view of the Legislature, makes it hard to report the actual expenditures of travel and promotion for tourist purposes.

Mr. Kent: My understanding, sir, is this year the travel costs of YTG employees are budgeted within the departmental budget.

Mr. Chairman: So, under the joint marketing agreement, there will be no more travelling by YTG employees, under that money.

Mr. Kent: That is correct, sir.

Mr. Chairman: Is the official from Finance available, Madam Clerk?

Madam Clerk: I will check.

Mr. Lattin: Mr. Chairman, I would like to give notice of motion that the delegation of authority document be attached to the formal hearings.

Mr. Chairman: Okay, there is a notice of motion that that document be appended to the formal proceedings. Thank you, Mr. Lattin.

Mr. Hibberd: Mr. Crosby, you indicated that the grant to KVA, which had been on a continuing basis, was discontinued some two or three years ago and yet I note that there is a KVA grant here for \$5,000. Was that a special grant, outside of the regular grant that had been forthcoming?

Mr. Crosby: That was not a grant, Mr. Hibberd.

Mr. Hibberd: What was it?

Mr. Crosby: It was an agreement for the KVA to carry out certain services on behalf of the department in Dawson City for that fiscal period.

Mr. Hibberd: There was \$5,000 in the budget for the Department of Tourism that was given to KVA for that purpose.

Mr. Crosby: That is correct.

Mr. Hibberd: That is not a grant.

Mr. Crosby: It was not a grant, sir.

Mr. Hibberd: I see.

Mr. MacKay: That would be similar to the money given to the Whitehorse Chamber of Commerce to run the information centre in Whitehorse. It was that kind of service.

Mr. Kent: Yes, sir.

Mr. MacKay: Could we have a copy provided to us of the contract with the YVA, with respect to the services that were to be rendered under this agreement, for the year end March 31, 1979?

Mr. Kent: Yes, sir.

Mr. MacKay: Thank you.

Mr. Hibberd: Mr. Kent, I think this question is going to run quite alien to your department, but I think I would like to ask it anyway.

There have been statements made, not originally by myself, that the tourism market in Yukon has a saturation point which is, indeed, just about being reached at this time. Do you have any comments on that? Certainly, I realize your efforts are directed otherwise.

Mr. Kent: The saturation point was in what respect, sir?

Mr. Hibberd: In terms of the tourism industry, in itself, has reached the maximum value that it can.

Mr. Kent: That is certainly not the view of our department, sir.

Mr. Hibberd: No, I agree it is not, but these remarks have been made.

Mr. Kent: Our view is that there is a significant potential in Yukon to both increase the market in terms of numbers, but primarily in terms of value.

Mr. Hibberd: If you were to consider the major defect in enlarging the tourist industry itself in Yukon, in what area would you say that the major problem was to increase the volume and value of the tourist industry to Yukon?

Mr. Kent: I would say it would be basically uncertainty with respect to government policy and government direction. I am not sure that I know what that means.

Mr. Hibberd: I will put it another way. You have been describing to us many of your efforts in terms of marketing over the years, which you have indicated to us have been quite successful, but there has also been an indication that the ability of Yukon to absorb an increase in volume of tourists is quite limited.

How would you view that as a problem as far as your department is concerned?

Mr. Kent: Again, I may not be answering your question, but I think Yukon has the capacity for significant growth and development potential in tourism. Perhaps, again, I am not answering your question.

Mr. Hibberd: I do not know how many hotel rooms there are in Dawson City, but there is certainly a limit, which prescribes how many tourists travelling who require hotel rooms can go to Dawson City.

In other words, I am referring to the facilities which are available, which I would construe is a severely limiting factor in the volume which the tourist industry can accommodate in Yukon.

Mr. Kent: Oh, okay. That is a constraint, you are right. In terms of existing accommodations in Dawson, it is at or exceeded its saturation point, but that creates an opportunity for enterprise to invest and develop more accommodations and facilities. I do not consider that a limiting factor, I consider it an opportunity.

Mr. Chairman: Mr. Kent, perhaps I could just, at this point, intervene. We are getting into a fascinating area of policy discussion, which perhaps could keep us here for weeks. It is probably not within the mandate of the Committee, though.

I would like to welcome now, again, as witnesses two persons, Andy Johnston, Territorial Treasurer, who probably breathed a sigh of relief a couple of days ago when he thought that he had left this Committee for at least a year, and Janet Robson, who is Director of Accounting Services.

Let me, by way of explanation, say the Committee, when we broke at 10:30 this morning, was left with some confusion as to some of the formal procedures regarding contracting authorities and procedures and spending authorities and procedures.

There were also some questions as to spending authorities and the stages by which contracts were approved.

So, having introduced the witnesses, perhaps I could ask Mr. MacKay to lead off on this question.

Mr. MacKay: The area that we are interested in examining, I think, is the delegation of authority from the Executive Council through Subcommittee on Finance, to the deputy heads. It is that area that we are concerned with.

The problem, to give an example, we have suggested to Mr. Kent that his department has a budget that he prepares, it goes through all the normal procedures, eventually gets passed by the Assembly, and then he is authorized to proceed with that budget.

Our concern is at what point does he have to go back to Subcommittee on Finance or his Executive Council Member to obtain specific authorization to enter into contracts. Can you explain that?

Mr. Johnston: Mr. Chairman, first of all I should lead off by saying that we are in the process of reviewing the signing authority regulations, but we will concentrate on what is in place right now.

Secondly, I would like to apologize to Mr. Kent, in that recently one of his staff members did come to the Department of Finance, Janet was away on holidays and the individual filling in for her responded to a couple of questions incorrectly to someone from Mr. Kent's office. So, in fact, they were probably misled as to the situation that does exist at the current time.

The signing authority regulations are pursuant to the authority of the Financial Administration Ordinance, and they are covered by, first and foremost, a Commissioner's Order, which limits the amount that specified deputy heads are allowed to sign for in respect to requisitioning of purchases and contracts and also the payment of subsequent invoices coming in then on those requisitions.

Mr. Chairman: Is that the Delegation of Authority Document to which we have heard reference?

Mr. Johnston: It is a Commissioner's delegation of authority order, right.

We, as well, have issued a directive to departments indicating the various signature cards that they are to fill in and send in to the Department of Finance. In that directive, it does refer to the limit that is specified in the Commissioner's Order.

The particular limit for the department involved, Tourism and Economic Development, is \$15,000. The signature cards normally refer to full for the department, but full for the department only goes up as far as the limit allows it to be, which is \$15,000.

So, as I say, the individual coming up to Finance, I believe, got the information that full for the department meant total budget for the department on any one transaction, which is, I think, where the problem has arisen.

If you want more details on the actual procedures and the interpretation, Janet is responsible for the signing authorities for the whole Government and can certainly answer detailed questions.

Mr. Chairman: Just let me ask before Mr. MacKay proceeds, is it your department that lays down those limits and do you have different levels of limits for offices of different rank within the Government?

Mr. Johnston: The Commissioner's Order, Mr. Chairman, puts a limit on the specific department head and that department head is

the only one that can redelegate within his department.

Mr. Chairman: He can delegate to the maximum of his own authority.

Mr. Johnston: That is correct. Now, it does vary from department to department. I can think of one example, Highways has \$100,000 for contracts, due to operational requirements it is more appropriate than, we will say, the \$15,000 that I have as a Treasurer.

So, it does vary, depending on the operational requirements of the department. This was increased recently and normally what happens is the Department of Finance consults with the departments involved to come up with a reasonable amount. It is not strictly on our advice.

Mr. MacKay: There are two kinds of expenditures, broadly. One would be the kind where you enter into specific contracts or purchase of goods or services, and the other is where you have on-going expenditures that are generated internally, such as salaries.

So, we are only discussing the contract system here then.

Mr. Johnston: Yes.

Mr. MacKay: In the event that the contract, after going through the procedures within the department of selecting who is going to do the contract, they arrive at a decision of awarding a contract for, say, \$50,000 in the case of tourism. That authorization to enter into a contract then must be signed by whom?

Mr. Johnston: At this point in time, Mr. Chairman, in Tourism's case it would have to be signed by the Commissioner.

Mr. MacKay: Where does the Executive Council Member in charge of that department enter into this process?

Mr. Johnston: At this point in time, the Minister responsible for the department would initial the contract, prior to it going to the Commissioner, but, because of the legislation and regulations in place, the minister does not have the authority to, in fact, authorize the contract.

Mr. MacKay: This is a system which has been in place for the past three or four years.

Mr. Johnston: Yes, Mr. Chairman.

Mr. MacKay: In a specific instance then, where there was a contract entered into several years ago with a Wolman and Associates for a Yukon Tourism Development Strategy, in that instance, at that time the Deputy Commissioner was the head of the department so, at that time, it could be possible for the head of the department to sign the authorization for that in his other capacity as Assistant Commissioner.

Mr. Johnston: That is correct, Mr. Chairman, in his capacity as administrator, when the Commissioner would be out of the Territory, he would be able to sign it.

Mr. MacKay: In every other circumstance where the Minister in charge of that department was not the Commissioner or Deputy Commissioner, that authority would then, for amounts above his signing limit, go to the Commissioner.

Mr. Johnston: That is correct, Mr. Chairman.

Mr. MacKay: That is the present system.

Mr. Johnston: Yes.

Mr. Chairman: Mr. Johnston, let me get this clear, because we were, I think, a little confused earlier today. Mr. Kent, perhaps on the advice of your department, had told us that he could spend to the limit of the line item in his budget.

We are using a hypothetical case of a \$50,000 contract. Could you just briefly describe for me what procedures would come into place from the point at which, having had budgetary approval and been voted by the House and so forth, Mr. Kent makes a decision that they have invited proposals from this contract. They are now at a point where they want to make a selection of a contractor and it is about the \$50,000 and it is right. What procedures, from your point of view, then come into place, in terms of getting final approval for that?

Mr. Johnston: Mr. Chairman, the way I understand, some of it would be informal. In other words, it would not be covered by legislation or regulations, but the procedure I see happening right now is that the deputy head would recommend to his Minister which contract should be accepted. The Minister would then recommend to the Commissioner that it be signed.

Mr. D. Graham: Just one step, maybe, if we could clarify, Mr. Johnston, before the Commissioner signs that contract, in all cases now that contract must first of all be approved by the Executive Council. Is that not correct?

Mr. Johnston: Mr. Chairman, that is the way it is happening, however, as I said, that is not enshrined in any of the regulations or legislation that we have in place. We are looking at officially making this the procedure to be followed.

Mr. Chairman: Does your department have any mechanism for vetting contracts or do you have any criteria for approving contracts which are outside of your department?

Mr. Johnston: No. We do not have any authority to sign contracts for other departments.

Mr. Chairman: I am not asking about signing. Is there any procedure whereby you might, say—

Mr. Johnston: By "approval", I thought you meant signing, Mr. Chairman.

Mr. Chairman: I did not mean actual signing. Is there any process by which you vet the contracts or look at them in any way or initial them or express an opinion on them?

Mr. Johnston: Mr. Chairman, I believe the Department of Supply and Services reviews all purchases of the Government, with a view to ensuring that we get value for dollar and that the proper tendering procedures on certain dollar amounts have been carried out.

Mr. Chairman: You said in certain dollar amounts, would that be under the same kind of financial ceilings and floors that are laid out in the Commissioner's delegation of authority?

Mr. Johnston: No, Mr. Chairman, there is a Supply and Services Manual which outlines the procedures to be used depending on the dollar amount and type of contract and I am not familiar with it in detail. I do not have it with me, but it has nothing to do with the signing authority regulations that we are talking about.

Mr. Chairman: The problem we have now, I guess it is maybe getting clarified but there is somewhat at odds to some earlier evidence we have heard about the procedures.

Mr. MacKay: I would like to look now at the procedure for handling overruns of contracts. Are there any spending limits applicable to overruns or is every overrun subject to going back to the Commissioner for approval?

Mr. Johnston: Mr. Chairman, I will let Janet Robson answer some of these questions because we are getting to the actual procedures that she is using and that she is responsible for.

Mrs. Robson: The Commissioner's Order states that the departments can increase a contract. Their limits, I believe, are 10 per cent to a maximum of \$1,000, which ever is less. Beyond that, if the cost overrun exceeds their limit, then they have to go back to the Commissioner again to get an approval on that cost overrun.

Mr. MacKay: Does that involve going through another purchase order?

Mrs. Robson: No, it is usually done as a change order to the contract, that way we can see how much the contract is actually costing. That would be the normal procedure.

Mr. MacKay: I presume you have a strict policy somewhere enshrined that you cannot enter into a new contract to look after the problems that have arisen from an overrun in the first contract.

Mr. Johnston: Mr. Chairman, I would say that sometimes it would be difficult to detect that that was in fact what was happening. We get copies of the contracts up in Finance and you might get several contracts for one consultant, for example, in one year and it would be very difficult to check, I suppose, to make sure that the work he was doing in the second contract was not really an overrun from the first one.

Mr. Chairman: Who is it, Mr. Johnston, who looks at evidence of contracts fitting in, if there is a procedure on that, whose attention is called to that fact?

Mrs. Robson: All contracts are supposed to be processed through Central Purchasing, Supply and Services and any change orders to those contracts are supposed to be fully substantiated to Supply and Services by copies of invoices, reasons for the cost overruns and the necessity for a change order.

Mr. Chairman: What about a specific evidence of a contract split? Who would be the person who would be alerted?

Mrs. Robson: Well, I would say initially it would be Supply and Services. If the department itself does not identify that the contract is for specific work or relating to a previous contract, it would be assumed that it would be a new contract for new work.

Mr. MacKay: Is there a policy written down somewhere that you cannot enter into a new contract to complete an old contract without so specifying?

Mr. Johnston: Mr. Chairman, there is a policy on cost overruns which tells you how to handle cost overrun and if it tells you to do it in that manner, then naturally it is assumed that you cannot do it in another manner, you cannot issue a new contract.

Mr. MacKay: No specific prohibition written down somewhere?

Mr. Johnston: We would have to look at the contract regulations in detail. Mr. Chairman, but, as I say, if you are told to handle a situation in one way, then that is the way it must be handled. I do not know if it specifies that you cannot handle it in any other way but I would think that if it is not there that it would certainly be assumed.

Mr. Hibberd: We have been talking about cost overruns in contracts, it does raise the question of what is the obligation of the person who has undertaken the contract to come in under budget. How do you approach that?

Mrs. Robson: Do you mean, how do we make sure that they do not over-expend? We have a procedure within the Department of Finance, as invoices are passed for payment, they are decommitted from the original contract to purchase order. Any time that an invoice puts a contract over its limit, the invoice is rejected and sent back to the department and a change order requested before payment is made.

Mr. MacKay: Is the department, at present, working on changing its procedures with respect to these contract commitments? I am thinking in light of the present system, as a policy, not having to go through Executive Council. Is that part of the changes that you envisage in the future?

Mr. Johnston: Mr. Chairman, we are investigating, due to the political evolution in the Territory, changes for the signing authorities. Prior to the end of March, I hope to have that to my Minister. What happens with it once it gets there will be up to him.

We have several alternatives in mind, and also, it is in the developmental stage so certainly I cannot indicate what it would be but yes, we are looking at changes.

Mr. MacKay: I do not want to get into policy areas. There is obviously a catch-up situation here where political evolution has got ahead of policy.

Mr. Johnston: That is correct, Mr. Chairman.

Mr. MacKay: I am just interested in the relationship between the Department of Supply and Services and line departments. Does the Department of Supply and Services have a higher contracting authority than say, Tourism?

Mr. Johnston: Mr. Chairman, the Department of Supply and Services signs all purchase orders so in that sense, yes, they do have a higher signing authority on that as a contract, if you like. But the requisition must be duly authorized by either the deputy head or the Commissioner, depending on the amount.

Mr. MacKay: So the Department of Supply and Services would never authorize a contract that was in excess of the \$15,000 limit in this case.

Mr. Johnston: No, in my opinion, their signature is only a functional signature ensuring that all requirements have been met prior to the purchase order being issued. It is not authorizing a purchase.

Mr. MacKay: There is not a control device on the spending limits. There is no control at the Department of Supply and Services level on the spending limits of the departments.

Mr. Johnston: No, Mr. Chairman.

Mrs. Robson: Well, Supply and Services is not supposed to authorize the actual purchase unless the requisition has been duly signed so there is a control in that respect whereby if they receive a request that is beyond the limit of an individual, they should reject that request and make sure it comes back to the proper authorization.

Mr. MacKay: So they have the limit, they have a list of limits?

Mrs. Robson: They have a file of the individual's limits.

Mr. Johnston: The point I was trying to make, Mr. Chairman, was that they do not control the expenditures of a department but they do ensure that all the criteria has been met before the expenditure is made, before the contract is entered into.

Mr. Chairman: Are there any further questions from Committee Members?

What I would propose to do, Mr. Kent, is invite you, to give any closing remarks you would like to make, and since there have been some issues come up here which concern financial controls, I

would invite Mr. Johnston, if it would help the Committee out at all, to make a subsequent observation, if he felt moved to do so.

Mr. Kent: I guess, briefly, what I would like to say is, if you will excuse the over-zealous people in the department, basically, Tourism is not, and should not, be a central control agency. You know, there are agencies in government which are dedicated and whose sole reason for existing is to make sure certain operational, management procedures are adhered to within government. If that was the objective of Tourism, we would not produce any good for the people of Yukon, so basically we have programs that we have to deliver, problems that have to be dealt with, opportunities, we have an industry that we think is very important to Yukon.

Perhaps in some instances, and it was identified today, corners were cut a bit. I do not think that that is a deliberate effort by someone to rip the system off. I think it is people trying to do the best job they can as fast as they can.

Mr. Johnston: Mr. Chairman, I believe that during the discussion, we have covered the signing authorities quite fully.

I would just like to say, once again, that if we have misled the department, and subsequently the Committee, we apologize for the inconvenience and time consumed.

The second, and last thing, is the fact that we are trying to catch up the regulations with the evolution that has taken place in the last few months and hopefully that will clarify some of the ambiguities in the current procedures.

Mr. Chairman: Subject to a decision to the contrary by the Committee in the executive session, I would assume that this would bring us to the end of the formal hearings of the Standing Committee on Public Accounts. I would therefore, in anticipation of that decision, like to thank Mr. Peter Kent, Mr. Andy Johnston again, Mrs. Janet Robson, Mr. Crosby, Mr. Sinfield and Mr. Graham, for being with us. It has been an education for us.

I am sure all of us will have reason to want to read the transcripts as soon as they become public.

We anticipate making a report to the Legislature as soon as we can possibly write one.

I think, on the whole, these Committee proceedings have gone on in, as we hoped, a non-partisan, fairly positive way, and I hope that tone and style will be reflected in our final report. I hope that rather than being depressing, this has been an elevating experience for all concerned.

I would like to thank the witnesses for being with us. The witnesses are excused.

Before we recess, I would like to, for the record, thank our clerk for her services on behalf of the Committee and most particularly, since it is the first time we are sitting, Mr. Harold Hayes, Principal from the Auditor General's Office, who has been with us throughout these hearings and also, Mr. Raymond Dubois, Deputy Auditor General of Canada, who spent the first half of the hearings with us and was of valuable assistance to the Committee.

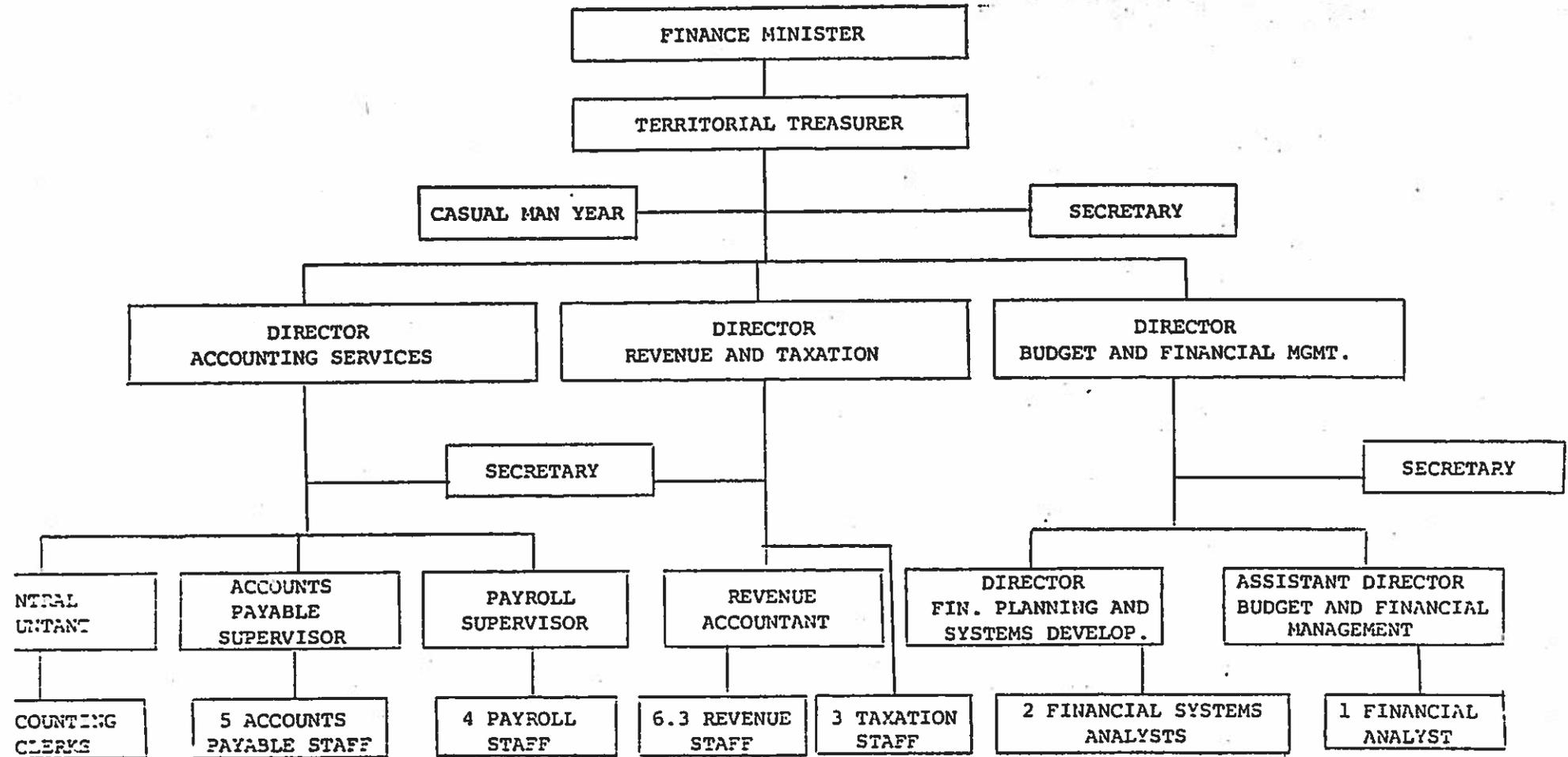
The Committee stands adjourned.

The Committee adjourned at 11:26 o'clock a.m.

APPENDICES

APPENDIX 1

GOVERNMENT OF YUKON - DEPARTMENT OF FINANCE



MAN YEARS

Administration	3.0
Accounting Services	15.5
Revenue and Taxation	11.8
Budget and Financial Management	<u>7.0</u>
TOTAL MAN YEARS	<u>37.3</u>

APPENDIX 2

PAC #6
E.C.O. # _____

Date: _____

REQUEST FOR DECISION

To be attached to all documents requiring Cabinet Decision

PART I -Departmental:

ORIGINATING DEPARTMENT: _____

TITLE OF DOCUMENT: _____

CABINET MEMO	<input type="checkbox"/>
DIRECTIVE	<input type="checkbox"/>
STAT. INST.	<input type="checkbox"/>
REPORTS	<input type="checkbox"/>
OTHER	<input type="checkbox"/>

Statutory Base

CONSULTED WITH:

LEGAL SERVICES:	<input type="checkbox"/>	_____	_____
		<i>Signature</i>	<i>Date</i>
FINANCE:	<input type="checkbox"/>	_____	_____
		<i>Signature</i>	<i>Date</i>
PUBLIC SERVICE COMMISSION	<input type="checkbox"/>	_____	_____
		<i>Signature</i>	<i>Date</i>
OTHER DEPARTMENTS	<input type="checkbox"/>	_____	_____
		<i>Signature</i>	<i>Date</i>
OTHER AGENCIES	<input type="checkbox"/>	_____	_____
		<i>Signature</i>	<i>Date</i>
		_____	_____
		<i>Deputy Head Signature</i>	<i>Date</i>

PART II -Ministerial:

APPROVED BY MINISTER: _____
Minister's Signature _____ *Date* _____

PART III-Executive Council Office: RECEIVED BY E.C.O.: _____
Date _____

ROUTING: S/C ON FINANCE	<input type="checkbox"/>	_____	_____
		<i>Chairman's Signature</i>	<i>Date</i>
CABINET COMMITTEE ON LEGISLATION	<input type="checkbox"/>	_____	_____
		<i>Chairman's Signature</i>	<i>Date</i>
ECONOMIC AND SOCIAL PLANNING (PAC)	<input type="checkbox"/>	_____	_____
		<i>Chairman's Signature</i>	<i>Date</i>
INTERNAL MANAGEMENT (PAC)	<input type="checkbox"/>	_____	_____
		<i>Chairman's Signature</i>	<i>Date</i>
OTHER	<input type="checkbox"/>	_____	_____
		<i>Chairman's Signature</i>	<i>Date</i>

CABINET: MEETING # _____ R.D. # _____ DATE: _____

SUMMARY SHEET

1. BACKGROUND:

2. PURPOSE:

3. ADVANTAGES:

4. POSSIBLE OBJECTIONS:

5. POSSIBLE ALTERNATIVES:

6. BUDGET & MANPOWER PROVISIONS:

7. RECOMMENDATIONS:

8. IMPLEMENTATION:
 TIMING:
 OTHER DEPTS. AFFECTED:

APPENDIX 3

PHASE II PROJECTSACTIVE PROJECTS TO BE COMPLETED IN PHASE II

<u>Project</u>	<u>Priority</u>	<u>Projected Completion Date</u>
Financial Administration and Accounting Control Manual	1	March 31, 1981
Department of Finance Operating Manual	2	June 1, 1980
Transportation Policy	2	June 1, 1980
E D P Policies Manual	2	March 31, 1981
Revised Revenue & Recovery Recording and Collection Procedures	2	March 31, 1981

PROJECTS TO BE STARTED IN PHASE II

<u>Project</u>	<u>Priority</u>	<u>Projected Starting Date</u>
*Internal Chargebacks	1 - A	June 1, 1980
*Central Commitment System	1 - B	September 1, 1980
*Asset Control	1 - C	June 1, 1980
Training and Career Development	2	December 1, 1980
Financial Orientation Training	2	September 1, 1980
Account Verification and Pre Audit Function	3	February 1, 1981

<u>Project</u>	<u>Priority</u>	<u>Projected Starting Date</u>
Central Shipping & Receiving	3	February 1, 1981
Review Invoice Processing Procedure-centralized, Decentralized or a Combination	3	February 1, 1981

*Priority 1 projects have been rated in order of importance.

APPENDIX 4

CHIEF AUDITOR

CLASS CONCEPT:

The employee of this class performs professional management audit work. The incumbent is responsible to fulfill for the Commissioner, Executive Committee and Deputy Heads their responsibilities for internal audit under legislation; to develop and maintain comprehensive audit programs in order that the Auditor General of Canada may examine and test the accuracy of Territorial Statements, and to perform the duties of a Provincial Auditor in respect of Federal/Territorial cost-sharing agreements. The work requires the Chief Auditor to review legislation, policies, Yukon systems, regulations, manuals, agreements and contracts to determine current, new and changing audit needs. The work further requires the incumbent to lead an internal audit team by participating in audits and by delegating the responsibility and authority to carry out specific audits to staff members and contracted audit services on individual project basis; developing terms of reference for individual audits or entities within Departments, assessing reports and working papers to ensure that audit procedures have been correctly applied, that all the standards have been adhered to and that audit programs have been followed; planning and designing a total Territorial audit program, setting policy consistent with legislation and requirements of external audit groups; reviewing the work of contracted audit agents, the Auditor General's Report with his staff, Federal/Territorial Agreements; developing audit programs to maximize the revenues available to the Territory; advising the Commissioner, the Executive Committee, Deputy Heads and departmental officials on problem areas; recommending changes in policy and procedural accounting and audit practices for given Departments, Branches etc; liaising with Deputy Heads and Financial and Departmental Administrative Officers and officials of Treasury. Work is performed with considerable independence and is evaluated on the basis of results obtained.

DESIRABLE EXPERIENCE AND TRAINING:

Graduate membership in a recognized Accounting Society is mandatory in the position, plus considerable post-graduate experience, including a thorough knowledge of a wide variety of Federal Acts, Cost-sharing Agreements, Ordinances and Regulations, a very good knowledge of organizational theory, management concepts, computerized accounting systems and current business practices.

Ability to co-ordinate a professional staff and contracted auditor services, to resolve complex problems, and to deal effectively with officials of client Departments, Executive Committee Members and Deputy Heads in acting as their financial Advisor.

APPENDIX 5

AUDITOR II

CLASS CONCEPT

The employee of this class performs advanced professional and supervisory audit work. The incumbent is responsible for supervising other professional Auditors and for developing audit programs and conducting operational, financial and legislative audits of Government Departments and Agencies, Municipalities and Local Improvement Districts. Other duties entail: conducting special outside investigations in cases where the Government may have a pecuniary interest or where a Territorial Ordinance is involved; compiling working papers, reports, statements, and a variety of supporting schedules following audits or investigations; discussing matters arising from audits with senior operating officials; preparing and reviewing drafts of audit remarks for further review by the Commissioner; liaising and discussing with operating officials proposed changes in accounting systems and procedures. Work is performed with considerable independence and is evaluated on the basis of results obtained.

DESIRABLE QUALIFICATIONS:

University graduation in Commerce, with emphasis in the Accounting Field, and eligibility for admission to membership as a Chartered Accountant plus considerable experience in Government or Commercial Accounting or Auditing; or an equivalent combination of education and experience.

Thorough knowledge of the principles and practices of accounting and auditing; considerable knowledge of the laws, ordinances and regulations governing the receipt and expenditure of public funds.

Ability to apply the techniques of accounting and auditing to a variety of complex situations; ability to prepare comprehensive statements, reports and schedules; ability to establish and maintain effective working relationships with departmental officials and members of the public.

APPENDIX 6

GOVERNMENT OF YUKON

CRS/CA



MANAGEMENT PREPARED POSITION DESCRIPTION

SECTION I

TO BE COMPLETED BY THE SUPERVISOR OR SUPERSEDED OFFICER

Date Form P.S.C.

Position Number 02-66	Working Title CHIEF AUDITOR	Class Title CHIEF AUDITOR	Document Vacant
Department Executive	Division Commissioner's Office	Location Whitehorse	
Supervisor's Position Number	Supervisor's Class Title Commissioner of Yukon	Actions: Requires for updating <input type="checkbox"/> Amended <input type="checkbox"/>	
Position/Classification Code		Specialty Code New class and position	
Permanent	Permanent Position <input checked="" type="checkbox"/>	Part-time Permanent Position <input type="checkbox"/>	Term Position <input type="checkbox"/>

The Purpose of this Position is: To fulfill for the Commissioner, Executive Committee and Deputy Heads their responsibilities for internal audit under legislation. To develop and maintain comprehensive audit programs in order that the Auditor General of Canada may examine and test the accuracy of Territorial Statements, and to perform the duties of a Provincial Auditor in respect of Federal/Territorial cost-sharing agreements.

SECTION II

1. Describe the Duties and Responsibilities of the Position, listing the main duties in order of importance. Describe what is done, why it is done and how it is done. Add any additional criteria as required.

NOTE: (i) (ii)

- (i) To fulfill for the Commissioner, Executive Committee and Deputy Heads their responsibilities for internal audit under the Financial Administration Act, Yukon Act, Yukon Government Policy Manual and other legislation, rules and regulations by:
 - a) Reviewing legislation, Federal/Provincial cost-sharing agreements, policies, Yukon systems, regulations, manuals agreements and contracts, to determine current, new and changing audit needs.
 - b) Scheduling the broad assignment of audits between contracted audit services and internal resources.
 - c) Leads the internal audit team by participation in audits and by delegating the responsibility and the authority to carry out specific audits to staff members on an individual project basis.
 - d) Developing terms of reference for individual auditable entities within Departments and designing broad audit programs for the specific audits.
 - e) Reviewing the annual audit assignment with the Commissioner to ensure that the resources required to discharge assignments will be available, and to set priorities and allocate resources.
 - f) Assessing reports and working papers to ensure that audit procedures have been correctly applied, that all the standards have been adhered to and that audit programs have been followed and have been amended where required.
 - g) Maintaining a facility for performing special audits, not scheduled within the annual assignments, to meet emergency situations or special requests from the Executive Committee.
- (ii) To develop and maintain a comprehensive audit program to provide the interim base necessary for the Auditor General of Canada to examine and test to the extent he can qualify, deny or state his external opinion on the Territorial Statements by:
 - a) Establishing and maintaining the overall policies, standards programs, scheduling and follow-up for audits, ensuring that they are maintained effectively and efficiently.

2. Is any of the above work self-organizing? State how, describing the scope of each work.

The Chief Auditor prepares the annual work plan, deciding which areas should be reviewed and when. It is his responsibility to undertake special reviews as and when he judges the situation to warrant such a review.

3. List the Directives, Manuals, Regulations, Ordinances used regularly in this Position.

Financial Administration Act
Yukon Act
Yukon Government Policy Manual
Yukon Government Treasury Manual
Yukon Government Personnel Administration Manual.

4. List major tools, equipment or machinery used in the work, and the percentage of time spent using them.

None _____

5. EXAMINATION PROCEDURES: Tick (X) those areas applicable:

- (a) Assign work to ensure continuity of work flow
- (b) Change duties and responsibilities of subordinates
- (c) Establish work priorities and schedules
- (d) Review quality and quantity of work
- (e) Train employees in work procedures
- (f) Contract Auditors, Audit Service Bureau Teams
- (g) Participate in subordinates' Performance Appraisals
- (h) Formally appraise employees' work performance and discuss appraisal with them, making a final recommendation on advance or withheld annual increments.
- (i) Interview candidates for vacant positions in the unit
- (j) Interview employees with attendance or performance problems
- (k) This Position is the first formal step in the grievance procedure
- (l) Show colleagues how to do tasks
- (m) Give an opinion to Supervisor in selection of new employees
- (n) Number of Positions directly Supervised TWO
- (o) No Supervisory Responsibility

EXAMINATION FREQUENCY:

- 1. How often is the work checked, controlled or supervised? Indicate (X) the frequency of such:
 - Occasionally
 - Daily
 - Spot Checked
 - Rarely

2. Describe how the checks are made or work is supervised?
By achievement of goals and performance reviews.

RECOMMENDATIONS AND DECISIONS MADE:

1. Describe using specific examples the kind of recommendations the employee is regularly required to make, and to whom are they sent.
The Chief Auditor makes recommendations to Senior Management in respect of their management and financial practices in the execution of their programs in terms of the efficient and economical disbursement of public funds.

2. Who normally makes the final decision to implement the recommendations made by the employee? (eg. Supervisor, Co-Ord., a Board, Council, Commissioner, Executive Committee, Senior Management.)
Commissioner, Executive Committee, Senior Management.

3. Describe using specific examples the kind of final decisions regularly made for whom the employee is held accountable?
Determining priorities, planning work schedules, evaluating and approving audit plans, tests and specific areas of examination. Certification of claims against Canada under cost-sharing agreements.

- b) Planning and designing a total Territorial audit program, setting policy consistent with legislation and requirements of external audit groups.
- c) Reviewing the work of contracted audit agents to ensure that there is full co-ordination between professional audit teams and governmental Departments.
- d) Reviewing findings with the Auditor General and his staff.

(iii) To develop the expertise necessary to be able to fulfill the complete role of a Provincial Auditor and to carry out these responsibilities in respect of Federal/Territorial cost-sharing agreements by:

- a) Reviewing Federal/Territorial agreements to establish the minimum requirements and developing the audit programs to maximize the revenues available to the Territory under such cost-sharing agreements.
- b) At random reviewing with agents, working papers and reports to determine their scope, depth, standards and that audit objectives have been met.
- c) Preparing audit summaries and holding reviews with with Executive Committee, Directors and other audit groups.
- d) Testing to ensure the proper financial co-ordination exists between Departments.
- e) Monitoring the follow-up of observations made to ensure that replies are received prior to the closing of the files.
- f)
 - i) Advising the Commissioner and Executive Committee of problem areas requiring co-ordination or decisions at their level.
 - ii) Advising departmental officials on problems related to the audit of accounts, suggesting methods for improvement etc.
 - iii) Recommending policy, and procedural accounting and auditing practices for given Departments, Branches etc. including adopting by the Government as a whole of Branch policy and auditing guidelines.
- g) Liaising with Deputy Heads, Financial and Departmental Administrative Officers and officials of Treasury.
- h) Liaising with external audit agencies, firms, provincial audit offices and officials of the Federal Auditor General's Office.

The Person:

The person required to fulfill the mandate, delegated by the Commissioner, has to be able to manage an audit program in order to provide the Executive Committee and departmental Managers with the relevant data upon which to base decisions. He/she must be able to institute and develop audit programs to measure:

- (i) The Government's programs in terms of the efficient and the economic use of resources;
- (ii) as a means of measuring that desired results are achieved;
- (iii) to maximize revenues to the Territory under Federal/Territorial cost-sharing agreements.

(d) Open work, and what is the direction of these decisions?

Senior Management and Government finances: Management in terms of audit observations and Government finances in terms of the maximization of revenues due under agreements.

1. Work

(a) In the normal course of the employee's duties which work and for what purpose is the employee required to maintain contact? Auditor General of Canada and Contract Auditors to review audit comments, systems and audit practices, Management, Executive Committee Members of Assembly dealing with audit observations and financial management.

(b) Which of these contacts is the most important, difficult or requires the most skill? State why?

Management/ Executive Committee/ Members of Assembly dealing with audit observations due to the sometimes political or public implications such as suspected fraud, theft or financial mismanagement.

SECTION III

STATEMENT OF DUTIES AND RESPONSIBILITIES

Specify in brief the requirements of the position. Set the qualifications of a person incumbent in the position. Indicate -

- 1. (a) The academic levels considered necessary for a new employee to perform the duties of this position. Chartered Accountant, Certified General Accountant, Registered Industrial Accountant.
- (b) Illustrate why the academic level indicated above is required. The academic training is mandatory in the work due to its specialized nature and the legal requirements in legislation.
- (c) Are any special licenses or certifications required by an employee to perform the duties? Yes. C.A., C.G.A. or R.I.A.

2. Describe the types and levels of Experience which must have been acquired to enable a new employee to perform the duties. The position requires a thorough knowledge of a wide variety of Acts, Ordinances and Regulations, a very good knowledge of organization theory, management concepts, computerized accounting systems and current business practices. The work requires the ability to co-ordinate a professional staff and contracted audit services to resolve complex problems, and to deal effectively with officials of client Departments, Executive Committee Members etc. To plan and schedule activities required for the conduct of audits.

3. Indicate any features of the work which cause unusual demands or stresses and/or any physical requirements or limitations placed upon an employee in this position?

None

I have read the foregoing job description and understand that it is a general description of the duties assigned in the position accepted by me.

Employee's Signature

Date

I have reviewed, with the employee, the duties and responsibilities assigned.

Immediate Supervisor/Branch Head

Date

The person must be a highly qualified Accountant, possessing either a C.A., R.I.A. or C.G.A. professional designation plus comprehensive audit experience at the management level. It is imperative that the Government avail themselves of the services of a professional with sufficient depth so as to accommodate the expanding role of the Territorial Auditor. The political climate is changing and with it aspirations towards Provincial status, thus necessitating a different approach from that which has been experienced to date.

APPENDIX 7

**TOURISM
CONTRACTS
1978 - 79**

CONTRACTOR	AMOUNT	DESCRIPTION OF CONTRACT	DATE COMPLETED	TOTAL PAID
YUKON VISITORS ASSOCIATION	\$45,000.00	To carry out services in connection with the Yukon Tourism Industry	79 03 30	\$45,000.00
MYRON BALAGNO & ASSOCIATES	\$15,000.00	To provide Marketing services for Yukon Government, Department of Tourism, to purchase materials, place advertisements, provide design layout services and printing, and to enter into approved agreements and contracts on behalf of the Department of Tourism.	79 03 31	\$15,316.49
BLAIR NIXON	\$3,224.00	Co-ordinate Visitor Exit Survey - liaise with technical support in Ottawa, prepare a report including problems encountered and recommendations for future surveys.	78 10 24	\$3,224.00
JANE OLYNYK VICKIE TAIT	\$1,280.00 \$1,280.00	Under direction of the project leader: 1. Conduct interviews for Exit Survey 2. Undertake research for tourist attractions 3. Assist in local museum projects 4. Disseminate information to visitors	78 10 23	\$2,120.00

PAC #13

TOURISM
 CONTRACTS
 1977 - 78

CONTRACTOR	AMOUNT	DESCRIPTION OF CONTRACT	TOTAL PAID
YUKON VISITORS ASSOCIATION	\$45,000.00	To carry out services in connection with the Yukon Tourism Industry	\$45,000.00
KLONDIKE VISITORS ASSOCIATION	\$5,000.00	To carry out regional tourism services in region north of 63 degrees.	\$5,000.00
KLONDIKE VISITORS ASSOCIATION	\$900.00	To carry out a visitor profile study in Dawson City	\$900.00
FRANK WOLMAN AND ASSOCIATES	\$14,000.00	To carry out a study concerning potential pipeline impacts on Yukon's tourism industry.	\$14,000.00
FRANK WOLMAN AND ASSOCIATES	\$48,113.00	To prepare Tourism Development Strategy Report	\$47,826.46



APPENDIX 8

TOURISM
PROFESSIONAL AND SPECIAL SERVICES
1978 - 79

SUPPLIER	AMOUNT	DESCRIPTION OF SERVICE	TOTAL PAID
GILLIAN CAMPBELL	\$300.00	To provide entertainment for convention bid at the Canadian Community Newspaper Association conference.	\$300.00
YUKON VISITORS ASSOCIATION	\$25,000.00	Joint Marketing Program	\$25,000.00
STUDENT SUMMER JOB CORPS	\$25,500.00	Salary top-up - Yukon Visitor Exit Survey	\$20,607.82
FRANK WOLMAN AND ASSOCIATES	\$30,000.00	To cover cost overruns in preparing the Tourism Development Strategy Report	\$30,000.00
YUKON VISITORS ASSOCIATION	\$45,000.00	To carry out services in connection with the Yukon Tourism Industry	\$45,000.00

PAC #15

TOURISM
 PROFESSIONAL AND SPECIAL SERVICES
 1977 - 78

SUPPLIER	AMOUNT	DESCRIPTION OF SERVICE	TOTAL PAID
MYRON BALAGNO & ASSOCIATES	\$1,325.25	Design, layout and printing of 4,000 Yukon Travel Questionnaires	\$1,325.25
		Less	(343.00)
		Print return envelopes	186.34
		One six digit number stamp	39.41
		Obtain U.S. stamps in Canadian funds	441.04
		Delivery, postage and handling	101.11
			\$1,750.15
B.C. RESEARCH MANAGEMENT	\$2,000.00	Supply computer services and reports in conjunction with Yukon Inquiry Conversion Survey	\$2,000.00
YUKON VISITORS ASSOCIATION	\$25,000.00	Joint Marketing Program	\$24,406.42
STAR PRINTING	\$295.88	Reproductions for Frantic Follies	\$281.09
YUKON VISITORS ASSOCIATION	\$45,000.00	To carry out services in connection with the Yukon Tourism Industry	\$45,000.00
KLONDIKE VISITORS ASSOCIATION	\$5,000.00	To carry out regional tourism services in the region north of 63 degrees	\$5,000.00
KLONDIKE VISITORS ASSOCIATION	\$900.00	To carry out visitor profile study in Dawson City	\$900.00

SUPPLIER

AMOUNT

DESCRIPTION OF SERVICE

TOTAL PAID

FRANK WOLMAN AND ASSOCIATES	\$14,000.00	To carry out a study concerning potential pipeline impacts on Yukon's tourism industry	\$14,000.00
FRANK WOLMAN AND ASSOCIATES	\$48,113.00	To prepare Tourism Development Strategy Report	\$47,826.46

APPENDIX 9

(A) CONTRIBUTION TO ECONOMY

I NUMBER OF VISITORS

364,502

II EXPENDITURES AND INCOME

DIRECT \$33,000,000

INDIRECT \$ 9,100,000

TOTAL \$42,100,000

REPRESENTS 11.2% OF GROSS TERRITORIAL PRODUCT

III EMPLOYMENT

1,806 JOBS OR 15.3% OF TOTAL EMPLOYMENT

MINING INDUSTRY REPRESENTS 11.5% OF TOTAL EMPLOYMENT

IV IMPORT LEAKAGES

37% OF GOODS AND SERVICES IMPORTED AS CONTRASTED WITH 80% IN
MINING INDUSTRY.

V GOVERNMENT REVENUES

UNKNOWN BUT SUBSTANTIAL

VI TRAVEL TRADE SURPLUS

ONE OF FEW SURPLUSES IN CANADA

(B) SOCIAL AND ECONOMIC BENEFITS OF TOURISM

I DIVERSIFIES AND STABILIZES AN ECONOMY WHICH HAS BEEN LARGELY DEPENDENT UPON THE "BOOM AND BURST" OF LARGE MINERAL EXTRACTION AND PUBLIC INVESTMENT PROJECTS.

II CONSISTS OF OVER 300 SMALL PRIMARLY LOCAL ENTREPRENEUR/FAMILY BUSINESSES.

III DIVERSIFIED THROUGHOUT YUKON

1978 EXPENDITURES BY REGION

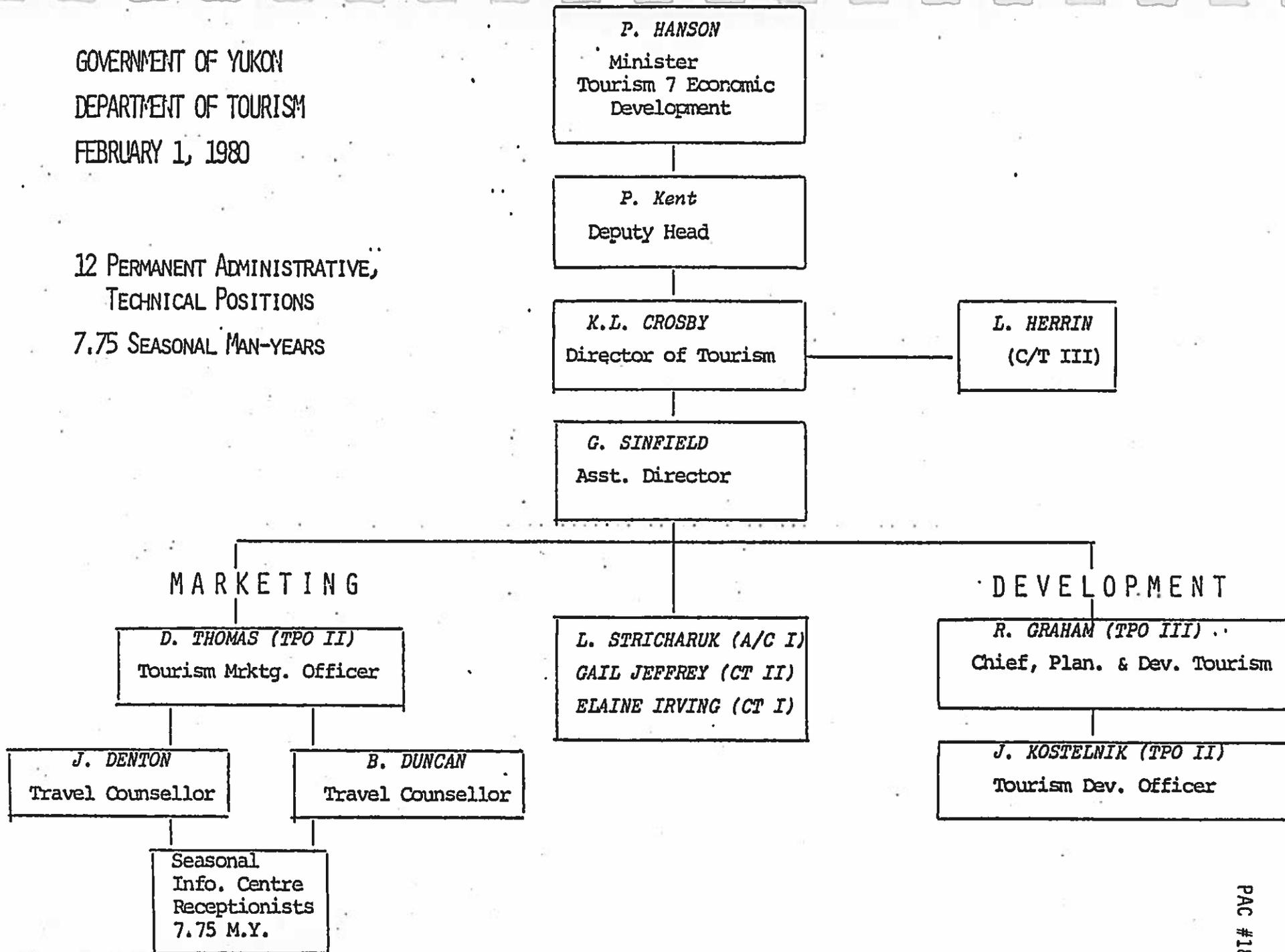
WHITEHORSE	49.7%
WATSON LAKE	17.7%
KLUANE	17.0%
KLONDIKE	15.6%

IV PROVIDES RECREATION BENEFITS, FACILITIES AND SERVICES BY BOTH GOVERNMENT AND PRIVATE SECTOR WHICH COULD NOT BE JUSTIFIED OR VIABLE ON THE BASIS OF YUKON'S RESIDENT POPULATION.

APPENDIX 10

GOVERNMENT OF YUKON
DEPARTMENT OF TOURISM
FEBRUARY 1, 1980

12 PERMANENT ADMINISTRATIVE,
TECHNICAL POSITIONS
7.75 SEASONAL MAN-YEARS



APPENDIX 11

TERMS OF REFERENCE

TOURISM DEVELOPMENT STRATEGY

A. OBJECTIVES

1. To prepare a tourism development strategy for areas adjacent to Yukon highways capable of guiding private and public sector development over the next 5-10 years, which will:
 - reflect the overall tourism objectives of the Yukon Government;
 - integrate all components (accommodation, attractions, events, transportation, recreation, travel trade etc.) of the industry in Yukon;
 - optimize use of the Territory's natural, historical, cultural and man-made resources;
 - identify development opportunities, primarily for the private sector and present preliminary economic evaluations of these opportunities;
 - suggest implementation procedures and phasing, and describe costs;
 - consider briefly the 10-20 year outlook.
2. To prepare a general "checklist" of locational requirements that will be used in evaluating future service commercial development proposals that may require disposition of Federal and/or Yukon Territory Government controlled land adjacent to the highways in Yukon.
3. To identify areas within Yukon that are presently undeveloped but are considered economically viable areas for integrated service centers.

B. PROJECT OUTLINE

The project should be considered in two concurrent parts:

- I. preparation of a general tourism development strategy based on Objective #1 above.
- II. preparation of specific policies and guidelines for tourism development adjacent to Yukon highways, based on Objectives #2 and 3.

STAGE I

The methods to be used by the consultant should include an inventory of relevant data, an analysis including presentation of alternative strategies, and formulation of a final strategy. Tasks would include carrying out the following:

INVENTORY - the development opportunities and constraints involved in Yukon's tourism resource base; the services, facilities and infrastructure; the specific problems such as manpower capital availability, seasonality, distance from major markets and potential development conflicts.

- market opportunities and constraints afforded by the consumption patterns, needs and preferences of both existing and potential tourist traffic.
- the relationships between these supply and demand factors (Note: little data collection is required here; the majority of this inventory material is available from the Division of Tourism.)

- ANALYSIS
- matching available resources to tourist demands
 - what types of development are best suited to Yukon's environment
 - what are the implications of various visitor needs on plant development and promotional strategies?
 - evaluation of industry goals and objectives
 - presentation of alternate development concepts
- STRATEGY
- detailed description of a development/marketing strategy based on the concepts considered most appropriate by industry and government
 - emphasis should be placed on material of use to the investor, including identification of potential investment opportunities
 - components should be organized to reflect industry sectors, government and private enterprise involvement, and the integration between development and marketing activities
 - the final strategy would take two forms: a detailed working document for the agencies most directly involved, and a more general, illustrated edition for public information purposes.

STAGE II

This stage will involve preparation of site selection criteria for highway service centers. The consultant should consider the following factors:

1. Inventory of existing situation to identify deficiencies in service levels offered to travelling public.
2. Spacing requirements (i.e. distance between service centers) based upon:
 - a) Volume of traffic on highways
 - i) moderate use
(define for Yukon highways)
 - ii) heavy use
3. Land area requirements to include the following considerations:
 - i) potential nuclei of new communities (e.g. junction of Klondike and Dempster Highways)
 - ii) physical qualities of land necessary for development
 - iii) highway geometrics in accessing proposed areas
 - iv) visual qualities of site needed to cater to travelling public

4. Role of existing communities in providing necessary services catering to travelling public.
5. Policy of oil companies in developing sites in Yukon and the criteria they use for evaluating locations.
6. Failure rate of poorly located facilities in Yukon.

From conclusions developed by the consideration of the above factors, it is expected that the consultant shall provide recommendations in the following areas:

1. The necessity for additional commercial facilities outside existing communities.
2. Future policy for land disposal as it affects commercial development (i.e. fee simple, title or lease, restriction from competition for a period of years).
3. Future government involvement in the provision of tourist related commercial services (i.e. restaurant and automobile service facilities in conjunction with, for example, a Department of Public Works maintenance camp; or capital development of facilities and subsequent leasing on a franchise basis of restaurant, automobile service facilities and/or lodging facilities to private operators. e.g. Dempster Highway offers this approach.
4. Need for eligibility criteria for potential operators; government management assistance, buying associations (co-operation), native involvement.

C. SCOPE

All components of the Yukon travel industry must be considered in this development strategy: accommodation, hospitality, transportation, events and attractions, outdoor recreation, and the travel trade. While strategies can only be applied geographically to Yukon, consideration must be given to regional tourism connections with northern B.C. and Alaska. In addition, the fact that Yukon's small population (22,000) is spread over a large area (207,000 square miles) must be considered.

D. REPORT

High emphasis is placed on preparation of a report which is well-presented, readable, concise, illustrated where possible, and factually supported.

Twelve copies of a "final draft" report will be presented by the consultant for review by the Steering Committee. Three copies of a final report (including original) would then be submitted, for printing by the client.

E. PROJECT ADMINISTRATION

The project will be co-ordinated by the YIG Division of Tourism and administered by a Steering Committee composed of representatives from:

Division of Tourism, YTG
Land Resources, DINA Northern Operations Branch
Renewable Resources, YTG
Economic Research & Planning, YTG
Department of Local Government, YTG
Yukon Visitors Association
Canadian Government Office of Tourism
Yukon Native Brotherhood
Yukon Association of Non-Status Indians
Parks Canada, Prairie Region

This committee will provide guidance and contacts for the consultant, but is not intended to be a substitute for necessary field work.

APPENDIX 12

REQUEST FOR PURCHASE

PAC #22

070

DATE OF REQUEST

1979 03 29
YEAR MONTH DAY

DATE GOODS REQUIRED

BE SPECIFIC

SHIP GOODS TO

MAIL INVOICES IN DUPLICATE TO

- Department of Tourism
- Box 2703
- Whitehorse, Yukon

SS	QTY.	UNIT	DESCRIPTION	PRICE	TOTAL	SUGGESTED VEN
			"CONFIRMATION ONLY"			
			Additional costs incurred in completing the TOURISM DEVELOPMENT STRATEGY.		\$30,000.00	see below
			* see attached			
			Frank Wolman Associates Inc.			
			112 St. Clair Avenue West			
			Toronto, Ontario			
			M4V 2Y3			

OLD YEAR

SPECIAL INSTRUCTIONS

REQUESTED BY

N-2
DEPARTMENT

APPROVED BY

VOTE	EST.	PRI.	LOC.	UNIT NO.
07	702	20	750	

[Handwritten Signature]



APPENDIX 13

GOVERNMENT OF YUKON
CANADA

CONTRACT NO.
PAC #23



SERVICE CONTRACT

GENERAL DESCRIPTION

LOCATION:

CONTRACTOR'S NAME AND ADDRESS:

DETAILS OF TERMS OF CONTRACT

UNIT PRICE

TOTAL

THIS CONTRACT SHALL;

COMMENCE ON: _____ TERMINATES ON: _____

TOTAL

I/WE AGREE TO SUPPLY THE EQUIPMENT AND/OR PERFORM THE WORK OR SERVICES AS STIPULATED IN THIS CONTRACT AND PROVISIONS AS DETAILED ON THE REVERSE SIDE HEREOF.

SIGNATURE OF CONTRACTOR

DATE

CONTRACTOR

ACCEPTED ON BEHALF OF THE GOVERNMENT OF YUKON AND I CERTIFY UNENCUMBERED FUNDS ARE AVAILABLE TO COVER EXPENDITURES UNDER THIS CONTRACT.

RECOMMENDED TITLE/SIGNATURE

DATE

DATE

APPROVED: TITLE/SIGNATURE

CODING

AMOUNT

INVOICING: CONTRACTOR TO SUBMIT INVOICES
IN _____ COPIES TO:

THE MAXIMUM AMOUNT PAYABLE UNDER THIS CONTRACT SHALL NOT EXCEED.

TOTAL



APPENDIX 14

YUKON VISITORS ASSOCIATION

FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 1979

Accountants' Comments

Statement 1 - Revenues and Expenditures

Statement 2 - Members' Capital Deficiency

Statement 3 - Balance Sheet

Notes to the Financial Statements

Schedule 1 - Revenues and Expenditures
Co-op Promotional Tours

ACCOUNTANTS' COMMENTS

We have prepared the accompanying balance sheet as at March 31, 1979 and the statements of revenues and expenditures and members' capital deficiency for the year then ended from the records of Yukon Visitors Association and from other information supplied to us by the Association. In order to prepare these financial statements, we made a review consisting primarily of enquiry, comparison and discussion of such information. However, in accordance with the terms of our engagement, we have not performed an audit and consequently do not express an opinion on these financial statements.

Whitehorse, Yukon
May 14, 1979

Mackay Peachey & Co.

CHARTERED ACCOUNTANTS

YUKON VISITORS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1979

(UNAUDITED - SEE ACCOUNTANTS' COMMENTS)

1. SUMMARY OF ACCOUNTING POLICIES

A. Membership Revenues

Membership revenues are recognized for accounting purposes on the basis of the fiscal year end of the Association. Any 1979 dues collected prior to March 31, 1979 are therefore recorded as deferred revenues at March 31, 1979.

2. CONVENTION

Revenues	\$ 7,924
Expenditures	<u>7,045</u>
	<u>\$ 879</u>

YUKON VISITORS ASSOCIATION

STATEMENT 1

REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 1979

(UNAUDITED - SEE ACCOUNTANTS' COMMENTS)

	<u>ACTUAL</u>	<u>BUDGET</u>
REVENUES		
Yukon Territorial Government Grant	\$ 45,000	\$ 45,000
Membership dues	10,163	12,000
Yukon Host	1,872	2,000
Convention (Note 2)	879	1,000
Transferred from co-op promotional tours (Schedule 1)	266	5,000
Bank interest and exchange	154	--
Newsletter	75	500
	<u>58,409</u>	<u>65,500</u>
EXPENDITURES		
Wages and employee benefits	27,724	37,806
Yukon Host	8,098	5,500
Newsletter	3,553	5,200
Directors' expenses	3,505	2,750
Travel	4,136	8,000
Office and supplies	2,803	3,000
Telephone	1,845	1,400
Rent	1,686	1,500
Advertising and promotion	536	1,500
Professional fees	520	500
Postage	394	750
Membership affiliations	--	500
	<u>54,800</u>	<u>68,406</u>
EXCESS OF REVENUES OVER EXPENDITURES (Statement 2)	<u>\$ 3,609</u>	<u>\$ (2,906)</u>

YUKON VISITORS ASSOCIATION

STATEMENT 2

MEMBERS' CAPITAL DEFICIENCY

FOR THE YEAR ENDED MARCH 31, 1979

(UNAUDITED - SEE ACCOUNTANTS' COMMENTS)

	<u>1979</u>	<u>1978</u>
BALANCE, OPENING	\$ 3,631	\$ 1,145
Excess of expenditures over revenues (Statement 1)	<u>(3,609)</u>	<u>2,486</u>
BALANCE, CLOSING (Statement 3)	<u>\$ 22</u>	<u>\$ 3,631</u>

YUKON VISITORS ASSOCIATION

STATEMENT 3

BALANCE SHEET

AS AT MARCH 31, 1979

(UNAUDITED - SEE ACCOUNTANTS' COMMENTS)

	<u>1979</u>	<u>1978</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 5,099	\$ 100
Accounts receivable	15,194	4,216
Prepaid expenses	1,210	1,878
	<u>\$ 21,503</u>	<u>\$ 6,194</u>
<u>LIABILITIES</u>		
CURRENT		
Due to bank	\$ ---	\$ 2,538
Accounts payable and accrued liabilities	16,425	1,812
Deferred revenue	5,100	5,475
	<u>21,525</u>	<u>9,825</u>
<u>MEMBERS' CAPITAL DEFICIENCY</u>		
BALANCE (Statement 2)	<u>(22)</u>	<u>(3,631)</u>
	<u>\$ 21,503</u>	<u>\$ 6,194</u>

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

YUKON VISITORS ASSOCIATION

SCHEDULE 1

CO-OP PROMOTIONAL TOURS

REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 1979

(UNAUDITED - SEE ACCOUNTANTS' COMMENTS)

REVENUES

Travel guide	\$ 39,125	
Yukon Territorial Government	31,385	
Klondike Visitors Association	15,939	
Overseas marketing	<u>351</u>	\$ 86,800

EXPENDITURES

Travel guide	29,686
World of Alaska Tour	20,649
Overseas marketing	7,834
Toronto show	3,442
Chicago show	7,142
Minneapolis show	5,861
San Francisco show	5,100
Anaheim show	4,943
Edmonton show	2,664
Miscellaneous	<u>294</u>
	87,615

EXPENDITURES RECOVERED	<u>(1,081)</u>	<u>86,534</u>
EXCESS OF REVENUES OVER EXPENDITURES		266
TRANSFERRED TO ADMINISTRATION (Statement 1)		<u>(266)</u>

\$ NIL

APPENDIX 15

PAC #27

SUMMARY OF RESULTS

1977 INQUIRY CONVERSION SURVEY

FEBRUARY, 1978

R. D. GRAHAM
DEPARTMENT OF TOURISM
GOVERNMENT OF YUKON

I FORWARD

The 1977 Inquiry Conversion Survey is an analysis of people inquiring about Yukon travel in 1977, either from sending in an advertising coupon/reader service card, or from visiting a Yukon booth at a travel show. The survey had three objectives:

1. to measure the effectiveness of various media as advertising mediums;
2. to gather information about people who inquired about, but did not visit Yukon in 1977;
3. to gather information about people who inquired about and visited Yukon in 1977.

A total of 14,735 inquiries (coupons) were received from all sources, and of these, 2980 were sent questionnaires. Sample ratios ranged from 10% to 100% for each magazine, depending on the actual number of inquiries. The return rate for questionnaires was 44%, which is quite good for a mail-out survey. The offer of a free travel poster for returned questionnaires was undoubtedly a factor in getting this response.

Results from the questionnaires were tallied by means of a standard SPSS computer program, and full printouts are available in the Department of Tourism office. This report is a summary of the highlights from those computer printouts.

II 1977 ADVERTISING EFFECTIVENESS

The table entitled "1977 Advertising Conversion Analysis" presents a numerical summary of the effectiveness of each magazine in producing visitors to Yukon. In cases where the number of conversions (visitors) is less than 10, the individual magazine results must be used with discretion. Hence, the most useful measure of a magazine's effectiveness is probably the "Direct Advertising Dollar Return", although certainly other factors must be taken into account as well.

From these data, we can draw the following conclusions regarding media selection:

A. BEST BUYS

1. ALASKA Magazine is clearly the best buy in the group: a direct dollar return more than twice that of any other magazine; the single highest number of conversions; second highest conversion ratio; and so on. The cost per coupon is fairly high (over \$7.00), but this is more than offset by the high conversion ratio.
2. HOLIDAY turned in a solid performance even though its conversion ratio is only half the group average. This is offset by the lowest cost per coupon (\$2.06) among all media, and by the highest-spending visitors among the "Best Buys". Finally, the magazine's projected dollar return is the highest in the group.
3. B.C. OUTDOORS shows an extremely high cost per coupon (\$23.24), but this pays off because the magazine shows the highest conversion ratio in the group, and a good advertising dollar return. The magazine's visitors also stayed in Yukon longer than the average, although they spent less money per day.
4. OUTDOOR CANADA shows a relatively strong performance despite its 7% conversion ratio: the direct dollar return is above average, as are the length of stay and daily expenditures of its conversions.

B. MARGINAL BUYS

1. TRAVEL Magazine deserves a close look as a future media buy on the strength of its low cost per coupon and long length of stay of its conversions. Other ratios tend to be mediocre.
2. NATIONAL GEOGRAPHIC has been a consistent performer in the past, but slips badly in this 1977 campaign. The length of stay of conversions is the magazine's strongest point, and its conversion percentage is respectable, but the dollar returns are poor.
3. ALASKA SUPPLEMENT presents a paradox as a media buy: the ad received tremendous exposure (through the "supplement" or insert in SUNSET, TRAVEL & LEISURE, TRAVEL, SOUTHERN LIVING and AUDUBON) and pulled over half the total coupons at a cost of \$2.90 each. This one ad, on the

other hand, used over 40% of the advertising budget and produced only 16% of the campaign's direct revenue. This revenue did not even pay the cost of the ad, which is usually enough reason to drop that medium. Furthermore, its' conversions' length of stay in Yukon is half the group average. What keeps the Supplement in the "marginal" category is its average conversion ratio (14%) which gives it a projected dollar return among the top four. The \$22,000 would probably be better spent, however, in the "best buy" media.

C. NEVER BUYS

There is nothing to indicate that we should place future advertisements in any of these media:

- 1) BACKPACKER
- 2) B.C. WILDLIFE FEDERATION NEWS
- 3) SIGNATURE
- 4) TRAVEL & LEISURE
- 5) SEATTLE TIMES

III INQUIRERS WHO DID NOT VISIT YUKON

Of the 1315 people who inquired about Yukon travel, 1134 did not visit the territory in 1977. A profile of a typical person in this group would be:

- . He is male (75%)
- . He is 35-49 years old (26.8%) or 50-64 years old (25.9%)
- . He lives in the eastern United States (46%)
- . He earns over \$20,000 (44%)
- . His occupation is "professional" (28%) or he is retired (15%)
- . He would take a pleasure trip north to see both Yukon and Alaska (74%)
- . He is mainly attracted by the "natural beauty" of Yukon (57%) and only partially (8%) by the Klondike Gold Rush.

IV INQUIRERS WHO DID VISIT YUKON

Of the 1315 people who inquired about Yukon travel, 181 visited Yukon in 1977. The breakdown by magazine of these "conversions" is presented in the table, "1977 Advertising Conversion Analysis".

DEMOGRAPHICS

A demographic profile of a typical visitor in this group would be:

- . He is male (73%)
- . He is 18-34 years old (34%) or 50-64 years old (33%)
- . He lives in eastern United States (33%) or in Washington/Oregon/California (27%)
- . He earns over \$20,000 per year (50%)
- . His occupation is "professional" (27%) or he is retired (24%)

TRIP CHARACTERISTICS

In addition to this demographic information, the questionnaire asked for a variety of information on the trips taken to Yukon in 1977 by these respondents. Following is a summary of the results.

1. The main attraction was "natural beauty" (46%) although Klondike Gold Rush was significant as well (19%). It is interesting to note the rise in attractiveness of the Klondike Gold Rush for visitors as opposed to non-visitors.
2. The average party consisted of 2.46 persons; they spent 7.2 days in Yukon compared to 12.5 days in Alaska and 32.4 days on their entire trip; they spent an average of \$720 (or \$41 per person/day) in Yukon during their stay.
3. The majority of people (58%) thought Yukon and Alaska were about the same in price comparisons or had no opinion; 20% thought Alaska was more expensive; 17% thought Yukon was more expensive.
4. Based on a GOOD/AVERAGE/POOR rating system, food and accommodation received over 50% GOOD ratings; attractions were rated 81% GOOD; roads were rated 25% GOOD, 46% AVERAGE and 29% POOR. Other items listed by respondents received mainly GOOD ratings (i.e. people, campgrounds, scenery), indicating a high degree of satisfaction with their trip.
5. Things enjoyed most by respondents were scenery (22%), atmosphere (10%), and specific points of interest (24%). Things enjoyed least were roads

(20%), mosquitoes, costs and driving (each 8%). Significantly, 15% said they did not have a "least enjoyed" item.

6. Visitors travelled to Yukon by car (15%), car and trailer or camper (27%), air (16%), and bus (11%). 15% used the ferry or a boat, and 13% took the railroad. Of these, the air travellers spent by far the most time in Yukon: 7 nights for "plane only" travellers, 13 nights for "plane and other" (fly/drive). These groups spent 7 and 10 nights respectively in Alaska. By comparison, those travelling by trailer or camper spent 9 nights in Yukon and 17 nights in Alaska. The air travellers spent an average of \$80 per day; the trailer/camper users spent \$24 per day.

1977 ADVERTISING CONVERSION ANALYSIS

	ADVERTISING \$ SPENT	COUPONS RETURNED	QUESTIONNAIRES RETURNED	NO. OF PARTIES WHO VISITED	CONVERSION PERCENTAGE	NO. OF NIGHTS IN YUKON	AVERAGE EXP. PERSON/DAY	TOTAL PARTY EXP.	DIRECT ADVERT. \$ RTN.	PROJECTED TOTAL EXPEND.	PROJECTED ADVERT. \$ RTN.
Alaska	\$ 3220	449	179	55	31.1	6.9	\$ 40	\$ 39,777	\$ 12.35	\$ 100,665	\$ 31.26
National Geographic	8685	316	116	14	12	11.4	31	12,748	1.47	34,529	3.98
Backpacker	1275	64	28	1	4	10.0	16	349	.27	893	.70
Outdoor Canada	1785	222	100	7	7	8.7	45	6,851	9.84	15,209	8.52
B.C. Outdoors	1650	71	31	12	39	10.4	21	8,327	5.05	19,215	11.65
Wildlife Federation	552	26	17	2	12	12.0	31	1,625	2.94	2,535	4.59
Holiday	4420	2138	214	16	7	6.1	75	22,618	5.12	211,563	47.86
Signature	2890	962	69	2	3	2.0	41	627	.22	9,048	3.13
Travel	1620	774	77	5	6	11.0	24	3,459	2.14	32,127	19.83
Travel & Leisure	4080	1087	61	3	5	5.7	120	3,361	.82	60,890	14.92
Alaska Supplement	22070	7622	331	46	14	3.8	40	18,627	.84	432,100	19.58
Seattle Times	1053	43	0	0							
SUB-TOTAL	53,300	13774	1223	163	13			118,369	2.22	1,300,330	24.40
Touring & Travel	0	155	26	3	12.	11.0	74	5,275		32,705	
Oakland Show	0	556	37	6	16	11.5	36	5,365		79,545	
Edmonton Show	0	250	29	9	31	9.4	38	9,270		79,825	
TOTAL	53,300	14735	1315	181	14	7.2	41	138,279		1,576,000	

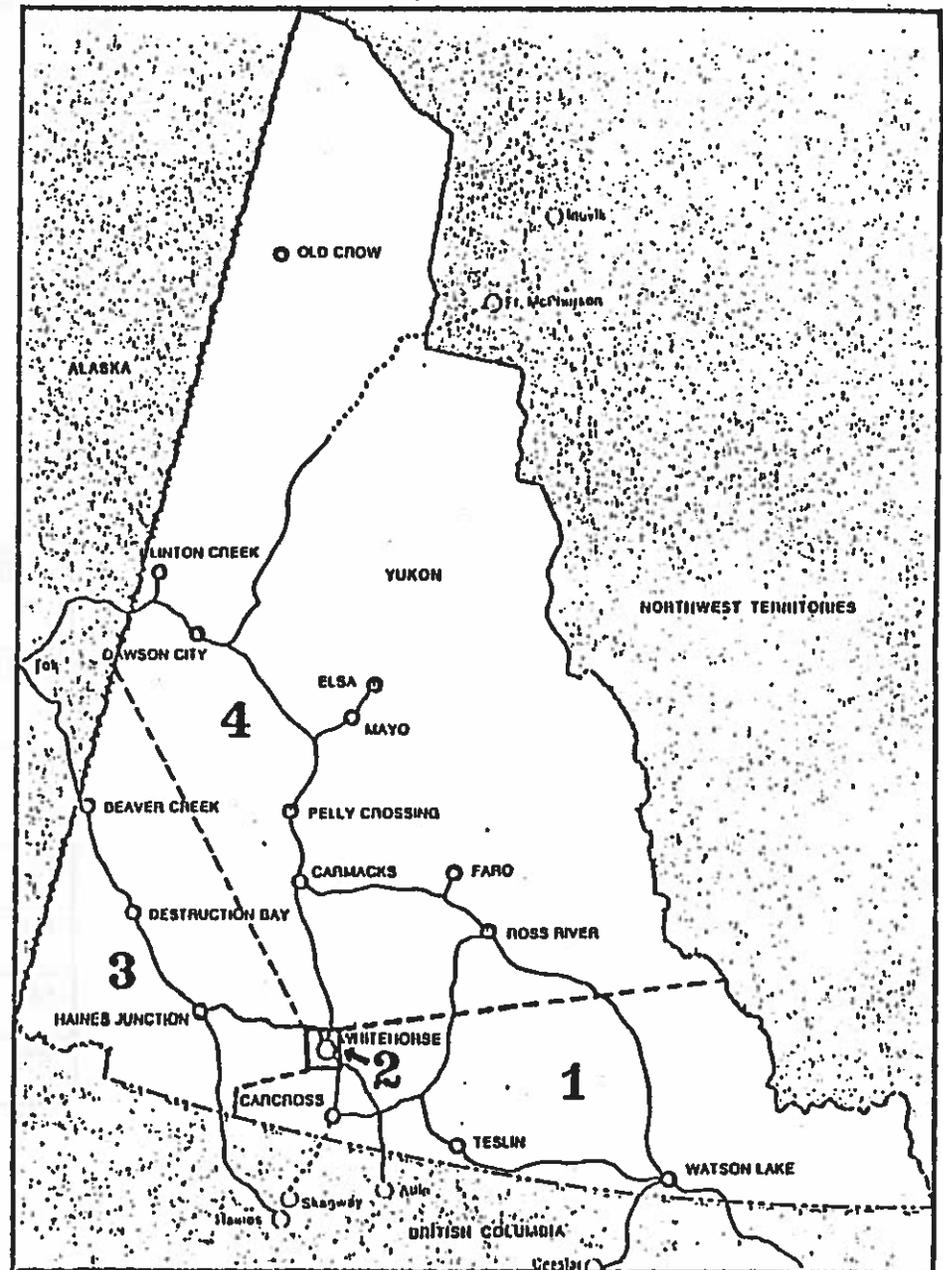
* Because of rounding and averaging, breakdowns by magazine are understated

4.0 REGIONS

For purposes of the TEM, Yukon was divided into four regions: Southeast, Whitehorse, Klwane and Klondike. Boundaries are shown on the adjacent map, and a profile of establishments and rooms/sites is given below. The various TEM reports presented here give results on the basis of these four regions, and for Yukon as a whole.

1976 TOURISM EXPENDITURES MODEL (YUKON)
REGIONAL PROFILE
(Establishments/Rooms or Sites)

	1	2	3	4	TOTAL
Hotels	7/114	15/ 551	4/154	11/ 194	37/1013
Motels	9/110	8/ 171	13/244	10/ 144	40/ 569
Hostels	0	1/ 120	0	1/ 40	2/ 160
Cabins	2/ 3	0	4/ 11	3/ 13	9/ 27
Campgrounds (Served)	5/ 72	3/ 151	5/ 66	1/ 100	14/ 389
Campgrounds (Unserved)	17/366	7/ 176	11/232	23/ 635	58/1359
TOTAL	32/665	31/1119	28/607	47/1126	138/3517



- 1-Southeast
- 2-Whitehorse
- 3-Kluane
- 4-Klondike

1976 TOURISM EXPENDITURES MODEL (YUKON)
 REGIONAL PROFILE

(Establishments/Rooms or Sites)

	1	2	3	4	TOTAL
Hotels	7/114	15/ 551	4/154	11/ 194	37/1013
Motels	9/110	8/ 171	13/144	10/ 144	40/ 569
Hostels	∅	1/ 120	∅	1/ 40	2/ 160
Cabins	2/ 3	∅	4/ 11	3/ 13	9/ 27
Campgrounds (Serviced)	5/ 72	3/ 151	5/ 66	1/ 100	14/ 389
Campgrounds (Unserviced)	17/366	7/ 126	11/232	23/ 635	58/1359
TOTAL	40/665	34/1119	37/607	49/1126	160/3517

APPENDIX 16

P.A.
3720-9-

AGREEMENT

Between

YUKON VISITORS ASSOCIATION

and

GOVERNMENT OF THE YUKON TERRITORY

Covering the period

April 1, 1978 to March 31, 1979

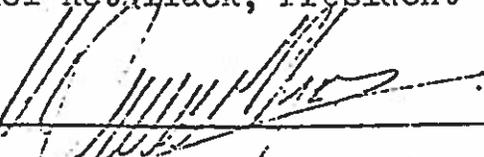
Signed this 29th day of April, 1978

at Watson Lake, Yukon Territory

For the Yukon Visitors Association:



Athol Retzlack, President

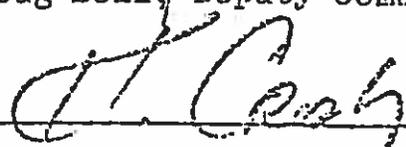


H. Duncan Myers, Executive-Director

For the Government of Yukon:



Doug Bell, Deputy Commissioner



Karl L. Crosby, Director of
Tourism

Terms of Reference

An Agreement Between

YUKON VISITORS ASSOCIATION AND GOVERNMENT OF YUKON

I. GENERAL DESCRIPTION

Tourism Industry development by Yukon Visitors Association (YVA).

II. BACKGROUND

While tourism in Yukon can be traced to the Klondike Gold Rush, the industry had its modern beginnings in the 1950's in the hands of local volunteer groups such as the Yukon Tourist Association and the Klondike Visitors Association. The Yukon government formally entered the picture in 1962 with the formation of the (then) Travel and Publicity Branch. For a decade, the private sector remained largely unorganized, but in 1973 the Yukon Visitors Association was re-activated as a Territory-wide industry association. In 1976, YVA hired its first full-time Executive Director to carry out the goals of the Association. In April of 1977, YVA and the Yukon Government signed an agreement which covered the year ending March 31, 1978.

III. OBJECTIVES

The objectives of YVA are clearly stated in its constitution:

1. to foster and promote travel to and within the Yukon,
2. to encourage the increase and improvement of visitor facilities, services, and attractions throughout the Yukon, and
3. to enhance and stimulate the business climate in the visitor industry in and around the Yukon in order to attain the greatest possible degree of prosperity for all.

These objectives parallel and complement those of the Yukon Territorial Government in the area of tourism. The purpose of

this agreement is to provide a framework within which both YVA and YTG may achieve their objectives of improving Yukon's tourism industry.

Specifically, the objectives of this agreement are as follows:

1. to continue development of a unified, Territory-wide association which represents the private sector of Yukon's tourism industry;
2. to increase communications and co-ordination with the industry;
3. to develop and present certain projects involving industry training, education and awareness;
4. to develop co-operative industry/government programs in the areas of marketing and tourism establishment standards.

IV. RATIONALE

Tourism presents many unique opportunities for industry/government co-operation. In fact, such co-operation is essential if the industry is to be healthy and progressive.

The Yukon Government has long recognized that successful co-operation hinges on the growth of an effective industry association, and has therefore actively encouraged the development of YVA. Private and public sector roles in tourism development should be complementary. While government can best undertake tasks involving research, planning and elements of marketing, private enterprise can do much to help itself in such areas as employee training, group purchasing, operating techniques and standards, advertising and so on. YVA is now capable, with some financial assistance from government, of undertaking many such projects. Current economic and political realities in Yukon indicate that YTG cannot and will not underwrite the total cost of developing and maintaining a tourism industry. New ways must be found to involve the private sector in tourism development, and the YVA is an obvious vehicle for achieving such involvement.

V. PROJECTS

In fulfilling the objectives of this agreement, YVA should undertake the projects described below. Many of these tasks will require close co-ordination with the Department of Tourism, particularly those involving development of new programs; however, YVA is expected to take an active part in seeing each project through to completion.

1. Industry Communication

Prepare a monthly newsletter (12 issues during the agreement period) containing tourism-related news and features; distribute copies to interested individuals in Yukon and to selected parties outside the Territory. This does not preclude a charge being made to subscribers, but any charges levied should include only the costs of mailing and handling the newsletter.

2. Yukon Host

Prepare and present the Yukon Host program for 1978. The program developed should contain basic information in the areas of tourism industry awareness, hospitality training, and local facilities and points of interest.

Presentations should be made in Whitehorse, Watson Lake; Haines Junction and Dawson City as a minimum, and in other communities which express an interest in the program. The course should be presented in the spring prior to the peak tourism season. YVA will be responsible for preparing the program content, scheduling and organizing presentations, and preparing an assessment report.

The Department of Tourism will provide technical assistance for production of the presentation, and a staff member to assist at presentations.

3. Services to Industry

YVA should offer the following services to members of the tourism industry:

- a) Training - act as sponsor for industry training courses required by the industry and arranged through Canada Manpower, Federal Business Development Bank, Department of Education or other agencies. As a minimum, YVA should offer two appropriate courses during the contract period.
- b) Management Assistance - offer basic information and assistance to managers of tourist establishments in such areas as marketing, accounting, legal services, training aids, staffing and so on.

4. Marketing

- a) Co-ordinate industry participation on the Yukon Tourism Marketing Council. This would include carrying out the private sector's part in all co-operative projects approved by Council, and providing input to the Department of Tourism annual tourism marketing plan. It is understood that the YTMC will adhere to this marketing plan when co-operative projects are determined. A total of \$25,000 will be made available for co-operative marketing projects, on the condition that this amount by YTG is matched dollar for dollar by the private sector.
- b) Publish and distribute a travel guide or circular for Yukon visitors for the purpose of extending their stay in the Territory. This publication should be printed in several editions throughout the tourist season, and should include articles describing current attractions, communities and things to see and do around Yukon. It is understood that YVA will sell advertising space in this publication, but advertisements should not exceed 50% of the space available in any edition. The retail sale price of this circular should not exceed 25¢ per copy. The Department of Tourism will assist with distribution of the publication through its visitor information centers.

5. Tourist Establishment Standards

Under the 1977/78 Agreement, YVA developed a draft proposal for implementation of a program of voluntary standards within the tourism industry. Work should continue on this proposal so that a decision can be made regarding implementation of a program for the 1979 tourist season. The objective of this project, as described in the 1977/78 Agreement, is to develop standards of construction and operation for Yukon tourist establishments which will present a positive and acceptable image in the eyes of the travelling public. This system of standards should meet the following criteria:

- a) it should acknowledge acceptable levels of comfort, courtesy, and cleanliness, as well as other appropriate measures of services available;
- b) it must recognize Yukon's unique tourism product, which often includes basic, "rustic" facilities;
- c) it must be acceptable to the majority of the private sector, and should be enforceable through means other than new or direct legislation.
- d) standards must be communicated to the travelling public in order to be effective.

VI. AGREEMENT ADMINISTRATION

It is expected that there will be an ongoing liaison between YVA and the Department of Tourism throughout the period of this agreement (April 1, 1978 to March 31, 1979). Regular meetings will take place at least once per month to allow for YVA and Departmental representatives to review progress, discuss problems and determine future direction of projects described under this agreement.

In addition to these monthly status meetings, YVA will submit a written annual report to the Director of Tourism describing the activities, problems, results and recommendations pertaining to the projects described under Section V.

VII. COST

The amount of this agreement is \$45,000 payable as follows:

\$15,000 on signature of the agreement

\$10,000 on August 1

\$10,000 on November 1

\$10,000 on presentation of a final report as described
in Section VI above.

APPENDIX 17

YUKON TERRITORY

C A N A D A

Whitehorse, Yukon

ORDER-IN-COUNCIL 1979/41

FINANCIAL ADMINISTRATION ORDINANCE

Pursuant to the instructions given to him by the Minister of Indian Affairs and Northern Development under Section 4 of the Yukon Act, the Commissioner in Executive Council is pleased to and doth hereby order as follows:

1. Section 2, page 5, of the regulations established by Commissioner's Order 1979/71 is hereby revoked.
2. The annexed section 2, page 5 is hereby made and established.

GIVEN under my hand and Seal of the Yukon Territory, at Whitehorse, in the said Territory, this ^{26th} day of November, A.D., 1979.



Administrator of Yukon

<u>Person or Officer</u>	<u>Area of Responsibility</u>	<u>Construction Contracts</u>	<u>Requisition to Purchase</u>	<u>Service Contracts</u>	<u>Leases</u>
Yukon Liquor Corporation General Manager	For Corporation Only	Nil	Total for Purchase Contracts	\$ 15,000	Nil
Worker's Compensation Board Executive Secretary	For Board Only	Nil	\$ 15,000	15,000	\$ 25,000
Director of Government Services or Director of Supply Services	Central Stores Revolving Fund	Nil	Total	Nil	Nil
Mechanical Superintendent	For Garage Operations Revolving Fund	Nil	Total	Nil	Nil
Director of Supply Services	For all departments full authority to sign Purchase Orders and Air Charter Contracts			100,000	100,000



OFFICE OF THE COMMISSIONER
YUKON TERRITORY
C A N A D A

Whitehorse, Yukon

COMMISSIONER'S ORDER 1979/71
FINANCIAL ADMINISTRATION ORDINANCE

Pursuant to the provisions of the Financial Administration Ordinance, the Commissioner of the Yukon Territory is pleased to and doth hereby order as follows:

1. The regulations established by Commissioner's Order 1978/300 are hereby revoked.
2. The annexed regulations are hereby made and established. (*on and from the 1st day of April, A.D. 1979.*)

Dated at Whitehorse, in the Yukon Territory, this 12 day
of April , A.D., 1979.


Commissioner of the Yukon Territory

REGULATIONS RESPECTING SIGNING AUTHORITIES

Made pursuant to Commissioner's Order 1979/71

Dated the 12 day of April , 1979

1. To make requisitions and give certificates required by the Financial Administration Ordinance but limited to the maximum of approved appropriations for which they are responsible.

<u>Position or Officer</u>	<u>Make requisitions and give the certificate required under section 19 and 20</u>
Yukon Legislative Assembly Clerk of the Assembly	Full for the Dept.
Department of Administrative Services Secretary to the Executive Committee	Full for the Dept.
Department of Education Superintendent of Education	Full for the Dept.
Director of Vocational Training	Full for the Branch
Department of Consumer and Corporate Affairs Director, Consumer and Corporate Affairs	Full for the Dept.
Department of Human Resources Director of Human Resources	Full for the Dept.
Department of Municipal & Community Affairs Director of Municipal & Community Affairs	Full for the Dept.
Department of Tourism & Economic Development Director of Tourism & Economic Development	Full for the Dept.
Department of Justice Director of Justice	Full for the Dept.
Department of Highways & Public Works Director of Highways & Public Works	Full for the Dept.
Mechanical Superintendent	Full for Garage Operations Revolving Fund
Public Service Commission Public Service Commissioner	Full for the Dept.
Office of the Pipeline Co-Ordination Director Pipeline Coordination	Full for the Dept.
Department of Finance Territorial Treasurer	Full for the Dept.

Financial Administration Ordinance

Make requisitions and
give the certificate required
under section 18 and 20

Position or Officer

Department of Library &
Information Resources
Director of Library &
Information Resources

Full for the Dept.

Department of Renewable
Resources
Director of Renewable
Resources

Full for the Dept.

Department of Health
Director of Health

Full for the Dept.

Department of Government
Services
Director of Government
Services

Full for the Dept.

Yukon Housing Corporation
General Manager
Chairman of the Board

Full for the Corporation
Full for the Corporation

Worker's Compensation Board
Executive Secretary

Full for the Board

Yukon Liquor Corporation
General Manager

Full for the Corporation

2. Notwithstanding the authority under Section 1, no single contract, requisition, lease or purchase may exceed the following limits:

<u>Person or Officer</u>	<u>Area of Responsibility</u>	<u>Construction Contracts</u>	<u>Requisition to Purchase</u>	<u>Service Contracts</u>	<u>Leases</u>
Yukon Legislative Assembly Clerk of the Assembly	For Dept. Only	Nil	\$ 15,000	\$ 15,000	Nil
Department of Administrative Services Secretary to the Executive Committee	For Dept. Only	Nil	15,000	15,000	Nil
Department of Education Superintendent of Education Director, Vocational Training	For Dept. Only For Branch Only	Nil Nil	40,000 15,000	30,000 15,000	Nil Nil
Department of Consumer and Corporate Affairs Director, Consumer and Corporate Affairs	For Dept. Only	Nil	15,000	15,000	Nil
Department of Human Resources Director of Human Resources	For Dept. Only	Nil	30,000	30,000	Nil
Department of Municipal & Community Affairs Director of Municipal & Community Affairs	For Dept. Only	Nil	35,000	25,000	Nil
Department of Tourism & Economic Development Director of Tourism & Economic Development	For Dept. Only	Nil	15,000	15,000	Nil
Department of Justice Director of Justice	For Dept. Only	Nil	15,000	15,000	Nil

Financial Administration Ordinance

<u>Person or Officer</u>	<u>Area of Responsibility</u>	<u>Construction Contracts</u>	<u>Requisition to Purchase</u>	<u>Service Contracts</u>	<u>Leases</u>
Department of Highways & Public Works Director of Highways & Public Works	For all Depts.	\$40,000	\$100,000	\$100,000	\$ 50,000
Public Service Commission Public Service Commissioner	For Dept. Only	Nil	15,000	15,000	Nil
Office of the Pipeline Co-Ordination Director Pipeline Coordination	For Dept. Only	Nil	15,000	15,000	Nil
Department of Finance Territorial Treasurer	For Dept. Only	Nil	15,000	15,000	Nil
Department of Library & Information Resources Director of Library & Information Resources	For Dept. Only	Nil	15,000	15,000	Nil
Department of Renewable Resources Director of Renewable Resources	For Dept. Only	Nil	15,000	15,000	Nil
Department of Health Director of Health	For Dept. Only	Nil	15,000	15,000	Nil
Department of Government Services Director of Government Services	For Dept. Only	Nil	15,000	50,000	Nil
Yukon Housing Corporation General Manager	For Corporation & Staff Accommodation	\$40,000	100,000	100,000	25,000 acco. 10,000 other
Board of Directors	For Corporation & Staff Accommodation				

All approved expenditures in excess of the Manager's limit.

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<u>Person or Officer</u>	<u>Area of Responsibility</u>	<u>Construction Contracts</u>	<u>Requisition to Purchase</u>	<u>Service Contracts</u>	<u>Leases</u>
Yukon Liquor Corporation General Manager	For Corporation Only	Nil	Total for Purchase Contracts	\$ 15,000	Nil
Worker's Compensation Board Executive Secretary	For Board Only	Nil	\$ 15,000	15,000	\$ 25,000
Director of Government Services or Director of Supply Services	Central Stores Revolving Fund	Nil	Total	Nil	Nil
Mechanical Superintendent	For Garage Operations Revolving Fund	Nil	Total	Nil	Nil
Director of Supply Services	For all departments full authority to sign Purchase Orders and Air Charter Contracts			100,000	100,000



Financial Administration Ordinance

3. Notwithstanding Section 2, the following are authorized to:

(a) Director of Library and Information Resources

Authority to purchase all books for main and regional libraries, also items for Archives and historical items, processed film or slides and sound recordings.

(b) Director of Human Resources

Full authority for purchase contracts, or Authorization Orders only.

(c) Director of Supply and Services

The Director may delegate, in writing, the authority to Departments to purchase specific goods and services as required for the efficient operation of a department.

(d) Mechanical Superintendent

Purchasing authority for Garage Revolving Fund amended to read "Authority to purchase 'Numbered' or 'will fit' parts used in the repair or overhaul of equipment either at the repair shops or work sites. This also covers small repair parts and accessories not already on authorized purchase orders that are required stock or field repairs. These purchases subject to review by Director of Supply and Services".

4. To increase amount payable under contracts:

(a) Contracts entered into by Deputy Head:

As provided in Sections 7, 10, and 14 of the Government Contract Regulations but subject to the respective limits of authority granted in 2 above may be increased by 10% to a maximum of \$5,000.

(b) Contract entered into by Commissioner:

Deputy Heads subject to the respective limits of authority granted in 2 above may increase by 10% to a maximum of \$10,000.

5. To sign contracts and change orders approved by Federal Departments under Engineering Services Agreement or Alaska Highway Maintenance Agreement or Ministry of Transport Agreements.

Director of Highways and Public Works All Contracts

6. To sign reports of surplus for disposal of both equipment and buildings based on original asset value:

Deputy Heads All

7. Delegation of Authority

A Deputy Head may delegate his authority to make requisitions and give the certificate required under Section 19 to 20 of the Financial Administration Ordinance by completion of a "Delegation of Authority" form which should clearly outline the limitations of authority delegated.

When the deputy head redelegates signing authority all such redelegations must be submitted to the Treasurer on the appropriate Delegation of Authority form accompanied by the appropriate Specimen Signature Cards.

Financial Administration Ordinance

8. Signing of Lease, Requisition or Contract

The appropriate signature required by these Regulations shall be deemed as certification that funds are immediately available to meet the payment that may eventually be required, pursuant to Section 18 (1) of the Financial Administration Ordinance.

9. For the purposes of these regulations, Deputy Head shall include all positions and officers named in Section 1 of these Regulations.

