

(ii) The Canadian Transport Commission's Auditing Process and the Railway Costing System

The charges made to VIA, including the 13th and 14th bills previously discussed, are the subject of audits by the Railway Transport Committee of the Canadian Transport Commission. The Committee has, in the course of its proceedings on the topic of passenger rail service, become acutely concerned with two important problems associated with these CTC audits. The first problem is the question of delays in the conduct of these audits, and the second relates to the nature of the audit itself.

In the first case, the Committee was disappointed to discover that up until this year the CTC scrutiny of charges to VIA by CP Rail and CN Rail were years in arrears. The Committee was informed that the verification of 1978-79 railway charges to VIA were completed only in March 1982. The 1980 charges are scheduled for audit completion by the end of the 1982 calendar year, while the 1981 examination of charges is to be completed by March of 1983. Thus, it is clear that VIA, and for that matter the operating railways, are faced with very substantial, and in the Committee's view, detrimental delays in obtaining the results of the CTC audits. It is true that the delays are being gradually reduced year by year. Furthermore, it was pointed out to the Committee by the CTC that the current delay is substantially shorter than it was prior to the existence of the contractual arrangements with VIA for the provision of rail passenger services. The CTC has as its goal the provision of final audit results approximately 12 months after the fact by 1984.

While the Committee is pleased to see these inordinate delays being shortened, it feels nevertheless that no commercial entity providing service to the public, be it of a private or public nature, should be expected to function with auditing delays of such considerable length. Perhaps the 12-month delay is the best that can be done under the present system; but even that, in the Committee's opinion, is not satisfactory. It must be kept in mind that VIA Rail Canada Inc. is basically a captive customer of CP Rail and CN Rail with the CTC performing an essential regulatory function. Charges made to VIA must be paid in an essentially non-competitive relationship. This magnifies the importance of the CTC audits.

What corporation could explain to its shareholders that audits for tens and indeed hundreds of millions of dollars of expenditures would not be available promptly? This would surely represent an untenable position for any management group. The Committee cannot but conclude that this has a serious detrimental affect upon the ability of VIA's management to conduct proper financial and operational planning. Surely the cost of engaging additional qualified audit personnel to the CTC staff in order to reduce the backlog in audit results would be money well spent in order to ensure that millions of dollars in charges are promptly accounted for.

5. The Committee recommends that the CTC audit of charges to VIA be conducted more expeditiously. If necessary in order to shorten the current unacceptable long delays in the CTC's auditing procedure, additional qualified staff should be engaged.

The second important factor relating to the CTC audits is the character or nature of the audit function. The audit conducted by the CTC may be described as one which is more concerned with whether or not a specific item or charge is of an authorized nature in relation