

[Mr. Langevin in the chair]

THE CHAIRMAN: It's after 8, so I'll call the meeting to order. For those who are on the phone, in attendance here we have Mary O'Neill, Denis Ducharme, Wayne Jacques, and myself. On the telephone I understand we have Gary Dickson, Yvonne Fritz, and Ron Hierath. Sue Olsen, as you know, is not present. I understand that she's resigned her MLA seat because she's running federally. Now, because we have some on the phone and some in the hall, we'll have to be careful to speak close to our microphones so that everybody understands.

MR. DICKSON: Thank you.

THE CHAIRMAN: Now, number 2 on the agenda is Approval of Agenda. Any additions, or can I have a motion to approve the agenda as circulated?

MRS. O'NEILL: So moved.

THE CHAIRMAN: It's moved by Mary O'Neill that we approve the agenda. All those in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Thank you very much. Now the approval of the minutes of the committee meeting of August 19.

MR. DICKSON: Mr. Chairman, can I just ask one question? In looking at item 6 – and I wasn't able to attend that meeting – this has to do with the annual report timing of the Ombudsman. I noticed that there was no action item there; there was no disposition of his request. Do I understand correctly, or is that just an error in the minutes?

THE CHAIRMAN: No. You understand correctly.

MR. DICKSON: The reason I raise it is that I would have been opposed to that, and if it's necessary that there be some motion or something, maybe we should have a vote on it. What was the thinking of the committee last meeting on that issue?

THE CHAIRMAN: I think it was the decision of the committee last time, and Diane just informed me that she just didn't reflect it in the minutes.

MR. DICKSON: So in fact there was a vote?

THE CHAIRMAN: No, there was no vote. There was a general discussion.

MR. DICKSON: I may be the only one who opposes it, but should we have at least a recorded vote on it?

THE CHAIRMAN: It's not necessary, but if you insist on making a motion, I'll have to accept it, I guess.

MR. DICKSON: Okay. Do you want to do that now or under Other Business?

MR. JACQUES: It's not on the agenda.

THE CHAIRMAN: Another thing: it's not on the agenda. When I asked for approval of the agenda or additions, that wasn't brought up.

MR. DICKSON: Well, okay, but I thought perhaps it had been resolved at the last meeting and that simply it was omitted from the minutes.

MRS. SHUMYLA: I believe that the committee agreed with the Ombudsman's request, but perhaps I didn't make it clear in my minutes.

MR. DICKSON: Okay. Well, just for the sake of completeness, I'd request that we be able to deal with it on this agenda. If it's out of order, then it's going to be your decision, Mr. Chairman.

THE CHAIRMAN: We'll deal with Peter's presentation because we have two members that have to leave at 8:30. We could bring it up later then.

MR. DICKSON: Okay.

THE CHAIRMAN: Could I have a motion to approve the minutes of our last meeting?

MR. JACQUES: I'll move them.

THE CHAIRMAN: All those in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Thank you very much.

Now we'll go directly to the Auditor General. I'll ask Mr. Valentine to make his presentation to the committee.

MR. VALENTINE: Thank you, Mr. Chairman. Here in Edmonton we have some overheads. Had I known that there were going to be people here by telephone, I would have faxed out the overheads. Also, we're limited as to time, so I'm going to skip through my presentation and leave some things to either questions or maybe a distribution of my notes or something like that.

Monica Norminton, our chief administrative officer in the office, is with me. The purpose of our visit today is to discuss with you the supplementary appropriation of a million dollars and the reasons behind our request.

The amount is 7.4 percent of the original budget. It appears only on one line of the budget, and that is temporary staff services. Temporary staff services are borrowed staff from professional accounting firms, and the office has used this kind of staff for a number of years, many years, certainly long before I arrived here. They form part of our ability to complete our audit work. As I said, it's 7.4 percent of the total operating budget. It arises principally because of a combination of two things: the amount of work that we had to do at the end of the day in completing last year's audit work, which is done in this current year, and the matter of the cost of acquiring these services.

The chart that's up here is one that looks at the cyclical use of temporary staff by month. For those on the phone, the peak occurs when you'd expect it, in May, June, July, given that the government's popular year-end is March 31, and then it diminishes over the other months, leading back up to the spring ramp again. That peak is two months later than the profession itself in the private sector, so we're able to acquire this staff. They are available because it's off peak for the private-sector people.

I think that to some extent all of my colleagues across the country use some of this activity. We would prefer not to be using it quite to the extent that we are, but the fact of the matter is that we continue to incur a substantial and higher than we would like staff turnover as a percentage of our average complement. That's running in the neighbourhood of 22 percent at the moment, which is probably five to seven points too high if we had an economy that would produce a larger number of chartered accountants and if we had an economy where they're not being sopped up by the very successful private sector.

We continue to pursue new students. We're still a quality training office, and we still continue to have good success at the universities and the institutes for new students, but students take a while to grow into the senior positions.

Internationally we've looked around. We've looked at South Africa; we know the success of recruiting medical doctors there. Our contacts advise us that while South African CAs are of a very high quality, the recruiters have been there and the supply has more or less dried up. We're also looking at the U.K. and Ireland. Ireland has a big potential because young people there are having difficulty finding affordable housing, and currently we have about four or six candidates that we are going to perform telephone interviews with through the search consultants that we're using, who are the same search consultants who were so successful when dealing with the doctor issue a year and a half ago.

Some of our activity results from – this is the slide on audit hours. For the telephone audience, it goes from about 130,000 in '96 to in the order of 145,000 in 2001. That's being brought on by a number of influences, but one of the very complicating issues is the extent to which activities are being devolved out to community organizations.

The big one in our current year was the Ministry of Children's Services and the impact that the 18 child and family services authorities had on the extent of the work that we had to do. Just to show you the cost of that – and again I'll describe this slide for the telephone audience. The slide reflects hours and dollars of cost for the Ministry of Children's Services, which includes the 18 CFSAs, child and family services authorities. The total ministry hours were 5,900 for a cost of \$816,000. The prior year equivalent, when all of those services were delivered under one system in one department, was 2,500 hours for a cost of \$254,000. So by adding those 18 CFSAs, the audit costs went up by 3,400 hours, or \$560,000.

Now, to some extent that was to be expected. You have a variety of 18 different new organizations and 18 different new administrations. Some of it wasn't to be expected. As you'll be familiar, having read all of my report – I'm sure you've read all of my report, every page. If you read the section on Children's Services, you'll see that we're quite critical of how this launched into its first year. Now, all of it is fixable. It's just going to take some time. So we used a number of agents and temporary staff. In order to minimize our travel costs, wherever possible we had quality firms working for us to do that work, at the same time those firms being accountable to my staff in the execution of it.

8:15

We have about 84 and a half full-time auditors at the moment plus our admin staff, which takes us to a total of 111.5. That's important because the approved FTE count is 126. The chart that's on the screen now, which shows a number of lines going up and down, is designed to show you the cyclical nature of our staff complement. The red line is the student intake, new graduates coming in. You'll see that we've progressed in having a number of new students. In fact, I'm very pleased with the campus recruiting we're able to do.

On the other hand, the people that are the most qualified is the solid black line, and they're not growing. They're at the same level, more or less, and the consequence is that we don't have enough of those senior people to be running all of our audit jobs.

I think the issue that remains is how to retain qualified staff. We, as you will know, adjusted our salaries. We've continued to pursue the objective of making the office of the Auditor General an employer of choice. We have been able to stabilize and retain our managers at the 20 level on a year-over-year basis, but we really need about 27 to properly manage the staff on our audit projects and the use of our agents in order to fulfill our mandate.

So when we have gaps, how do we fill them? Well, the intermediate solution is to use temporary or borrowed staff, and the chart on the screen now reflects the cost of using this temporary staff as it's increasing. The red line is the hours that we're using temporary staff, the green line is the average rate per hour that we have to pay to the private sector in order to acquire that staff, and the dotted line shows you the staff rate. You can see that if we have an average cost within the office in the order of \$60 – that's the dotted line going across; that's our own staff on a per hour basis – our cost of using temporary or borrowed staff is in the order of \$106 an hour.

That really reflects the conditions that are existent in the profession today. Because we stay in contact with the major firms, I do know that their hiring problems are not dissimilar from ours, although they do have more flexibility in compensation. But there's a general shortage of students. It's a concern of the institute, and it's obvious from this slide that the cost of using temporary staff is substantial. I would note that the full-time staff equivalent of our total forecast expenditure for temporary services this year is the equivalent of 12 people for the entire year. So they do come quite expensively.

There are two questions remaining: why do we not budget adequately for the costs, and are agents a viable alternative? We did budget for a proportion of the costs. However, we didn't adequately survey the marketplace to gain an understanding of the degree of difficulty we would have in meeting our recruitment objectives.

At our budget presentation to you last year we had an audit staff complement of 90 people, and we were optimistic we could increase that number to 94 or 95. Since that time our audit staff complement has shrunk to 85 and a half, so in that sense we're behind the eight ball. Our budget didn't contemplate the further decline in full-time staff members, nor did we budget for our approved FTE complement at – what was it, Monica? – 126. Our budget that was presented to you was based on our actual staff complement at the time, so we don't have anything in our budget that would absorb an additional burden of temporary staff.

So the second question is whether agents remain a viable alternative. This slide, the dotted green line showing you the average hourly rate and the solid line the total fees we are expending, shows you that the average rate for agents has increased from \$95 an hour in '96 to \$115 in the current year. We haven't substantially changed the number of agent projects over the years. It's about 20,000 hours of the total hours that we work with. So you can see that the rate increase is due to both higher hourly charge-out rates charged by the private-sector firms and a change in the calibre of staff which we're obtaining and which is important to have in order that we can adequately perform our professional responsibilities.

So I think the agent system is still alive and well. It still has the numerous advantages of location. On a number of jobs it has the advantage of expertise, particularly in some areas where we don't carry a full complement of expertise, one of which would be the computer area, another of which would be the use of actuaries on all

the pension obligations and things like that where we need specialist activities. Then, as I said earlier, the peak of the staffing that we might need is not appropriate to hire for because at the end of the day you'd be paying them to sit around during the rest of the year with nothing to do, and that wouldn't be appropriate either.

Just to show you the comparative audit staffing, the green is our own staff, the agents are in brown, and the blue is the temporary staff at the top, and you'll see that temporary staff has been climbing over the last three years.

In conclusion, we're asking for an additional amount of \$1,045,000 to meet our staffing needs. We're going to continue to pursue our recruiting strategies. I'm hopeful that we might recruit from abroad, that the list we have now will be of some considerable assistance to us. We're optimistic about the future on that score. Are there going to be more CA students available in the province generally? Well, you know, there's a new CA school of business that's been established here in Edmonton for the four prairie provinces, and the institute is doing some very serious things about recruiting young people to pursue accountancy in their business studies. We're a part of that, and we'll continue on that course.

So I'd be happy to answer any questions, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. Valentine, for your presentation. We'll open it up. I think Wayne Jacques had his hand up here.

MRS. FRITZ: Mr. Chairman, can I ask that you put me on your list, too, please?

THE CHAIRMAN: Oh, yes. Okay. After Wayne.

MR. JACQUES: Thank you, Mr. Chairman. For purposes of enabling discussion to carry on, I would move that
the committee approve the request for the 2000-2001 supplementary estimates for the office of the Auditor General in the amount of \$1,045,000.

As a side note, Mr. Chairman, as an old chartered accountant I may be rather pleased to see that there may be employment opportunities throughout the province after I leave public service.

THE CHAIRMAN: Thank you, Wayne.

Okay. We have a motion on the floor. Yvonne, you have a comment?

MRS. FRITZ: I do before I vote for the motion, and that was just to ask Mr. Valentine: is this a new way of dealing with the challenges of the work that's required by the department? I know you mentioned in that last graph where it's increased over the past three years, the history and how it's changed. So I wondered how much it has changed.

8:25

MR. VALENTINE: It's changed to some degree, Yvonne. It would be our preference to have full-time staff for a goodly piece of it.

MRS. FRITZ: But you also mentioned that at the peak of staffing you don't require them for the other part of the year.

MR. VALENTINE: Yeah, but we're already behind in our staff numbers. We should have 97 or so auditors and professional staff.

MRS. FRITZ: And that's what you budgeted for, or did you budget for the number you had? I think you said about 85 or 84.

MR. VALENTINE: Well, no. That's what we've ended up with. We budgeted a number in the middle, probably 92 or 93 at the time.

MRS. FRITZ: So you budgeted for that, but my real interest is in how it has changed. On that last graph you mentioned there was a green line, that the history of temp staff has changed over the past three years, so my real interest is in how much you've increased the temporary staff.

MR. VALENTINE: Let me just look at the slide. Can you pass me the slide, Monica? You can't see it in the photocopy. It doesn't show up.

MRS. FRITZ: I don't want to take up too much of your time, though; I know that we have only a limited amount of time here. I would be interested in that information even later. I mean, I accept that this has happened and that it's a 7 percent increase you're asking for in the budget, but I think that in view of what the history is, that could have been foreseen.

I mean, I will support the motion, but I am interested in how it has changed in the past while. But we could talk about that later.

MR. VALENTINE: Okay. We'll do two things. One, we'll send you the coloured slides, and two, I can tell you that the amount of temporary staff usage has been substantial since the middle of 1998.

MRS. FRITZ: Okay.

MR. VALENTINE: Prior to that there was not a lot of temporary staff as opposed to agents usage. Now, the agents usage has shrunk a little, and temporary staff has gone up a little.

MRS. FRITZ: So just one more brief question then. What was in the budget for temporary staff? We're putting these moneys in the budget now, given Wayne's motion, but what had you in your budget for operations for temporary staff?

MR. VALENTINE: Half of what we need.

MRS. FRITZ: Okay.

Thank you, Mr. Chairman.

MR. HIERATH: Paul, can I ask Peter a question?

THE CHAIRMAN: Yeah, go ahead.

MR. HIERATH: Peter, you do have flexibility to change line item dollars from one line item to another; do you not?

MR. VALENTINE: Yes.

MR. HIERATH: You're stating to us that you have no room in other line items for moving money to temporary staff.

MR. VALENTINE: That's right, Ron. We are pretty well on budget on all our other categories.

MR. HIERATH: The government in many departments has the same type of people that you do, accountants and engineers and lawyers and so on, and compete with the private sector. I know that in a hot economy there is probably an intense competition between the private sector and government, particularly for some of the more specifically skilled people, but certainly I do not like supplementary increases halfway through the year, and I don't think you do either

as the Auditor of the government of Alberta.

MR. VALENTINE: I don't quite know how you want me to comment on that. I think, if you've read the section on Children's Services in my report, that there's a very clear demonstration that there was a transfer of authority in business to some business units that weren't ready for the job, and that's a risk. There were substantial problems with the financial statements, all of which are listed in my report. That takes extra hours, substantially extra hours. In fact, half of our shortfall arises from Children's Services alone. Now, I'm not the bookkeeper; I'm only the auditor.

THE CHAIRMAN: Thank you.

MR. JACQUES: Peter, just following up on that point, your slide on Children's Services was quite interesting. As I recall, you just about doubled the hours and there was about a \$500,000 increase in comparison. My question is that when you were preparing your budget for 2000-2001, Children's Services in terms of the total department, et cetera, was in place, and you would have budgeted presumably for some increase in activity in the current year from an audit perspective. I guess I ask that maybe on that assumption. Or was your budget prepared on the basis that Children's Services would be roughly 2,500 hours?

MR. VALENTINE: I don't recollect exactly what the numbers were, Wayne, but it was very clear that we had anticipated a much smoother transfer of the business activity to the Children's Services organization and had not anticipated the kind of difficulties that we had. I mean, it was a business transfer that from an auditor's point of view was ahead of its time, and the people weren't ready for the transfer. The consequence of it was that we had financial statements that had serious errors in them. We kept discovering those kinds of errors as we went through each one. It wasn't just symptomatic of one or two of the authorities; we had difficulties at each and every authority.

So that's sort of half of the picture. It's \$560,000 out of \$1,045,000. Now, what should the number be? I think we'll be much better able to get better budgeting on the anticipated usage of time in this area this year. Certainly the ministry has sat up and taken notice of all of the communications that we've had with them, and they are prepared to go to work to improve things, but there's a big learning curve that's involved there, as you well know.

The previous year there was only one child and family services operation working, and that was the Calgary one. We went through that audit fairly easily. We didn't have any of the warning signs that hopefully might have been there. We didn't see any until we got to this year, and then we had all of these 18 organizations – well, Calgary wasn't in bad shape, but there were some others that were in very serious shape.

MR. DICKSON: Mr. Chairman, would you put me on the list please?

MR. JACQUES: As a supplementary, Mr. Chairman. The documentation that you presented to the committee in most of your slides, with the exception of that one, dealt with the cost of the audit in the sense of manpower and particularly the implication of temporary staff and the additional cost. When I first read this, I assumed that most of the million dollars was because of that shift of staff, if you like, in terms of the actual hourly costs or however you want to phrase it, to do the function. But as you made your presentation today, including this one here on Children's Services,

there was also now the issue of: well, it's not only increased staff costs but also in terms of actually more audit work having to be performed. What I'm trying to come to, Peter, is just maybe a round number. Of the \$1 million what do you feel, for example, is attributable to higher staff costs vis-a-vis the scope of work being significantly more in some areas or the net scope of work and for all ministries?

MR. VALENTINE: I've put up on the screen the audit hours. The green line is our actual audit hours, which includes special work such as the report on West Edmonton Mall refinancing. The black line is a normalization of our growth in hours. You can see that from 1996 we had about 130,000 hours, and in the year 2001 we're going to be at about the 150,000 mark. So over that period there have been about 20,000 hours added. The more the government decides it's going to devolve its business activities to board-governed organizations closer to the community, the greater the amount of audit work there is. If you have to sign 18 separate opinions on what was formerly one ministry, then we have to do the work to the level of those 18 organizations. You're familiar with that, of course.

8:35

MR. JACQUES: Yeah.

MR. VALENTINE: So there are three elements in here. There's a growth in our hours, which we would anticipate to some degree, there's an increase in the cost of getting temporary services, and there is the issue about hours that are generated as a result of finding poor-quality financial information to audit. That was the Children's Services issue.

MR. JACQUES: Would it be fair to say that of the million dollars you're looking for, roughly 50 percent would be attributable to, if you like, increased audit requirements?

MR. VALENTINE: Do you have a feel for that, Monica? I would think that's pretty close.

MR. JACQUES: Okay. And then roughly 50 percent due to the earlier discussion, having to use temporary staff.

MR. VALENTINE: You know, a long time ago, when I first arrived, we used to hire temporary staff who did not have an accounting and auditing designation and came out of temporary service contractors. That was very inefficient because we were putting people out to do work that they weren't qualified to do.

We've changed our attitude towards that. We would rather now have more skilled, more trained people with accounting and auditing designations doing the higher level of work and thereby be able to rely on their work being of a quality that we would anticipate our own staff would do. So to some extent I've raised the bar a little by having people that cost a little more, but I believe we get much more efficient audit work out of them.

MR. JACQUES: Thank you, Mr. Chairman.

THE CHAIRMAN: Okay. Gary Friedel, then Gary Dickson, and then Denis Ducharme.

MR. FRIEDEL: Peter, the sort of bulge, I guess we'd call it, for Children's Services: being the first time around dealing with those agencies, would that be something that might make this a temporary inflation in that budget, or is it likely that these kinds of things will

occur again? I guess the point is that if this were an unforeseen situation and it cost half a million dollars to look after and deal with the unpreparedness or the lack of skill of the department personnel that were assigned to this work, has that now been fixed, or is there likely to be some ongoing work along that line?

I notice that the slide that's on the screen right now shows the bulge for 1999, and you mentioned that this was somewhat related to the West Edmonton Mall thing. Does that make your budget fluctuate up and down?

MR. VALENTINE: Well, in the year that we did West Edmonton Mall, we had the capacity within our budget to be able to do it, as it turned out. In the current year we don't have that capacity to look after what we've experienced as a result of a shortfall in the number of full-time equivalent people we have. We need temporary people to fill that work responsibility and, as well, the issue of the example of Children's Services, which is the worst one. There were some others across the government in the current year.

I can't tell you at the moment to what extent the Children's Services ministry will solve the problem, but I can tell you that we view the central services orientation that the government is implementing as an area of audit risk, and until they have a system that properly allocates those transactions out across all of the government entities in a way that's trackable and is appropriate and that we can audit, then there's a bit of a question mark on that whole thing. So from an audit point of view it represents a risk which we have to take into account in our budgeting, and we will. You know, the proof of the pudding is in the eating.

MR. FRIEDEL: So it's conceivable that this could be more than a onetime thing.

MR. VALENTINE: Well, you know, you'd have to ask the ministry if they tend to get it all fixed by the time we come into the audit this year.

THE CHAIRMAN: Gary Dickson.

MR. DICKSON: Mr. Chairman, Wayne Jacques and Gary Friedel actually have anticipated a couple of the questions I was going to ask our Auditor General. You know, it just strikes me that it could not reasonably have been foreseen, the increased complexity in doing a high quality or a high standard of auditing work on the child and family services authorities board, so I accept that as something that couldn't have reasonably been foreseen.

The competitiveness of the market for accountants – it seems to me that virtually every budget presentation we've had from the Auditor General, as far back as I can remember, talks about the difficulty of recruiting and retaining competent auditors. I don't know what else to do other than deal with it by way of supplementary supply, which isn't sort of my first preference. You know, it continues to bedevil us, and I guess I continue to hope that when the Auditor General's office is preparing the budget each year, they could find some way of trying to anticipate the challenges they're going to have in retaining particularly their experienced staff, their managers and so on, to avoid then having to catch up at different points during the year.

You know, on balance I think the case has been made for the supplementary supply, and I'm prepared to vote in support of Wayne's motion.

MR. VALENTINE: Gary, the other thing I can tell you is that Justice has the same trouble with their lawyers. It's a very similar situation to ours except that the difference between the legal

profession and the accounting profession is that there's a fair abundance of lawyers around.

MR. DICKSON: Right.

MR. VALENTINE: There is not the same fair abundance of accountants.

Let me also say that I know of a number of departments in government that are also running very thin on their financial staff. Again, that presents a warning note to the Auditor to say and make sure that we're doing the right things from an audit perspective when we go into those departments that are thin on the ground if they're a financial group. That financial group is supplied from the same supply group that I look at. So in a sense my clients, those departments, can become poachers in my environment and in fact have been poachers over time.

Now, that's a compliment in a way, when they take one of our better people, because they recognize the training and competency of those people and they want them. I don't really object to that very strongly, because I'd rather have somebody in there that we know and know their competency so that when we can come in and do the audit, we should theoretically have a much better audit to do.

MR. DICKSON: I take your point. I think the Justice department has the advantage. You're right. I think there are far more young lawyers looking for work than CAs. The Justice department must have over 300 lawyers, so they probably have a bigger critical mass of people that developed and advanced within the service than you do.

MR. VALENTINE: The other point I make is that last year we returned \$160,000 out of our budget back to the pot. This year we've come to ask for some more for, I believe, very good reasons. That's what budgets are all about.

THE CHAIRMAN: Denis Ducharme.

MR. DUCHARME: Thank you, Mr. Chairman. My colleague Mr. Friedel has asked the question I was going to ask, so I guess in light of the discussion – I think we've heard from all points – I'd suggest we move on to the question.

THE CHAIRMAN: Okay. Thank you.

Denis suggests that we move on to the question. I guess I'm prepared to ask the question. All those in favour of the motion as tabled by Mr. Wayne Jacques?

SOME HON. MEMBERS: Agreed.

THE CHAIRMAN: Yvonne?

MRS. FRITZ: Agreed, yeah, Mr. Chairman.

THE CHAIRMAN: Ron Hierath?

MR. HIERATH: I'm opposed.

THE CHAIRMAN: Okay. One opposed and the others agree. Yes, Gary Friedel.

MR. FRIEDEL: This maybe should have been made before the motion, but the comment you made, Peter, just prior to the call, the fact that you did return some money last year.

MR. DICKSON: Could Gary Friedel speak up? I can't hear him.

MR. FRIEDEL: Sorry, Gary. The comment that Peter made just before the motion was that there was some money returned last year. I do recall previously dealing with budgets of the legislative officers, where this seems to be fairly typical. It makes it a lot easier for me to look at a request for supplementary money when one knows that, on the other hand, it's been common for money to be returned as well. It's not like it gets used up for the sake of using the budget. Quite frankly, I would sooner see this kind of an arrangement than using it up and finding out afterwards, "Well, we still need more money; we've invented new ways to use it." So I'm saying that probably as a long-winded compliment.

8:45

MR. VALENTINE: Well, you can be assured that in my office we don't spend till March 31.

MR. JACQUES: Mr. Chairman, if I may?

THE CHAIRMAN: Yeah.

MR. JACQUES: Peter, if you have in the private sector a \$15 billion company or organization, it's quite common to find internal audit departments in the corporate sense who generally report to the chief financial officer or something like that or the secretary of the company effectively, as you know, perform a very significant role within that organization in terms of internal control issues and to which to some extent the external auditor goes through a process as well as to what he can rely on in terms of that. The government of Alberta to the best of my knowledge doesn't have that, and since I've been here to my knowledge hasn't had it.

But it does raise the question as to whether there's ever been any discussion to your knowledge with yourself, your department, for example, and, say, Treasury as to what may be the advantages or disadvantages of doing that, particularly ultimately, I guess, looking at the bottom line and the total cost and effectiveness as well as the delivery of those financial services within each ministry. Has that ever been discussed, to your knowledge?

MR. VALENTINE: Well, it's funny. When I was having a little visit with the then Treasurer and the then Deputy Provincial Treasurer and the then controller, all of whom are past – that was at the point at which I was finding out more about this position and whether or not I'd be interested in it – one of my first questions was: what's the extent to which you have good and operative internal management audit activities going on, and to what extent does the Auditor General rely on those? The answer I got was: none and none.

I haven't been public about being critical in the area, but I do feel that given the size of the organization – oh, let me interject. Since I have been in this job for five and a half years now, I did make some recommendations and was part of the development of some rather sophisticated internal audit procedures over the money management program in Treasury. That's contracted out to a reputable big-five firm, and it's producing very good results. Now, that doesn't replace a whole internal audit department that would go across government, which is the federal model, but it is a step forward, and frankly there are a number of other departments where I wouldn't mind seeing some substantial amount of management auditing going on. It goes much beyond the external activity. As you well know, there's a management function there that should be dealt with. Maybe one day we'll get around to that, but we've got to grow up a lot more CAs and CMAs before we're going to be able to staff it.

I think you get the returns, frankly. I really do think you get the

returns.

MR. JACQUES: Thank you, Mr. Chairman.

THE CHAIRMAN: Very good then. Thank you very much, Mr. Valentine and Monica, for coming.

MR. VALENTINE: Thank you, committee. Thank you indeed. We'll prepare packages and send those out. You have to have the colour xerox. We don't have a colour xerox. We go across the street and buy it by the sheet and keep the cost down.

THE CHAIRMAN: Not enough money in your budget.

Well, thank you very much for coming, both of you.

Now we have only one item, the issue that Gary Dickson brought up at the beginning of the meeting. I was just talking to Diane, and what she'd like to do is check the transcripts to see exactly what transpired. I wonder, Gary, if it would be okay with you if Diane would check those things, and if it needs to be brought back, we'd bring it back to the next meeting.

MR. DICKSON: Well, that's perfectly satisfactory, Mr. Chairman.

THE CHAIRMAN: Okay. I'll ask Diane to tell you what she finds in those transcripts, and then we'll decide if we'll bring it back to the next meeting or not.

MR. DICKSON: Mr. Chairman, thanks very much.

THE CHAIRMAN: Okay. I guess that's all.

MR. DICKSON: I move we adjourn.

THE CHAIRMAN: All those in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Well, thank you all for taking part in this meeting.

[The committee adjourned at 8:51 a.m.]