

**Title: Tuesday, May 4, 2004 Legislative Offices Committee**

Date: 04/05/04

[Mrs. Tarchuk in the chair]

**The Chair:** Well, good afternoon everyone. I'd like to call this meeting to order. As well, I'd like to welcome members.

Just to remind everyone, this meeting was scheduled as a result of discussions with our Auditor General back at our December meeting regarding discretionary audits. All of you should have received binders. They were delivered last Tuesday.

I wonder if someone could move that we adopt the agenda as distributed.

**Mrs. Fritz:** I'll move that.

**The Chair:** All those in favour? Motion carried.

In your tab 3 you should have the minutes from the February 18 meeting. Would someone move that we adopt the minutes as circulated? Denis. Any discussion? All those in favour? Okay; that motion is carried.

I would like to welcome Fred Dunn to our meeting and also advise the members that under tab 4 you have a copy of the Auditor General's letter that we'll be referring to this evening. In that letter Mr. Dunn has asked that the committee confirm that he is to continue auditing certain bodies and foundations, specifically the Students' Association of Mount Royal College, the college daycare, and foundations associated with universities, as set out in the last paragraph of that letter.

Just to set the context for our discussion and as a reminder, the authority is given in the Auditor General Act under 11(b) that the Auditor General

may with the approval of the Select Standing Committee be appointed by a Crown-controlled organization or any other organization or body as the auditor of that Crown-controlled organization or other organization or body.

Basically, this section gives us the authority to make orders, and if you look at our history, from 1979 to 2001 the committee has issued a number of orders. We have authorized the Auditor General to be auditor for all kinds of Crown-controlled organizations. The most recent order was issued in 2001, and that was appointing the Auditor General as auditor for the universities' academic pension plan.

We also issued two blanket orders, one in 1995 and one in 1997. The first one, in 1995, was order AG 3, and it approved the appointment of the Auditor General as auditor of any regional health authority, its controlled subsidiary health corporations, community health councils, or any foundation or body closely associated with a regional health authority.

Then in 1997 we had order AG 4, which added any foundation or body closely associated with any postsecondary institution. As Mr. Dunn states in his letter of February 4, the actual wording of AG 4 says that

the Auditor General may, with his consent, be appointed auditor of any foundation or body closely associated with an Alberta university, public college or technical institute audited by the Auditor General under section 12(a) of the Auditor General Act.

As the Auditor General is currently auditing the Students' Association of Mount Royal College and the college daycare and foundations affiliated with postsecondary institutions, that is given under the approval of AG 4. Like I said, it's just a blanket order, and it doesn't specifically mention those organizations.

Before I ask Mr. Dunn to maybe give a presentation on his thoughts and what he would like to see, it seems to me that we probably have two options so that we can approach what it is that we might want to do this evening. One is that as a committee we could

revoke the blanket orders and issue new orders which would itemize each body or agency that we want included. It may not be a preferred option, as it would require an amendment to the order every time the Auditor General requested an addition or deletion. We also could request the Auditor General to report annually on the agencies or bodies being audited and just leave it at that and actually allow him to, I guess, eliminate anybody from that list at his own discretion. That apparently seems to be in the powers right now.

Actually, we did check with Rob Reynolds, Senior Parliamentary Counsel, regarding amending an earlier order, and we've got the information here. Basically, it says that we certainly have the authority to do that if we so wish.

So maybe at this time, Mr. Dunn, I would ask you if you would like to just present to us your thoughts. Actually, just a question to maybe start the discussion. In your letter in the very last paragraph it states that you request that the Select Standing Committee confirm if your office "should continue auditing the students' association, the day care, and the foundations closed associated but not controlled by post-secondary institutions." I'm not sure which foundations you're referring to, if on the attached page it's actually the eight organizations that are on that list. But I'll let you get started.

**Mr. Dunn:** Just to put it in context, at the budget presentation it was Ms Graham who raised a question. She said: I understand that you do the audit of Mount Royal student union. I replied yes. Of course, it then went on: well, how many of these sorts of organizations do you do, and can you give us some number? I think it was you, Dr. Pannu, who had asked: can you lay out the ones that we have that are being done under this other section, 11(b), of the act? In there, of course, you'll see under these ones that the main ones are the large RHAs, which we do under the 11(b) approval.

But there's also some discussion amongst the committee members about: how did you ever get this approval? That's why we reproduced those attachments, and there are the four of them that have come along that have embraced this concept or authority for us to do these audits. Just to put it in context here, doing my research, at one time years ago, back in the late '70s, early '80s, it was done on an organization-by-organization basis. I think it was considered by the committee at that time that this got to be labour intensive. Every time you had to come back and bring the committee together and get an approval. That's where the concept of these blanket orders came in, I think about the middle of the '90s, just to give a blanket authorization, and that way the committee didn't have to meet to talk about every one or just to meet for a formality and give an approval. That's when these blanket orders started to come in.

6:00

Specifically, one said: what do we do? Yes, we do one students' union. And why are we doing it? Because my predecessor had been approached by the college under almost a plea for help, or a hardship: "Would you mind doing this to help them out? This students' union is having difficulty." As you might appreciate, students' unions change their officers on a fairly regular basis because they elect them every year. They also run a fairly complex organization. They run a hospitality industry, for the most part. They run a food and beverage activity and that type of thing. They were having some difficulties, some complexities.

We also used to do two daycares. The one at Grant MacEwan College was always part of the college, and then they rolled it up and discontinued it. The reason we do the Mount Royal College daycare down there is that it's actually a training. They do the training for the students who are in that program, so they get grants from both child and family services and Alberta Learning because they are

actually providing a work experience program there. So it was under that interpretation, that they were closely associated with a training institute, that we ended up saying: okay; we'll continue to do that audit. You'll see within here the amounts that we do charge. We normally charge the fees that are charged to my office if we use an agent. We turn around and charge it to many of these organizations, but we don't normally charge the staff costs for my office.

Specifically back to your point on what are the foundations, they're the foundations associated with the various colleges, and they're the fundraising foundations. Some of the colleges have them as separate incorporated entities with a separate board of directors, and they are not part of the college itself. Therefore, they require a separate set of financial statements, and we're doing those foundations. Other colleges actually don't have a separate foundation, but they have the fundraising activity as part and parcel of the college, so of course we will then audit that fundraising activity as part of the college.

So it's only those where it's a separate organization, separate from the college, which does not receive any funding from the government at all because it is disassociated – it has a separate board and body from the college – that we have listed down here as those foundations. Many of the colleges are now choosing to roll their foundations into the college, so they're tending over time to disappear. But for the ones that are sitting here – you see Lethbridge, Grande Prairie, Fairview – those foundations are still there, and we have a couple of other ones that we do because they are, as I say, part and parcel of the college itself, such as NAIT. It's all part and parcel of NAIT, so we do the audit as part of the NAIT audit.

I'm not sure if there's anything else you need to know regarding those.

**The Chair:** Well, before we open it up for discussion, what would you recommend?

**Mr. Dunn:** Certainly, I think that with the foundations it would probably be just as easy for us to remain as the auditors. It's when we're getting into these other smaller organizations, specifically that students' union organization. The one concern for me is that we're doing one, but we're not doing all. The question becomes: are we giving preference to one group versus another group? I think, Dr. Pannu, that you might have been looking at that in certain of your questioning: if you do it for one, why aren't you doing it for the other students' unions?

I would not like to do a lot of students' unions. As I say, although it's a fairly simple activity that you go through, you're really doing a lot of bookkeeping, and you're doing a lot of training for them. You're helping them to understand and run a business, and I'm not sure that that's the best use of my staff's resources. It's a disproportionate amount of time that we spend on it for the exposure or the risk that's involved in those organizations. What we're really doing there is providing training to the students. So I would expect that if you would authorize me, I would then go back to the students' union and recommend, in this case, that the students' union seek an outside, private-sector auditor and explain why they should do that.

We would then continue to do the foundations and the one Mount Royal College daycare. We would continue to do that because it is a training organization. As part of the training institution, we'd continue to do that. With the other smaller ones that are down there, some of these are starting to wind down. The research part of the U of A, PENCE, which is again done by my office at the request of the president of that university, only has two more years of existence, and therefore we would continue until it winds up.

**Mr. Friedel:** The comments that Fred made amazingly mirror my view when I looked at it, that the best use of your staff's time doesn't seem to be served by doing, you know, some of these peripheral kinds of organizations.

What I feel would be appropriate is that if there are groups – and I believe the foundations definitely come into this category – where there's a significant involvement of public money that plays an integral part of the operation of the public institution, that's fair enough. I think that's what you said about the foundations.

I totally agree with what you said about the students' union. I can see that your predecessor was trying to help them out, but I'm not so sure that I would believe that that's the best use of the staff's time because, you know, we hear fairly regularly that you're stretched. The amount of time that you already have to contract out I think would be impacted by that.

I don't know if you want a motion, but I would be prepared to move that, as recommended, we follow that procedure. Do we have to issue an order or whatever it is called or just a motion?

**The Chair:** Well, it appears that we have an option. Karen, why don't you walk us through the choices here?

**Mrs. Sawchuk:** The committee could do a number of things. They could leave the order as it stands now with the wording it has and just make a motion asking that the Auditor General report to it annually to provide it with a list of the agencies. The way the order is worded right now it says that with the consent of the Auditor General it gives its approval for him to "be appointed auditor of . . ." The onus is already on the Auditor General to make that final determination of whom he will audit.

So we could leave the order as it stands, or we could revoke the order and issue a new one where we'd actually get into listing all the agencies, and that was one of the options the chair had referred to.

**Mr. Friedel:** My sense is that either of those two tend to be even more complicated than we need. I'm not so sure why the Auditor General couldn't have the discretion to eliminate those that have little or no . . .

**The Chair:** If we don't do anything, he has that discretionary power to just stop . . .

**Mr. Friedel:** I mean, it's great to have a meal here and visit with Fred, but I'm sure even when I look at the items on here – and I know that it was as a result of our request – that this probably isn't absolutely the best time we could have spent here. I'm not playing down the value of this committee or anything like that, and maybe I'm being a wee bit facetious, but it seems that we have some very professional people in that office and that maximum latitude for discretion would serve well.

**The Chair:** One thing I'd like to just toss out is whether we need to consider the fact that if we terminate doing audits for certain organizations, does it make sense that we consider some kind of a notice period?

**Dr. Pannu:** Just some questions. I have a table here from 2003 that I think you provided. These are the organizations that have been audited?

**Mr. Dunn:** Yes, for March 31, 2003.

6:10

**Dr. Pannu:** Right. Now, I was trying to quickly scan this, and what I see here is only one student organization, from Mount Royal College.

**Mr. Dunn:** Right.

**Dr. Pannu:** So there are not really a whole lot of them?

**Mr. Dunn:** That's right.

**Dr. Pannu:** My question specifically. You indicate that the total cost less fees is \$13,603?

**Mr. Dunn:** Yes. Remember, though, that these are the total costs that come through my budget. The fees all go to the Minister of Finance, so I don't work on a net basis; it's on a gross basis.

**Dr. Pannu:** I see. So other than that particular students' union, what would be some other candidates here that in your judgment might not merit receiving the services they have been receiving from your office?

**Mr. Dunn:** I'll just remind you that it came up as a comment back to one of the members, who was saying: why are you doing this? That's what we are explaining. I would just drop off the students' association. I'll be blunt: we've worked hard, and that's why the dollars are a lot higher as to our costs than what we ended up charging them. We worked hard to straighten them out. They're in pretty good shape now, so now it would be easy to turn them over to the private sector without any hardship on that organization. It wouldn't be that expensive for them.

That would be the only one that I would recommend we change. I would have recommended that we change PENCE, but I found out that it's only got two more years to its life anyway. You might be familiar with it from the U of A. It's a multitude of universities that are there together, and we seem to be helping the U of A there on that audit, so we will continue with it for the next two years. With the rest of them we would continue doing the foundations as part and parcel of the college that they're attached to.

**Dr. Pannu:** The foundation you said is going to be sort of grandfathered? Not grandfathered. They're sunset? They're going out of style?

**Mr. Dunn:** That seems to be what's happening within the institutions. They're finding that it's an expensive way of administering the foundations. The foundations don't receive any public-sector monies; they don't receive any government monies. They receive donations.

**Dr. Pannu:** For public-sector purposes, actually?

**Mr. Dunn:** Well, for whatever they're raising the monies for, whether it be capital or operational or programs that are put on by those organizations. So to that extent we're reporting to the public rather than to the public sector.

**Mr. Tannas:** I wonder if we've covered this topic. There's a magic word in here called "foundation." The Alberta Hospital Edmonton Foundation. There are quite a few foundations that are associated with a specific hospital. Do you do all of those hospital foundations?

**Mr. Dunn:** No, we do not. We're only doing this one, and it's in the process of winding up. We got started because of its winding-up activities.

**Mr. Tannas:** Okay.

**Dr. Pannu:** You do not do all the foundations that may be attached to a hospital or a university or a college. Is the reason for that simply that you haven't received a request from them or that their requests have been turned down?

**Mr. Dunn:** In the past we have accepted the foundations as they applied for colleges and training institutions. We have accepted those, but I've said that over time they've started to disappear. In the last year, certainly since I've become Auditor General, I've started to turn down new requests, so that's why there are not as many. I've just been turning them down.

**The Chair:** Laurie.

**Ms Blakeman:** Thank you. I came at this by looking at some tests around: if we're spending public money, is the public getting the result? I'm wondering if you could tell us or if you even know: for all of the agencies that you audited, was the audit available publicly? Or was it used internally by, for example, the board of directors and wasn't released publicly? Are you able to discern a difference? My tests were: does the government own the facility or control the organization? Who is the audit for? Is it for the public, or is it for internal use; for example, for a board of governors to use as a management tool, a decision-making tool? Do we believe that there's a history to show that the public actually gets the information? Sometimes things are publicly available that aren't easy to get. So those were my three tests on the list. Can you share any information you have?

**Mr. Dunn:** Clearly, under section 11(a) I would be responsible for any provincial agency, anything which is controlled by the government of Alberta. I am automatically required to be the auditor of that, and therefore it does get reported publicly. These are the ones that are down here under 11(b), which are not seen to be totally controlled by the government. When you look at the foundations of the postsecondary institutions, they have a separate board and they're separately constituted. Therefore, the benefit of the audit goes through to the board and the members that they're reporting to, so it doesn't go up through to the government of Alberta.

**Ms Blakeman:** So it's a management tool at that point then.

**Mr. Dunn:** It's a requirement for them to have an audit, and this is an easy way for them to get the audit.

**Ms Blakeman:** But not publicly available.

**Mr. Dunn:** Yeah. The alternative is to go to the private sector.

**The Chair:** Yvonne.

**Mrs. Fritz:** Thank you, Madam Chair. I was wondering if there were any other students' unions that have requested that you audit them.

**Mr. Dunn:** I have none in writing, only by way of verbal comments when we're at the organization, the institute, and we meet with the

audit committee of the training institute, the college or the training facility. Then, of course, we will often run into people who are representatives of the students' union who sit on the audit committee of the institute. They'll raise questions there: could you do our audit? So in informal dialogue, yes, we've received it informally, and the response is: no; we'd prefer you to stick with your private-sector auditor.

**Mrs. Fritz:** Thank you.

Madam Chair, I appreciate the Auditor General bringing this to the committee today because, quite frankly, I didn't realize the number of foundations that you audit. It's been some time since the committee has reviewed the Standing Order that we have before us today. If it's appropriate, I'd like to make a motion.

I'll move that

the Standing Committee on Legislative Offices support the Auditor General's decision to discontinue the auditing of the Students' Association of Mount Royal College and that that association be given a one-year transition period.

**The Chair:** Any comments, discussion?

Gary, any comments?

**Mr. Friedel:** No.

**The Chair:** Don.

**Mr. Tannas:** Thank you. I was just wondering about one year. One year from this motion passing or one year from the end of the next audit?

**Mrs. Fritz:** Thank you. Could I have the Auditor comment?

**Mr. Dunn:** I would have interpreted that as I'd be responsible for doing this next annual audit and during the course of doing that annual audit to inform them to select at that time another auditor. We could complete the next year's audit and then pass over that work.

**Mrs. Fritz:** That is the intent, Madam Chair. Thank you.

**The Chair:** Any other questions, comments?

Okay. I'll call the question. All those in favour?

**Hon. Members:** Agreed.

**The Chair:** Any opposed? Motion carried.

I wonder, just getting back to what you had said earlier, Gary, if we should look at another motion just requiring the Auditor General

to provide us with a list of all discretionary audits during our budget discussions. That would give the committee an opportunity each year to, you know, just have a list of who it is that we are auditing, and just leave the blanket orders as is.

**Mr. Friedel:** I think so. It goes back to my comment that there seems to be a fairly good understanding of what was expected. Since we asked, Fred was required to come back and report this, but having to meet simply to drop this one organization from the audit seems like a fairly clumsy process. So something that would be simply a list that's presented with the budget, maybe, and if someone has some questions, it would then be up to us to raise it. Failing that, the Auditor and his staff would use discretion to see if they fit the general guidelines of what that office is required to do. If we already do this, that's fine, but if we need a motion to make it more formal, I would be glad to move it.

**The Chair:** I'm not sure, but I thought, going through our budget process the last time, that that was the first time we'd had this discussion about discretionary audits and probably the first time that we've seen a list like this in the last couple of years.

Did you want to go ahead?

**Mr. Friedel:** I will make it a motion, if Karen remembers what all I said.

**The Chair:** Moved that

the Auditor General provide an annual listing of the organizations audited in accordance with blanket orders AG 3 and AG 4 issued by the Standing Committee on Legislative Offices.

That's what you were thinking; wasn't it?

**Mr. Friedel:** That's exactly what I was thinking of saying.

**The Chair:** Is there any discussion on those motions? All those in favour?

**Hon. Members:** Agreed.

**Mr. Dunn:** Just for clarification, I will continue to report in this format here. So you'll have not just the name of the organization, but also the dollars and costs in it we'll now track and put in there.

**The Chair:** Okay. If there's nothing else, would someone like to move that we adjourn. Gary. All those in favour?

Thank you very much. Have a good evening.

[The committee adjourned at 6:20 p.m.]