

Title: Tuesday, March 15, 2005 Legislative Offices Committee

Date: 05/03/15

Time: 11:58 a.m.

[Mrs. Tarchuk in the chair]

The Chair: Well, good afternoon, everyone. I'd like to call the meeting to order.

If you look at the meeting binders which were delivered to your offices last Thursday, the meeting materials for today follow the first plain white tab in the binder. Before we get started, I wonder if we can, for the benefit of *Hansard*, record who's here today and start with introductions, maybe with you, Raj.

[The following members introduced themselves: Mr. Ducharme, Mr. Flaherty, Mr. Lougheed, Dr. Pannu, Mr. Rodney, and Mrs. Tarchuk]

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn and Ms Eng]

[The following staff of the Ombudsman's office introduced themselves: Mr. Button, Ms Watson, and Ms Wilkin]

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Okay. Thank you very much.

As you all know, the purpose of the committee meetings this week is to review the budget submissions of the officers of the Legislative Assembly. Today we'll be reviewing submissions of the office of the Auditor General and the Ombudsman.

I wonder if we could have a motion to approve the agenda. Raj. All those in favour? That motion is carried. Thank you.

There's also additional material from the office of the Auditor General, which Karen is about to hand out to committee members.

At this time I'll just call upon Fred Dunn. If you want to start with your presentation. I think Karen had mentioned beforehand to both you and the Ombudsman to try to have a presentation somewhere around 15 to 20 minutes to leave some time for questions. That would be great.

Thank you.

Mr. Dunn: Right. Okay. I've resisted using PowerPoint on the projector, but what you're going to get is a handout from PowerPoint which summarizes the material that we had previously submitted to this committee back in the middle of February. So if you'll turn to that handout material, it will have some slides in it. I'll walk through those slides with you and then take questions at certain points during the presentation and then, of course, take any questions following the presentation.

If you're starting from the first slide there, our mission hasn't changed from last year, which is still to "identify opportunities and propose solutions for improved use of public resources." We bring to MLAs, through the House and through the committees that we report to, assurance on that, that the performance reporting that is provided to you as MLAs is reliable and complete. That's both the financial and nonfinancial information.

As I reported to you last year, I'm updating what I've called the changes and the renewal challenges in my office. Succession planning still continues and is a critical focus for my office. I will have one further Assistant Auditor General retire at the end of this calendar year, 2005. I previously reported last year, through the chair to this committee, about the number of professional staff departures we had last year. I've updated it for this year, where we've had two principals, which is the layer next below the Assistant Auditor General, six managers, and seven staff auditors which have gone to other employment since January of 2004.

The reason for those departures for the most part is the need within the private sector for additional trained auditors. Last year a lot of the turnover was a result of people leaving our office and joining the private sector whereas two-thirds in the previous year had joined the public sector and gone on into different ministries, departments, and agencies. This year approximately two-thirds of our departures have gone into the private sector with the heated economy out there.

The additional challenge that our office faces – and it's facing all sorts of the business economy – is around the governance area. The heightened awareness around increased accountability and transparency responsibilities and reporting by public entities does require more experienced staff in my office, and that is why we are looking to make sure we can, wherever possible, retain our more senior staff people.

There's also the challenge that we have within our own public sector around increased complexity in the government's structure and operations. Some of you will be familiar with what I call the expanded reporting entity that the province of Alberta will be including in its consolidated budget and financial reporting. All of the RHAs, school boards, postsecondary institutions, will be coming forth in the future, and that adds to the complexity of the accounting consolidation that we report on.

In addition, the public sector of Alberta has addressed its needs through outsourcing, and that adds additional complexity to our work in looking at the service providers, which are not directly controlled by the public sector. That outsourcing together with other alternatives, such as triple-P alternate project financing, has produced additional challenges for us, to address those matters and to report through to you as MLAs.

The next slide which I talk about is the opportunities, and this reflects the philosophy that I follow in managing this office. I like to promote from within, which means that I must recruit from the bottom, train individuals, and then promote them up through the ranks. In the last year we've promoted four principals and seven managers from the individuals that we've developed within our office, and that, of course, offsets the departures.

We have had a few new hires and secondments from outside. That amounted to five additional individuals last year, but we've recruited those primarily for specialized skills only. We have a forensic group now. We have four full-time equivalents in that forensic group, and we have recruited one senior individual for the forensic group together with our IT specialists, the information technology computer auditors. We've recruited a couple of members for that group.

12:05

However, the main message here is: the external costs are increasing substantially. Those people that I would normally hire as my agents; that is, the big four public accounting firms and some other regional firms, their costs have increased a lot because of the demands placed on them by their clients and the fact that they're having trouble retaining their staff. I've found that those costs coming through to my office have been increasing very substantially, and you'll see it when we get into the details. Remembering last year, we talked a lot about the 11(b) audits, and that includes ones that we've reported through the chair to you. Included are RHAs, where we must use agents there. Those costs are increasing very dramatically, which must come into our budget.

I report under number 3 on that slide the number of new hires that we have from the universities. The two universities are primarily the U of C and the U of A. We have seven full-time and eight co-op students that joined our office starting in the early part of this year,

and we'll have five more full-time CA students join us in late 2005. At this present time, we have 27 students in the CA program. Therefore, once the other five join us, we'll have 32 students in the CA program. We are one of the largest public-practice accounting offices in the city of Edmonton. I think we are the largest in the city of Edmonton, but compared to all of Alberta, we're not anywhere near what the big four are.

I also report some success that we had in last year's – you might be familiar with what's called the uniform final examinations for CAs. We had seven successful graduates last year out of nine writers, which is approximately 80 per cent. However, because of recruiting in the prior two years, we expect to have as many as 15 writers this coming year. Should we reach the 80 per cent success rate again, we hopefully will have 12 new CAs. The need for those will be, of course, within my own office, together with the opportunity to serve the public sector as financial officers.

My priority, if you turn to your slide, is looking to match the resources to risk. Obviously, as we audit all segments of the public sector of Alberta, some are more complex than others, and we have had to align our senior skills to more complex portfolios. Reporting again as to the changes in my staffing, in the last two years we will have now had three AAGs retire, nine principals left. The critical challenge I have through my senior people is making sure that they can maintain the relationships with the senior officers in the different organizations and that they can continue to provide continuity of services to those organizations.

Again in our strategic priorities: training and mentoring staff because I must grow these people in order to be able to provide the service to the public sector. We have focused our training on technical skills and something which is very important to me, communication skills and leadership skills. I'm looking forward to developing good individuals from this office that can go forward and serve the public sector.

We have addressed an issue that I mentioned to this committee over the last couple of years. I wanted to increase the efficiencies in one of our core businesses, which is assurance work, which is a standard financial statement audit. We have managed to drive a number of efficiencies in there and met the expectation that I wanted to achieve – and I'll show you that in a forthcoming slide – which has allowed us, therefore, to spend more of our office's resources on where I believe it's more important, areas for the MLAs, which is what's known as VFM or value-for-money audits or what we call systems auditing. That's resulted in reports that we were able to do on not just the BSE areas and programs but the triple-P program, all of which are reported in these annual reports that we provide to all of you as MLAs.

On the next slide you'll see our two core businesses as we've reported to you in our business plan, the assurance work, which is our standard attest work on the financial statements, and the nonfinancial information, the performance reporting that the government has. We had a target of a 10 per cent reduction in that time, which we've achieved. Now the challenge will be to sustain that reduction, making sure that I don't lose too many of my senior people, then taking those resources and driving them into the VFM systems work, which is where we're now meeting. We plan to continue to meet the target of 30 per cent of our office cost to address those areas.

Over on the slide on the office's accountability we do follow the public sector's accountability model, which is that we do have an annual business plan, which provides both targets and performance measures. That's been provided to you in the handout previously submitted where we measure people's utilization rates, et cetera. So we start out with an annual business plan and a three-year financial

plan. We also report publicly, through this committee and through the Public Accounts Committee, on our annual report against those targets and performance measures. Just to remind all members since you do have this annual report, it starts at page 329, where we provide both a results analysis together with our audited financial statements. Our performance measures are publicly reported to all MLAs and all of Alberta. Then, we also provide within there the results analysis, which compares to budget and the operating variances.

I'll stop for a moment here. Are there any questions that committee members have for me before I continue on with the rest of this presentation?

Mr. Flaherty: Well, Mr. Dunn, just on your question of 329, is that more or less your frame that you use in terms of evaluation? Is that what you're following? Until the government fired me, I used to be in evaluation under Dr. Ed Bardock. When we went to look at a school, for example, we had a frame of reference which we followed to look at the subject areas, the administration, student services, that kind of thing, and then, of course, we'd bring all the information together. I'm wondering – I'm sorry, I didn't look at 329 – is that what we're talking about? Is that a kind of a reference point, what you look at to evaluate a particular business or operation or department?

Mr. Dunn: The point I was mentioning when I took you back to my annual report was a results analysis of our office and how we consumed our resources in performing our duties.

To your point: do we have a frame of reference on evaluating the organizations that we audit on the systems or value for money? Yes, we do, and the frame of reference starts with our legislation. It comes under section 19 of our legislation – and for those of you who are familiar with it, it's 19(2)(d) and (e) – that we must be able to assist the MLAs in understanding that there are good systems within the departments by which they can report both their efficiency and their effectiveness of the programs with due economy. That's where we concentrate, around the systems by which the government reports to you how they have consumed public resources and achieved their goals.

Mr. Flaherty: Sir, is that available to us here in these documents, that particular thing that you are talking about that you use?

Mr. Dunn: The framework? Yes, we have got at the very back of this annual report sections of our actual legislation.

Mr. Flaherty: Madam Chairman, can I ask one more question?

The Chair: Sure.

Mr. Flaherty: Because I am being, believe it or not, educated here in this committee, sir.

When we talked about the need for staff, I heard you loud and clear. I know the sensitivity of your work, so this might not be out. Do you ever use secondments, sir?

Mr. Dunn: Yes, we do, and that's something which I'm trying to change a bit. I'm trying to reduce the dependency of our office on secondments. Two points. The public accounting firms from whom we second staff are very busy, and they don't have resources to sell to us on a rental basis. In addition, their fees are going up. The cost per hour is getting much larger than what we can really afford. Therefore, it's better for us to take in more younger staff, train them ourselves, and try, to the best, to retain as many as we can.

Mr. Flaherty: Thank you very much. Madam Chairman.

The Chair: Are there any other questions at this point?

Mr. Dunn: I'll take you to our budget request, which is summarized on the next slide, but it's also provided to you in the handout material that was sent to the committee back in the middle of February. You'll see that our budget request will increase from the 2004-05 budget of \$17,196,000 to \$18,139,000, which is overall a 5.5 per cent increase. The capital investment, which also has to be voted on, will decrease from \$450,000 to \$165,000, and this is explained in detail within the previously submitted material.

12:15

But just to very quickly summarize the main components. In the operating numbers the total office professional services increasing to that \$18,139,000 is comprised primarily of three main elements. Salaries and benefits – that includes the salaries, wages, and the benefits – have increased approximately 3.8 per cent, or \$392,000. That includes a slight increase in the number of staff members we have and a salary increase of approximately 3 and a half per cent.

When we hire more students and take on their training, we also have obligations to the professional bodies that they belong to, which includes the CICA training bodies and the CMA, and our training costs will increase approximately \$98,000, which is 14.6 per cent. But the biggest increase in my overall budget is my agent fees going up approximately \$800,000, which is a 23 per cent increase. That's a result of the private-sector's marketplace being very, very competitive and their rates being charged for their staff for the work that they do on behalf of our office increasing dramatically.

You'll see within the office business plan – so if you've got the business plan 2005-08 and the budget 2005-06, the detail I just summarized is all on the pages in the second section, which is called Office of the Auditor General Budget 2005-06, which details the '03-04 actual information.

Dr. Pannu: What pages are we referring to here?

Mr. Dunn: It'll be the second half of the material we submitted on February 17, 2005.

Dr. Pannu: Thank you.

Mr. Dunn: So behind the business plan is our financial plan, the budget, and there we give a three-year forecast, the current year plus two following years with a comparison to the prior year and then the preceding year to that. That detail is then summarized on the slide that I was discussing previously. I'm going to be looking forward to questions from you regarding that detail.

I'll just very briefly summarize two other matters, then, on the PowerPoint handout that we were talking about initially. If you turn to the last page of that handout, which is the last two slides, you'll see where we've summarized what we call our core businesses, which are the two elements of assurance auditing, a financial statement and nonfinancial performance measures, and our systems auditing. This gives you a four-year analysis where we've taken the work that we used to do in assurance auditing, where we'd spent 80 per cent of our resources and only 20 per cent on systems auditing, and we've managed to move it down at the current year to where it's 70 per cent hitting our target, and the estimate for the next year will be even slightly under that at 68 per cent.

The critical issue to note there is that the cost of doing our

assurance auditing in the aggregate has really not changed over the last four years. If you look at \$12,552,000 going to next year's estimate of \$12,676,000, we have managed to drive out over those four years a lot of economies and efficiencies, which have offset any salary increase in our office. As I mentioned earlier, we reinvested those dollars into our systems auditing, and that's why our systems auditing has increased from what was 20 per cent up to what we expect next year. It could be up to 32 per cent. That is in accordance with what I wanted to have achieved through both the business plan and the strategic plan.

The final page is something which we talked a little bit about last year, and I know certain members in the committee were very interested in the area which we call returned funds. I've summarized on the last slide there the last four years where we had returned a fair amount of dollars, more than a million, upwards of a million and a half in prior years. We will be in our current forecast returning approximately, we believe, about \$450,000 this year.

The fact that we are returning money again is a result of two things. When I lose some of my senior staff, I end up having to defer some of the work that has to be done, and the fact is that when we didn't have internal resources and I looked externally for the resources, I felt that they were more expensive than it warranted, so I also chose to defer some of that work to the next fiscal year.

As you'll appreciate, as March 31 comes along, our auditing just doesn't stop and start again. We have a lot of projects that will continue all the way through because we're continuously auditing over a 12-month period. But we do expect that at the end of this year we will be returning upwards of \$450,000 from our budget.

The Chair: Great. Thank you. Actually, I should point out that yesterday we talked about returned dollars, and we saw it partly as our committee not doing their job.

Before we move on to questions, I just want to say that I think this is a really nice format. It's really laid out nicely, and I really like the referencing, so just to say that we appreciate that.

Mr. Lougheed: Could you just comment on the criteria you use to defer projects? I mean besides not having staff.

Mr. Dunn: Well, it's not just not having staff; it's having the right skills to complete the work.

As you would expect, our office has a large comprehensive plan in advance. The easier element to plan for is the recurring attest auditing. We have to audit the ATB every year for its financial statements and the WCB, those sorts of things. Those are fairly straight forward that you can plan for.

The more complex areas are around the value-for-money systems auditing. We have to make sure that we have the right mix of staff to do those things efficiently. If you're going to go in to look at systems, you want to make sure that you have more senior people, resources who have good business skills, not just accounting/auditing skills, good business skills, and on occasion we need to have specialized skills. Certainly, when we looked into some of the agricultural programs we had to look at, we had to make sure that we recruited from outside good agricultural economists, that type of thing. So some of those. If we don't have available the outside resources, we end up having to defer some of that type of work.

Dr. Pannu: Mr. Dunn, under Core Business, that slide that you had, the systems auditing portion of the operating expenditures will go up from 26 per cent to 32 per cent for 2005-2006?

Mr. Dunn: From 2003-04 up to '05-06, you're right.

Dr. Pannu: Now, is that increase projected because you're planning to undertake some special project?

Mr. Dunn: We're undertaking, to repeat myself a little bit, a number of systems audits more by just the sheer numbers that we're doing than we have in the past. By way of an example, I don't want to go too far into the future, but what we have on the program right now that we're looking into is water.

We want to look extensively into water safety. We have a two-phase approach to that. First, the quality. Is the water that we consume from the public sources safe? Then we want to address, secondly, the quantity. That's obviously through the Department of Environment, and that's their water for life strategy. So we want to get into auditing that one.

We're right now just completing a very large audit on the whole area of seniors' care, and this has involved the ministries of Health and Wellness, Seniors, and a little bit of Community Development. So that's taken an extensive amount of time and effort that we've had, and we've had to recruit in there medical, pharmaceutical, nutritional types of skills to supplement our staff on that audit. So, yes, we are spending more time in those areas that we historically have not, in my opinion, put enough effort into because we were spending more time than I thought was appropriate in just the fundamentals of the accounting and the books and records of the various agencies that we audit. So there is much more quantity and, I think, much more important areas that we'll be looking at.

Dr. Pannu: Are you planning to do systems audits on some P3s? The second one is outsourcing.

12:25

Mr. Dunn: We did report. In this report, if you'll remember, we had a fairly extensive component there on P3s, looking at the two that were under discussion at that time, the Calgary courthouse and the south Edmonton ring road. Those were the two that were under debate at that time. We looked at the whole P3 area to try to bring more information to the MLAs and the public at large. We referenced this section, trying to demystify that concept. So we talked about it generically for approximately 20 pages and then the analysis of what was available at that time on those two P3 projects. This year we will follow up on those two P3 projects because now that the agreements have been established, we can audit back to the actual, what was done.

There may be other P3s, possibly, as you're probably aware, with the Calgary southeast ring road potential down there. So any P3 we will spend a fair amount of time on. But last year we incurred a fair amount of time and effort around just that whole concept of P3, doing an analysis of what's happening in other jurisdictions in Canada and around the world, a fair amount of literature search in comparison with our colleagues in other jurisdictions in Canada. That's why we put that piece together.

Dr. Pannu: Madam Chair, one more question?

The Chair: Sure, go ahead.

Dr. Pannu: You had done some work – I think it's in this volume – on the oil and gas royalties last year, and there were some very interesting, helpful observations that came out of that audit. Are you planning to do some further work along those lines?

Mr. Dunn: We've just had our introductory meeting, and, yes, we're following up each of those recommendations made in the prior

year. Just to remind all committee members, we follow up every recommendation in the next year and provide to you a status report as to whether or not the action taken on that was sufficient. So we provide an update. But we're going into this more thoroughly this year around those royalties obviously affecting the heavy oil plants up in Fort McMurray.

Dr. Pannu: Thank you.

The Chair: Denis.

Mr. Ducharme: Thank you, Madam Chair. Mr. Dunn, you alluded to my question when you spoke in regard to the different audits that are presently taking place. For example, you indicated that you're looking into seniors' care and next year looking into the water strategy. I guess my question is probably to provide me with some information and maybe also to the new members around the table. When you decide to do an audit like that, is it because it was requested by the specific ministry, or is it something that you decide that you should go out and start doing a review on?

Mr. Dunn: Both are correct. It really comes from, I like to think, four sources. What we learn on the job when we do the financial statement audit – obviously, we have to understand the business and its objectives and its risks and that – provides input into what we think there could be some good value by our taking a greater in-depth look at the systems, the systems that reporting the results to you.

We also listen carefully to what is happening at the Public Accounts Committee. So as the various MLAs ask questions of the ministries and depending upon the answers and the interest that comes out of those questions, we look at that as an area that we will then focus on. Also, we look at what is discussed in the House, so matters that get raised in the House, and if there are questions and debate on that, we look at those areas as an opportunity to provide further investigation around the system by which the information can be reported back to you as MLAs.

We also look at what is provided to us from Albertans. So we get a number of calls, written letters, and that, and we will conduct some special investigations on matters that are brought to our attention because we are recipients of what you might call whistle-blower type of information. We will follow that up in making sure that the issues are properly dealt with at the ministry level: is there any merit to the allegations or the matters that are being brought to our attention? That's why we have a forensic group that will do that investigation. Remember, last year we did report on a number of inappropriate contractual matters. That was in Community Development. There were a number of service providers that were not providing the services and had a number of dollars owing back to the province, upwards of 3 and a half million dollars from one service provider.

Finally, we also look at what is being done through our community, our colleagues across the country. We have good working relationships with the Auditors General federally and in the other provinces. We are looking at some areas in which we will do some joint audits. One is around homelessness. A number of jurisdictions are looking to investigate around homelessness, that type of thing. One that was done but we did not sign on for was on the whole fishing, the fishing industries. The three provinces reported simultaneously.

One that I've discussed with my federal counterpart is on First Nations and aboriginal needs there – as you appreciate, there are three governments that come into play: the federal government that funds, our provincial government that sets standards, and the First

Nations government that delivers the programs – to try and bring some investigation in there around accountability and reporting by those First Nations. So those are where we derive our information as to what we want to go look at, but the decision remains with our office to provide for the resources and the timing of the consumption of those resources to address those matters.

Mr. Ducharme: My next question would be, well, depending on where you decide that you're going to want to go as far as making these audits, I guess that drives the budget accordingly.

Mr. Dunn: Well, what drives the budget at the end of the day is the number of individuals that we can retain and employ, the salaries and that, in order to do the work that we have got planned. That's what really drives the budget. How much of that budget will be consumed in systems auditing is our responsibility, to make sure we're as efficient as we can be on the assurance auditing so we have those other dollars left over to do the other work.

By way of example, we can do a fast look at seniors' care in Alberta by doing a fairly quick look. We chose, rather, to look at it holistically throughout Alberta by simultaneously looking at all nine regional health authorities and 25 service providers under those and to report up to all of the nine regions simultaneously into the department. Rather than trying to just pick and choose one location and do a narrow one, if we've got the resources, then we'll look at it holistically through the whole province.

I guess I've got three themes that I preach to my staff that I like to think are what we are focusing on. One is on good governance: ethical behaviour, responsibility, that type of thing, and accountability, good ethical behaviour. The other one of the big areas I wanted to look on is vulnerable Albertans, the services that are provided to vulnerable Albertans. So on the thought process will be child care down the future. I want to address those matters. Then the third area we focus on is similar to your question, assets and resources belonging to the public. Are they properly accounted for and recorded appropriately? Are we getting the entitlements which the public sector deserves?

The Chair: Well, actually, before I move on to Raj, just an interesting thought. When you're looking at doing some of these broader based audits, is there any discussion with the related departments on the implications for their own budgets?

Mr. Dunn: Yes. Prior to our undertaking any of these, we come up, as I say, from the four sources with the areas that we think will be important to the public and the MLAs. We then have an entry meeting with the department, and we want to make sure that it's important to them. So the Water for Life strategy is very important to Environment. This is an important matter to you; therefore, we plan to do a thorough audit on this. We get their buy-in, and then mutually we agree on what we call criteria, the standards by which we'll measure the effectiveness of their systems. That takes a fair amount of time up front, and that's why we need senior people, to make sure that we can get those standards right. Then from that agreement with them we look at the criteria. We are very conscious at the end of the day that our work does bring value to the public sector and that when the recommendations that we make are accepted by the government and accepted by the public sector, they will be better off by having implemented those recommendations.

Again, comparing myself to other jurisdictions, we have probably two things I like to mention to this committee: a unique working relationship with the senior public officials, where the acceptance and respect of our office is different than maybe many other

jurisdictions, that we get a good hearing, and at the end of the day the acceptance of our recommendations. The Public Accounts Committee will just receive a letter from the Minister of Finance that indicates that of the numbered recommendations we had last year, I think it's 90 per cent of them have been accepted again. We have a very high buy-in on those recommendations that come in, and we have an agreement with the senior people in the public sector that once they've agreed, they will implement – not just work towards but implement – those recommendations within the three-year time frame. So that's back to your point, I think, Madam Chair: does it bring value to the public sector?

12:35

The Chair: Raj, if you want to ask the last question, after that response we'll move on to the Ombudsman's presentation.

Dr. Pannu: Thank you, Madam Chair. A very short, brief inquiry. I heard you say that you're going to be focusing on vulnerable populations, including children. Is child care going to be one of the projects that you'll be doing?

Mr. Dunn: We're just starting to frame this. That will be outside this current fiscal period, this budget period. That will be in the future. We've got, as I mentioned, this very large one on seniors' care, but we want to go into seniors' care part 2, which will take our next one. So we'll be reporting on seniors' care first in May. We've got a public release on this, and the ministers are all aware of it, and the departments are all aware. We'll then follow that one up, and then child care, I believe, will be out approximately two years. That's one that we would then want to look at.

Dr. Pannu: I am a little disappointed that it's two years down the road that you're looking at that issue. Some of the fault lines, you know, in the provision of services have become known recently, and children, I think, need some serious attention on this matter.

Mr. Dunn: If I could just supplement, Madam Chair. It's not that we're ignoring children; we do a lot of work right now through child and family services and all those type of services. But we haven't looked at child care on its own, and we've focused a lot of our child and family services work on what's called the DFNAs, the designated First Nations agencies, and that type of thing.

The Chair: Well, thank you very much for your presentation. You're welcome to stay for the next one, or if you want to go and help yourself to some dessert, you can feel free to do that as well.

At this point I'll pass it over to you, Gordon.

Mr. Button: Thank you very much, Madam Chair. I'll talk about seven items today in my presentation to the committee. Just briefly I'll give you an update on human resource issues with respect to the office of the Ombudsman. I'll give you an overview of our workload analysis and an update of the expanded jurisdiction that has been slowly coming along but is finally reaching fruition. I'll explain some of the reorganization and refocusing that we've done within the office of the Ombudsman since my appointment. I'll refer to what we've accomplished in the past year. I'll provide you with an update on our current year budget situation. I'll then give you a little bit of background to focus the strategic business plan 2005-2008, which is the first strategic business plan for the office of the Ombudsman and, finally, the budget proposal for 2005-2006 to 2007-2008, which is linked to the strategic business plan.

We've had a number of challenges in human resource manage-

ment within the office in the past year. In an office of our size we've had three senior staff who retired and one other senior staff who resigned in addition to three vacant positions that were there when I arrived in the office. We've hired three new investigators as of, in fact, this past month, in February. We need additional investigators, as I'll indicate to you when I go through the work summary, but the fact of the matter is that in an office the size of ours, we simply don't have the resources to bring on that many new staff all at once. We're actually down to three senior, experienced investigators on staff now with three new hires and a fourth investigator who only started full-time investigative duties last fall. We're severely challenged with training and orientation of new investigators.

We also hired additional part-time admin support this past winter, and we are projecting, as soon as the new hires are sufficiently trained and oriented to work on their own later this fiscal year, to hire probably two additional investigators. We're now at 18 staff. Our FT allocation is 20, so we're still carrying two vacancies.

Just to talk a little bit about the workload analysis and the impact of expanding jurisdictions, our oral complaints were up in the past year since my arrival approximately 10 per cent, and that is a trend that has continued month over month. Our number of written complaints has remained relatively static over the last year. The numbers of supported complaints, those complaints where we find that there's been an administrative unfairness, is up significantly in the past year, from 24 per cent in the previous fiscal year to 34 per cent in the past year, and I'll speak a little bit more about that.

A lot of the those supported complaints are what you might refer to as systemic issues. We classify complaints as fully supported, meaning that there was an unfairness in the way the service or interaction was handled with the complainant that significantly impacted on that individual or on the rights or benefits being decided upon.

We call a complaint partially supported when during the course of the investigation we identify systemic issues. We identify unfairness in processes or policy or the way a service is being delivered that may not have significantly impacted upon the complainant in that particular investigation but if rectified will ensure that a better quality of service is provided and a more administratively fair service is provided to Albertans downstream of the particular decision, aimed at continuous learning and improvement within the jurisdictional entities, departments, and professional organizations that we investigate.

That's where the significant growth has been. The number of fully supported complaints has remained relatively constant, but in the last year we've seen a significant increase in those systemic issues that have been identified to departments and have been rectified in order to improve the quality of their program delivery.

The members who have been on the committee previously are only too well aware of the expanded jurisdictions with the health professions and the regional health authorities. We've been working diligently with the department and have made some significant inroads in the last year to seeing the jurisdiction of the Ombudsman to investigate patient concern resolution processes within the nine regional health authorities and also to investigate the administrative processes of the health profession colleges. We're now at a point where the required regulation to be passed to bring the regional health authorities patient concern resolution processes into jurisdiction is in final draft and will be considered in the near future.

Also, in discussions with the Minister and Deputy Minister of Health and Wellness we have a commitment to bring the remainder of the health professions under the Health Professions Act within approximately the next 12 months.

So those expanded jurisdictions, that have been part of our planning and part of the budgeting process for the last several years, will finally come to fruition in the coming year. We've had considerable proactive involvement in both of those initiatives, working with the officials from the department, and have had involvement and an opportunity to have input into the drafting of the regulation for the patient concerns resolution process within the RHAs.

We've struggled and I've personally struggled since my arrival trying to understand what appears statistically to be a declining number of complaints, but what is very evident in the office, which has a very heavy work volume, in fact a volume of investigations that is not supportable with the current resources that we have – we finally, after looking at a number of efficiencies and ways to do our work more efficiently and more effectively, have realized through review that we've seen a transition over the years wherein a number of years ago one investigational file involved one complaint or one issue for investigation. Today we're seeing on average four or five or six issues for investigation within each file. Part of that is based on the fact that we're looking at systemic issues. We're looking at opportunities to work with departments to make the delivery of programs and services better and more efficient and more fair in our investigations.

12:45

The net result of that is that each one of those issues for investigation within a particular file requires the same process of planning for the investigation, doing the investigation, reporting on the investigation, and following up on recommendations. Although the fact base and the interaction is the same complainant with the same department, there are in fact four or five or six investigations within each file, which largely explains why we're now carrying file loads of 45 to 50 investigative files per investigator when traditionally, historically in this jurisdiction and in other jurisdictions in Canada file loads max out at about 25 to 30 per investigator. We will be going through a transitional period this coming year in reporting that and providing transitional statistics in our reports so that everybody will understand the implication.

Not only does that not reflect fairly on the workload of the office of the Ombudsman; it also doesn't reflect fairly on the performance of the departments or the professional organizations being investigated. Right now one investigational file with, say, six matters of administration or issues of unfairness investigated. If five of those six issues are investigated and the finding is that the complainant was treated fairly and the department did their job well, but in one case we fully or partially support the complaint, the file is scored as one supported file. We aren't able to distinguish that, in fact, there are six issues of administration in there and that the department did their jobs extremely well in five of them, and in one of them there were unfairness issues. So changing the way we record and report those statistics will provide a much fairer overview of how the departments are performing as well.

Because of that increased workload and the loss of experienced investigators, we have been required to develop a policy as a short-term measure to manage that workload of putting investigations that are not time sensitive and are not priorities into a holding queue for 90 days in order to give us an opportunity to catch up to the backlog and to get those file case counts down to a more sustainable level of 25 to 30 per investigator.

Additionally, our capacity to investigate major issues through either Ombudsman own-motion investigations or ministerial-ordered investigations is another priority for us. In honesty, at the current time we lack the capacity to enter into any of those. They tend to be

very long-term, major investigations requiring a full-time team of investigators, and we simply don't have that resource space right now.

I want to explain to you a little bit about the reorganization of the office of the Ombudsman. In the old structure we had a director of investigative services in charge of operations in the Edmonton office and a similar structure in the Calgary office. It resulted in the development of two silos that operated somewhat independently of each other, lacked consistency of oversight, guidance, and direction on our investigations, and didn't provide us the flexibility to manage the workload across the province.

In the new structure, Georgeann Wilkin, who is sitting to my left and whom you met today, is now the Deputy Ombudsman, a new position that I created in the last year. The Deputy Ombudsman now has responsibility for all of the operations and investigations in Alberta in both offices. That gives us consistency of direction and oversight. It is improving the working relationships between the Edmonton and Calgary offices and provides us flexibility to balance our workload.

It also allowed me to take one of the former management positions, the director of the Calgary office, and reclassify that position to an investigator and plug that back into our investigative capacity, so it will give us more investigative capacity once the new staff are up to speed. It also allows us to focus on the goals and objectives that are in our business plan. It also provides an opportunity for me as the Ombudsman to focus my time more on the leadership of the office, working with citizens, stakeholders, partners, and jurisdictional entities to constantly improve administrative processes.

We've also developed a number of cross-functional working groups involving staff, whether they be administrative support, financial, our legal counsel, or investigators all working and having input into the significant challenges and issues that face us. The result has been a teamwork approach within the office, a significantly better use of resources, and an opportunity to identify. Where people who previously were restricted or pigeonholed to their area as maybe an admin support person, we've now found where they can provide significant value-added assistance in investigational support, therefore not only making better use of our resources but also giving a more challenging and rewarding work environment to everyone within the office.

I've also created a senior management team. The senior management team includes Georgeann and Dixie, who are with me here today – Dixie is the director of corporate services – as well as my legal counsel. All investigations resulting in recommendations to the departments or professional organizations and any matter which is very complex or sensitive are referred to the senior management team for review prior to any action being taken. It gives me the benefit as the Ombudsman of having the input of my other three senior managers and a very comprehensive, close look at everything we do.

We've listed a number of accomplishments in the past year. Due to the time – and I'm sensitive to your need to get back to your business this afternoon – if you take a quick look at the three-page appendix B in the back of the business plan which was provided to you, you'll see a list of accomplishments in the current year against the goals and priorities set for the office.

I'll stop quickly there for any questions on basically what's been happening in the past year and some of the challenges we face before I move into the business plan and the budget overview.

The Chair: Okay. I just need to double-check. Denis and Dave, are your questions related to this, or do you want more budget material first?

Mr. Ducharme: My question is related to the budget.

Mr. Rodney: I can hold off on mine. It is about the past year, but it involves the national scale as well.

The Chair: Please proceed, then, sir.

Mr. Button: I'll carry on. Thank you.

During the current budget year – and you have a document in your packages that gives you an overview. For those members new to the committee, a number of years ago – and, Denis, I'm not even sure how long this has been going on now – with the package of legislative reviews and the anticipation of jurisdiction being expanded to the regional health authority patient concern resolution process and to the health professions, the office was provided with additional funding for new investigator positions with the caveat that we would not staff those positions until the workload warranted it. So we have been, year over year, carrying a surplus in our personnel allocation.

This year we are projecting a surplus of approximately \$250,000 in our personnel allocation primarily because of that additional funding that was given to us and that we have been holding, waiting for the activities within those two areas that will come about later this year.

In addition, we have recently hired four new staff, and we have two new vacancies that we would look to staff later this year, which is bringing our complement up to the establishment of 20, which the budget is adequate to support. We are, as you will see, reducing our request in the personnel allocation in our budget submission for the coming year in order to regularize that and manage it appropriately. We will need to assess our submission for '06-07 depending on our ability to ramp up our resources later this year.

In supplies and services we're projecting a very small surplus of approximately \$23,000. In the current year we have seen some significant increases in our travel costs primarily due to taking a higher profile approach to getting out into rural Alberta, visiting constituency offices. I've been travelling to the Calgary office and to speaking engagements and opportunities throughout the province more than in the past. Also, the creation of the Deputy Ombudsman role requires that she travel primarily to the Calgary office on a fairly frequent basis.

All of the new staff are requiring significant training and orientation, and given the minimal resources we have available to conduct that, we've been having to have staff travel back and forth between Edmonton and Calgary primarily for that orientation. We're also using the experienced investigators in Edmonton to conduct investigations in the southern part of the province because we are actually down to one senior investigator in Calgary and just lack the resources there.

12:55

In contract services we've put considerable effort in the past year into the development of our strategic business plan, which you have a copy of. We're midway in a communications strategy development, and we've started the move into electronic file management through digital imaging of our old files.

Going to the strategic business plan – you have a copy of it – I looked at three key contributors to adding stakeholder value in the management of an organization. One is the “clarity of roles, organizational design and leadership.” The second key contributor is the “capability developed through training, development and succession planning.” The third key contributor to stakeholder value is a “commitment to priorities developed through performance management and alignment of rewards and recognition with

organizational priorities.” Focusing on those three key commitments leads to accountability and a focus on critical success factors for the entire organization.

Briefly, the process that we’ve gone through in the past year to develop the first strategic business plan for the office of the Ombudsman involved all staff as well as stakeholders and outside expert input in clarifying and focusing our vision, our mission, and our core values. We completed an extensive SWOT analysis. For those of you not familiar, it stands for identifying your strengths, your weaknesses, your opportunities, and your threats in order to focus on your significant goals.

We did some environmental scanning to see what was on the horizon. We sought input from our stakeholders in jurisdictional entities as well as complainants and the public. From that work we developed our goals, our objectives, and our key initiatives and subsequently a scorecard and a performance management matrix that will allow us to track how we’re doing and record our performance against our goals and key objectives.

On page 8 of the business plan I’ve provided a matrix which shows you the goals of high-quality service, fairness and accountable administration, alignment of resources, policies, and processes with core business objectives, and public awareness and education. The objectives we set in order to attain success at those goals is to manage the workload in an efficient and effective manner; to pursue excellence in investigations; to improve morale, workplace wellness, and competency through communication, self-development, training, performance management, and adherence to our values; and to enhance the knowledge and understanding of the role of the Ombudsman.

As well, in the business plan you’ll then find a number of key initiatives under each one of those goals and objectives, which we will be measuring and monitoring in our performance management system in order to ensure that we do increase stakeholder value and we do put our efforts into those initiatives which will produce the highest value to Albertans.

Some significant elements of the business plan that we’ve already put teams together. We’ve put cross-functional working groups together starting last November looking into investigational planning and reporting as key elements of high-quality service. We’ve done some significant work towards a communications strategy, identifying a brand, identifying our key target markets, and identifying the types of communications that are most likely to succeed in not only informing Albertans about the office of the Ombudsman and the services we provide but in also providing our message to the jurisdictional entities, departments, and professional organizations so they’ll have a better understanding of our roles and responsibilities.

We’ve also developed an alternative complaint resolution process in the last year as a way of pursuing informal problem resolution when the circumstances warrant and when it’s appropriate so that we can resolve problems quicker and easier, to the benefit of departments and complainants as well as streamlining our processes.

We’ve entered into a partnership with the Ombudsman in British Columbia to develop a new electronic case tracker system as opposed to going it alone, on our own. Although it’s going to cost us some money in the initial start-up, it’s going to save us significantly in the longer term and give us economy of scale.

The budget proposal for 2005-2006 and the two out-years is linked inextricably to our business plan. We have, as I mentioned, reduced our submission for personnel based on the information I’ve provided to you already. We need to monitor our workload and the management of that workload to determine our actual personnel needs for

next year. We’ll also have to monitor the impact of the new jurisdictions, particularly the regional health authorities and the health professions, before we’ll be able to accurately predict our needs in the out-years, in ’06-07 and beyond.

We do have some significant one-time increases in supply and services which are linked to the business plan this year, which will see an increase in ’05-06 but will see our projected needs in ’06-07 and ’07-08 fall back once we get over the one-year bump. That is our communication strategy, with a requirement for the printing of posters, brochures, business cards. The other communications instruments that we use: updating our website; as I mentioned, the new updated case tracking system; electronic records management.

We’ve been required to move our Calgary office to a new office space, an efficient move with Alberta Infrastructure into leased space that Alberta was already paying for but was sitting vacant, and abandon the lease on the property that we’re currently in.

I know we’re tight on time, Madam Chair. We’ve provided you with the budget overview and explanatory bullets. Maybe I could just throw it open to the committee at this point.

The Chair: That would be great. Thank you very much.
Denis.

Mr. Ducharme: Thank you. My questions relate to the budget, and I guess that you probably had anticipated my question because you cut it off at the pass earlier, so I thank you for that. I still do have concerns in regard to the increase that you’re asking for, 11 and a half per cent this year. As we go back and meet with our respective colleagues in our caucuses, we get questioned as to the decisions that take place here. The budget process was very tight through a lot of other government ministries, and I’m sure that we’re going to be, you know, faced with some questions.

I guess I bring it back to two areas where there are substantial increases. One – and I think you explained it quite well – is in terms of travel costs for training, et cetera. I’m just wondering if there might not be more effective ways, rather than travelling up and down highway 2 between Edmonton and Calgary: you know, by means of video conferencing some of those training sessions, et cetera. You know, it is a 92 per cent increase in the cost of that budget.

The other one is the advertising. I know that you were out and about through rural Alberta and through all the various communities, you know, speaking engagements at various chambers of commerce, et cetera, to give the Ombudsman a profile. I can tell you that, basically, when constituents come to see us as MLAs at our offices, they’ve exhausted their means and are coming to us for advice, and we provide them with direction in terms of going to your office in terms of seeing if an investigation can take place in regard to it. So I’m just worried. Do we have to go back out in terms of doing more advertising? I believe that the office of the Ombudsman is acknowledged and well respected with Albertans, and I question that 215 per cent increase for that part of the budget.

Mr. Button: That part of the budget on advertising is linked not only to the initiative to bring a higher profile and to bring awareness to Albertans but also a requirement to update and renew all of our communication instruments. We have to update and renew our posters, our brochures, the various instruments that we disseminate to all of the MLA constituency offices, to all of the jurisdictional agencies and departments consistent with our communications strategy and the development of a brand for the Ombudsman. You’re right; it’s a significant increase in a one-year bump. Once

we accomplish that, we'll have those communication instruments for the next several years. I don't know when they were last updated. It's been many, many years since those communication instruments were updated.

1:05

Also, in the area of travel, unlike the comments from Mr. Dunn, my predecessor, unfortunately there is no training ground for ombudsman investigators other than the hands-on experience. There is virtually nothing in the way of training programs in North America that kind of give you the ombudsman 101 investigator training, so we find it necessary to utilize exposure and orientation and counselling and mentoring time with the experienced members of the office in order to provide the training and get all this new staff up to speed. It's an unfortunate reality this year, but we're simply faced with so many new staff that we don't have the luxury of taking our time.

We do use video conferencing. Our video conferencing facility is probably used most days of the week now. We meet once a week by video conference with the entire operational staff. We meet monthly with the entire admin and operational staff by video conference. A lot of our cross-functional working groups are working by video conference on a daily basis. So we're making all the use of that we can, but we are going to experience those one-time impacts in the coming '05-06 year.

The other ones have to do with the need to update our case tracker system. It was purchased in 1999 originally from British Columbia. It has not been significantly updated or amended since that time, and the technology – it's an Oracle-based system, and Oracle no longer supports it in its current state. We have to go to a web-based system. We had the option of either developing our own at significant expense or partnering with the British Columbia Ombudsman for a shared service. In doing so, we're going to avail ourselves of a state-of-the-art system and the technology and technical support to update it on an ongoing basis at a significantly reduced cost to what it would have been had we gone on our own. So that's another area that is going up this year on a one-time basis.

The Chair: Okay. Dave.

Mr. Rodney: Thank you, Madam Chair. I'd like to thank you, sir, for your presentation today and, of course, all the materials provided as well. I'd just like to refer to a couple of them in a second. First, I will say that I'd like to echo the sentiments of the hon. Mr. Ducharme, because those were two areas that I was looking at as well, and I trust that the department will continue to evaluate as we all try to be even more efficient and effective.

With reference to your Strategic Business Plan 2005-2008, appendix B, I see that objective 1 is "to manage the workload in an

efficient and effective manner," and I note in your 37th annual report, page 7, that

of the 4146 oral complaints received this year, 62 per cent were non-jurisdictional. These are typically calls outside the realm of the provincial government, including the federal government's Employment Insurance program,

and the list goes on.

I'll end my comments with page 5, where it says, "Canada is one of only four countries in the world that has Ombudsman offices at some level but does not have an Ombudsman of general jurisdiction at the federal level." Although we're just about out of time, I wonder if you might, for the record at least, give us a quick comment on how this affects you and what you think the future is in this regard because I do find it alarming that we're one of only four countries in the world that do not have services of an ombudsman federally.

Mr. Button: On the two points, Mr. Rodney, first of all, with respect to the oral intake calls. Although a significant portion, or roughly 60 per cent, on an average year are nonjurisdictional or issues which have other resolve to them, my office performs a valuable function to Albertans just pointing them in the right direction and giving them advice and references as to where they can get help and assistance, whether it be a municipal level of government, a federal level of government, or in the private sector. So that is a valuable service to Albertans and a primary point of contact.

With respect to the concept of a federal ombudsman, it is an initiative that the parliamentary ombudsmen in the provinces in Canada have been pursuing for many, many years. There have been a number of submissions made and meetings held with representatives of the federal government encouraging them to look at the concept of an ombudsman of general jurisdiction in the federal area. Most recently, the Canadian Council of Parliamentary Ombudsman, to which I belong, made a written submission, in May of last year. I would be less than honest if I told you that I see anything significant on the horizon, but it is something the Canadian Council of Parliamentary Ombudsman will continue to pursue because we think it's significantly important.

The Chair: Thank you very much for your presentation, and thank you all for joining us.

If I could have a motion to adjourn.

Mr. Rodney: I'll do it.

The Chair: All those in favour? Thank you very much. That motion is carried. We'll see you on Thursday.

[The committee adjourned at 1:10 p.m.]

