

Title: Wednesday, February 26, 2003 Public Accounts Committee

Date: 03/02/26

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this meeting to order, please, and welcome everyone back. There are no changes to committee membership. This morning I would like to welcome the Auditor General, Mr. Fred Dunn, and other members of his staff, which we will introduce in a few minutes, but I would like to also welcome this morning Rick Yarish. He's the Clerk Assistant and Clerk of Committees from the Legislative Assembly of Manitoba. Mr. Yarish is with the Legislative Assembly of Alberta this week on an attachment. He is the committee clerk to the Manitoba Standing Committee on Public Accounts and asked to attend our meeting while he was here. If any of you would be kind and gracious enough at the conclusion of this meeting to perhaps answer any questions that Mr. Yarish may ask, I think democracy would be enhanced.

Could I please now have approval of the agenda.

Mr. Marz: I'll so move.

The Chair: Okay. Thank you.

Mr. Shariff, do you have anything you'd like to add to the agenda at this time?

Mr. Shariff: I just wanted to add one item under number 6.

The Chair: Okay. Fair enough.

The minutes have been circulated from December 4, 2002. May I have approval of those minutes.

Mr. Broda: So moved.

The Chair: Thank you.

Now, item 4. We have to table, as I understand it, our conduct to the Legislative Assembly next week. May I have approval, please, of the draft Standing Committee on Public Accounts report on 2002.

Mr. Goudreau: Mr. Chairman, I was going to ask you if it included the conference attendance report as well.

The Chair: Yes.

Mr. Goudreau: Then I'll support that.

The Chair: Thank you.

Under Standing Order 50, "Public accounts, when tabled, [are] referred to the Public Accounts Committee."

Now, committee funding. The budget estimates for 2003-2004 were approved by Members' Services Committee in January of 2003 and are provided for your information only. There are no provisions for out-of-session committee meetings.

The 2003 Canadian Council of Public Accounts Committees conference this year is in Winnipeg, Manitoba, and funding will be granted by Members' Services Committee for three delegates to attend. Delegate selection will take place later in the sitting when invitation to the conference is received. Now, are there any questions regarding that budget item?

Mr. Cenaiko: Mr. Chairman, I know that Mr. Ouellette is interested

in attending Winnipeg. Do you want us to submit names to the chair?

The Chair: Not right now. We will wait until we get official confirmation. Two years ago, I believe, the conference was canceled due to international events. Who knows? Certainly it's tentatively scheduled, I think for the second week in September in Winnipeg, Manitoba.

Now, item 6 on the agenda, the organization of our committee meetings. They have usually been occurring between 8:30 and 10 on Wednesdays when the House is in session. We generally steer away from policy questions. These are the rules as we know them now, and of course there is one question and one supplementary question, and they alternate between government members and the three members of the opposition.

There has been a confirmed schedule . . .

Mrs. Dacyshyn: It's been mailed.

The Chair: Okay, I'm told it has been mailed.

. . . for ministers to appear before this committee this current session.

Mr. Shariff.

Mr. Shariff: Yes. Mr. Chairman, I have had a number of my colleagues approach me on a matter that I believe the committee needs to deal with, not today but at some stage in time. However, I have to move a motion today to deal with the issue.

The chair did write two letters, one dated January 27 to the president of the Executive Council and one dated January 29 to the members of the Executive Council. This committee hasn't had an opportunity to discuss or direct the chair to write those letters, and I believe the committee should have some input in the content before we write to these people. I'm not passing a judgment whether the content is acceptable or not acceptable, but today I move that the chair rescind the letter of January 27, 2003, written to the president of the Executive Council and letter of January 29, 2003, written to the members of the Executive Council until such time as the committee directs the chair to do so.

Mr. Mason: Seconded.

The Chair: That was seconded by Mr. Mason. I don't know that we need a seconder.

Yes, Mr. Mason.

Mr. Mason: Can I hear what letters are going to be rescinded?

Mr. Shariff: There were two letters that the chair did forward to us. One was a letter dated January 27 to the president of the Executive Council, and the other one was to the members of the Executive Council. Basically, the one to the president, which is Ralph Klein, Premier, was to invite him to attend the Public Accounts Committee, and the other one was dealing with two recommendations that appear in the Auditor General's report. The chair was asking members of Executive Council for their recommendation on what procedure or format should be followed in Public Accounts.

I'm of the opinion that we need to discuss this here at this committee level and then direct the chair to write those letters. So if we decide on a different option or format, I think it should be coming from the committee as opposed to just from the chair. Therefore, I'm saying that I'm not passing a judgment on the content of the letters, but I'm moving that we rescind the letters until such

time that we've had an opportunity to discuss them and direct the chair to do so.

Mr. Mason: Have these letters been sent and received?

Mr. Shariff: They were dated January 27 and 29, so they would have been sent out and received, I'm sure.

Mr. Mason: I have one here in my package, January 29, to all hon. members of Executive Council: schedule for upcoming Public Accounts Committee meetings. That's one of the letters?

Mr. Shariff: That's correct.

Mr. Mason: Could we hear, Mr. Chairman, from you on this matter.

The Chair: Yes. Now, this is the first I was aware of this motion, just five minutes ago. However, it is my recollection – and I could be wrong – that this committee informally discussed the issue of making changes to Public Accounts and how it would operate. I could be wrong on this, but it has certainly been my research that the Premier has appeared before Public Accounts at least once before, and I do not consider it unusual to try to get this schedule organized in advance. The Premier and Executive Council, that's tax dollars, and I think we should have a scrutiny of those expenditures. So I certainly went ahead and circulated broadly – I believe the letter regarding all members of Executive Council was copied to each and every member of this committee.

8:40

Mr. Lukaszuk: Mr. Chairman, I gave some thought to this matter. I don't think the issue at hand is whether the requests in your letters were meritorious or not. It is not the content of those letters that is at question. That's something that could be debated at a different forum. But the question is: does the chair have the mandate or does any member of the committee have the mandate to issue letters on behalf of the committee without the consent of the committee? I think that is the question at hand. We need not debate whether the content of the letters was meritorious or not.

The Chair: Yes. Thank you.

Ms Blakeman, followed by Mr. Mason.

Ms Blakeman: Thank you very much, Mr. Chairman. In my experience on this committee the standard format that has been insisted upon by the majority of the committee is that once a motion has been presented, it is then discussed at the next meeting, giving all members an opportunity to think about what's been proposed and respond at the next meeting. So I'm presuming this was presented as a notice of motion.

Mr. Shariff: No. I move and I say that we can allocate time at a later date in one of the meetings to discuss the content, but at this stage, because the letters have gone out in January, we need to rescind them until such time as we've had a chance to discuss them. And as I said, I'm not passing a judgment on the content of the letters.

Ms Blakeman: Then I will speak against the motion that's on the floor. While I understand that the government members are all well aware of the contents of this motion, certainly I as a member of the opposition . . .

Some Hon. Members: No.

Ms Blakeman: Well, a number of you were certainly aware of it. I'm not, and in all other cases where I've raised a motion or where my colleagues have raised a motion, we've been told, fairly firmly actually, by the opposer of this motion that it would have to wait until all members had an opportunity to think about what was being proposed and to respond at the next meeting. I'm asking for the same courtesy to be extended in this situation.

Thanks.

Mr. Hutton: I just want to reinforce what the hon. Member for Edmonton-Castle Downs has stated. It's not the content; it is the fact that any correspondence goes out without us having had discussion around this table, any member's correspondence. In particular, the chair's in this case has gone out, and it's perceived that it came from this committee. There is a perception that this is something that this committee has discussed, and I think that is the issue more so than the content of the letters.

Mr. Mason: Mr. Chairman, through you perhaps to the clerk. Has it been the practice in the past for the chair to attempt to organize schedules in advance of the organizational meeting of the committee?

Mrs. Dacyshyn: Yes. Since 1993 the committee has given the authority to the chair, the deputy chair, and the committee clerk to organize the schedule simply to give ministers more time to prepare for meetings. Prior to '93 the schedule was established at the first meeting, which meant there was a week in which to organize the upcoming meetings. Yes.

Mr. Mason: So the chairman has followed the practice that's been in existence for the past 10 years. Is that correct?

Mr. Shariff: No. That needs to be corrected. I was not consulted. The motion that was passed in 1993 indicated that the chair, the deputy chair, and the clerk of the committee will form the schedule, and because that was not followed, that's why I am forced to bring this motion today. Once again, let me reinforce that it's not the content; it's the procedure that's at issue.

Dr. Taft: I have to concur with the Member for Edmonton-Centre. The fact that you've sprung this on us – we have no opportunity to do any background research; we're forced to debate this in front of people who have better things to do with their time than watch this – is inappropriate. I'd ask you one more time: will you consider leaving this till next week? Okay. Then the issue is what? My understanding is that the chairman is responsible for organizing the schedule, for inviting the ministers to give them enough lead time so they can book their time. So what's the issue here?

Mr. Shariff: The organization is up to the chairman, deputy chairman, and the clerk of the committee to organize together, and that procedure was not followed.

Dr. Taft: So have you been involved in every other invitation?

Mr. Shariff: Yes.

Dr. Taft: So let me ask you this. If we support your motion – you have now been consulted – could we then resubmit the letters tomorrow?

Mr. Shariff: What I'd suggested is that this committee should discuss this issue, and I don't think that today is the appropriate time, with the Auditor General's time having been allocated. But maybe at the next meeting or the meeting after we can set aside 10 minutes or 15 minutes to discuss this matter, pass a resolution, and then ask the chair to write the letters on our behalf. So it's a procedural matter, but you need to have rules in place to follow.

Dr. Taft: It strikes me as a vote of nonconfidence in the chairman.

Mr. Shariff: That's not what I said.

Ms Blakeman: It was staged, though.

Mr. Shariff: It's not that at all.

Mr. Lukaszuk: I hear on the record and now making comments off the record – the Member for Edmonton-Centre seems to be concerned that this is some form of orchestrated effort against the chair by members of the government caucus, and I can assure the Member for Edmonton-Centre that this is not an issue that has been previously discussed among the members of the government caucus. It's an issue that just has come up. So any allusions to the fact that this has been previously contemplated or discussed are simply false.

The Chair: Well, the chair certainly would like time to study this motion. In light of the travel schedules of other hon. members of this Assembly after Christmas when these meetings were being organized and scheduled, I would like and I think I should be given the opportunity to seek advice from Parliamentary Counsel regarding this motion. I would be grateful if someone would table this motion at this time until a further meeting, perhaps two weeks from today or whatever, and we get on to the business at hand, which is the Auditor General's report.

Mr. Shariff: I believe, Mr. Chairman, that you will be able to bring forward this subject next week if you so wish. The motion can be voted on today. It can be changed at the next meeting or subsequent meetings. I believe I'm ready for a vote today.

Mr. Mason: Mr. Chairman, I'd like to try something a little different, and that is to move that

this motion and this matter be referred to the chair and the vice-chair in order to arrive at a resolution.

The problem here is not only the time of this meeting but the time for setting up the schedule for subsequent meetings. It should not be postponed, as the vice-chairman has suggested, to the next meeting or possibly even the meeting after that. I think we need to move on this. If there's been a lack of consultation with the vice-chairman, then I think this matter should be referred to both officers of the committee in conjunction with the clerk, and if a correction needs to be issued to the letter, then it's agreed upon. If there's no agreement in that process, then by all means you'll have to come back to the next meeting.

Mr. Shariff: With all due respect, we have one motion. Now we need to deal with that and then deal with your motion.

Mr. Mason: My motion is a referral of your motion, so it takes precedence.

8:50

Mr. Cao: I'd like to speak on the procedure here. I think this is a

parliamentary committee, and there is procedure to follow. I think we should stay with the procedure.

Now, about the content of a letter or the format of a letter or whom you send it to, personally I received a copy, and that surprised me because there was no discussion among the committee on what the intention of the letter is and so on. Then the procedure is not followed. So I would like to vote on the motion as presented by the deputy chair.

Thank you.

The Chair: Okay. Fine.

There was one more member who had some comment.

Mr. Ouellette: I was going to make a suggestion that maybe we table this till we finish with the Auditor General and carry on, because I don't know if they have to listen to this, but it's up to you with your motion.

Mr. Mason: I would withdraw my motion in favour of his proposal. I think this can be worked out today.

Mr. Shariff: I don't think there's anything further to debate on this, quite frankly. Why not have a vote and deal with it and move on?

The Chair: No. I think Mr. Mason has withdrawn his.

Mr. Mason: No. Only if Mr. Ouellette's motion to table was going to be supported instead.

The Chair: Well, let's vote, then, on the deferral motion as presented by Mr. Mason.

All those in favour of Mr. Mason's motion to defer? Motion defeated.

Now, to the main motion. Would you like to read your motion again into the record, Mr. Shariff?

Mr. Shariff: I move that

the chair rescind the letter of January 27, 2003, written to the president of the Executive Council and the letter of January 29, 2003, written to the members of the Executive Council until such time as the committee directs the chair to do so.

The Chair: All those in favour of the motion as read by Mr. Shariff, please raise their hand. Ten in favour of the motion. Those against the motion? Three. The motion is carried as we have it.

Are there any other motions to deal with? Okay.

We have not had an introduction of the Auditor General's able assistants this morning.

Mr. Dunn: May I do so?

The Chair: You certainly may, sir.

Mr. Dunn: Okay. Thank you, Mr. Chairman and committee members. Thank you.

Now, on my right is Jim Hug, and Jim is responsible for Finance, Energy, and Agriculture. On my immediate left is Nick Shandro, whose primary portfolios include Health and Learning. On Nick's left is Ken Hoffman, who is responsible for cross-government audits in the ministries of Infrastructure, Children's Services, and Gaming. Just around the corner, Mr. Merwan Saher. Merwan is the office professional practice leader and is responsible for the final production of our annual report.

The Chair: Thank you very much.

Now, for the benefit of everyone we should quickly go around and, perhaps starting with Mr. Hutton, introduce ourselves.

[The following members introduced themselves: Ms Blakeman, Mr. Broda, Mr. Cao, Mr. Cenaiko, Ms DeLong, Mr. Goudreau, Mr. Hutton, Mr. Lukaszuk, Mr. MacDonald, Mr. Marz, Mr. Mason, Mr. Shariff, and Dr. Taft]

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

The Chair: Thank you.

Mr. Dunn, you have some opening remarks that you would like to make.

Mr. Dunn: Yes. With the committee's acceptance I'd like to go through some prepared text and then open up to questions from different members on the contents of our annual report.

Are you all right?

The Chair: Yes. Mr. Dunn, I have to be excused, if you don't mind. I have to go and hear from a group who are very concerned about the Electric Utilities Act, Bill 3. Not only am I chair of this committee; I'm also Energy critic for the Official Opposition. Mr. Shiraz Shariff will take over the duties for the rest of this meeting. I apologize to all committee members and to the Auditor General's staff, but I have to be excused.

Thank you.

[Mr. Shariff in the chair]

Mr. Dunn: Okay. I'll go on with our prepared text first then.

First of all, thank you for the time to give this committee an overview of our 2001-2002 annual report. As you're aware, this report was released in October 2002. It's a report that explains both what the Alberta government must do to improve its business processes and systems and the results of the audits of our government financial statements.

However, before looking at our annual report, I want to offer a comment on this committee. The Public Accounts Committee has a critical oversight role, and I and my office are looking forward to assisting you to maximize your contribution to ensuring the efficient and effective use of public resources. I believe that we should explore and possibly redefine a more dynamic role for this committee because this committee is very influential in the province's accountability framework. That role is a governance role, and a good governance today means bringing together capable people and complete and accurate information in order to ensure that stated goals are achieved.

Today we – and “we” are your independent auditors – will summarize the information provided to you to assist you in holding the executive branch of government accountable for its use of public resources. When Legislatures don't follow up on the findings of the officers of the Legislature, there is less pressure on the government to act. However, this accountability process will be more useful when the results of our examination become a source of knowledge about how the government could function better.

Next I'm going to ask Merwan to describe our 2002 annual report and the status of the implementation of past recommendations, then I'll talk about the report's predominant theme, and finally Ken, Jim, and Nick will highlight the key recommendations in their respective portfolios. So over to you, Merwan.

Mr. Saher: Thank you. By now as committee members you're familiar with the way we have organized a ministry chapter if we have recommendations to make. A chapter has four connected parts: a summary of what a ministry must do to improve its systems; an overview, which briefly describes a ministry; the scope, explaining the extent of our work; and our findings and recommendations. Our goal was to organize the four parts so readers could move around easily. We are striving for clear, concise communication. It's our job to get to the point; it's not your job to extract the intended meaning. We are planning to ask you shortly how well we're doing in improving the way we present our findings. We are expecting and looking forward to your input in order that we can better serve this committee and the House.

Out of the 80 recommendations made, we've numbered 49 to emphasize their importance in helping the government improve its performance. In these opening comments this morning we'll highlight 15 key recommendations. These are the recommendations we think the Public Accounts Committee should focus on since their implementation will significantly improve the use of public resources and the government's performance reporting. In serial order the 15 recommendations are numbered as follows: 1, 2, 3, 15, 16, 17, 19, 23, 24, 28, 31, 36, 40, 43, and 46.

The government continues to accept most of our recommendations, and our answer to the question “Are most of the office's recommendations being implemented with reasonable speed?” is yes. There are, however, some 17 unresolved issues that go back more than three years, and my colleagues will identify those causing us concern.

Back to you, Fred.

9:00

Mr. Dunn: If you have the annual report in front of you and look at pages 11 through 18, you'll see where the recommendations have been summarized. As Merwan has read off those numbers, if you'd like me to repeat those 15 numbers, I'll do so. If you look down on those pages – as I say, they start on page 11 through 18 – the recommendations that you'd like to put a red mark against, again as Merwan had read out, are 1, 2, 3, 15, 16, 17, 19, 23, 24, 28, 31, 36, 40, 43, and 46.

As mentioned, there's a predominant theme in our report this year, and our message is that a good risk analysis is necessary for cost-effective internal control. Managers need a comprehensive internal audit function to provide the assessment and evaluation to confirm that they are in control. Taken together – that is, risk analysis, internal control, and internal audit – it can be called risk management. When it's done well, managers are more likely to meet their goals in an efficient and effective manner. When it's not done well, managers and their departments are exposed to unnecessary risks and costs. A risk is anything that affects an organization's ability to achieve its goals. Thus, managers must be proactive in reducing the gap between the expected and the actual results. This has to be a disciplined exercise, not just in their minds.

In recommendations 16, 19, and 36 we've recommended to Alberta Treasury Branches – Alberta Treasury Branches is also known as ATB Financial – and the Alberta Gaming and Liquor Commission and the Department of Learning that they should develop comprehensive approaches to risk management, and we explained the implications of not doing so. We hope that these organizations will become, in the future, models of best practice risk management.

Next we do an audit of internal control. Waiting for errors to signal weaknesses in controls is not an effective way to manage a business process or achieve reliable performance reporting or

safeguard assets. The risk of unauthorized transactions must be controlled preventively, balancing the cost of controls with the risk involved. Without sound, functioning internal control systems, managers do not have the necessary assurance on the effectiveness and efficiencies of their operations nor the relevance and reliability of their internal and external reporting and their compliance with legislation. We have found many cases where internal control should be improved. I want to draw your attention to the particular cases where inadequate internal controls are causing concern for my office and also government managers and their governing boards.

Again, if you'll refer to those earlier pages I mentioned and recommendations 1, 17, 24, 31, 40, and 43, across the government departments as a whole we found insufficient control over user access to the government's primary financial and human resource information system, and that's the system that we've referred to in the past as Imagis. We've also found significant weaknesses in controls over procurement card disbursements and instances where the approval of disbursements do not comply with the Financial Administration Act. The Ministry of Innovation and Science has to resolve deficiencies in the Imagis environment and strengthen the overall Imagis control framework. The Department of Health and Wellness has not yet obtained assurance that its information technology partners are maintaining effective controls to protect the confidentiality and integrity of financial and other health data. These ministries are to meet with you on April 16 and May 14 respectively.

We found a number of control weaknesses, as mentioned, at Alberta Treasury Branches. In some cases management had not established the required controls. In others, employees were not following the established control policies. The Ministry of Finance officials will be meeting with you on March 12.

As we have mentioned in prior years, both the universities of Alberta and Calgary need to improve their internal control systems. We found significant weaknesses in their systems. Improvement in internal control starts with, first, an acceptance that the weakness exists and can be overcome. The Minister of Learning and his management team are scheduled to meet with you next week, I believe, on March 5.

Recommendation 2 to the deputy minister of Executive Council, working with other deputy ministers, is critical. We've asked the deputy ministers to establish an effective internal audit function. We believe that they will have and are having difficulty in fulfilling their responsibilities without independent and objective assurance that their systems and risks are being managed effectively, and without this assurance departments may not operate in the most cost-effective, economical, or efficient manner. To preserve its objectivity, we're suggesting that the internal audit group report its audit's findings directly to the council of deputy ministers. The internal auditors must have an unrestricted scope of examination across all government departments, and that includes examining business strategies, financial internal control systems; compliance with policies, procedures, and legislation; economical and efficient use of resources; and the effectiveness of operations. I've had some discussions with a number of the deputy ministers, and I believe that the internal audit function is being considered at this point. The expectation from our office is that the internal audit function will be established by the summer of 2003.

I want to now hand it over to Ken, who will talk about recommendation 3.

Mr. Hoffman: Thank you, Fred. Recommendation 3 is in the cross-government section on page 27 of our report. He calls on the government to provide "comprehensive standards for preparing ministry business plans" and ensure that these standards are

followed. We've supported the forward-thinking initiative of the Alberta public service in bringing the Government Accountability Act into operation. This work is at risk of slipping backwards if it's not cemented in place. Four of our outstanding issues prior to 1999 – the need for clearly defined targets, greater emphasis on the third year of a plan, setting long-term strategies, and information on factors that could affect plans – will be dealt with when this recommendation is effectively implemented. The Ministry of Finance must take the lead in implementation, and the ministry appears before this committee on March 12. I believe that would be a good time to inquire about the ministry's implementation plan, including their timetable.

I'll take this opportunity to acknowledge that when the Ministry of Infrastructure met with the committee on December 4, 2002, there was a very useful discussion of the ministry's intent to implement recommendation 28. We had recommended that the ministry ensure that "contracts for consulting services are awarded through a process that is open, fair, and gets good value" and establish "a policy for renewing property management contracts" when competition is not used.

Jim will now brief you on recommendations 15 and 46.

Mr. Hug: Mr. Chairman, this is the sixth year that we have included recommendation 15, by which we have recommended that the Department of Finance change the government's accounting policies in order that we can issue our auditors' reports on the financial statements without reservations of opinion. In July 2002 the Alberta Financial Management Commission reported to the Minister of Finance. Its recommendation on the government reporting entity supports our previous and current recommendations that the government should include all government-controlled entities such as RHAs and school boards in the consolidated reporting entity. The government accepted the commission's accounting recommendations in principle pending the release of guidance from the standard setter, the Public Sector Accounting Board. That board has now issued draft guidance that we believe clarifies that the government should include all controlled organizations in the consolidated reporting entity. The guidance has as its latest implementation date April 1, 2005.

We understand that the government is supportive of the board's efforts to clarify the definition of the reporting entity. However, the government is seeking a delay in the recommended implementation date. It is our opinion that the government should not further delay an accounting change that will significantly improve its comprehensive financial reporting to Albertans. The Finance ministry representatives will be meeting with you on March 12, as we indicated, and this presents an opportunity for you to discuss with them the reasons for the delay. We believe that we will soon reach a resolution with the Ministry of Finance of our concerns with respect to the asset capitalization thresholds.

9:10

Turning now to the Ministry of Municipal Affairs, we did follow-up work on how it manages its responsibilities to oversee and coordinate emergency preparedness in Alberta. We found that the Government Emergency Operations Centre's capability to meet the ministry's needs in the event of a disaster was deficient. Cross-government co-ordination of emergency preparedness was being adversely affected because of the failure of many provincial government departments to prepare adequate plans, and the disaster services branch lacked controls to ensure consistency in the review and testing of municipal plans. Therefore, in recommendation 46 we've recommended that the ministry "improve its procedures to

promote and coordinate emergency preparedness” and that it “reassess the present and future suitability of the existing Government Emergency Operations Centre.” When the centre was established in the mid-1990s, it was adequate to manage the risks faced by the province. Unfortunately, however, the world has changed since 9-11, and the centre is no longer adequate to effectively and efficiently deal with the new risks. Ministry management meets with you on March 19, and we recommend a discussion of the ministry’s plan to implement this recommendation.

So I’ll now turn it over to Nick to talk about recommendation 23.

Mr. Shandro: Thank you. In recommendation 23 we again recommended that the department of health ensure that authorized business plans for regional health authorities are in place at the beginning of the year. Business planning in the health sector has to deal not only with the timing of the plans but also with the challenges of what needs to be done, and better reporting of what was achieved is also necessary. There’s a direct correlation between measuring performance and improving performance. Measuring both the cost and effect of action is the key to increasing cost effectiveness.

The minister of health and his management team are scheduled to meet with the committee on May 14. This represents an opportunity to discuss their proposed multiyear contracting with RHAs and how this approach will address our recommendation.

Mr. Dunn: Okay. Thank you.

Mr. Chairman and members of the committee, you no doubt will have a lot of questions for ministry representatives arising from your review of their annual reports for the government and ministries for the previous fiscal year. I ask that your discussion with those representatives over the next few weeks include inquiries about the 15 key recommendations that we have briefed you on and also the other recommendations in our annual report.

Thank you for allowing us to make these opening comments. Now we turn it back to you, Mr. Chairman, to have any questions from the committee.

The Deputy Chair: Thank you very much to the whole team for the presentation you made.

Hon. members, you now have an opportunity to ask the Auditor General on any matter that he has in this report. This will help you prepare for subsequent meetings that we’ll have with ministers. We’ll start with Laurie Blakeman.

Ms Blakeman: Thank you very much, Mr. Chairman.

Thank you very much to the Auditor and his staff. That was an excellent presentation and very helpful. I know it will help to guide us as we go through the rest of our meetings that are scheduled.

My questions. You’ve talked about improving internal control systems including Imagis . . . Imagis? Imagine?

Mr. Dunn: Oh, Imagis. Okay. That’s the acronym.

Ms Blakeman: Imagis. Thank you. I’m sorry.

. . . Imagis, the procurement cards, and the approval of disbursements. Of these three areas, which area do you think is posing the most significant problem at this time?

Mr. Dunn: I’m going to ask for others – and Ken, I’m looking at you – to also assist me here.

Ms Blakeman: I’m sorry. If I could ask for sort of detail or examples because I don’t quite speak your language, and helpful

visual aids and strong anecdotal material is very helpful.

Mr. Dunn: Okay. Well, my first reaction is that I believe it’s the controls around the Imagis systems. We have started to do some follow-up already this year around those cross-ministry findings.

The government did act very quickly around procurement cards. There were a number of matters that they had to address. We are waiting for the final report of the procurement cards review, but we’ve been advised at this point in time that procurement cards have been significantly reduced in the current year. I believe the numbers that are being provided to us – we have not yet audited them – is something in the neighbourhood of from 7,000 down to 4,000, so a significant number of procurement cards have been rescinded or brought back in. We believe, based upon anecdotal discussion, that the government has addressed that area and has taken our recommendation to heart. They are certainly looking at business case support for anybody who has a procurement card and the reason for that.

Around the area of Imagis – and that’s a critical financial and HR reporting system – that system is getting a little bit old. Ken, can you give me a little bit of background around the Imagis and the recommendations that we have around there?

Mr. Hoffman: Yeah. The primary recommendation was associated with access control. In the year that this report covers, there are some reviews of the control systems.

When you think about control systems, there’s a central system where the computer resides, and then there are various control systems that work where the applications are being used by the department staff themselves when the data is entered. When you flow through that, there are deficiencies in the access controls at each one of those stages. Based on our follow-ups to date, the SFOs, the senior financial officers, have concentrated a lot on where the controls need to be fixed. It revolved around access controls. I think we’ve mentioned in a section in our report, on pages 23 and 24, where people had inappropriate access, where they had the authority to do a broad range of things that were beyond their work responsibility. As a result, there’s a risk that inappropriate transactions would be entered or approved.

So in response to that, we’d recommended that they have special management controls or review controls as an interim until they actually fix the system. They’re looking at fixing the system with a new update. That will come sometime this year, when they’ll bring in what they call version 8. They’ll change the software, and that will allow them to bring in all the control processes that they need.

Mr. Dunn: Are you finished?

Mr. Hoffman: Yeah. I’m fine.

Mr. Dunn: Okay. The third item of the three that you, Ms Blakeman, were mentioning was compliance to the Financial Administration Act. Obviously, compliance to the legislation is most important. However, to bring themselves inside in compliance to the legislation is probably a relatively easy task. Some of those matters where they were not in compliance were more inadvertent than a deliberate type of thing.

In summary, in answer to your question, that whole Imagis system is the backbone to the government’s reporting system. That backbone has to be strong, and as Ken has mentioned, they are going through some upgrades to it. The access controls, as we are aware from any organization that we read about, having inappropriate access where you’ve not controlled the individual who is about to

use it can expose any department or ministry to a great deal of risk.

Ms Blakeman: I'm going to dig a bit on this just so that I understand it, if I may. Is the issue here around the access to the program? If I'm translating correctly, I understand that to mean that individuals who shouldn't be getting access to certain kinds of information about people's personnel records or financial transactions of the department are able to see it when they get on the computer. If I'm understanding that, nod your head.

Mr. Dunn: Yes.

Ms Blakeman: Okay. Got it.

So what is the concern here? That we have data that is inaccurate for managers to then make decisions about how to run the department or the government? Or is there a concern about if not a crime then an inappropriate endeavour that could become criminal? Or is it a FOIP question or a protection of privacy question, that these people just shouldn't be seeing other people's information? Maybe you could prioritize those.

Mr. Dunn: Well, I was going to say that I'd take "or" out and put "and" in, because you've covered the whole spectrum. Indeed, you could end up with individuals who could contaminate data, accidentally or deliberately. They could have inappropriate access to data that they were not entitled to and therefore process transactions which are illegal. You could also have privacy concerns with access to data. Although they can't corrupt it, they could read that which they are not entitled to, so there could be a FOIP concern with that. Then you could end up with data that managers are relying on which was inappropriately compiled. So when you said to prioritize it, I wouldn't want to try to prioritize it. All three are, in my mind, equally important, and there is the potential for all three matters.

9:20

Ms Blakeman: Okay. Thanks.

The Deputy Chair: Dr. Taft, did you have any questions?

Dr. Taft: Well, I have questions of my own, but I think we can follow the normal order, so that's fine.

The Deputy Chair: Wayne Cao.

Mr. Cao: Thank you very much, Mr. Chair. Welcome, Auditor General and the staff of the Auditor General's office. I'm very thankful for this kind of information. I think from my perspective the committee and the Auditor General work hand in hand to make the government accountable.

What I have a question on here is regarding the auditing in general. I appreciate the reporting detail, the content, and we'll follow up on that. But there are three things on my mind: effectiveness, efficiency, and then I'll also add another one, called economical, which is the dollars that taxpayers provide to us. I read somewhere that in other countries, other places where they spend the dollars more comparatively, they could purchase at a lower cost, but that's not implemented. So there's always a notion of: where do you buy the thing at the lowest cost, economically speaking? Not necessarily poor quality, I must reinforce here.

Sometimes when I read through the auditing reports, in general I don't find it stressed about being economical. Also – well, maybe I'll just leave it at that. So if you can help me.

Mr. Dunn: Okay. If I understand it, your question is: are we in auditing looking at the three Es? Are we considering those three things? Indeed we do.

Our mandate requires us to cover two things. First and foremost is the financial statements that are sent out by way of ministries as well as the consolidated financial statements. We express our opinion on the comprehensiveness and the suitability, the fairness of the presentation on those financial statements. Secondly, our mandate requires us under section 19 to look at the systems, the business processes that the government follows. The three Es that you quoted are exactly from our act. That's what we're to look at: the efficiency, the effectiveness, and the economical use of resources.

Where we did follow through on some of that requirement, Mr. Cao, was in the Infrastructure area. We did under recommendation 28 talk about the potential for it not to be efficient and economical. In our discussions with the department they were very concerned about our initial suggestion that they should always be looking at the lowest price. Indeed, at the end of the day we agreed with them that they should be looking at – and the words we use are "good value." It's not the lowest price but good value. So you match quality with price in there.

So let me assure you that we are indeed looking at your three Es and that we are bringing up through our report items that come to our attention from those systems audits. Any matters that we believe are an inappropriate use of public resources, whether it's inefficient or uneconomic, we would then bring forward in our report.

Just a small tangent on that question. Historically our office has spent a lot of time around the area of the first part of our mandate, the financial statement audits, and we have not spent, in my view, as much time around section 19 and the triple E as we should. It's certainly been my strategy, in vision with my colleagues, to try to change some of the time and some of the effort that we're placing in our office to move ourselves away from being just the accountants and auditors into business process monitoring. So it's my expectation, as I explained at the standing committee, to move more of our resources into the area that you raised, so thank you very much for that question. Actually, my expectation is twice the amount of effort being spent in that area in the future, meaning that a little bit less time will be spent around the financial statement auditing. Okay?

Mr. Cao: Thank you. I have a supplemental question. If we look at the few years that I've been on this committee, I'd like to have in the report some sort of comparative benchmarking. For example, I would see us maybe benchmarking with other jurisdictions across the nation with some kind of chart or some indicators so we can have some sort of information we can base on, say, how well we're doing as well. Is that possible, or is that within the Auditor General's activities?

Mr. Dunn: Okay. If you're talking about benchmarking the province and how is our province doing vis-à-vis other provinces, B.C. and Manitoba, that type of thing, actually certain Auditor Generals do that. Some of the Auditor Generals in other provinces actually go out and produce a report. However, you actually get the information; there is a lot of benchmarking information that's provided in the annual report. Remember, the annual report of the province is comprised of two components. First and foremost, the front part is the financial statements and all the notes. The second part is called Measuring Up. Measuring Up contains a lot of information in much greater detail and inclusiveness there than what the Auditor Generals are doing in other provinces. Measuring Up

does benchmark our province against many other provinces using published financial information that they provided to Statistics Canada, et cetera. So, really, Finance does compile that information, and it is available to the public.

Mr. Cao: Yeah. Thank you.

The Deputy Chair: Dr. Taft.

Dr. Taft: Thank you, Mr. Chairman. Given the nature of this meeting, it's a fairly general question, to set up the many meetings that I'm looking forward to in the next few months. On page 7 you mentioned the 49 numbered recommendations, of which 26 are new, and in your words, the remaining 23 "maintain focus on previous recommendations that have not yet been fully implemented." My question to you is: how do you as the office of the Auditor General expect to improve the percentage of recommendations that can actually be deleted or fulfilled in the following year, and how do you suggest that we also help to reduce that number?

Mr. Dunn: Okay. Thank you very much. I'll also refer you to page 261 in the annual report. Page 261 has what we call a flow-through type of schedule. Unfortunately, 261 was misinterpreted by the media this year.

Dr. Taft: By the who?

Mr. Dunn: By the media. You might have seen some questions. If you look at page 261, at a superficial glance one would look at "Not Yet Implemented," the far right-hand column, and conclude that there's 80 percent not yet implemented, that we're slipping behind. That's not the intent of this. In fact, it was not as well explained as we'd like to explain it in the future, so we are changing this tabulation in the future.

We generally look to the government to, first and foremost on our recommendation, accept it and make sure it's a practical recommendation that they agree with. When accepted, we expect that within three years they will have implemented it, recognizing that obviously in the year in which we raised the matter with them, they haven't had a chance to do anything about it because many of them do require additional resources or reconfiguration within their department and they have to do something about it. So we expect that within three fiscal years they will have fully implemented it. Also, certain of our recommendations have a number of components to them, and if it's a multicomponent type of recommendation, they'll start to attack the highest and greatest priorities and work their way through that. That's why we've generally looked at a three-year time frame.

I did meet with the Deputy Minister of Executive Council regarding a misinformation that did come out through the media. He explained that we will be changing this tabulation in the future. However, what the government did differently this year was to make it a performance measure for the employees in their evaluation that agreed-to Auditor General recommendations shall be adequately addressed to our satisfaction within – I just want to watch out for the time frame here – two years after they have been reported, remembering that our report comes out in September for the year previous. So we are essentially in the same time frame, but they have now added in as one of the performance measures for ADMs and DMs that Auditor General recommendations agreed to will not appear two annual reports later on, and in that way they plan to keep pressure on them.

However, all that being said, we certainly look to your committee,

which also can provide and exercise influence here. Your committee, when you do talk to the ministers and the members of the ministry, is to ensure that they have, first of all, agreed to the recommendation and, secondly, that they come out with a time frame of implementation. That probably is something that we'll be stressing next year more so than we have before, that you have not just agreed to the recommendation but when will you do something about it, when will it come in. It's going to help an awful lot when it's part of their performance criteria.

9:30

Dr. Taft: Okay. My supplemental. If the government doesn't agree, then it's basically a standoff. Is that it?

Mr. Dunn: Well, first of all, we have to look at: is our recommendation practical? An awful lot of respect and an awful lot of authority is being given to our office, mainly through practice and procedure. Certainly, coming from the private sector, I've never, ever felt that I've had this amount of acceptance of recommendations, so we have to be very careful that we don't misuse that respect and that the recommendation is practical. We spend a lot of time ensuring that (a) we got the facts right, (b) that there is a solution to the issue, and (c) that it can be done within the resources – back to the triple E question – that the organization has at its disposal. We look at that and try to agree with the time frame. So I wouldn't accept that it's a standoff because what we will do if it is not accepted by the government and we believe that it is still important – i.e., we've agreed that we've got the facts right and there is something you can do about it – is that we will continue to make that recommendation. What would happen is it would come into our report without a time frame around implementation.

At the meeting that we would attend, we would explain this to you, that we have made a recommendation which is not accepted by the government. We believe that at that point in time you should then be asking questions of both the minister or the ministry and ourselves around that to determine: is there merit to the recommendation, and why won't they accept it? So we will not drop it, I assure you. We will report it, but it will become quite clear that it is not accepted because there will be no time frame around the implementation.

The Deputy Chair: Mr. Goudreau, followed by Mr. Mason.

Mr. Goudreau: Thank you very much, Mr. Chairman. To the Auditor General. I certainly appreciated the fact that you've emphasized the 15 recommendations and brought those out to look at. You also identified that there were some that have been in there for more than three years and certainly indicated that that recommendation for Finance had been there for over six years. I need to know: what are some of the other recommendations that have been there for quite a while and those that we need to work on with our ministries?

Mr. Dunn: We do have some, and, Nick, I'm going to look to you. We have some in Learning, and we have some in Health that we talked about. We had some in Learning around charter schools. We did have a meeting with the Department of Learning about long-outstanding recommendations, and also I believe Nick had some in Health.

Mr. Shandro: Well, the one significant one in Health is for this business plan to be a thing of action as opposed to a paper exercise that never gets really executed until the year is halfway or three-quarters of the way through. That's been reported for quite a few

years. Hopefully, this year something is going to happen with the multiyear contract, but we probably won't be able to see the effect of it because, as I understand it, that process is not in place as we speak. It's still being negotiated, and April 1, the beginning of that year, is rapidly approaching. So I'm not overly pessimistic, but every day that passes adds to my concern that we're going to be late with that again.

In the area of charter schools it's a difficult one in the sense that I believe that the department has set out its expectations quite clearly and has had a lack of co-operation from the reporting entities to get what they have laid out. Now, we're expecting, according to the information given to us by departmental officials, that it's going to work this year, and perhaps it will, so I'm not going to rush to a judgment on that. But if some charter school refuses to report on the accountability basis that's laid out, I'm not sure what actions the department is going to take. It basically sort of boils down to that you have to get much more tough because in the past communications by way of speeches and ministerial pronouncements and so on haven't done the trick.

Mr. Dunn: What we do have and what I did provide to the Deputy Minister of Executive Council was a summary of all outstanding matters – issues, as we've called them – greater than three years old. What I can provide to the committee, if you like, is a copy of that summarization we did provide to Mr. Nowicki, and that'll help you, then, understand what other issues there are that are outstanding and which ministries have those.

Mr. Goudreau: That would be great. Thank you.

The Deputy Chair: You could forward that to the clerk of the committee, and she will make sure that it's distributed to everyone.

Mr. Dunn: If that's okay. Right.

The Deputy Chair: Thank you.

Mr. Mason, followed by Mr. Hutton.

Mr. Mason: Thanks very much, Mr. Chair.

Thank you very much for the report. I think it's going to be a really useful framework for us as we proceed through the rest of our meetings.

I was interested in recommendation 15, which says that for several years, we have reported that certain entities have been inappropriately excluded from the reporting entity. Financial statements should include all assets, liabilities, revenues and expenses.

So this would include regional health authorities, among others. Is that correct?

Mr. Dunn: Yes.

Mr. Mason: Could you maybe outline a little bit for the committee the importance of this, why it's important that these things be included, and perhaps elaborate a little bit on the list of things that would come under that.

Mr. Dunn: Okay. Well, thank you very much for the question. Now, I'm going to sound a bit like an accountant.

Mr. Mason: But you are; aren't you?

Mr. Dunn: Yeah, that's right. So you're going to have to ask some supplemental questions if I'm trying to use that accounting terminology.

The consolidated entity is supposed to be what we look like as a whole. Everything that we control and operate as a whole should be included. Right across the country there is a big concern – and it starts federally as well as all the other provinces – with what gets included in the consolidated entity. This debate has been going on, Mr. Mason, for some years: just what should an organization, senior governments, include in their entity? The final conclusion coming through the accounting standards setter, the public-sector accounting board known by the acronym PSAAC, which has finally come out with a statement of principle, is that all controlled entities should be included. Historically I think it's been all provinces, and I look to my colleagues. I think the only province that at one time included everything was B.C. For a one-year or two-year period B.C. put all . . .

Mr. Saher: Just one year.

Mr. Dunn: Just one year that B.C. did the inclusion, and then they excluded them again. Two issues come out. First, the reason for that is to see what we look like in total so we don't have anything sitting off on unincluded organizations that could potentially cause the reader of the financial statements to get the wrong impression, such as: do we have trust foundations sitting off not included in the consolidated total where there are additional assets but more importantly additional liabilities sitting out there? Thus the reader of the financial statement would say, "Everything looks great; we're balanced; we're running a surplus," this type of thing, whereas the liabilities sit out in the other organizations.

9:40

One, of course, in the private sector that came out was Enron. In the private sector they had unincluded entities. In the public sector the question has always been: which organizations does the government control? And the ones that historically have been excluded, known as an S-U-C-H, are school boards, universities, colleges, and hospitals. Across the country a few of the provinces do include school boards and hospitals, virtually no one includes universities, and a number do include colleges. It's been our recommendation through looking at the PSAAC requirements in standard setting – and our response is there too – that Alberta should be including all four elements to come into the consolidated entity.

This is not now. The second point is that it's not easily done. First of all, the biggest issue is around: if you include them in actual, how do you include them in budgeting? Some of these organizations are just not tooled up to do the extent of the budgeting that is required so we can present first to the Legislature and the public a budget which is all consolidated. You've got to get the U of A, U of C, and every RHA all into those budgets. That's a very, very difficult task to do. So we're looking at the question around: can you report actual without comparison to budget?

That's where the debate and the dilemma sits with us right now in Finance. Finance would like to make sure that when brought in – because this was recommended by the FMC, and they did say the 2006 year – they can compare the actual numbers against the budgeted numbers, but they need a period of time to get all the other entities geared up and prepared. What the potential is if you do not include them is that you may end up with some large deficits. We are hearing words out there about RHAs running deficits, school boards running deficits, possibly some of the PSIs eventually running some deficits. If we don't include all those, then we could get misinformation about what is the adequacy or the state of provincial affairs.

[Mr. Goudreau in the chair]

In addition, you also want to make sure that you bring in all those assets. We are going to be bringing in that the reporting entity is also to include the capital assets in their financial statements – there are a lot of capital assets sitting in hospitals and school boards – bringing all those capital assets and any related liabilities into the financial statements, related liabilities or direct liabilities as well as deferred maintenance. So that has been a long debate between ourselves, but with all other Auditor Generals and financial statement preparers across the country we believe we've reached a conclusion. We would like to see it sooner than 2006. Finance is concerned about how they could get this thing implemented with all the different organizations that are impacted by it.

In addition to the budget and the annual reporting, there's quarterly reporting, and a lot of those organizations just are not prepared to have the rigour around their close-offs for quarterly reporting. So that's where we sit today.

Nick or Merwan, have you got something?

Mr. Shandro: Yeah. I wanted to mention, just to support some of Fred's comments, the deficits in RHAs in the past, for example. I've been around the system a little bit, and I remember in previous years where we had to fund deficits from years ago to bring these RHAs up to an operating status. Proper transparent reporting requires that you record an event when it occurs, so if there's a deficit, it's going to have to be dealt with. Somehow that has to be brought in.

But even moving into something much more practical, the province now is in the process of moving mental health programs into the RHAs. Well, one of the conditions is that they want to make sure that the program expenditures be maintained at a baseline level so you're spending in future years as much as you're spending now. But since we don't have any consolidated information, we don't know what that baseline is, because we don't consolidate things and it's all in jam jars all over the place: different programs, different departments, so on and so forth.

If you have a proper consolidated entity in reporting, this information is there. It's giving you information on a proper basis when it actually occurs, and it's possible to understand the implications of your programs much better. Now, consolidation by itself won't do it – it needs a little bit more in terms of structured reporting on programs and so on – but it makes it possible. Right now it's not possible.

Mr. Dunn: Merwan, did you do the professional services?

Mr. Saher: Right. I just wanted to add a little bit on what the standard setter has come up with. The standard now, the decision as to what to include, is based solely on control. Previously it used to talk about accountability and control, but now it's just solely control. It talks about control as a continuum. It's not black and white. When you place entities on this continuum, there's more or less control, and in the end the government will have to make a decision on where it places certain entities on the continuum.

To show you how difficult the decision-making is, I'm just going to read you the definition of control, because this will perhaps help you in formulating your views on whether or not an entity should be in or should be out. Control is defined as follows: control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. So it's a few words, but those few words really are the ones that people on either side of the discussion will centre in on and try to make the decision. There's a lot of helpful additional advice in terms of indicators of control, but in the end I think it boils down to whether or not an organization fits that definition.

Mr. Mason: That would be my supplemental question, Mr. Second Vice-Chair: how do you apply that definition to organizations? It really seems that, as you say, there's a continuum. Some organizations are directly under the control of the government; others have nominal independence, but there would be effective control through budget means and appointment of boards. If we take it way up the continuum, you get to municipalities, which are recognized more or less as a separate order of government, but they depend to a degree on government financing and operate under provincial legislation.

Mr. Dunn: Right.

Mr. Mason: So why are some in and some out?

Mr. Dunn: You have to distinguish between control over the assets and the operations and responsibility for the liabilities. You have to distinguish that from economic dependency. There are an awful lot of service providers out there who are very dependent upon the government for contracts and grants and that type of thing and which are not controlled by the government, municipalities being one. So municipalities may be getting grants from the provincial or federal governments, but they're not controlled by them. They're autonomous and they have their own governance structure in there.

In our minds and with Finance we've reached a conclusion around certain ones. Hospitals or RHAs: that in our minds is an in. Same with school boards. We have the ability to cause the structure and the governance structure to change. They are wholly dependent upon the government for funding and this type of thing. They have virtually no external funding. Where the gray area really comes in – and we're going to look to your committee here to help us, so if we can plant a question for you to ask – is in the area of colleges and universities. In my mind, there's more justification for including the colleges. The question will come up around the universities.

9:50

We have four universities, obviously, in the province now: Alberta, Calgary, Lethbridge, and Athabasca. Is the government responsible for those organizations should they get into financial trouble? Should one of those universities for whatever reason be in such a severe financial strait as it may go out of business, would the government be responsible for that university? In addition, is the government, the province, responsible for deferred maintenance at the universities? Historically the government has granted the universities a certain amount of autonomy, and the universities do a fair amount of external fund-raising, but I believe the numbers generally are that the universities don't raise more than about a third externally. When we're comparing with our colleagues across the country, certainly the Ontario universities are getting down to almost 50 percent nonprovince. There they're getting more to 50-50. But there is a great debate around that: should the universities be included? From the universities' perspective, they more likely than not would prefer not to be included. There's a fair amount of responsibility and onus on them to try and report on a regular basis.

The question, when it breaks down, is: if one of those universities had significant financial difficulty, who owns the liability? Who has to bail them out? To your committee: we'd like to see if you wouldn't mind asking that when Finance is before you. Will Finance include the universities? Are they responsible for the universities? As you know, the governors are appointed through orders in council, but the selection of the individuals who go onto those committees is quite often by way of those universities' identification of individuals. Certain of the chairs have mentioned to me that they vetted who was going to come onto their governance structure, and basically they had preapproval before the order in

council went through.

So I don't have a conclusion, Mr. Mason, in my mind about the universities, but that is the area that we're debating right now with the government.

The Acting Chair: Mr. Hutton.

Mr. Hutton: Thank you, Mr. Chairman twice removed. I have a couple of comments and a question. The first comment is in response to the actual preparation of the document. I think this document is very clear, very concise, and I think the format is excellent and easy to follow, with summaries and overviews and recommendations. That was asked in your preliminary, and I think it's very clear. I am very encouraged when I hear that the council of deputies are allowing unlimited access in light of the accounting practices in the United States in the past year.

But like the hon. Member for Edmonton-Centre I have a little trouble with audit English, and just on a point of clarification I believe you stated that there is going to be an internal audit function within all departments by the summer of this year?

[Mr. Shariff in the chair]

Mr. Dunn: There will be a cross-government internal audit function. There are certain elements of internal auditing that take place in the government today. HR and E has some compliance auditing.

We're looking at a more rigorous type of internal audit group that doesn't just look for adherence to policy, mindless agreement to policy, but actually will challenge ministers or deputy ministers or ministries around strategies and how did they formulate the policies, the goals, et cetera. That internal audit group we don't see as a large group; we see it as somewhere in the neighbourhood of a 15- to 20-person size organization. It does require significant resources by way of quality of people to go in there. You can't just put in young accounting staff. It will probably be made up of other than just merely accounting staff because I think they're going to be looking into program evaluation, this type of thing. That skill set is going to be difficult to acquire. Other provinces have it, but they are not always functioning in the context that we'd like to see them function in.

The government has accepted the recommendation, and public response was that they would expect to have it in by March 31, 2003. Having met with the Deputy Minister of Finance and the Deputy Minister of Executive Council – indeed, I'm working with them closely on this – the critical thing is identifying the head of that, the leader there. It's something where you're looking for someone who understands the public sector, who understands auditing, who has good business skills, good communication skills. It's a rare type of individual you'll find who can handle that and not be sucked right back up into the operations, because if you're excellent at all those things, people will want you in their department to run them. So we're at the point now of trying to identify a leader around that, and once we have identified the leader, we believe that significant resources will be able to be identified in the public sector.

In certain of the restructuring that is taking place, there will be some good people being identified there, and it'll provide an opportunity for holding onto those good people and then broadening their knowledge and their experience so they can then serve in that role for maybe a three- to four-year period and then move back into the public sector. So, Mr. Hutton, until we find the leader, that's going to be the most critical thing.

Mr. Hutton: Just a brief supplemental: I appreciate the Auditor General's comments, but if we are going to have this group, this

small group you've stated, where will this lie? There is one taxpayer, but where will this lie, in whose business plan? And what will be the cost?

Mr. Dunn: Indeed, that's one of the areas that we've addressed, that it must be seen optically to have a significant authority. We didn't want it within Executive Council because it would smack of being part of government, so structurally it appears right now that it will fall under the Deputy Minister of Finance. That's where we believe it'll appear, but operationally it'll report to the council of deputy ministers. So there'll be no deputy minister that will be able to say: not in my backyard, thank you. It'll report through to the council of deputy ministers. Right now there's a subcommittee of the council of deputy ministers, chaired by the Deputy Minister of Infrastructure, that is looking at this. It includes, I think, the Deputy Minister of Children's Services. There are three deputy ministers who are looking at that as to working out the terms of reference and how it will report to the council of deputy ministers.

The Deputy Chair: Okay. We have very little time. Ms Blakeman.

Ms Blakeman: Thank you. I'll probably have to put both of my questions on the record and ask if you wouldn't mind responding in writing. Essentially, they're around sort of investigation and auditing. The first question – and I've had a number of back-and-forth discussions with members of the Auditor General's staff previously, but I'm looking for you on the record with this – is around the requirements to produce audits from organizations receiving grant money from the government. Because I come from the nonprofit sector and I work with a number of organizations that have very small budgets, they get quite alarmed hearing occasionally either from members of the Assembly or from the Auditor General that there's an expectation of an audit being done in response to receiving funds, whether it's lottery funds or other government funds.

The second question is around investigation. That is, I'm interested to know what prompted the Auditor General to decide to add a forensic investigator to his staff.

So I've got both those questions on the record, and I'm sorry you don't have very much time to respond.

The Deputy Chair: I guess the response can be in writing, and we can forward the answers to the committee members.

Given the time we have, did you want to . . .

Mr. Dunn: I was just going to say that I will answer the second one very, very briefly. It was opportunity. It was a person that had worked in my group before. It was an opportunity to get a very significant and seasoned individual who had the whole background for that. Other Auditor Generals do have investigative groups. We've conducted forensic investigation; we just didn't have a great leader around forensic investigation. We see this as a great skill. Whether that individual and the team that he might develop remain in my office may be a question in my mind because it may eventually be moved over to this internal audit function when it comes out. It may go over to that, but at this moment he sits in my office, and we're developing that skill set. It was merely an opportunity that we were responding to at the time.

The Deputy Chair: I'd like to take this opportunity to thank Mr. Dunn and his staff for coming before the committee today.

Before we adjourn, there are just a couple of housekeeping reminders. One, we do have a schedule of the meetings that was circulated, and as per that schedule next week's meeting is with the

Minister of Learning, Dr. Lyle Oberg, March 5 in this committee room. If any members have any motions to bring forward next meeting, kindly forward them to Corinne so she can include them in the agenda for the next meeting.

Thank you very much. See you next Wednesday.

[The committee adjourned at 9:59 a.m.]