

Title: Wednesday, November 19, 2003 Public Accounts Committee

Date: 2003/11/19

[Mr. MacDonald in the chair]

The Chair: Hi, everyone. There may be some people a little late this morning because of the travel conditions, but on behalf of the Public Accounts Committee I would like to welcome Mr. Fred Dunn, the Auditor General for the province, here with his staff. We'll get to introductions in a minute.

The agenda that was circulated earlier, the revised agenda . . .

Mrs. Dacyshyn: I just delivered it now.

The Chair: Oh, I stand corrected. It was just delivered now. Perhaps we'll give the members time to have a look at it. Okay?

Item 5 I would like to bring to the attention of the members. Are there any questions at this time?

Ms DeLong: Hi. I do have to question why our travel is going up so high.

The Chair: We'll get to that as item 5.

Ms DeLong: Oh, sorry. Right. Yes.

The Chair: We did have some discussions about this yesterday, and I would be glad to explain it. Is that fair enough?

Ms DeLong: Certainly. Yes, that's right.

The Chair: Okay. Did I see someone approve the agenda?

Mr. Marz: Yes.

The Chair: Yes. Thank you very much.
Now, the approval of the minutes.

Ms Blakeman: I so move.

The Chair: Okay. Thank you, Ms Blakeman.

Item 4, of course, is the Auditor General's report for 2002-2003. Before we get to that, we'll start with Mr. Broda from Redwater with introductions this morning.

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

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

The Chair: Thank you.
Mr. Dunn.

Mr. Dunn: Okay. Thank you, Mr. Chairman. I'll introduce my colleagues, the assistant auditors general. On my immediate right, Jim Hug, whose responsibilities now include Health and Wellness; Revenue; ATB, Alberta Treasury Branches; and the WCB. Ken Hoffman is now responsible for Learning, and he continues to be responsible for Gaming. He also leads our cross-ministry audits and our value-for-money audits. Ronda White is a newly appointed AAG, on September 1, both Ronda and Doug. Ronda is now

responsible for ministries including Finance, Government Services, Seniors, and Environment. Doug Wylie is also a newly appointed AAG, September 1, and his portfolio now includes Children's Services, Energy, Infrastructure, and Transportation. Merwan Saher is responsible for the office's professional practice and the planning and production of our annual report. I'm going to expect that you've all got a copy of the annual report with you.

I'll make a few opening comments, and then my fellow AAGs will talk about a couple of the specific recommendations that they want to discuss with you. Because we have recently reassigned portfolios, the comments made by the AAGs today will be based upon their involvement with the ministries during 2002-2003 and not on their current responsibilities.

First, I want to thank the committee members for reviewing our annual report, that was released on October 14, 2003. As your independent auditors we'll summarize the information provided to you to assist you in holding the executive branch of government accountable for its use of public resources. But before that, I want to thank the members of the standing committee who took the time last May and June to meet with us to give us ideas on how our office can improve the reporting of our work. I am grateful for your valuable feedback. The structure and content of this annual report reflects your comments that you provided to us. For example, we have tried to give many more details and examples under each of our recommendations this year.

We serve the Legislative Assembly and the people of Alberta by identifying how the government can improve the way in which it tries to reach its goals. When we talk about systems and accountability, we're talking about the who and the how of policy. The why is your responsibility, and that's the business of the Legislature. Thus, the work of my office is to improve the cost effectiveness of government programs, not to recommend new programs. That is why many of our recommendations have to do with information to measure performance. The government should know whether its policies result in value for money, and the public and the MLAs should have the information necessary to assess the government's performance.

I'm going to ask Merwan to identify the key recommendations in this report and describe the status of the implementation of past recommendations. Then each of Ken, Jim, Ronda, and Doug will summarize some of those key recommendations, and I'll conclude with some final comments.

So, first of all, over to you, Merwan.

Mr. Saher: Thank you. With the following 14 key recommendations, we believe their implementation will significantly improve the use of public resources and the government's performance reporting. You will find the list at the top of page 4 of the annual report. For the record I'll just read them out. In serial order they are numbered 1, 2, 6, 16, 19, 20, 21, 23, 26, 28, 30, 32, 34, and 35.

Recommendations are key when their implementation will clearly improve the government's cost effectiveness. Recommendations 1, 19, and 23 are examples. Regarding recommendation 1, improving the governance of agencies, boards, and commissions could improve the cost effectiveness of government service delivery. Recommendations are key when their implementation will improve the safety and welfare of Albertans; for example, recommendations 6 and 28. Recommendation 2 is key because the government has to improve the completeness or quality of information provided to its stakeholders. Finally, recommendations are key when the government or its agencies are not progressing with reasonable speed in implementing them. Recommendations 34 and 35, relating to the

two largest universities, are examples.

Although we've noted 14 recommendations as key, that is not to say that the other 63 are unimportant. All are important enough to include in this report. Of the 77 recommendations, we have numbered the 41 recommendations that we consider need a formal response from government. Of the 41 numbered recommendations 28 are new. The other 13 repeat previous recommendations with unsatisfactory progress. By repeating these recommendations, we are asking the government to formally recommit to their implementation.

We regularly ask ourselves: is the government listening? Is the government making satisfactory progress in implementing our recommendations? From our side the answer today is yes. Over the last year the government has responded to our recommendations with renewed vigour. The number of recommendations we are repeating because of insufficient progress has decreased from 23 to 13. Issues more than three years old are reported at page 299 of the report. We now have 19 issues reported before the year 2000 that have not been fully implemented. However, progress is satisfactory for 16 of the issues. We use three years as a reasonable period during which to see satisfactory progress towards full implementation of our recommendations.

I'll now hand over to Jim.

8:40

Mr. Hug: Thanks, Merwan. The recommendation I want to draw the committee's attention to is recommendation 30 on page 205, which relates to Innovation and Science. Without an approved set of systems development criteria, ministries may develop flawed systems. In some cases the systems may even pose a security risk. The government will have unnecessary administrative overhead from using poorly designed and inadequately tested systems and will incur additional costs in the future to fix the systems on an ad hoc basis. Because of insufficient progress we again recommended "that the Ministry of Innovation and Science, with the cooperation of other ministries, implement a systems development methodology."

In the previous year we identified a redeveloped system with efficiencies that would have been identified and corrected with an appropriate development methodology. This year we identified deficiencies in a contract management administration system developed by the Ministry of Human Resources and Employment. The use of an appropriate systems development methodology would likely have prevented many of the problems that occurred.

I'll turn it over to Ken.

Mr. Hoffman: Thank you, Jim. I want to draw your attention to the tuition fee policy material and the related programs that we commented on in the annual report. One of the principles of the tuition fee policy is that financial needs should not be a barrier to participation in postsecondary education by qualified and motivated students. The student loan and scholarship programs, along with the grants that the Department of Learning provides to postsecondary institutions, contribute to the goal. The department has studied the participation in postsecondary education by high school graduates. However, since this study was completed, significantly higher tuition fees have been announced for certain postsecondary programs. To measure the effectiveness of these programs, the department should determine the income level at which financial need is a barrier and should measure participation rates for students eligible for college and technical institutions.

Also, the department needs to determine the impact of the changes in the tuition fees on the participation rate. We have therefore recommended that the Department of Learning periodically measure whether the tuition fee policy and its related programs are effective

in making postsecondary education affordable to the students. The government has a goal that advancing learning should be affordable, that financial needs should not be a barrier. Our job is to identify how the government can improve its systems, processes, information to accomplish this goal. We believe we have done that by reporting that the government can improve the way it measures affordability – that's recommendation 31 – and should measure the results of policies and programs to make education affordable – that's recommendation 32 – and should ensure compliance by postsecondary institutions with its tuition fee policies; that's recommendation 33.

With that, I'll turn it over to Ronda.

Ms White: Thank you. I'm going to brief you on the Alberta Corporate Service Centre, specifically its performance measures. We expect that performance measures and targets of an organization should be clearly defined and linked to its core businesses and goals. Unreliable performance information can lead to poor management decisions. The centre has not made satisfactory progress in improving its performance measurement systems, so in recommendation 20 on page 143 we have repeated our recommendation that the centre "clearly define its performance measures and improve its processes to track and report results."

This year we found the methodology for the centre's cost-savings measure was not clearly defined or used to determine results. Also, the centre did not report results for two of its key measures. The result for the measure "percentage of business processes reviewed and re-engineered" was not reported because it was difficult to define the measure and determine results.

Also, no results were reported for the measure "percentage of performance targets in service level agreements that are met" because again targets in the agreements were not clearly defined and there were no processes in place to track results.

I'll turn it over to Doug now.

Mr. Wylie: Mr. Chairman, I'm going to draw the committee's attention to two issues in the Health and Wellness portfolio. These issues relate to two of the recommendations that Merwan introduced in his opening remarks. Those are recommendations 21 and 23. The first issue is health authority performance agreements. This is the fifth year that we have recommended that the department of health ensure that performance agreements with regional health authorities are in place at the start of the period to which they apply. That's recommendation 21 on page 151.

Performance agreements were not signed when we finalized this annual report even though they are to cover the three-year period starting April 1, 2003. We note that if performance expectations have not been agreed to at the start of the period, accountability cannot work properly.

The second issue is provincewide services. These are highly specialized, complex, high-cost services that are provided mainly in Edmonton and Calgary, and they include, for example, heart and transplant surgeries. The Department of Health and Wellness and the provincewide services working group need to clarify the mandate of the working group and improve processes to achieve that mandate. That's recommendation 23 on page 154. Our findings for two associated recommendations on pages 156 and 157 illustrate the results of the lack of clarity in the mandate of the working group and the need to improve processes related to funding provincewide services.

I think I'll leave it at that for introductory comments. Fred, did you want to summarize?

Mr. Dunn: So in summary, then, in our audits what our staff says to government managers is: show us the policy and show us that you understand it; then show us the evidence that your programs are meeting the policy. Show us that you react to information, which may indicate a need for a change in a program, and show us the evidence that you execute government policy in a cost-effective manner. This is what we call our systems auditing, and its purpose is to find solutions for improving value for money. Our goal is to identify and deal with issues before they become problems.

Mr. Chairman and members of the committee, you'll have many questions for ministry representatives arising from your review of their annual reports for the government and ministries for the year ended March 31, 2003. I ask that your discussion with those representatives include inquiries about both the key recommendations that we briefed you on in these opening comments and the other recommendations in our 2003 annual report.

It's important that we will be listening to your questions to identify issues that are causing you concern. We want to be sure that we take into consideration your issues when we do our planning. For example, based upon my assessment of concerns that you have raised previously, we are in the early stages of planning an audit of the systems used to manage the housing and care of seniors in long-term care facilities. We think that's important, we think you have raised it, and that's what we'll be doing next year.

But now back to this year's annual report. So, Mr. Chairman, over to you and the committee members for questions.

The Chair: Thank you very much.

Ms Blakeman, followed by Mr. Shariff.

Ms Blakeman: Thank you. I have a question around the Department of Gaming, so I'm looking at pages 127, 128. This is actually referring back to recommendations, and you're saying – maybe you can confirm this – that Horse Racing Alberta has been successful in implementing past ones. What I'm looking at specifically is that the annual report for Horse Racing Alberta contains financial tables for their actual expenditures that are in a format that's not compatible with those that turn up in the Alberta racing industry review's estimated incremental expenses. So when I'm looking at this trying to figure out if the two things work together, they're different; the data is contained differently. So I'm still trying to figure out if they've actually accomplished what they set to do.

The wider issue that I have is the forgone revenue that's involved in these entire proceedings around Horse Racing Alberta in that they've approached the government for the ability to keep more of the revenue from the VLTs and slot machines in the racing entertainment centres than is the normal deal, and is that to the benefit of all Albertans? That is supposedly going to enhance purses in horse racing. With that forgone revenue that is not going into the larger lottery pot, that is being held by Horse Racing Alberta, are we getting value for money as Albertans?

Mr. Dunn: First of all, regarding the two reports that you are looking at and what you say is incompatible information – I'm not sure, Ken, if you ever looked at that at all – that's something we can look back at, Laurie. We can take that away and look at it later on, because I'm not familiar myself with the incompatible information. We'll look at that to see if there is some reason why they don't report similar information in a similar format. We'll look at that and report back to the committee.

However, regarding the gaming amounts that have been assigned to horse racing, that was certainly done with some background study regarding what their entitlement should be.

Ken, you have looked at racing matters in the past.

8:50

Mr. Hoffman: I think that when we looked at this originally, we started out by saying first that the way it was actually accounted for and processed was inconsistent with the Appropriations Act, so that was the root of our problem. Our concern was that the Legislative Assembly have the information. It now works that it flows through the lottery fund supply vote appropriations, so it's actually voted in the House what money goes out, and it flows, then, through the department and the general revenue fund supply votes as well. It's no longer hidden, if you like, in the retailer commissions line. To that end, I think the information is available for people to form the view: is that a reasonable amount? I know that I've seen in *Hansard* debates on whether or not that's appropriate at a policy level.

Are they getting value for money? I think that would be evident out of the performance reports within Gaming. I think that's what those reports have to show. Horse Racing Alberta I think tables its annual report in the House, too, so it should be evident there.

So I guess, as Fred said it initially, it's important to us that you have the information to make those kinds of judgments and ask the questions, and I think that's why we're satisfied that it's flowing. The information is starting to come, though I appreciate your other point on the incompatibility of the information. I don't think we concluded, quote, unquote, that it's an effective program. I don't know if we would do that even. We would look at the systems, and the systems are present that allow the Department of Gaming now to monitor and manage that relationship whereas it wasn't there before, and the agreements have been changed so there is more capability of doing that as well.

You know, it's a policy question as to whether it's effective or not is what I guess I'm saying at the end of the day. If it's a good program, it's a policy issue, I would argue.

Ms Blakeman: Yeah. I'm still looking for value for money.

But still on Gaming, there's a point that's raised. I guess it's under recommendation 17 around buying the gaming supplies from registered suppliers, and in the background to it, the findings on page 128, you go into at length one particular case. I'm wondering if the Auditor General can expand on this case. Is there more information that you have now that you didn't have before? You're talking under section 2 about a distributor supplying gaming terminals which is under police investigation in eastern Canada, which is a very enticing bit of information, and I'm looking to draw you out on this one. Are we actually in a position where we may have had dealings or did have dealings with, in fact, a distributor or supplier of gaming terminals that is under investigation? Can you expand on this?

Mr. Dunn: Do you want me to start off?

Mr. Hoffman: Go ahead.

Mr. Dunn: And you'll provide the details?

Mr. Hoffman: You can provide all the answers. [laughter]

Mr. Dunn: Well, first of all, this is an example of what we are trying to do in response to your request: give us more details behind the recommendations; give us some examples. So that's what we tried to do, and obviously we have to be rather brief within certain of those examples.

In number 2, what you looked at, we did involve the forensic specialist that we have in our office that we employed last year who has built up a team to look into background checks and actually

background checks of selected suppliers. In the work that he did, he came across a supplier of terminals which was under investigation in Atlantic Canada's lottery process, and what that supplier had been doing was providing cloned rather than original material. So you can think of the electronics within the components in a gaming machine, and, no different than a computer, you can have cloned versus original, and this supplier had gone into a practice or a program of supplying cloned information. The real concern, of course, is that you've got integrity in that machine. Does that machine operate as it's represented to do? As you know, the province owns all the equipment.

Ken, maybe you can pick up from what Ed had discovered in that background check.

Mr. Hoffman: Yeah. Had we dealt with this organization? Yes, the government has dealt with this organization. In fact, it's been a longtime supplier of gaming supplies. Some few years ago – not that many, actually; I can't remember whether it's two or three years ago – the AGLC adopted a more rigorous policy in terms of verifying their suppliers: background checks, that kind of thing. Its involvement with this supplier predated that. It never got through the process of verifying, going through background checks. It never successfully completed that for kind of obvious reasons, I guess. But AGLC continued to deal with them regardless, and that was our concern, that they should not deal with this organization. This isn't information that we discovered; it's information they had. So we thought that they shouldn't be dealing with this organization if they had information of this nature or that they should think very carefully about doing it, and that's the report.

The \$11 million is the evidence that they actually did buy stuff in this period, but they'd actually bought from them for a considerable period of time, predating their internal policies, in fact. As I understand it, they've stopped dealing with this organization now until they get through these troubles and whatever flows on. I don't know the state of play of that particular police investigation. I don't think charges have been laid. I think it's still under investigation I guess is what I'm saying.

That's more information. Is that helpful?

Ms Blakeman: Sure. I'll have more questions.

The Chair: Thank you.

Mr. Shariff, followed by Dr. Taft.

Mr. Shariff: Thank you very much to you and your staff for the wonderful work that you have been doing over the years.

My questions pertain to page 41, and I have three questions. I'll ask them in order. Well, the first question and two supplementaries is what I meant.

The first one pertains to, you know, this issue that has been coming up again and again about public bodies not being included in the financial statements. My understanding is that the Calgary health authority's budget is probably larger than the city of Calgary's budget. My question is this. I know that you have not looked into this and this is not part of the government financial statements, but are there any concerns about the current audit process or auditors that are looking into this? Is the information shared publicly? Are there any concerns about this particular issue that you have raised?

Mr. Dunn: Okay. Let me start off. I think you're at (a), the reporting entity?

Mr. Shariff: Yes.

Mr. Dunn: Indeed, as you're probably aware, we are the auditors of the regional health authorities of Calgary and Edmonton, and we're the auditors of six of the nine restructured regional health authorities. You mentioned the size of their budget. It's about \$1.8 billion. For each of CHA and CHR the spend is about \$1.8 billion.

Are we concerned about the integrity of the reporting within the Calgary health region? No, we're not concerned about that. However, when you put together the consolidated accounts of the government, clearly there are billions of dollars of assets and revenues and expenditures which are not within the government's accounts. That's why when we look at the reporting entity, the push that we've had is that you want to include all of those within the government's overall summarized financial statements. The point, Mr. Shariff, is that it's not that there is some accountability inaccuracy in there. It's the inclusion within the overall government's consolidated statements that we're looking for.

Mr. Shariff: So that leads me into the other two points pertaining to (b) and (c) on the same page. You have indicated that "17 ministries understate capital assets," and then later on under (c) there is an issue about liabilities. So I'm just wondering: what impact does this have on the big picture?

9:00

Mr. Dunn: Well, first of all, to address (b), the capital asset threshold, we've had concerns in the past that because you do not capitalize those amounts less than \$15,000 – those were expensed immediately – different departments and ministries could break apart capital purchases; by way of example, computers. A lot of times you can find the portable computers at under \$5,000 each, so they could buy a hundred of those and not capitalize them. We have recently worked out with Finance – and I'll ask Ronda to make sure that I'm correct here – a revised capitalization policy that we now will accept. We expect that capitalization policy to be applied next year, and hopefully that will then remove all of those recommendations.

Ronda, you've just been dealing with Finance in finalizing that.

Ms White: Sure, I'll just supplement. The policy is going forward to the Senior Financial Officers' Council for approval, so it's expected to be implemented on March 31, 2005, but that still has to go through their processes of approval.

The actual effect of not recording the capital assets on March 31, 2003, was \$120 million on the government's consolidated financial statements, just to answer that question.

Mr. Dunn: Now, can I just answer (c) also, if that's where you're going?

The Chair: Sure.

Mr. Dunn: We have also worked on the accruing of those liabilities, and we expect that those will also be addressed in the forthcoming year. A lot of those liabilities will also be reported on the government's accounts rather than the recording of a pay as you go for the actual total amount of the liability that they're committed to under the motor vehicle accident claims and the victims of crime fund. You can actually actuarially determine the total amount of the liability outstanding, and we expect that those will also be reported – that's our hope and our expectation – by the 2005 fiscal year-end.

Mr. Shariff: Thank you.

The Chair: Dr. Taft, followed by Mrs. Ady.

Dr. Taft: Thank you, Mr. Chairman. I'm looking at recommendation 21, which has a familiar sound to it. The failure of RHA budgets to correspond with the actual cycle of spending has bothered me for a long time. The fact that RHAs can be halfway into the fiscal year before they actually know what their budget is is a problem for everybody, including the people running the RHAs. I get approached about this directly from time to time, and you've identified that kind of issue in your report.

I'm trying to think in terms of solutions. It seems to me that one solution is the obvious one that used to be done, which is to approve the budget before you start spending the money, but I'm not making progress on getting that through. So I'm looking at other models, one of which is the school boards, which have a fiscal year that starts, I think, the 1st of September. The Legislature approves their budget in May, say, and then they've got a few months, and then the school board starts their fiscal year. What would your thoughts be on having the RHAs shift so that they had a fiscal year that started maybe the 1st of September so they actually could know what their approved budgets were before they started spending them?

Mr. Dunn: I don't think the problem lies within the fiscal year-end. Bluntly, that isn't the problem, that it's March 31. It's a two-way street. It's the willingness of the RHAs to agree to the budget recommendation and, of course, the ministry and department having to satisfy it with them. We thought the solution was there when they had the expectation there would be a three-year funding program in place. Clearly, you would get the first year in through your negotiation, and you'd have the next two years understood. It's turned out that the expectation that they would be able to enter into what they call these performance agreements – the model was out well before their year-end, Dr. Taft. The model was out to the RHAs for the year-end. However, the RHAs are using this process as a negotiating tool. They are back and forth to the ministry fairly frequently, especially the two large RHAs, to ensure that they understand fully all that they are committed to and all the types of funding that are in place. We understand from having attended both CHR and CHA meetings recently that these negotiations may be settled and solved by the end of December of this year. However, that's already nine months into the current year.

The solution, though, is that if they do get those performance agreements signed and agreed to by December, they've got the next two and a quarter years covered, and I don't think changing the fiscal year-end would've made any difference for them. They still would have had to go through that painful process of agreeing and negotiating, everybody understanding what it is. The hope is that with the three years covered off – albeit nine months is already gone – we'll have greater clarity for each of the RHAs for the next two and a quarter years, that period of time.

So we think the solution that was in place is the right solution. It was the problem of trying to get it effective by that time, and it was impossible for them to do it with the RHAs' agreements by April 1 of 2003.

Dr. Taft: Well, okay. I'm not sure that I'll agree with you there.

In looking at these three-year plans, I am wondering how they are going to effect accountability. We have enough trouble keeping some accountability on a year-to-year basis, so how will systems be adjusted to go from an annual cycle to a triennial cycle? A three-year cycle has appeal, but it also poses challenges for accountability. In a sense you're giving a longer leash to these organizations, and how do you keep them heeling?

Mr. Dunn: That's what these draft performance agreements were

intended to do. Each of the RHAs, therefore, was responsible for laying out their goals, expectations, targets, and performance measures in advance, and they were supposed to have some annual accountability against that expectation. It isn't that they're providing funds in advance, but they're providing the funding that they would expect to be receiving. So they're letting them know in advance how much they will be entitled to in the next years, but they are not paying. At least that's not our knowledge yet, but I'll look to Jim or Doug. We do not expect that they'll give them three years' worth of funding and then unfortunately spend it in advance, but they will leave them with clarity as to what they will be getting in the next couple of years. But there are accountability targets and performance requirements within those agreements that each of the RHAs must respond to annually.

So if you said, "Does it close the loop of accountability?" it's designed to close the loop. The RHAs must therefore report in a timely manner against those accountability targets.

Dr. Taft: Thanks.

The Chair: Thank you.

Mrs. Ady.

Mrs. Ady: Thank you. My question, I hope, is not too much of a wander. I'm looking at page 223 in Learning, where you make recommendations 31 and 32, which were mentioned earlier. In there you talk about financial need not being a barrier to learners participating in advanced education, and you reference this survey that was taken where we're seeing the numbers start to drop on whether Albertans feel that it's affordable.

But I'd like to focus my question, I guess, on page 225. You talk about how we have to create some accountability in these systems and be able to measure certain things. As I look at page 225, you talk about needing to know where that barrier is and needing systems that will show where it is or isn't. In particular, 80 percent, you're saying, of graduates under the \$40,000 a year level are going on to postsecondary, and then you say, you know, at \$70,000 or more, it's 83 percent. I'm wondering if your recommendation would be to create something to pick up whether that dissatisfaction is dropping in the middle category, what I'll call the severely average Albertan when it comes to income, above the \$40,000 but definitely not up to the \$70,000, and whether you're thinking that those kinds of measurements are necessary or how we can get a handle on this piece of accountability.

Mr. Dunn: First of all, I'll try to respond looking at it this way. We were not satisfied that the department had done sufficient study as to how they picked the \$40,000 and the \$70,000 in the first place. Why with \$40,000 is it appropriate to say that those ones would be students from poorer families? You don't know what the students' support might be from other family structure. And why are people when they have \$70,000 of family income sufficiently well off to be able to afford it? The department hadn't done sufficient study, in our minds, to defend each of those thresholds.

9:10

We weren't trying to get at: is there a median in here, some target around \$50,000 or \$60,000, that is not being addressed? We started out by challenging both of those amounts. But at the end of the day the department is not doing, in our opinion, a sufficient amount of work to come back and say what happened if a student says that their intention is to attend university, then does not attend university, just does something else, either doesn't go on to postsecondary education

or just drops out of the system. Why? Why was it? Was it just affordability that denied your going to university, or was it lack of access, that there are just not enough places in there, that there's just not enough room? What caused you to not go to the postsecondary institution that you thought you were going to?

Ken, have you got some more background from our staff?

Mr. Hoffman: Yeah. You started by talking about the performance measure that's in the ministry's annual report that dropped quite significantly year over year. Our concern with that is that that measure, the question they place with people, that satisfaction survey, is so general and broad and covers such a wide range of possibilities that it's difficult to relate it to anything. You then tied it to this one. It's very difficult to tie that information to this information because you're phoning a random sample of people and asking them. They're thinking in terms of both postsecondary and K to 12. They're thinking in terms of what they're paying in taxes versus what they're paying personally. So it's very difficult to penetrate: is that useful information? We're saying: "Well, look; take a look at that particular measure. Is it telling you whether or not that goal is being met, that overarching goal?" So that was a particular problem in itself. I don't know if you could tie it to this one or not. It's just so broad a question, and so many different things can influence a person's view on it. The most recent newspaper article could affect the answer to that question.

With respect to the \$70,000, Fred is right in terms of the numbers themselves. The other issue we had with that is that this survey only dealt with university access, but there are a lot more postsecondary institutes. There are NAITs and SAITs and colleges, Mount Royals, et cetera, and it didn't look at participation there. Fred is correct in the sense of: why aren't people going? Is it because they can't afford it, or is it because there isn't a seat available?

The other thing is that 80 and 83 percent are pretty high numbers. One could argue that that's maybe not a problem, if you like. Our concern is: what is it now? We've recently had announced significant fee increases at universities in certain faculties: engineering, et cetera. So how will that affect these numbers? That's what we're talking to the department about. Are the changes in the fee structures going to affect this? You've got some numbers you start with, but where's it going to go, and are you still going to be successful? So get some more baseline data and then measure later on to see if you're having a negative impact as a result of those fee increases. You've got to nail in on: is it because of cost that the person has chosen not to attend or some other reason? That's the difficulty.

Mrs. Ady: Okay. Thank you.

The Chair: Mr. Cao, followed by Dr. Taft.

Mr. Cao: Thank you very much, Mr. Chair. My throat is not very clear today, but I'll try my best.

It's great to see that the Auditor General has done such a great job in providing information for us to work with and make the government accountable. I thank you for that.

My question is regarding something that is not exactly per item recommendation here but in a general aspect. I see that the government has a lot of spending, a huge dollar amount. Sometimes some pressure, some political pressure, some economic factors have some increment in the spending of those dollars. I was wondering whether there is any mechanism to track that and make it accountable. I see that we look at the big dollars, the process in the report, but I still see, for example, the government saying, "Okay;

another \$60 million in education" or that amount recently. I'd like to see with what sort of auditing mechanism you can follow that and make sure it meets what it's stated to do; for example, reducing this or increasing the service and so on. That's my question regarding it.

Mr. Dunn: I believe you're asking: is there some mechanism to track or trace new moneys that have been announced that go into the program that they are identified to? That really comes through the government's accountability program. Of course, they do report to you through both the budgets, the final financial statements, the report, and all those performance measures. That is to show what is happening. We certainly, in looking at our auditing, make sure that the amounts that are reported to you in the final financial statements, the annual reports, are appropriate. In other words, how they've described the aggregate amount that went to whichever program is where the money went.

So, Mr. Cao, when they report to you that so many dollars, X dollars were spent on kindergarten, X dollars were spent on high school, or X dollars were spent at the university level, we do check that, indeed, that is right; in other words, that they don't commingle the money or report that so many millions were spent at university when really it went elsewhere. We do check or track that their reporting system is appropriate to describe it to you and that the financial information that you receive is accurate and reliable. So we do check that. Therefore, you can be comforted that you can rely on that.

Whether or not they've spent a sufficient amount or spent too much, that is back to your challenge, back to the ministry when they appear. Why did you spend that amount? Or why did you not spend more? Why did you select that priority of how you spent it? That's back to your challenge to them when they appear at this committee.

Mr. Cao: My supplemental question is regarding another thing that's looming or, in fact, is going right now: P3 projects and others. I was wondering what sort of auditing mechanism you have to adapt or change or track those things.

Mr. Dunn: Okay. You're starting to talk about the next year. I'll only be very, very brief here to say that that is on our radar screen. We have already started to work with Infrastructure and Finance on the accounting around the Calgary courthouse; it's been announced that it would be a P3. We're looking at the contracting process around that to make sure that it was appropriate the way they did it and that it was done as reported, that there were independent RFPs responded to, that type of thing. So we are actually auditing all that.

We'll also be looking at how it's reported financially. Is it reported as a purchase, or is it reported as a long-term liability? All of that we will be looking at and ensuring that the information that comes through the ministry that's impacted by the P3 and reported to you is, as I've said before, accurate and reliable, that that information is there. So, yes, we are looking at P3s. As they are being announced or involved, we'll be looking at each one of those.

Mr. Cao: Thank you.

The Chair: Thank you.

Dr. Taft, followed by Harvey Cenaiko.

Ms Blakeman: Because I have to leave for a photo, could I go in front of him? Would that be all right? Thank you. Sorry. I have a school photo that I'm going to have to nip out for, so thanks.

I'll direct your attention to pages 127 to 132. Again this is around Gaming. I'm looking at recommendation 18, the "process for timely

monitoring of licensed groups' use of gaming proceeds." Now, prior to getting elected, I worked in the nonprofit sector, and to our view there was a great deal of accountability that was required that was often very difficult. It was a difficult test to meet, with copious keeping of every cheque and photocopying of the front and back and submission of all that hoo-ha. Not that we're not all willing to do it, but what's the worry here? What's underlying this particular concern coming up now? The previous Auditor General and I had had a couple of go-rounds about the need for more accountability from the user groups, because there was a concern that some of them just take the money and then don't account for it. To my eye, I think most groups are overaccounting, so can you talk a bit about this recommendation, please?

9:20

Mr. Dunn: Okay. Well, maybe I'll just touch on it. First, I'd like to express an opinion. I don't think the commission is asking for excessive accountability. I want to be clear on that part. Certainly, having been a volunteer in my own private-sector life and having been responsible for filling out various forms in different jurisdictions that I've resided in, it's not an inappropriate request. If an organization looks to receive that funding, they should be able to produce the financial information. They should be able to have an accounting person on their volunteer group to be able to produce it. So I don't believe it's an excessive amount.

What did happen, though, and why this tabular type of information is there were some changes at the gaming commission as to how the information would flow, and it's a two-way flow of information. The gaming commission says: okay; you've got this grant. They send out basically a template to be completed. So they put certain information in themselves at the front end, who is getting the funding and the information they have on record, and then the template is completed by the volunteer organization and returned. There was some difficulty there around that system for a period of time, and the gaming commission itself got behind in sending out the information, so the volunteer organizations did not receive it in a timely manner to be able to return it. Now, what that has resulted in is that there is a very large backlog that has to be assessed.

Let me just be brief in my summary. We believe, though, that the gaming commission is right in asking for this information. When it does come back, it should be reviewed in a prompt manner and any issues or questions raised at that time sent back to the volunteer organization to respond to. Unfortunately, we're now in a backlog situation where this is not being completed in a timely manner.

Ms Blakeman: Okay. I agree with you that accountability is required here absolutely, and I'm not debating that, and you've clarified for me now that the bar is not set too high.

Can you comment at all on one of the persistent rumours I hear – and it makes me very unhappy to hear it – around the use of the gaming proceeds, that it's somehow being collected and used for activities outside of the country, which is totally outside of the rules? You seem to be touching on that in the discussion that you're having here when you talk about the criteria, that it should be ensuring that funding is used for the purposes intended. So can you talk to me about that? Has that kind of thing been investigated? Has there been anything put in place to find out? Why do we keep hearing these rumours?

Mr. Dunn: Well, I can't talk about the rumours per se, but indeed that's the accountability, and what we're going to continue to require and stress is that they have to have reporting back, and if there's any indication or uncertainty in that reporting back, then the commission

is responsible for following that up and clarifying those rumours if they feel that it's an inappropriate use of the moneys. It's not just, as you say, with different groups that might be taking the moneys offshore. It's "Did you do what you said that you were going to do for the community" versus just "Did you spend it all?"

Ken.

Mr. Hoffman: Yeah. Just two comments to supplement Fred's. First, I want to emphasize that this piece is about AGLC doing things on a timely basis. This isn't directed at them getting more or different information from the charitable organizations. They're just not processing things quickly enough and thus the backlog, so that's what this piece is about.

With respect to your other comment I would just supplement by adding that in recent years AGLC has stepped up their monitoring practices, and they do, I think, a better job now than they did several years ago. I used to file. I did the same thing before I did the auditing of this thing. I would file all sorts of bingo returns, et cetera, and now they actually have audit people go out and audit books and stuff. So they do a better job of following this up.

The Chair: Thank you.

Mr. Cenaiko, followed by Kevin Taft.

Mr. Cenaiko: Thank you very much, Mr. Chairman. The hon. Member for Edmonton-Centre brought up this point, I think, in her first question this morning, regarding concerns about contracting out to suppliers that may or may not have a criminal record. I wanted to ask the Auditor General if we do background checks on every supplier that supplies goods or services to AGLC and/or any other department, if those background checks are done on every supplier.

Mr. Dunn: Well, Ken, you can answer as to whether it's every supplier.

Mr. Hoffman: Well, in this particular case, their policy is that they've actually got a regulation that says, for example, that a casino can't buy gaming supplies from an unregistered casino gaming supplier. So when we looked at this system, we were interested in whether or not they were satisfying themselves that that was taking place, that that regulation was being complied with. We found that that was one of the recommendations, that they need to do a better job of that, that they themselves should do that.

AGLC itself does a lot of background checking. Does the government do background checking? I'm not familiar with them doing a lot of it. So if you're buying supplies from Staples, you know, you're not going to do background checks on Staples, but if you're buying sensitive material or entering into a long-term arrangement with an organization, then the government, I think, is a little more diligent in getting involved with that. But that would be a fairly recent phenomenon.

AGLC is probably the most diligent in terms of assessing whether or not the organization they're dealing with is a credible organization through background checks. As I say, they have a regulation, they have a rule that says that in order to supply gaming supplies in the province of Alberta, you have to be a registered gaming supplier, and they have a process involving background checks in order to issue that registration. This organization that we're talking about wasn't registered for that purpose. It didn't meet that test.

Did that answer your question?

Mr. Cenaiko: No, no. It answered half the question, but what about the Ministry of Transportation?

Mr. Hoffman: I'm having trouble answering off the top of my head. I don't have that information, I guess. My impression is that they do some of it but not as much. I can't answer that. I don't have the information, to be honest with you.

Mr. Dunn: What we have looked at in the last couple of years is we've concentrated on the contracting process, but clearly we haven't looked at every supplier. We've looked at major contracts: has the contracting process been appropriate, and have appropriate conflicts of interest been addressed, that type of thing? So with major contracts in Infrastructure and Transportation we looked at that contracting process, Mr. Cenaiko, last year, and we had reports around that. We were pleased that both Infrastructure and Transportation did address our recommendations on the contracting process, but we did not cover every supplier to those ministries. It was just the major ones that they deal with.

Mr. Cenaiko: Thank you. My supplemental question would be continuing on this. My concern is that the Member for Edmonton-Centre is implying that either the government isn't doing their job or the Auditor General's office isn't doing their job in conducting background checks on all suppliers, meanwhile singling out a supplier from Ontario regarding the AGLC.

Mr. Dunn: If you're thinking about the supplier – we talked about this \$11 million in part 2 – as Mr. Hoffman had mentioned earlier, we had done some work ourselves, but in the course of having our people out there, they became aware that there was information on file at the ministry that this supplier was having a concern with the law enforcement groups in Atlantic Canada. So that information was on file at the ministry's office, and as you've heard before, they do have a requirement that there should be a background check and that it should be satisfactorily cleared. It turned out that this one was an older supplier who ran afoul of the law in one jurisdiction, and somebody had not followed up on this information that they had already received and said at that time: let's cease and desist in dealing with this supplier.

Mr. Cenaiko: And did they?

Mr. Dunn: They eventually did.

9:30

The Chair: Thank you.

Dr. Taft, followed by Mr. Broda.

Dr. Taft: Thanks, Mr. Chairman. There are several recommendations crossing ministries that talk about concerns with contract management, which is a bit of a theme this morning, with Health and Wellness, Infrastructure, Community Development, SRD, Children's Services among them. So there's a pattern that crosses departments which I think makes it appropriate for this particular meeting. As we move to a government, as Mr. Cao pointed out, where there's perhaps more contracting out and P3s and so on, these issues become bigger. It gets me to wondering whether we need as a Legislature to look at taking legislative steps such as specific contracting legislation or conflict of interest legislation or something of that nature or perhaps changes to the Public Service Act or some other legislation to put a stronger framework across government in place to help ensure that contracting out is properly done. I'm looking for discussion here on that idea.

Mr. Dunn: Okay. Well, as I've mentioned, we have looked at the

contracting processes in many ministries over the last couple of years because that's one of the biggest issues with the government. The government buys a lot of things, so we believe that it's very important that there be a good contracting system in place. You heard earlier that they are trying to develop a technology around a contract administration management system, and that's the one that we were concerned about, that there wasn't a good methodology around that contract management system and developing the software. So the government is conscious of this. The bureaucracy is conscious of this.

First of all, they do have a code of conduct, and that code of conduct is fairly rigorous and has been in place for a period of time. Each of the departments is, I think, stepping up their consciousness in ensuring that they comply with that code of conduct, and of course we're making sure that they seek confirmation around complying with that code of conduct. So they have checked conflicts of interest, and they have evidence that they have checked conflicts of interest.

Ken, I'm not sure if you have any other comments around Transportation and Infrastructure. We really spent a fair amount of time the preceding year around that whole area of contracting.

Mr. Hoffman: Yeah. Just to supplement with two bits of information, I guess. Several years ago in the cross-government section we wrote a fairly substantial piece on contract management in the government of Alberta, and the response to that was to establish a contract management framework that was put in place by the government. So that's one of the things we test, to see if that framework's being followed within ministries.

The thing that I think we've found – well, in terms of Transportation last year they had a pretty sound contract management system with the exception of that conflict of interest. That's a relatively new area that we've been looking at, and we're finding that that's deficient. We found that in Infrastructure as well. We were concerned in Children's Services. The work we did this year in Infrastructure was slightly different in that it wasn't the contract management within Infrastructure. We went one step further, and we said: let's get information on how the money is being spent by school boards, for example, the contract management at the second level down. That's where we found some of the challenges, and that's what we're talking to Infrastructure about, whether or not they need to sort through the policy direction they give to their funded agencies to see how they manage contracts. So that's the difference this year over last year's Infrastructure point, which really looked at Infrastructure's contract management. But I think it's generally a very challenging area for any department. Children's Services didn't address our recommendation. Year over year that's one of the outstanding ones.

Dr. Taft: Okay. Well, I'm asking this as a legislator, and looking at the legislative framework, I'm wondering if it's adequate. I think there is a code of conduct, but my memory serves me that chunks of it – I think it's under the Public Service Act – don't apply, for example, to RHAs, certainly wouldn't apply to school boards or many other funded agencies, yet those are where many of the concerns are. So do we need to adjust the legislative framework – for example, extending the code of conduct to RHAs, which after all spend 30 percent or something of the provincial budget – or do you have the tools?

Mr. Dunn: Well, we look at that when we're in doing contracts. As I said, we audit most of the PSIs and the RHAs ourselves. So we look at that same mechanism, or the framework. Does it cascade

down into doing that?

I'm not sure if I'm in a position to be able to answer whether there should be an overall legislative framework. We look to see if those criteria or attributes are there at each of the contracted-in levels that we deal with. We've been applying more rigour in our testing, and as I said, over the years it's got to where we're making sure that they do have a good identification of who they deal with and why, that they do check for backgrounds if it's appropriate and that type of thing, that things are generally put out for tender and are not sole-sourced, and that they do have evidence that they've checked on conflicts of interest. I'm not certain I'm in a position to say if there should be one piece of legislation that covers everybody. I'm not sure if I'm in a position to be able to answer that.

Dr. Taft: I'm just looking for thoughts and discussion.

Mr. Dunn: Generally, we try to take that criteria that we've got in our model that we want to see demonstrated to each and every audit that we deal with and make sure that those attributes are there at each one. Whether it happens to be at the RHA level or the university level or at the government or ministry level, we take the same criteria and test it against them.

The Chair: Thank you.

Mr. Broda.

Mr. Broda: Thank you, Chair. Mr. Dunn, thanks very much for your presentation of your audit report.

I'd like to follow up where Cindy left off or questioned in regards to tuition fees and affordability to students, the stats that say that under \$30,000 or thereabouts 80 percent attend postsecondary and 83 percent in the \$70,000 or better range. We're looking on pages 224, 225. It seems to come back all the time, the affordability part. I heard comments made: is it because we have a lack of seats? Is it because of fee increases? My question is: are the students deferring going to postsecondary longer because of job availabilities today, where they may be going out to earn some dollars and then going at a later age in life? So I don't know what age group they looked at to see who is entering postsecondary, but if you look at the availability of jobs today, I know my own children have gone to university, gone out to work, and gone back to university again to pick up a bigger degree.

I think it's a fallacy when we say it's affordability. What are the expectations? I think there are too many expectations by individuals that government should provide everything. Let me give you an example. One of my family members applied to university in Edmonton in medicine, did not get accepted, but got accepted in the U.S. at \$42,000 a year U.S. That's tuition only. Now, tell me what she would have done. She didn't go because it was not affordable. Here we talk about how at \$10,000 or \$12,000 a year the affordability question comes into place. So when we look at these recommendations coming in that "Oh, we'd better check this out," I'd like to know better than just making – you know, I'm not saying that you're wrong or the department is wrong. I think there's a bigger question in place.

Mr. Dunn: Can I start off by saying, first of all, that that's an excellent question. Secondly, the department should be in a position to answer it. That's the whole point of our recommendation here. That's an excellent question and that's what we hear constantly, and the department should be able to answer that for you when they're here. What is it? Is it a fact that it's going on because there's this increase within law and medicine? Is it going to end up resulting in

Edmonton- or Alberta-based students not being able to attend? One thing I can say in looking at each of the universities and the colleges is that they're all full. There are no available spaces sitting out there. In other words, they are full and they're basically bursting at the seams. That's the theme that I hear from all the college presidents and all the university presidents: we're not sure we can handle any more. But when you come back to affordability, that's the question we want answered, and that's exactly why we've made this recommendation to the department, so they can answer that question when they appear in front of you.

9:40

Mr. Broda: Okay. A further supplementary to that. When we talk about bursting at the seams, would that indicate that our tuition fees are low enough that it attracts people from other parts of the world and the country because other areas are more expensive? That's another question that should be addressed, I think.

Mr. Dunn: A tough question for me to answer, again because I don't have all the data in the back of my head, but I believe that the ministry should be able to answer that. We are aware that we are going into more distance learning, certainly Athabasca, and we were just up at NorQuest College the other day. I am surprised at the amount that Athabasca University has – I believe they are now approaching 50 percent of their students – outside the jurisdiction of Alberta. I believe they're now approaching that, and the last stat I did hear – I hope I'm quoting it right – is that over 30 percent are from Ontario. That's the distance learning. NorQuest College also has many. As you know, they deal with the ones who would not have gone through an initial postsecondary education. They're much like you've described, people who've gone into other walks of life and then have come back, and the average age of their students is 33. They have many people who are a distance learning type of people. They are also now starting to take individuals from other jurisdictions. So is it affordable? To that test, people are applying from other jurisdictions to come to Alberta for education.

Mr. Broda: Okay. Thank you.

The Chair: Thank you.

And to all members, please, could we show some more respect to the Auditor General and his staff. There are several conversations breaking out here. There is a room out here that's been made at the taxpayers' expense at over a hundred thousand dollars. There's coffee, there are refreshments, a nice lounge, furniture. If we have to chat with one another, could we do it out there, please.

Now Mr. Mason.

Mr. Mason: Thank you, Mr. Chair. My questions have to do with the royalty reduction program, and I guess the concern – and it's well identified within your report – is that the department cannot assess whether program objectives are being met and if royalties need to be adjusted. So the question is: given that the government has reduced royalties in one particular program by \$359 million, what steps has the government indicated that it's going to take in order to provide the information necessary to justify these types of royalty reduction programs?

Mr. Dunn: So the recommendations you're looking at are on pages 95, 96, 97, where we talked at length about a number of the programs there.

Mr. Mason: That's correct.

Mr. Dunn: And the thrust of our recommendations is the point of your question: do you know the objectives? Some of these programs go back as early as the '70s, but many go into the '80s and '90s. The objective at one time might have been defined to promote a certain activity you wanted from the private sector. Certainly the economics have changed. The pricing of natural gas and oil has changed quite dramatically over this 20-, 25-year period. Have you redefined your objectives? Are you looking at today's economics against those objectives? That's where we were concerned that we didn't get the response, that they have updated the objectives into today's economics, today's rate of return. Do you still require those types of royalties to incite the activity that you believe is taking place? We're looking for the measurements around that.

Mr. Hug: To answer your question, you would start off by asking: what was the government's response? We have not yet got the government's response to our recommendations. We can respond in terms of comments that we have received from Energy management, but that's as far as we can go.

Mr. Dunn: Just for clarification you know that the government does formally respond to all our numbered recommendations. Last year we received it through the chair on January 15, so we would expect that that would be about the time we should be receiving it this year too.

Mr. Mason: Well, then I guess I can follow up when we have a chance to interview the Energy minister.

Mr. Dunn: Right.

Mr. Mason: Okay. Thank you.
Thank you, Mr. Chairman.

The Chair: Thank you very much.
Mr. Shariff, please.

Mr. Shariff: Sorry. I had a question. The question I had pertained to the Ministry of Community Development, and it pertained to the contracting of park space.

Mr. Dunn: That would be around about page 80.

Mr. Shariff: I'm trying to look for the page. Yeah. Page 81.
In your findings you indicate that the ministry could not provide you with evidence that it conducted site inspections, that it always reimbursed repair upgrade costs in accordance with the agreements. So I'm just trying to get an understanding. They would pay the contractors for work that was expected under the contract, but nobody would go there to verify that that was actually done.

Mr. Dunn: That's right. They weren't making the site visits sufficiently, in our opinion, to ensure that the capital improvements that supposedly had been made had actually been done. The bottom line is: the contracting out of the provincial parks goes back to 1987, I think it was, when we did the actual contracting out, and there hasn't really been a current assessment of that objective. Did you actually achieve what you wanted to do? We are very concerned that there is evidence coming to us that the maintenance of those parks from the capital structure is just being done inappropriately. So although they may be administered operationally, meeting some satisfaction level by attending, you're really looming into a very large deferred maintenance problem within those provincial parks.

Mr. Shariff: As a taxpayer I'm quite concerned to hear about this, so my supplementary question is this: to what tune in terms of dollar value are we talking about, and is this prevalent through this ministry, or does it occur in other ministries as well?

Mr. Dunn: Well, this ministry on the contracting out of all those parks, as I say, goes back to '87. I believe that at the top of page 81 we are looking at a growing deferred maintenance. In the information that we found at the ministry, it was talking about approximately \$40 million for the next five years. So we're talking an aggregate of about \$200 million to try to bring the parks up to standard.

Now, is it happening in other ministries? Yes. There is a deferred maintenance concern with all the infrastructure. As you know, the Department of Infrastructure has now undertaken an assessment around capital programs, and that capital program assessment does include deferred maintenance assessments.

Ken, you've looked at it fairly recently. They're now tabulating the deferred maintenance. They've asked all the various agencies out there to respond to them: what are their deferred maintenance needs? They're trying to prioritize it and aggregate it and instruct to address all that. Do you have an idea of what the total dollar amount was on their last aggregation of that?

Mr. Hoffman: No. Not off the top of my head. It's a very, very significant number. When you look at the various sectors, there are the capital structures in the postsecondaries and the K to 12, the school board sector. Transportation has a significant deferred maintenance number, and so do the hospitals. You look at all that, and some numbers are quoted in the billions of dollars. It can be very high.

The real challenge with the deferred maintenance is what is really deferred maintenance and what is just, you know, we didn't paint the wall this year and we should have, type of problem. So they're trying to define what deferred maintenance is and then come up with a number. I hesitate to quote – apart from the fact that I can't remember – because it depends where that number is coming from and the purpose of putting it together as to how good the number is. I don't think there's a good number out there right now, but it is a very significant number. When it finally comes together, it will be a big, big number.

Mr. Shariff: I look forward to your report at some stage.
Thank you.

The Chair: Thank you.
In the time permitting, Dr. Taft.

Dr. Taft: Thanks, I'll try to keep it brief. I'm on page 232, the recommendation addressing Learning and the accumulation of \$65 million in the school foundation fund. Presumably that \$65 million accumulated over more than one year, so my question is pretty simple. I don't believe that was flagged in previous years. As a concern, is there a reason for that?

9:50

Mr. Dunn: It did have a rapid accumulation in there. I forget exactly when they started to put this aside. I think it was in '97, I believe, that they started, and it started out at approximately an amount of \$10 million. The information is available from the ministry. They certainly have it, and actually it's been reported in the media where they show a graph of how it's been built up, so they've responded to media queries.

Why wasn't it flagged in prior years? We have been challenging them in prior years to come to what the threshold is that you're going to need. So we had challenged them in prior years to come to a threshold. The previous year I believe it was sitting somewhere in the neighbourhood of about \$40 million or so, and I'm going from some sort of recollection, but it did rapidly start to increase in the last year, and we said: this is enough; it's just too much. I think it's been responded to already through the media from the department. They believe a cushion of \$30 million to \$35 million is necessary.

Dr. Taft: Right. Yes.

Mr. Dunn: We heard that after the fact that we reported it because we said: we want to know what the cushion is, and what are you going to do with the difference? They were somewhat above \$30 million to \$35 million the preceding year, but they weren't significantly above it. Clearly, at \$65 million they were a way up.

Also, just to mention it, on page 230 something that people haven't picked up within the media when we've talked about all that. We have it in the little sidebar comments, and some of you have mentioned to us in the focus groups that you look down the sidebar comments. When you look at the bottom of page 230 in the Auditor's report, we have this little cryptic comment: "Adverse opinion." That's the worst an auditor can say. That's the absolute worst that I could ever say: adverse opinion. Remember, we do provide a glossary of terms back here. Look at "Adverse auditor's opinion" under the glossary, which is on page 335: "Adverse auditor's opinion . . . that financial statements are not presented fairly and are not reliable."

In addition to the \$65 million on the top of page 231 there's another \$35 million, and it was clearly identified that that \$35 million was in excess on those student loan remissions. There was no doubt, no question on that, because the time had lapsed. There was a clear break there. That \$35 million was not required.

So that's okay? Thank you.

The Chair: That's all the time, unfortunately, we have permitted today. On behalf of the committee I would like to thank the Auditor General and his staff and remind them that we have a meeting next Wednesday again, November 26. This time it will be with the hon. Minister of Human Resources and Employment.

You are free to leave, if you wish. We have an item that is probably not of interest, item 5 on the agenda, our budget for the year. You're welcome to stay if you wish.

Mr. Dunn: Thank you. I'm now over to the U of A and its audit committee.

Thank you very much.

The Chair: Now, item 5 on the agenda. There was a question at the start of the meeting in regard to why the budget should be increased this year. It is a tradition that the public accounts committees from across the country meet annually. It's in the western part of the country one year, and the next year it is in the eastern part of the country. So there is a significant swing, or an increase and a decrease, in the budget as it was explained to me.

I asked about this yesterday, and this is the response to the question earlier from the Member for Calgary-Bow. Does that answer your question?

Ms DeLong: Yes. I do notice that it looks like we're going to come in about \$3,000 under for this year, which I guess makes up for next year.

The Chair: Okay.

Ms DeLong: I guess we're going to Fredericton next year.

The Chair: Well, there have been discussions in the past about having a budget for this committee to meet outside session and have research time and stuff, but that has never occurred. So as we look at this this morning, be advised that this year the committee is in a position to approve its 2004-05 budget estimate before it is submitted to the Special Standing Committee on Members' Services.

Now, we need to be aware that this is a status quo budget with the addition of the \$3,000 in travel expenses due to the change in venue for next year's Canadian Council on Public Accounts, which, as has been stated earlier, is in Fredericton, New Brunswick.

Mr. Shariff: I move that

the 2004-2005 budget estimate for the Standing Committee on Public Accounts in the amount of \$20,000 be approved as circulated.

Mr. Cenaiko: Second.

The Chair: Okay. Thank you very much. Seeing no concerns or no questions, that's fine.

Now Dr. Taft; I'm sorry.

Dr. Taft: I'm wondering now that we've had that vote if it would be possible for perhaps Corinne or somebody else to collect the information from the other provinces on the size of their public accounts budgets. I have no clue how we compare to anybody else in the country, and just to give us a sense of where we stand. Would that be possible?

Mrs. Dacyshyn: Yes, it is possible, and I can look after that. I don't know either.

Dr. Taft: Thank you.

The Chair: That's a good suggestion. Thank you.

Now I would like to remind all members of the meeting again next Wednesday, November 26, with the Minister of Human Resources and Employment at 8:30 a.m.

Mr. Broda: Move to adjourn.

The Chair: Thank you, Mr. Broda.

[The committee adjourned at 9:57 a.m.]

