

Standing Committee on Alberta Heritage Savings Trust Fund Act

Tuesday, August 24, 1982

Chairman: Dr. Reid

2:05 p.m.

MR. CHAIRMAN: Good afternoon ladies and gentlemen. I think we will reconvene the committee, having adjourned about half an hour ago down at the Treasury Department. This afternoon we have the Auditor General back here, partially in response to some documents given to him by the Member for Calgary Buffalo and for any other questions members may have subsequent to the discussion of that document. I've nothing more to say, Mr. Auditor General. If you have any preliminary remarks, could you go into those after introducing for the record the two gentlemen with you?

MR. ROGERS: Yes, Mr. Chairman. Just for the record, I would like to introduce the two gentlemen with me. On my right is Mr. Don Salmon, Assistant Auditor General, and on my left is David Birkby, the principal in the office mainly responsible for the audit of the Heritage Savings Trust Fund.

MR. SINDLINGER: Mr. Chairman, I'd like to announce that you don't have a quorum [inaudible].

MR. CHAIRMAN: We did have a quorum when you walked out of the room, Mr. Sindlinger.

2:11 p.m.

MR. CHAIRMAN: Now that we have a reliable quorum here, we will continue with the meeting, which was temporarily adjourned. Mr. Auditor General, if you could proceed with your remarks.

MR. ROGERS: Mr. Chairman, one matter came up last week, and I was unable to put my hand immediately on the place in the Auditor General's report where the disposition of both the item on deemed assets and the item on estimates for capital projects was mentioned. Consequently, I thought it might be helpful to committee members if extracts were taken of all matters that have appeared in the annual reports of 1978-79, '79-80, and '80-81, and were brought together with the responses from the Provincial Treasurer. I would now like to go through page 1, which deals with Recommendation No. 8 that appeared in the '78-79 report. Page 2 deals with Recommendation No. 31 of that report. As you notice, in effect they both talk about the same thing except they were in different parts of the report.

The response is on page 3, and is:

This recommendation deals with a question of public policy which has been established by statute.

The Alberta Heritage Savings Trust Fund Act section 6(5)(a) requires that these expenditures be recorded as "deemed assets".

In the next report, '79-80, having drawn the matter to the attention of the Legislative Assembly and the fact that it was a provision of a statute of Alberta, I discontinued further comment on that matter, because it's well established that a statute overrides generally accepted accounting principles whenever there's a conflict between the two.

On the matter of estimates for capital projects, the first time I made a recommendation was in the report of '79-80. That was Recommendation No. 34, appearing on page 5 of the handout. The response from the Provincial Treasurer to that is on page 6. The answer is:

It would be contrary to the traditions and customs of the Legislature to include all this information in the printed Estimates of Expenditure; however, during Committee of Supply review such information can be elicited from the Minister responsible by means of questions.

Mr. Chairman, in my report of March 31, 1981, I felt that rather than discontinue it, I should give more rationale for the need for such information, and therefore acknowledge that the Provincial Treasurer's response accurately describes the current situation. I believe benefits are to be gained from the timely publication of appropriate information on capital projects. This particularly applies when we have inflation and so on and so forth. Therefore, I repeated the recommendation, somewhat differently worded but incorporating more factors, in Recommendation No. 35 of the March 31, 1981, report. I anticipate that a response to that will come from the Provincial Treasurer in the first meeting of the Public Accounts Committee in the fall session.

Page 9 of the handout -- we talked about this two weeks ago -- shows that the special report opinion and the recommendations contained in the special report have been brought forward to the annual general report tabled in the House in March this year. It is anticipated that the formal reply to these recommendations will also be presented to the first meeting of the Public Accounts Committee when it meets in the fall.

Mr. Chairman, that concludes that particular subject.

At the conclusion of the last meeting, I received a list of questions. I would like to make a few comments before distributing the answers to those questions, if I may. I would like to deal with three questions which indicated that there were anomalies or discrepancies in various sets of audited financial statements and annual reports. The first dealt with the Consolidated Cash Investment Trust Fund and its relationship to the Heritage Savings Trust Fund. The question was:

" . . . The 1980/81 Annual Report of the AHSTF lists the balance deposited with the CCITF as \$42,857,000. The Annual Report of the Treasury Department for 1980/81 lists the amount deposited by the AHSTF as \$48,710,419. This is a difference of \$5,853,419."

The answer is that the \$48,710,419 as disclosed in the 1980-81 Public Accounts, Volume 1, page 8.47, represents the amount held in the Consolidated Cash Investment Trust Fund account as of the close of business on March 31, 1981. The \$42,857,000 represents the amount shown by the Alberta Heritage Savings Trust Fund general ledger as of this date. The important thing is that both amounts are correct. The difference between them represents cheques sent out and recorded as disbursed in the Alberta Heritage Savings Trust Fund general ledger at the year end, which had not been banked by the recipient and therefore had not been charged to the Consolidated Cash Investment Trust account at the year end.

I think we've all experienced this situation, where you draw cheques on the last day of a month, for instance, and if you look at what your records show the balance in your bank account to be, of course it is less than if you went to the bank and asked what the balance of your account is. It is exactly that difference. In effect, the CCITF stands in relation to the Alberta Heritage Savings Trust Fund as its bank account. Consequently, to the extent there were outstanding transfers to the chequing account, there is obviously going to be a difference between the amount shown on one set of records and the amount shown on the other set of records. There is no discrepancy if that is taken into account.

With respect to the question on the Alberta Government Telephones Commission:

"The Annual Report of the AHSTF lists the total investment of the Alberta Investment Division in AGT as \$1,267,922,000. The Annual Report of AGT lists the total investment of the AHSTF as \$1,460,000,000. This is a difference of \$192,078,000."

Mr. Chairman, the answer to that one is that the two reports mentioned have been prepared with respect to different year-end dates. The AGT figure quoted is at December 31, 1981, whereas the Heritage Savings Trust Fund figure is at March 31, 1981, nine months earlier. As there is this nine-month difference, the comparison is invalid. Therefore there was no further comment on the questions of that section.

There's a further question on the Alberta Housing Corporation, and it is:

". . . the AHSTF recorded the purchase of a debenture from the AHC, at 14.2% interest, for \$26 million, due March 4, 2011. The AHC merely recorded at 14.2%, \$26 million advanced from the Province of Alberta."

In this case, both forms of presentation are correct and accurately reflect the substance of the transaction. For financial statement presentation purposes, Heritage Savings Trust Fund records all drawdowns on debentures as debentures. From their point of view, it is money loaned on the basis of a debenture, whereas the Alberta Housing Corporation records such drawdowns as long-term debt advances until the total amount of the debenture has been received. Because to them, a remaining balance is still to be drawn down on a debenture that is signed but they have not received all the money.

So this is a case where the drawdowns straddle the end of a year. The debenture was issued on February 27, 1981, for \$30 million, with \$26 million paid prior to March 31, 1981, and \$4 million on April 24, 1981.

I answered these questions first, Mr. Chairman, because they were talking about discrepancies, and therefore were quite different in nature from the remaining questions. I would now like to talk a little about the responsibility of the Auditor General with regard to answering questions of this nature. Normally when appearing before the Select Standing Committee on Public Accounts, which, as you perhaps are aware, I've been doing since 1978 and prior to that as Provincial Auditor from '73, I've been required to answer questions dealing strictly with the annual report of the Auditor General. But as I'm present at all meetings, I monitor the answers of witnesses. In the event that a misleading statement is made to the committee, I would feel responsible for correcting that information. However, this is sort of the first time since the Auditor General Act came into effect that we've had to examine what our situation is and the responsibility in disclosing information which has been made accessible to me by virtue of the office I occupy.

I would like to read the following from my responses, which I will be circulating in a few moments. This has to do with the answering of many of the questions.

The rules of professional conduct dictate that an auditor has a duty of confidence in respect of the affairs of those he audits and shall not disclose, without proper cause, any information obtained in the course of his duties. The applicability of this rule to the Auditor General is confirmed by section 15 of the Auditor General Act. This section states that although the Auditor General has access to most government records and information, he holds that information under the same disclosure restrictions that pertained to the person from whom it was received. This complies with the widely held view that a legislative auditor must not be used as a means of obtaining information from the government that would otherwise be unavailable. Hence, the information the Auditor General may make public is restricted to information that has already been made public and to matters disclosed by him pursuant to sections 17, 18, and 19 of the Auditor General Act.

For these reasons, it is both professionally and legislatively inappropriate for the Auditor General to answer certain of the questions asked.

Mr. Chairman, it is obvious that I must operate in accordance with the mandate provided to me by this Legislative Assembly. It tells me that I have access to all records of a department for any purpose related to the exercise or performance of powers and duties under the Auditor General Act. However, it also tells me that if the employee from whom I receive the information was by law required to keep the information confidential, then I am also bound by law to maintain the same confidentiality, unless the information was pertinent to my reporting responsibilities under sections 17, 18, and 19 of the Auditor General Act. At that point, if any matter is reportable under those sections then there is no problem with disclosure, because the Legislative Assembly has said, in effect, we want to hear that.

Most information to which I am privy is privileged in this way due to the provisions of Section 20(1) of the Public Service Act which requires every employee to subscribe to an oath that such employee

will not, without due authorization, disclose or make known any matter or thing which comes to [his or her] knowledge by reason of . . . employment in the public service.

Section 20(2) of the Public Service Act states that an employee who violates the oath of office is guilty of an offence and liable to a fine of not more than \$500.

Mr. Chairman, the Legislative Assembly has been very clear in stating that I'm not at liberty to disclose information which is not reportable under the provisions of the Auditor General Act. The numerous questions which I found I was unable to answer because of the law of the land should, in my opinion, be asked of management, specifically of the Provincial Treasurer. Many of these questions dealt with either policy or the system of internal control. By definition, the system of internal control is the plan of organization and all the co-ordinated methods and measures adopted by management to safeguard assets, ensure the accuracy and reliability of accounting data, promote operational efficiency, and maintain adherence to prescribed policies.

Consequently, Mr. Chairman, I feel that that category of question should be asked of management, specifically of the Provincial Treasurer.

I would now like to comment on another category of questions to which I have commented in my response. It's this:

In addition, some questions seek to ascertain the nature and extent of audit procedures employed during annual audits and in preparing the Special Report. Beyond stating that annual audits were performed in accordance with generally accepted auditing standards, the Auditor General reserves the right to confidentiality in this regard. Furthermore, most of this information is contained in Audit Office working papers, and therefore to disclose it would be contrary to the spirit of section 27 of the Auditor General Act which states that working papers shall not be tabled in the Legislative Assembly or before a Committee of the Legislative Assembly.

In this connection, I would also like to comment on Question 110, which is related to the matter I've just discussed. Question 110 asks: "Is the Auditor General currently audited by an outside auditor?" I wasn't quite sure what was involved there, and so I answered it fully in the following way:

The annual financial statements of the Office of the Auditor General are audited by an independent firm of chartered accountants appointed by the Select Standing Committee of the Legislative Assembly on Legislative Offices under section 30 of the Auditor General Act. Each year the audited financial statements are published in the Public Accounts and as an appendix to the Auditor General's Annual Report to the Legislative Assembly.

That is the strict answer, Mr. Chairman. But I thought that there's a possibility the question could refer to something other than: was the petty cash correct in the Auditor General's office; rather directed to who sees that the Auditor General is doing his job properly. So I took that rather broader interpretation in the second part of the answer:

Furthermore, in March 1982, the Institute of Chartered Accountants of Alberta, as a part of its mandatory practice review program . . .

which, incidentally, was authorized by an amendment to the Chartered Accountants Act that took place last fall

. . . carried out a rigorous review of the operating procedures of the Office of the Auditor General. At the conclusion of that review, the Practice Review Committee issued an opinion that the Audit Office:

- (a) complies with generally accepted accounting principles and generally accepted auditing standards,
- (b) complies with the standards of practice as set out in the Rules of Professional Conduct of the Institute, and,
- (c) is maintained at a sufficiently high standard having regard to generally accepted standards in the practice of the profession.

So in effect, I am audited both as to the handling of public funds and also to the performance of the duties of Legislative Auditor. My office, together

with all registered practising offices in Alberta, is subject to such an examination at least once every three years.

Mr. Chairman, this particular subject is the disclosure of auditing techniques. I believe that the disclosure in detail of audit techniques employed is not in itself meaningful, as the most important aspect of an audit is in the evaluation of the results of employing such techniques, which requires professional judgment based on knowledge, training, and experience. In that connection, the people who were involved in the preparation of the special report had those prerequisites, in that all the chartered accountants involved had considerable knowledge and experience in the area, in many cases for a good number of years. Suffice to say that the special report involved the expenditure of some 2,500 hours of staff time, plus assistance from private-sector accounting firms and a consulting investment analyst. The total cost of this work, which was over and above the extensive annual audit work, amounted to \$156,000.

There is another category of question, Mr. Chairman, that I could not answer. Those are questions that dealt with management letters. I say in my response:

Other questions seek information pertaining to the content of management letters and management's responses thereto. The issue of whether or not management letters should be made public has already been dealt with in the Special Report on pages 26, 27 and 28.

Mr. Chairman, I would like to draw to the committee's attention that the way in which we operate is not different from the way other jurisdictions operate. If I may, I would like to quote a statement by the then Auditor General of Canada, J. J. Macdonnell, from the proceedings of the Public Accounts Committee of the House of Commons on July 10, 1980 -- two relatively short quotations. He's talking about comprehensive audits of Crown corporations.

If an auditor does a comprehensive audit which is very broad in scope, what happens to his report? Who gets to see it? Certainly the management will see it. It is not all that much different from the typical management letter in a private sector corporation. Certainly the audit committee will see it. The board of directors will get a digest of any important issues. But if there is nothing which the auditor considers should be brought to the attention of the House of Commons through the minister who is the representative of the shareholders, then nothing will come to the House of Commons except what comes right now, which is the expression of an opinion by the auditor on the financial statements, with qualifications if that should be necessary . . .

Such a report on the financial statements, Mr. Chairman, comes to this Assembly and to this committee each year. That is the report contained in management's annual report at the beginning of the section containing the financial statements.

A little earlier in the same session, he talked on reporting matters to the House of Commons, and said:

. . . if it is significant we should bring it to the attention of Parliament. I would regard as significant a major defect in procedures, one that we brought to the attention of management, the audit committee . . .

He's talking here about the audit committee of the corporation.

. . . and the board of directors, and that remained uncorrected two or three years later. I would say, Time has run out, this should go to the House. Subject only to that, I feel we should not be called to a parliamentary committee on any matter that we have not reported to the House.

Mr. Chairman, I think I take a little tighter line than that, in that two or three years is perhaps a little too long. So as a rule of thumb -- not by legislation but by rule of thumb -- I have adopted the practice that if matters are not corrected in one year, then it is reported to the Legislative Assembly if it is significant.

In closing this particular phase of my explanation, I would like to say that the way the Act operates is not to deprive the Legislative Assembly of information. As I explained, although I am precluded from giving certain information, there is an override in Section 17(1) of the Auditor General Act when I can be asked by the Legislative Assembly to carry out any special duties, which could be the provision of any information. So a safeguard is built in that allows the Legislative Assembly to override the restrictions I refer to.

Mr. Chairman, I would now like to turn to the list of questions submitted to me on August 9 and elaborate on written answers to certain of the questions. What I'll be saying is over and above what was written. I would like to explore this matter a little more fully because of, I feel, the significance of the questions and the implications one can draw from them.

Question No. 2 stated:

Concerning the special report, were there any meetings, verbal communications or written communications between the Auditor General or his staff and any people not on the Auditor General's staff? If so, who was involved, when, and concerning what?

My answer to that is that in December I was host at a two-day meeting in my office with the national partners responsible for setting standards of computing auditing for a number of the leading public accounting firms in Canada. We were meeting to discuss and compare methodologies for using computers in auditing. During the course of that meeting, I asked several of them to locate the partners in their respective firms who were most experienced in auditing investment activities, especially those activities including the purchase and sale of bonds.

Subsequently, I retained the services of three senior audit partners, two in Toronto and one in Calgary, all recognized authorities on investment auditing within their firms. By definition, under the Auditor General Act, these individuals therefore became employees of the office of the Auditor General. In addition to acting in an advisory role on the specialized subject involved, they carried out research for me on private-sector practices, arranged visits for my staff and I with specific clients of theirs, and carried out various other support tasks on my behalf.

Beyond that, any contacts with the staff and management of Treasury were restricted to those necessary to collect data and information for the purposes of the special report. If you're going to get information from a department, you have to speak to people. You can't just walk in. All contacts with Treasury were at that level, specifically requesting information and records.

Question 3 states:

Did the Auditor General circulate drafts of the special report? If so, who was involved, when and concerning what?

Although my original intention had been to prepare the draft of my report and hold confidential discussions with the parties involved to ensure the report addressed their concerns, it quickly became apparent that due to the charged climate that existed at the time, it would be more appropriate to eliminate any discussion with the parties concerned while the report was at the draft stage. Consequently, drafts were not circulated to anyone who was not an employee of the office of the Auditor General. The first discussion with senior staff of the Treasury Department took place the afternoon before the report was released to the press and everyone concerned. Until that point, they were not in any way aware of the contents of the report. Consequently, there was no interim feedback on the special report except from within my own office.

Question 5 says:

What types of changes were made between the original draft of the report and the final draft?

The answer there is the types of changes one makes in editing, polishing, and sometimes one reconsiders, but it was all internal in the office of the Auditor General.

Question 6 says:

. . . whether any written sources that the Auditor General used, particularly as background for the written recommendations. If so, what were they?

Mr. Chairman, I became a chartered accountant 30 years ago this coming December. For around half that time, approximately fourteen and a half years, I've been involved at the national level in the Canadian Institute of Chartered Accountants in the standard-setting process for all chartered accountants, not just those in the public sector. During that time I've read a great deal of material, much of which no doubt influenced the contents of the report.

However, when considering Section 5 of the special report, I recall certain quotations in the Wilson report, which I have here, which was a report of the independent review committee on the Office of the Auditor General of Canada. Yes, I did copy the quotations that were on the fly-leaf of the report. They were copied from here, and I did use one other quotation. Beyond that, I used it only as research material. I also used what is called the Cohen commission report, which was a report asked for by the American Institute of Public Accountants. I recalled there had been a call for management to report on internal control and for the auditor to comment on management's report. Yes, I used that heavily for my input in that particular instance.

No other written sources were employed except the research conducted especially for purposes of the special report, which I mentioned earlier. Of course, that forms part of the working papers for the audit.

Mr. Chairman, I would like to refer very briefly to another matter. It's the answer to Question 28. Question 28 says:

Was any money lost or not recovered as a result of the \$7.5 million computer bug in accounts receivable?

Mr. Chairman, on many occasions I've said that if there's a loss, it's reported. Here we had a case where the computer program failed to correctly calculate the accounts receivable for financial statement purposes. There was no loss. If there had been, it would have been in my annual report. All that happened here -- and we certainly wanted it corrected, because it entailed us

in quite a lot of additional audit work and therefore the audit was more expensive and cost us more in time than it otherwise would have cost. But that was the only practical impact of the computer bug.

Mr. Chairman, I'm sorry I was unable to distribute the written answers previous to this meeting. They were completed on the weekend and yesterday, and we had a lot of typing and xeroxing to do this morning. We now have the answers, and I'd like them to be distributed. I'll be happy to make further comments as necessary. Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you. We'll just wait until this gets distributed so they can compare the documents, perhaps.

MR. ROGERS: I think everyone will need a copy of the questions too.

MR. CHAIRMAN: Perhaps I should apologize. I presumed that the Member for Calgary Buffalo distributed the questions to other members of the committee.

MR. SINDLINGER: I simply tabled them. I did not provide copies.

MR. CHAIRMAN: Well, they weren't accepted as a tabling. They were accepted for transmission to the Auditor General.

MR. SINDLINGER: Whichever. My apologies to members if they haven't got copies.

MR. CHAIRMAN: Has everybody got a copy of both the questions and the answers as submitted by the Auditor General? Then we can proceed with it. [interjection] I think we have to. We brought the Auditor General here for the purpose, so we might as well do it.

The Member for Calgary Buffalo had a question before we start into this document?

MR. SINDLINGER: No, Mr. Chairman, I presumed we were beginning. If we're beginning, I'll begin the questions. May I ask the question of the Auditor General?

MR. CHAIRMAN: As long as we don't get into something that prevents us getting into answering these questions.

MR. SINDLINGER: Oh no. I want to get into these questions.

MR. CHAIRMAN: What was the question you wanted to ask at the moment?

MR. SINDLINGER: I just presumed that we're ready to get going on these. If we are, I'd like to ask some questions, please.

MR. CHAIRMAN: Questions about his replies to the original questions? I don't understand.

MR. SINDLINGER: Questions in regard to the responses just distributed by the Auditor General.

MR. CHAIRMAN: Can I get clarification? You wish to respond or ask questions about what has been said already, before we go into the responses to your written questions out of the five that were answered?

MR. SINDLINGER: Both. They're both the same thing. Maybe if we just begin, I could start asking some questions about it.

MR. CHAIRMAN: Let's see what the questions are. We're going to have to establish some -- well, there are 294 primary questions, and I think there are well over 300 if you take the supplementary and secondary questions. If we're going to get through it, we'll have to have some form of order as to how we do it, whether we go question and answer by question and answer or the questions that the Auditor General feels it is not proper for him to answer. Are we going to accept his opinion on that? Maybe we'd better get some ground rules set at the beginning, otherwise we're going to be here for many weeks before we get through 294 primary questions and some supplementaries.

MR. KESLER: Mr. Chairman, it seems to me that the slate of questions were put forth by the Member for Calgary Buffalo. Is it necessary for us to go through each question one at a time when we have the response of the Auditor General to each question on hand? I think that the Member for Calgary Buffalo knows those areas where he hasn't received satisfactory answers. All he's requesting is an opportunity to question the areas where he hasn't received satisfactory answers. I find it maybe an absolute waste of time to go through each question, one at a time, when we have the responses in front of us.

MR. CHAIRMAN: The difficulty is that the questions were not asked in open committee. The idea of submitting written ones was to try to expedite that, I imagine, in view of the number that the Member for Calgary Buffalo submitted. But it's not a principle of the committee system in parliaments to accept written questions in the manner that it was done. It was a matter of expediting things. Questions are usually put in open committee and are usually answered in open committee, with supplementary written information given by those answering the questions if they don't have the information immediately available. But the questions are usually put in open committee verbally rather than in a package of some 294.

MR. KESLER: Mr. Chairman, can we not forego that formality of dealing with each question one at a time and, if members of the committee wish to ask specific questions of the whole program, deal with them in that manner? That's all I'm asking.

MR. D. ANDERSON: Mr. Chairman, I'd have to agree with the Member for Olds-Didsbury. I have some concern, which is my fault for not expressing initially, that we have in fact passed on a package of this length to the Auditor General, parts of which we as a committee may not have wanted to ask.

Perhaps the Member for Calgary Buffalo could give us some indication of specific areas he has questions on. If not, we're going to take up the whole time of the committee for the next couple of weeks, as you mentioned. I think we really have to know what the major concerns are so we can allocate our time appropriately. I for one am not convinced that spending time on however many questions there are before us is dealing with the Heritage Savings Trust Fund as the people of Alberta would want us to. I think we have a great deal of work yet to do in this committee this fall. We have to have some sense of priorities on it.

So personally not having ever seen these questions before, I would like to know basically what the reason for them is and whether or not the Member for Calgary Buffalo expects us to take a great deal of time on them. I think we have to prioritize something, but I don't think we have to go through the 300 one by one. I agree with the Member for Olds-Didsbury on that.

MR. CHAIRMAN: There is a real procedural difficulty here, though. As I said, questions are usually put verbally. This was to try to expedite things. When the document was given to me and handed on to the Auditor General, I had no idea of the number of questions or of the nature of them.

Since that time, the same member of the committee has submitted a large number of questions to the Minister of Recreation and Parks, questions which he could submit to the minister outside of the committee function, questions which any member of the Legislature could ask of a minister. To put those questions through the committee is going to clutter up the committee function to a degree that it will come to a dead stop.

The difficulty here is that we do not have a minister; we have an officer of the Legislature, not part of the government. The Auditor General is in a very different situation from the Minister of Recreation and Parks. He is answering as an officer of the Legislative Assembly to a committee of the Legislature. It's rather difficult to have individual members of the Legislature corresponding with the Auditor General on that basis and also having it as part of the committee function. That's the difficulty I have.

MR. SINDLINGER: Mr. Chairman, I agree with what has been said here, in that it is not reasonable to place all these questions before anyone giving testimony at any particular time. The reason they were written was to expedite the proceedings of the committee. The reason they were asked is that they're important questions that have accumulated over six and a half years of the Heritage Savings Trust Fund. It's just unfortunate that we've only had the Auditor General before us in the sixth year of the Heritage Savings Trust Fund, or perhaps these would have been asked prior to this point in time.

I do not want to take up the time of this committee unreasonably in placing all these questions to those who appear before us giving testimony, nor do I want to unreasonably take up the time of the committee dealing with their responses. Therefore, I'm satisfied that the Auditor General has acted in good faith in responding to the written questions in kind. However, there are some other necessarily incidental questions that I wish to ask the Auditor General today in regard to the verbal responses he's given us.

I am of the same frame of mind as everyone else on this committee. I believe we have a great deal of work to do, all of which is very important. On the other hand, in trying to serve that end I want to make sure we do not miss any things that should in fact be covered. That's why I'm going to this length to put these questions in writing. They're very important questions, and I would expect a response in one form or another. This one response is very satisfactory. If there are other supplementary questions that come out of it, I'm sure I'll have the opportunity through this committee, one way or another, to correspond again with the Auditor General.

MR. CHAIRMAN: That comes back to the same difficulty. If we do all this through the committee system, we're going to have a problem. As I understand, the Auditor General has already decided that some of these questions are outside the parameters of his function. Is the committee willing just to accept that that is the case, that we don't go into discussions of why he rejected certain questions and said they were the prerogative of managerial policy as opposed to his function as Auditor General?

MR. SINDLINGER: I'm not going to press the Auditor General on any decisions he's made insofar as he has the discretion to do so. I haven't had the opportunity to look these responses over, and I haven't had the opportunity to really absorb what has been said here this afternoon. All I can do is ask him some very preliminary questions and, if we have others, we'll come back at a later date. I do like the convenience afforded me to submit these questions

in writing. Perhaps it hasn't been done before, but there's no reason why this committee couldn't establish a precedent to that extent, or even move a motion whereby, if it facilitates the work of the committee -- and certainly we'd like that to be accomplished -- some things are presented in writing. I don't see that that presents much of a problem.

MR. PAHL: Mr. Chairman, inasmuch as other members of the committee haven't seen the questions, and inasmuch as even the framer of the questions hasn't read the answers in sufficient detail, I would suggest that we consider these documents as tabled and pursue whatever line of questioning individual members have of the Auditor General. However, for my part, if I find we're delving into something that I as a committee member have had no part of beyond what I would consider a limited time, I am going to holler whoa. In the meantime I would like to see us table what has not been tabled before, pursue the questioning of the Auditor General, and hope that we don't have to start summer fallowing. If we do, I guess I for one would want to re-evaluate the proceedings this afternoon. But I think we should try to move ahead, with or without reference to these documents, simply to allow members to question the Auditor General.

MR. CHAIRMAN: The difficulty with the act of tabling it is that it then becomes a document of the committee in its entirety. That's the difficulty I have. In other words, can we have the committee system involved with large numbers of written questions which in actual fact are part of the committee's documents and which may not be proper to the committee? They may not have anything to do with the Heritage Savings Trust Fund; we don't know until we have them tabled. Several members of the committee have seen neither document until this afternoon. I saw one before, which was the list of questions.

MR. PAHL: I'm sorry. I didn't get your last point, Mr. Chairman.

MR. CHAIRMAN: Several members of the committee have seen neither document until this afternoon. I had previously seen the list of questions. I didn't realize other members hadn't. But if we table these documents as a series of written questions and answers, they then become part of the committee's work. The difficulty is that they have not been put out in open discussion for other members to have their input, objections to or concurrence with the questions. I can see some difficulties.

MR. PAHL: Mr. Chairman, I was trying to suggest -- and maybe the documents are held in abeyance -- that if the committee, as it has now gathered, can satisfactorily have an exchange with the Auditor General, with or without reference to these documents, I see no problem created other than that the committee may wish to make a ruling to say these are either part or deemed not to be part of its deliberations. I would like to try to handle that as a separate issue and simply proceed with the discussion with the Auditor General. If we wind up overly detailed, then I will be with you in terms of calling a halt. But we may not have to formally delve into 297, 294, or whatever the hell it is.

MR. D. ANDERSON: Mr. Chairman, I personally feel that despite the great deal of work the Auditor General has done in providing this -- and the Member for Calgary Buffalo -- and it may well provide us with some good background information for the future, in this discussion we should disregard both these. I agree with you in terms of tabling. That doesn't preclude individual members from asking questions that may relate to this to some extent, but I think these questions have been asked by one individual of the committee to

the Auditor General without our having an opportunity to review them as a committee. To me, at this point the documents are not relevant to any discussion I might want to have with the Auditor General.

So I agree with the Member for Edmonton Mill Woods. We should proceed with asking the questions. For my purposes, I'll be disregarding these documents until I have a chance to read them. Even then, I see them as background material, not material that I would want tabled before this committee. So I suggest we proceed. I'd be willing either now or later to move that we as individual members of the committee may be free to submit questions to ministers or officials of the Legislature, but that you as committee chairman, Mr. Chairman, or we as a committee not do that except by vote of this body. I don't know if you want that kind of motion at this point, but I suggest we just proceed with the questions and disregard these two documents until we as a committee have had a chance to understand even what they're about.

MR. CHAIRMAN: Is it acceptable to the committee that we continue on an open questioning basis with the Auditor General at this time?

I have some real difficulty with this whole situation, because we have correspondence that has not been available. It may well be that we'll have to have the Auditor General back sometime in the future to go over this, once committee members have had time to digest a large number of questions and answers.

MR. SINDLINGER: Mr. Chairman, could I ask the committee if they would consider your suggestion that they simply be given time to digest the questions and responses and have the Auditor General back? I think that's a good suggestion, and I would support that.

MR. PAHL: Speaking to that suggestion, Mr. Chairman, given an absence of defined purpose, I certainly have no desire and no intention to follow the pressing interests of 294 questions of one member of this committee. I think the way a committee functions -- and maybe what we haven't discussed is a procedure for doing it -- is that if an individual member has a question, it becomes a question of the committee only if the majority concur in it. Because I suspect that the majority's perception of their responsibilities to the citizens of Alberta may not follow the thrust of 294 questions originating with one member, I would much rather have these documents on the side table and away from the main thrust of the committee, unless we as a committee would consider the questions and, as a majority, agree to deal with them.

I don't think there's a sense of that, and I didn't detect from the way the Member for Calgary Buffalo handled the questions that he meant them to be a tabled document and part of the committee's deliberation as a majority wish of the committee. I'm sure that if that had been his intention he would have posed them before the open committee, had us privy to the questions, and would have had the force of the majority of the committee behind him to do so. I interpreted this as being a sidebar activity and not the main thrust of the committee.

MR. SINDLINGER: I'm sorry we've taken up so much time on this procedural matter. I had not intended that that occur. I have reservations about some of the points being made with regard to determining whether questions should or should not be put by individuals or as a committee. That even raises the question of verbal queries. When we pose a verbal query, where does it go, and whose responsibility is it? Is it the individual member or the committee, or does that question represent the interest of Albertans? It seems to me it would be very difficult to identify and determine whether a particular question would in fact represent the interest of Albertans.

When I presented the written questions, I did so as a matter of courtesy. They were matters of interest to me and to those with whom I consulted about the heritage fund over the last few years. At the same time, I didn't want to unduly encumber the procedure and process of the committee. I did use the word "table" when I presented them to this committee two weeks ago. So we already have them tabled, and I see no problem with having the Auditor General's responses tabled. I would like to ask him some questions about the comments he's made today. Other questions may come from the written responses, but surely I didn't expect the committee to go through each one of the written responses today. I thought that perhaps by just accepting his written responses we would facilitate the progress of this committee today, just as we facilitated progress when I submitted the questions in writing in the first place.

Again, I like the suggestion that if there is a need for the Auditor General to come back after we consider both the questions and the responses, let's do that. It would certainly be compatible with the Auditor General's recommendation last year that both he and the Provincial Treasurer appear before this committee at the same time. There is good reason for that, and this just provides another opportunity to do that.

MR. CHAIRMAN: Perhaps we can go on with the responses to do with those answers that have already been given, the Auditor General having read into the record the questions to those answers already given, if my memory serves me right. If there are any supplementary questions to do with those answers, which were to do with the special report of the Auditor General and are very much the prerogative of this committee, perhaps we can go into those at the moment.

MRS. FYFE: Just one point, Mr. Chairman. Looking back on the transcript of August 9, the Member for Calgary Buffalo asked:

. . . I wonder if I might not submit these [questions] to you for transferral to Mr. Rogers for consideration for a written response, and that we not take up so much time in committee. I ask in return only that Mr. Rogers make his best effort to respond to the questions as best he can in, say, a week or two weeks' time, so that we could have the information available to assist us . . .

And he goes on, asking only that he may ask supplementary questions as the need arises. There was nothing about tabling. The understanding was that the questions would be submitted for assistance to the committee member.

I think the committee perhaps should look at this for future ways of assisting committee members without unduly putting a burden on officers of the Legislature. My understanding of the committee is that any supplementary questions would be answered this afternoon, and that would make the best use of the time of the Auditor General and his staff and the time of this committee.

MR. CHAIRMAN: Thank you. Was that acceptable then, that we go to supplementary questions on those already answered by the Auditor General or any other questions committee members may have of the Auditor General and his staff at this time? Is that acceptable? I guess the Member for Calgary Buffalo is first in line.,

MR. SINDLINGER: Mr. Rogers, I'd like to thank you for the time you've taken to prepare the responses to these questions. Obviously, by the material you have in front of you, you've taken the request very seriously and not only completed them but completed them in a very timely fashion. I believe you've

taken the same approach I have -- and I'm sure the committee does -- that the Heritage Savings Trust Fund is a very important subject area. It's larger than the annual budget. Sometimes we spend months on the annual budget on a day-to-day basis in this Legislative Assembly. I think it's incumbent upon us to do the same thing with the Heritage Savings Trust Fund.

With regard to the comments you've made so far, I do not intend to get into all the written responses to these questions. I just wish to point out that there is a difference of opinion in some areas. I recognize that you, sir, have taken great pains to outline the procedures and authorities you have, by reference to various legislation we have. Perhaps the difference of opinion stems not so much from you and me and others but more from the legislation. The legislation may not be appropriate, or it may be that we have different ideas about what the legislation should be rather than what it is at the present time.

Beginning where you left off in your opening comments before you got into the written questions, the last one dealt with the management letter and to whom that management letter should go. You made reference to various documents, sir, and I can make reference to one as well, being Improving Accountability: Canadian Public Accounts Committees and Legislative Auditors, which I'm sure you are familiar with inasmuch as you're one of the founding members of that, if I understand correctly. On page 76, reference is made to management letters under the descriptor Other Reports. I won't quote all of it, but the cogent section is this. It deals with public accounts committees, but certainly the precedent can be extrapolated to this particular committee.

There have been occasions when Public Accounts Committees have asked to see management letters sent to a specific department. In all cases of which we are aware the requests have been complied with, sometimes by the Auditor and sometimes by the department. Though the niceties of protocol may suggest that the request should properly go to the department, there is no reason why these detailed reports should not be made available when requested.

Obviously there's a difference of opinion in regard to whom the audit or management letters should rightfully go. From being on this legislative committee the last two years, I gather that when the initial Auditor General legislation was passed there were those here who felt that all documents, including management letters, would somehow come to the Legislative Assembly. Obviously the only remedy for this difference of opinion is a change in the legislation. An attempt was made to do that last year. I don't know that one will be forthcoming this year, but sometime in the future, if we're to resolve this difficulty and place the responsibility where it rightfully belongs, with the minister of the Crown, the minister of the department and not the Auditor General. I feel that you, Mr. Rogers, are caught between us on one side of this House and the government on the other side. Unfortunately your hands are tied by the way the legislation is drafted. In my opinion it doesn't reflect its intent, as is evident from the transcripts of the Legislature at that particular time.

If we could put that management letter question aside and go to the other points, points 4, 5, and 6, which dealt with your responsibility in answering questions -- questions are matters of professional conduct, not disclosing what has been received in confidence, and the Auditor General being restricted to what has already been made public -- again, all that deals with the question of legislation, the authorities and responsibilities of the Auditor General.

There are three more specific items with regard to discrepancies that you dealt with prior to getting into the question of responsibilities and

authorities. There were three areas: a discrepancy in the Consolidated Cash Investment Trust Fund; the other was in regard to Alberta Government Telephones; and the third was in regard to the Alberta Housing Corporation. The last one was in regard to the Alberta Housing Corporation and the reporting of a sum of money on different pages in the same report but with different descriptors or terminology. On one hand, it was called an advance; on the other hand, or on another page, it was called a debenture. You have pointed out that both forms are correct. But I ask you if you are in a position to advise us whether the debenture papers were in fact signed. I can leave that and go on to the other two and put them to you at the same time.

The other one was in regard to the Alberta Government Telephones reporting. It deals with discrepancies there in different year-end periods. You pointed out that there was a difference in year-end periods, and that the comparison was therefore invalid. If that's the case, I could also refer you to the '81-82 quarterly investment report of the heritage fund for the quarter ended December 31, 1981. On Schedule 3, under Alberta investment division investments, Alberta Government Telephones Commission new investments, September 30, 1981, the totals show \$1,477,212,000. Yet if you compare that to the Alberta Government Telephones 75 Years of Progress report, there's another number: \$1,460,000,000. The difference is \$17,212,000. That is a comparison that is on an equivalent basis -- that is, in regard to time -- yet there's a difference.

In regard to the Consolidated Cash Investment Trust Fund discrepancy, the heritage fund cash deposit, I refer to another document. This is the Alberta Public Accounts 1980-81, Volume I. On page 4.29, where the Alberta Heritage Savings Trust Fund balance sheet, March 31, 1981, is reported, the deposit in the Consolidated Cash Investment Trust Fund of the province of Alberta is shown as \$42,857,000. Yet in that same document, on page 8.47, Schedule 1, the Consolidated Cash Investment Trust Fund due to depositors, the Alberta Heritage Savings Trust Fund is shown as \$48,710,419.

Mr. Rogers, you have indicated to us the reason for that discrepancy, and I can accept what has been said. On the other hand, the point I have to make is that we have here the public accounts of the province of Alberta, yet in the very same document, for the very same item, there are differences in numbers. To facilitate public understanding of what the government is doing and what it is not doing, it seems to me it would be desirable to have more consistency throughout documents such as this so there wouldn't be misunderstanding. I direct that as a criticism of the government. It's not a criticism of the Auditor General's office whatsoever.

So there are the three points. I guess they all come down to the same thing. One cannot say unequivocally that there is a loss in money, but one can come to the conclusion that there is a great deal of inconsistency in the accounting procedures used throughout the government, inconsistency which, in some cases, could lead to misunderstanding. If bringing these questions up does nothing more than remedy those sorts of things, I think we'll have achieved a great deal.

In regard to the other questions submitted to you and your responses, the only specific question I can ask of you is: of the number submitted, how many were you able to respond to through your authority and your own discretion, and what number were you unable to respond to because they were outside your sphere of influence?

Generally in conclusion, I just say to you that I sincerely thank you for accepting the questions and extending the effort you have in responding to them. I look forward to reading them in more detail and, if the need arises, hope for the opportunity to discuss them, if that need be the case.

Thank you, Mr. Chairman.

MR. ROGERS: Mr. Chairman, if I could sort of work backwards, because my memory retains most clearly what I heard latest. Dealing first of all with the Housing Corporation, the advance from the Provincial Treasurer is, as I said, the drawdowns on a debenture that was signed, but they had not fully drawn down the total amount of the debenture. So to that extent, to then, it was an advance. It is properly classified as long-term debt. It is on the schedule of long-term debt. Therefore, realizing that there is a certain amount of autonomy to the management of the Housing Corporation as between independent or separate corporations and funds that indeed were advances on debentures -- and debentures is not stated, but it's obviously implied because it's under long-term debt. Therefore it is a secured item. It is also quite correct for the Heritage Savings Trust Fund to reflect this as loans they have made under debenture, because there was a signed debenture.

If we could now look at AGT, obviously I can't give an answer that is specific. But I would point out that AGT does not disclose the amount of borrowing from the Heritage Savings Trust Fund specifically as a separate figure in their financial statements, because they also have other borrowings in their long-term debt. So there may appear to be a difference, but that would be on the basis that all their borrowings were from the Heritage Savings Trust Fund, which of course were not. Also the comparison is made with a quarterly statement which, as you will see from the statement, is unaudited. Therefore I'm not in a position, other than to speculate, on why there would be a difference between the financial statements of AGT and the Heritage Savings Trust Fund quarterly statement.

In the case of the Consolidated Cash Investment Trust Fund, Mr. Chairman, I think I made it quite clear that there has to be a difference between the amount shown as being on deposit for the Heritage Savings Trust Fund in the Consolidated Cash Investment Trust Fund because it is, in effect, the bank account. That account has no knowledge -- and neither should it have knowledge -- of cheques that have been drawn but non-presented. You always get that difference between people who are issuing cheques on a bank account and what is actually in the bank account on any given day. You always have the bank reconciliation, which I have here in our working papers. These are the actual working papers. Looking through -- and this is a xerox copy of one of these working papers -- there is a bank reconciliation long since prepared by us at the time of the audit. There were outstanding cheques drawn at the end of March. According to the information here, the transfer cheques cleared the bank statements on April 2. So you have that straddle over the year-end. They totalled \$5,655,334.71, and there was an overdraft on the Syncrude bank account of \$198,342.59. Those two together make up the difference of \$5,863,677.30.

If either the figure shown on the Consolidated Cash Investment Trust Fund or the figure on the Heritage Savings Trust Fund had been other than what they were, there would have been an inaccuracy and a discrepancy. Those two had to be different to the extent of the outstanding cheques.

So, Mr. Chairman, with the possible question that might arise from the difference in description between the Housing Corporation on the one hand and the Heritage Savings Trust Fund on the other, there are no discrepancies. And that, again, is where you view the transaction from. If you're viewing it as if you've had advances on the debenture only partially drawn down, you want to distinguish it from debentures that you've fully drawn down. Then talking of it in terms of advances is quite right. It is classified as long-term debt; it's on the schedule of long-term debt. From the Heritage Savings Trust Fund point of view, every penny they've loaned is backed by a debenture, so consequently both parties are correct.

I would say, Mr. Chairman, that a great deal of effort goes into trying to standardize financial statements presented in the public accounts, and I guess

we have a part in that we sort of exert pressure, if you will, to ensure there is as much standardization as possible; otherwise we would have a lot of financial statements, as we did, for instance, with colleges until we brought them all together and got them to present their affairs in a more or less standardized way. But there has to be some latitude for differences, depending on which side of the fence you're on for any given transaction. It is true, Mr. Chairman, that there are no discrepancies in these three cases.

The management letter, Mr. Chairman. The member quoted the report Improving Accountability: Canadian Public Accounts Committees and Legislative Auditors. I'm certainly on the board of directors. I did review the report. I can only say that I must have missed that point, because I did object very strongly to some of the content of the drafts I saw. I'm not sure that was even in the draft. But I would point out that those are actually the personal opinions of the two gentlemen who prepared the study and, like all studies, it is useful direction. But that particular point is one that I cannot really subscribe to because, as stated in the special report, if indeed management letters were to be tabled, there would then be no point in the discretion allowed me in the Auditor General Act. That would, in effect, become null and void if what I reported to management had equal prominence with what I reported to the Legislative Assembly. I would just reinforce the fact that any matters of significance, any matters of loss, any matters of this type, are brought to the attention of the Legislative Assembly in my annual report.

Mr. Chairman, on the subject of how many I could answer, I am sorry, I did not keep count. We answered them one by one, and I must admit that on some occasions there was a gray area. It was a very difficult judgment call in some instances, on the sole grounds that the Act states that I am to submit supplementary information -- that is, information that explains information already made public -- on the one hand and, on the other hand, I have a legal opinion that I could be subject to the same penalty for committing an offence if I revealed information that was not subject to report under sections 17, 18, and 19. Consequently I had to look at every question and see which side of that fence it fell. If I could answer it after that judgment call, then I did. If I felt I was unable to answer it under the present legislation, then I explained that I couldn't. And I had to deal with every question on a question-by-question basis. It has taken considerable time, as you can imagine, but we did it to the best of our ability.

Mr. Chairman, the member can correct me, but I think that dealt with the matters that were brought up.

MR. SINDLINGER: Yes, it generally did. Just two final observations. One is in regard to the handling of the management letter again. I forgot one point earlier when Mr. Rogers was talking about the presentation of the management report to management in confidence. An analogy was drawn also, I believe, between that and other boards of directors. I'd just like to point out that for other boards of directors there are always, to the best of my knowledge, at least one or two outside directors. I see you nodding your head. Also, on audit committees there's usually an outside auditor. The distinction we have to draw here is that in the presentation of this confidential management letter to the management of the Heritage Savings Trust Fund, there are no outside directors and, in a sense, it's like students grading their own examination papers. That's the distinction that has to be made in this particular case.

The final observation I have to make is in regard to your opening remarks. You pointed out that you feel the Provincial Treasurer should answer many of these. I understand that you have gone as far as you can in presenting material to us under your terms of reference. I thank you very much for that. I look forward to taking these other questions to the Provincial Treasurer.

MR. CHAIRMAN: Are there any more questions for the Auditor General?

I would like to apologize to the Auditor General. Maybe I cut off a lot of work you've done and a lot of preparations you've made for your appearance today, but I have to deal with a procedural difficulty in all of this, which I think I've already expressed. If it's meant a lot of work that didn't come to fruition, then my apologies.

MR. ROGERS: Mr. Chairman, if I could just make a comment on that. I think it was a healthy situation that we really had to look at this whole matter and perhaps clarify for future reference where the Auditor General stands in relation to a committee of the House, and also to bring home the fact that there is always recourse, through the provision under 17(1) of the Auditor General Act, for any information to be provided by the Auditor General, but it does mean going back to the Legislative Assembly.

MR. CHAIRMAN: I think we're all aware of that now. If there are no more questions for the Auditor General this afternoon, I'd like to thank you for coming back, bringing your staff, and clarifying those matters that did get clarified.

If the committee has no other business, before adjourning I would like to say that to minimize the travelling for committee members I'm attempting to get on the same day the two ministers who had to be postponed for varying reasons. They both have busy schedules and so do other members of the committee. I think we will be able to get them both together in September prior to the appearance of the Provincial Treasurer on the 13th and the Premier on the 14th, but the arrangements aren't quite finalized. I'll memo all members of the committee as soon as they are finalized.

Since that will probably be the next meeting of the committee, we're adjourned with no definitely fixed time for reconvening at the moment. Thank you.

The meeting adjourned at 3:42 p.m.