

Standing Committee on Legislative Offices

Tuesday, May 3, 1983

Chairman: Dr. Elliott

10:05 a.m.

MR. CHAIRMAN: It's difficult to hold a meeting with nobody present. But we are here, and we have a job to do. The agenda has been circulated. We're at the right place at the right time. There are two agenda items. I'm going to recommend that for this morning we look at item number one, which is to complete the review of the Auditor General's estimates. That will be the assignment for today. We will have our Auditor General make whatever presentation he has left over, and then we will ask our questions. I expect that we will hit that point before too long where we will take a short recess while some of us leave and go back to work, and the rest of us will stay and continue our meeting. Is that fair enough?

MR. ROGERS: We have some information that was requested at the last meeting, Mr. Chairman. Would you like to deal with that first?

MR. CHAIRMAN: We will ask you to continue with your report in the manner you see fit. Does the discussion to this point make sense? Are there any objections? Okay, we're on track then.

MR. ROGERS: Schedule 1 shows the history from the year '68 onwards. You'll see the audit fees established by order in council through to '77. Subsequent to that, you will see the increases in fees on an annual basis that have occurred. The fees that were billed under the order in council bore no relationship to the cost of the work performed, but it would not have been possible to have jumped to a more realistic figure in one jump. Consequently, we have been spreading this out over a period of years, as a result of discussions with the previous committee. This was felt to be the way to go. You can see that in '79, there were considerable increases over what had previously been charged. The amounts charged in '78, where we were the auditor for the first time, were the same as had been charged previously by the previous auditors.

You can see that we've tried to hold the increases to an order of 20 per cent. You will probably question the Aetna in 1982, 100 per cent. The reason for that was that they had simply lost control of their records, and we actually had to have a staff down there to in effect create the records, to a large extent, and do quite a bit of accounting work. Even that is far below what it cost us. They were quite happy under the circumstances to pay that increase from \$430 to \$860.

I think that generally that schedule is self-explanatory, but if there are any questions I'd be happy to respond.

DR. CARTER: Mr. Rogers, I wonder if you'd be good enough -- do you know where the headquarters of all these places are? Where is Aetna based? Spring Coulee? Some exotic spot like that?

MR. ROGERS: I'm afraid you have me at a bit of a disadvantage. I don't really know.

MR. THOMPSON: I think I can give you at least half of these, where their offices are, if you're interested.

DR. CARTER: Mr. Chairman, perhaps we could do that through John Thompson, follow up where all these offices are.

MR. CHAIRMAN: Right now? Today?

DR. CARTER: Oh, I think we could wait a few days.

MR. CHAIRMAN: Well, I just want to make sure. I didn't know whether you wanted that information now or later.

DR. CARTER: Later.

MR. CHAIRMAN: Later's fine? Okay.

MR. MILLER: Mr. Rogers, I understand these fees are set by order in council. At what time of the year are they set?

MR. ROGERS: They were set by order in council up to 1977.

MR. MILLER: And since then there's -- who sets the fees?

MR. ROGERS: They've been set by this committee.

MR. MILLER: By this committee?

MR. ROGERS: Yes. I have an order that one of the orders to be signed is for the 1982 fees. The 1982 fees are estimated but have yet to have your signature on an order.

MR. CHAIRMAN: There are three of those orders to be signed.

MR. HENKELMAN: There are three more now. When we were at the last meeting, we only had the 1981 fees calculated, and that's the order you have in front of you. We've since worked out the 1982 fees, and we brought that order to the meeting today.

MR. MILLER: I had a supplementary question, Mr. Chairman.

MR. CHAIRMAN: Carry on, please.

MR. MILLER: I'm interested in how these fees are set. You say that you brought the schedule of fees for 1982, but we set the fees. I presume, Mr. Rogers, that this is a recommendation that you're bringing forward to us. In the event that we feel that the rates are either too high or too low, have we any flexibility to change that? Has it ever been changed from your recommendation?

MR. ROGERS: Not to my knowledge, no. It hasn't been changed, to my recollection.

MR. MILLER: If we did change it, would it cause you any problem?

MR. ROGERS: No.

MR. MILLER: Well, we're talking about 1982, which is in the past. So the level that would be charged would be charged to the irrigation district in 1983. Is that correct?

MR. ROGERS: That's right. None has been billed yet for '82. So we are recommending these fees on the basis of an orderly increase. Of course, while we say it's orderly, I'm afraid the people concerned don't exactly see it that way. All they can see is the audit fees going up and up. But the point is, the value they're getting -- if I could just jump for a moment to the last schedule. The bottom line of the last schedule shows the amount by which we've been subsidizing these districts: in 1979, it was \$61,000; in '80, \$66,000; '81, \$75,000; and in '82, \$63,000. A certain element of estimating has to go into this.

MR. CHAIRMAN: How are you doing, Mr. Miller?

MR. MILLER: That's fine. Thank you, Mr. Chairman.

MR. THOMPSON: I still have problems with this. Let's use an example. We'll take the Raymond Irrigation District. Its headquarters is in Raymond. There's an accounting firm called Card & Card down there. Do they audit the books? Surely you don't go down yourselves and go through the intricacies of that. Who does the actual audit of the Raymond Irrigation District, and how much do they get? That's my first question; I'm going to have a supplementary.

MR. ROGERS: I'll respond in just a moment on Raymond.

MR. THOMPSON: Well, I just used it as an example. If you want to use a different example, fine. I just happened to pick Raymond. It's sitting in the middle, and it's 40 miles from home.

MR. ROGERS: Can we just leave that for a moment? We'll get the answer in a moment. I don't have it at my fingertips.

MR. CHAIRMAN: You have a supplementary related to that?

MR. THOMPSON: I'll wait, and come back later on.

MR. ROGERS: Surely. I can answer the question more completely.

MR. CHAIRMAN: Okay. We'll take Al Hiebert's question.

MR. HIEBERT: You mentioned with the Aetna district the fact that \$860 was charged. Does that assume that a fee is levied for each irrigation district and then there's a pay back? How does it operate?

MR. ROGERS: No. This is the audit fee, the amount they will be charged if the recommendation is accepted. They will be billed \$860 for their annual audit.

MR. HIEBERT: Okay. Now, who did the audit? You people or a different firm?

MR. ROGERS: In the case of Aetna, we did.

MR. HIEBERT: You indicated that the \$860, because of the lost records, brought about the 100 per cent increase and that it didn't quite cover the cost.

MR. ROGERS: It didn't.

MR. HIEBERT: Could you explain to me and the committee just how that loss is absorbed?

MR. ROGERS: It's absorbed through the appropriation of the Auditor General's office. That particular job cost us \$2,337. If you take the number of hours my staff spent, at the rate at which we pay them, and the travelling expenses, the total cost was \$2,337.

MR. HIEBERT: So there was some cushioning in there, then, to the amount of \$1,400 absorbed by your department through its other appropriations.

MR. ROGERS: That's right, realizing that the staff we have are paid for out of the appropriation. Any recovery, by the way, of audit fees comes into general revenue as revenue. There is no relationship between the two.

MR. HIEBERT: What would be the difficulties if in fact all these irrigation districts had a requirement that they had to submit a completely audited statement, done by a private firm, and we would only serve as a monitoring situation with regard to the audits being submitted?

MR. ROGERS: That would be a change in policy. As far as I'm concerned, there's no problem. But since the last meeting, my staff discussed this with Agriculture, and I think they would be quite concerned at that.

MR. HIEBERT: Could you state the reasons why?

MR. ROGERS: The Irrigation Council apparently relies on the -- they gave a number of reasons as to why it's beneficial to them for our office to carry out the audit. There's now a standardization, a uniformity, to the statements that did not exist before.

As a matter of fact, when we took over, when the Act was changed and we became the auditor of all the irrigation districts, we found that although statements had been audited, or were said to be audited, some of the statements bore no relationship to the actual underlying facts. For instance, Magrath: we found that there were unrecorded cost-sharing funds, unrecorded interest revenue, unrecorded accrued interest, unrecorded inventories, unrecorded pre-paid expenses, and also unrecorded accounts receivable and liabilities. There were incorrect calculations of depreciation, incorrect charges to cost-sharing funds, and the cost-sharing expenditures were not capitalized. All those faults were on one quite small operation, and we found similar situations with the Raymond, Ross Creek, and Leavitt irrigation districts. We found very serious errors in the financial statements they had been issuing.

MR. HIEBERT: Maybe my last one: what resultant directives or modifications were made to alleviate that particular problem, and has it been alleviated? Secondly, could not an independent firm for each one, working on a criterion that is established in terms of consistency for the reporting, be the mode in which the information could come in and the individual firms could comply with the requirement?

MR. ROGERS: Absolutely.

MR. MILLER: A supplementary, if I may. Mr. Rogers, do I understand you correctly that these were audited statements where you found these errors?

MR. ROGERS: Yes.

MR. MILLER: Well, I presume that the auditing was done by a reputable firm.

MR. ROGERS: Not necessarily at all. Anyone can audit in this province. In these cases, the individuals were not qualified auditors.

MR. MILLER: If we were to change it and stipulate that it had to be a qualified auditor, would you envision that the same problem would occur?

MR. ROGERS: No.

MR. CHAIRMAN: For clarification, Mr. Miller. You're talking about having a local auditor audit these?

MR. MILLER: Yes.

MR. CHAIRMAN: And what would be the role of the Auditor General's office, then? Would it just be to check the work of the previous auditor?

MR. MILLER: To receive it.

MR. CHAIRMAN: To receive it.

DR. CARTER: But they would also set up the criteria, in the first place, for the qualified auditors to carry out their work.

MR. THOMPSON: I'm not going to go back to Raymond right at the present time. The point I'm trying to make is that an irrigation district is a local government comparable to a village or a town. Now, do they have the same requirements as far as their financial statements? I'm not arguing the fact that you found these discrepancies in Magrath. Do you feel that if you went to the village of Hill Spring -- or we'll pick any little town with 300 to 500 people in it -- you would probably run into the same type of thing happening? Or do they have a different way of presenting their financial statements to the public and the government? Is there some justification or rationale to set these local governments apart from other local governments? This is the point I'm trying to make, Mr. Rogers.

MR. ROGERS: I really don't know. I imagine it's quite possible that if you had a small entity, a small village or whatever, it could be that their statements would also be subject to error. I'm not sure; I have no way of knowing. That's outside my ken.

The reason this became important to the government was the amount of Heritage Savings Trust Fund money that was being channelled into the irrigation districts. I think that's really the reason. But I would point out that my office has been the auditor of the main irrigation districts back as far as we can trace, back to -- I think the earliest working papers we have on our files is 1926. I think that a lot of them were destroyed prior to that, so probably it goes back well before that. So this is not something new that I got involved in. As a matter of fact, I think since I became Auditor, they've taken a lower profile in our office than the one they enjoyed prior to that. I don't think they've suffered by that, but I simply don't look upon them as being as important as a lot of other areas of public money expenditure.

DR. CARTER: Mr. Rogers, you mentioned with Aetna that 1982 was a special circumstance, because things had gone . . .

MR. ROGERS: Yes, I just pointed that out because 100 per cent looks . . .

DR. CARTER: You also ventured the comment that they were greatly relieved to get their books in order. I think it's fairly obvious that if you can get all that work done for \$860 instead of \$2,000, I'd be smiling all the way to the bank too. Is there any chance of putting a one-time assessment on them of an extra \$500 or the full cost of what it did entail in terms of your people going down there?

MR. ROGERS: It could be, but the thing to take into account here is that some of them just don't have the cash. They are handling heritage trust money in trust, as much as anything, and that can't be used to pay audit fees. The cash they have other than that, cash in the bank, is usually quite small, in some of the smaller ones. I'm not holding brief for them; it's just a matter of fact.

DR. CARTER: I appreciate that.

MR. MILLER: A supplementary to that. Mr. Rogers, as I understand it, they each charge so much -- I think it comes to about \$5 per acre. I assume that \$5 goes to pay the expenses of the organization as a whole. What I can't understand is that that has been kept at such a low level when you compare it to North Dakota, where they're paying \$25 an acre. So when we're looking at this from an economic point of view -- recognizing that we're putting a lot of Heritage Savings Trust Fund into it on the basis that we're paying 86 per cent and they're paying 14 per cent of the capital costs of the structures, as it were -- it should be recognized that they're getting a whale of a deal. So I don't think we're being unreasonable when we ask that they pay their own bookkeeping.

MR. ROGERS: Mr. Chairman, of course the rates charged are a matter of policy and not for me to comment on. That has been established as policy.

MR. THOMPSON: Through the Chairman to Mr. Rogers. Let's just leave the irrigation districts off in the corner for the present time and go on to some of these other people who are getting more or less the same type of benefits. I'm talking about organizations exempt from being charged a fee: Calgary Olympic Development, Olds College, Winter Olympics, Trustees of the Academic Staff Benefits Plan of the University of Alberta. According to this, they are exempt from paying any fees. Is this right?

MR. ROGERS: We have a handout on that. Perhaps we could just hold that for a moment.

MR. THOMPSON: Oh, I'll hold that one, too. We'd better maybe finish the irrigation districts.

MR. ROGERS: I can deal with Raymond, now.

MR. THOMPSON: Okay. Back to Raymond.

MR. ROGERS: So we don't get too much of a backlog.

MR. CHAIRMAN: Let's just make sure . . . What about your first schedule here, Mr. Rogers?

MR. ROGERS: I've not really finished with those, because you have to look at the schedules as a set, to get the full appreciation of them.

MR. CHAIRMAN: I see what you mean. Is it your wish to carry on, then, with this first submission?

MR. ROGERS: I would like to, but I would like to deal with the Raymond Irrigation District first.

MR. CHAIRMAN: Very good. John, you're going to get some answers now.

MR. ROGERS: Raymond Irrigation District is audited by an agent on my behalf. The name of the agent is Carpenter & Company of Lethbridge. Howard Card of Card & Card was a manager there and so obviously couldn't be the auditor.

Perhaps we could use Raymond to trace through what happened here. For Raymond, you'll see we are recommending for 1982 -- if I have the right line -- \$2,160. If we look at Raymond on the next schedule, we will see that -- we have two columns, one headed internal standard cost and the other headed agent's fee. We paid Carpenter & Company \$8,303. I don't want to lose the train of thought, but I'd like to look at Schedule 3. In addition to that, my senior staff spent \$820. The cost of senior time in my office was \$820. That was the additional work we do when audits are carried out by agents. So theirs was \$8,303. If we had handled the audit ourselves, taking the number of hours my staff and the agent's staff spent on the audit, at our internal rates it would have come to \$5,908, which is the first of the two columns.

DR. CARTER: So you include the \$820 in your internal standard cost fee.

MR. ROGERS: That is correct. That would be the total cost of doing the whole audit if we did the job. We didn't do the job. Therefore, the cost to us was \$8,303, which we paid our agent, plus the amount of work we did in overall supervision, \$820.

DR. CARTER: So it was \$9,100.

MR. ROGERS: That's right. I'm sorry, I should have brought those on the same schedule.

MR. THOMPSON: Raymond paid \$2,160?

MR. ROGERS: It is intended to bill them \$2,160. But you're realizing that in '78, they were only paying \$400 for an audit that was costing . . .

MR. THOMPSON: We're better now than we were in '78 is what you're saying.

MR. ROGERS: Yes. In a number of years, presumably they will be paying what the job costs, because that's the ultimate aim. Some of them are getting very close to that. If we look -- at least they're getting up there. I guess they still have a way to go.

MR. CHAIRMAN: Using Raymond as an example again, is that an example of where the audit is satisfactory?

MR. ROGERS: All the audits are satisfactory today.

MR. CHAIRMAN: I mean the procedure of bookkeeping. Is it satisfactory?

MR. ROGERS: Yes.

MR. CHAIRMAN: As opposed to that one example you were using earlier?

MR. ROGERS: Oh, yes. Aetna was a special case.

MR. CHAIRMAN: That was a special case.

John Thompson, you were very interested in this earlier, this response to your question. How are we making out? Are you happy with the . . .

MR. THOMPSON: Mr. Chairman, I have no further questions on this. In my own mind, I have it straightened out that basically the actual cost of auditing Raymond is \$6,000; it ended up costing \$9,000, and Raymond will be billed \$2,160. Is that accurate?

MR. ROGERS: That is correct.

MR. THOMPSON: Okay. I have no more questions on that subject.

MR. CHAIRMAN: You can explain all that to us at another time then, John, when we ask you to recover all that information. Thank you very much.

Do I have another hand up here somewhere in our committee at this time?

MR. ROGERS: Mr. Chairman, if the committee wished to hear of the benefits the government perceives it's getting, I think Mr. Smith of the Irrigation Secretariat would be the person to call as a witness, if this matter were to be followed up. Bob Smith is an engineer manager of the Irrigation Secretariat, Department of Agriculture.

MR. CHAIRMAN: Thank you.

MR. HIEBERT: Through the Chairman to the Auditor General. On page 9 of this report, I notice a number of agencies that have audit agreements. I would presume that these agencies become involved in these agreements as a result of policy or order in council. How does the agreement come about?

MR. ROGERS: No. I select the agents. Because of the independence of the office, which has to be, as an auditor I select the agent who is most qualified and suitable, and geographically near the audit concern. But it is a selection process. We have all the information on all the various audit firms in the province that have applied and wish to be considered for work. We go through a process of looking at their capability, how they're staffed, that they can handle it in the rather tight time schedule that we usually have.

MR. HIEBERT: So this is really a subgroup by a selection process. Is that correct?

MR. ROGERS: The selection process is under my control, yes.

MR. HIEBERT: We have 33 listed here. How big would be the total grouping from which you make the selection? Hazard a guess.

MR. ROGERS: You see, we're only looking in certain areas, where our audits are. If we take, say, Fort McMurray, I believe there are two firms there. We look at both firms, and we make our selection. Now, we do not keep an agent on indefinitely. After about five years we start making changes, a rotational process. Then the other firm gets its opportunity.

MR. HIEBERT: For example, Alberta Hail and Crop Insurance Corporation or Alberta General Insurance Company: why are those things on there in the first

place? Do these agencies and corporations have a way of reporting that could be done in a different way?

MR. ROGERS: They're provincial agencies under the definition of the Financial Administration Act and, according to my Act, I'm the auditor of all such agencies. Wherever there's accountability to the Legislative Assembly -- in actual fact, I suppose in colloquial terms you could say I'm the watchdog for the Assembly -- I report to the Assembly on the financial affairs of those entities.

MR. HIEBERT: Why are some colleges on and not others?

MR. ROGERS: The other colleges are handled directly by my staff. We audit all the colleges, but only certain ones are out to agencies.

MR. CHAIRMAN: Mr. Rogers, we've been free with out interruptions. How do you feel about your reporting? Is it coming along to your satisfaction?

MR. ROGERS: I would just like to look at the last page, Schedule 4. I think I've explained the contents of the other schedules. If there are no further questions, I'd like to go on to Schedule 4. The first line shows the fees paid to agents for audits done by them. If we take '82, that is \$117,610. The cost of the work by my office on the agency audits -- that is, the management and review process I was describing earlier -- that comes to a total of \$6,427. Then there are certain ones that we audit directly. This is where there is no suitable agent in the vicinity, or the nature of the records makes it such that we've still got them. When you get quite small jobs like this, people are very often not interested in doing them: Aetna, Leavitt, Magrath, Mountain Creek, and Ross Creek. That is our standard cost, for a total of \$10,334. So the cost of audits to our office is a total of \$134,371.

If the audit fees billed to the districts are in accordance with the recommendation -- and this is yet to be approved by an order of this committee -- it would be \$70,675. So in effect the unrecovered audit costs are \$63,696. In the unrecovered audit costs, you have to consider that the government has a stake in this, as I think you would hear from the Irrigation Secretariat, in gaining assurance that especially heritage fund moneys are under proper control and are being properly spent. So I don't think it's all for the benefit of the irrigation districts themselves; government itself does have a benefit.

MR. MILLER: Mr. Chairman, to Mr. Rogers. I would debate that point, but I won't go on to that issue. The question I would like to ask you at this time is: in view of the fact that you have all these irrigation districts and you have Lethbridge College and Medicine Hat College, and you estimate you can do the cost for approximately two-thirds of what you're having to pay the agent, has any consideration been given to establishing an office in Lethbridge?

MR. ROGERS: We had such an office, sir. At the time I began to establish the principle of working through agencies, we closed that office and now handle it out of Calgary or Edmonton.

Although this schedule shows we can do the audits for less cost, there is a problem. That is that all this work has to be done at the same time. Consequently, if I were to staff up to the point where we did all the work, because it's impossible to get people like this for a three-month period, say, I would be overstaffed for the rest of the year. The total cost of the staff would probably be greater than what we're paying the agents. The real beauty of using agents is that you're able to balance your staff a lot better for

peak periods, when a lot of work has to be done at the same time. That's why for some of the March 31 audits, like the Liquor Board and so on and so forth, I have some of those jobs out to agents. It allows me to keep the staff at a level that is busy all the year round.

When I was first in the office, we used to get peak periods and slack periods. We don't have any slack periods any more. It's constant all the year round. We are able to do that because we don't have to staff up just for the peak periods. That peak, above the level, is taken care of through the agencies. So although on a job-by-job basis it may appear to be more expensive to use agents, if you take the overall -- unless we were to forget deadlines and spread the work out. If we're still going to meet deadlines, it would cost us more money overall. We'd have to have people on staff for the whole year.

MR. THOMPSON: A supplementary to Mr. Rogers on that. It's been my experience over the years that any time the government puts something out, the cost immediately jumps. This is an opinion, so you can't really answer it if you don't want to. Surely if Raymond as an entity put out its own audit to Carpenter, there's going to be some difference in the price charged than it is when it comes to the Auditor General. Is that a standard fee?

MR. ROGERS: I would say not. We beat them down.

MR. THOMPSON: Thank you.

MR. ROGERS: For instance, I wrote a letter to all the agents and said: no increases over 6 per cent; if there is, forget it. Because of that position, I think we are perhaps able to do better deals than individual entities who don't have any other leverage.

MR. THOMPSON: That's good to hear.

MR. CHAIRMAN: I'm going to encourage our meeting to proceed with the report now.

MR. ROGERS: Mr. Chairman, I would like to deal with the list of organizations audited pursuant to section 12(b). I would like to make one thing clear. I do not seek any outside work -- ever. In fact, I think I refused more work than shows up here because I didn't think it was appropriate for us to be the auditors. In all these cases, the records of the entity are either intertwined with a major organization, such as a university or college and so on and so forth, and it makes sense for us to pick up the 100 hours or 200 hours, or whatever the audit is, in the course of auditing the major entity, or it is an activity that is funded by government and we've been approached by the department as to whether or not we could audit it.

Cases in point would be Alberta Helium Limited, which is jointly funded, the Canadian Energy Research Institute, the Coal Mining Research Centre. We would be approached by the Deputy Minister of Energy and Natural Resources as to whether or not we could audit, to give them the assurance that the reports they were getting were audited to government standards and that there was compliance with the regulations. Very often in the private sector, unless specifically outlined in their terms of reference, they do not audit -- and I don't see any reason why they should -- to the requirements of regulations and so on and so forth. They audit that the figures on the financial statements are represented by what happened in the course of the year, in the way of transactions.

So that is why we are the auditors of benevolent funds and all the rest of it. This goes way back to long before I joined the office. You would audit Ponoka; you would also pick up benevolent funds or the cafeteria fund and that sort of thing. You would pick that up in the course of the audit. Most of these are of this type. Because of the wording of 12(b), the new legislation caused us to isolate all these. They've all been approved by orders signed by the committee that was in being from '48 on.

I would say that I only have any concerns in my own mind about two items on this list, and they're associated. We were approached by the management and directors of the Calgary Olympic Development Association and the Olympic Winter Games Organizing Committee for the '88 games in Calgary. We have an office in Calgary, and we were approached -- they apparently wanted our office to do it, one, I think they felt the price would be right, which is the matter we've been discussing here; the other thing is that I'm sort of looked upon as neutral, in view of the fact that a number of chartered accountants in various firms are involved in organizing the games. Also, David Leighton was previously from Banff Centre, and I had been his auditor. I guess he felt it would be kind of nice if we audited.

When I accepted that, I must admit that it was on the understanding that the government had indicated its wish. I later found out that that was not the case, that there had been no specific request from members of the Assembly in the Calgary area. They had no objection either, but they had not been involved. Rather it had been David Leighton's idea that I should perhaps be the auditor.

I have concerns about this because of the nature of the subsequent developments. I don't think there's anything particularly wrong, but I can see that it has the potential for getting to be a hot issue in subsequent years. I really think that is something this committee should decide, as to whether or not the public good is served by our office being involved as auditor or whether or not perhaps it's best not to have any part of it. I'm neutral on the thing. There's a lot of work involved, especially as we approach 1988. I can see that there will be considerable work when we get near the games themselves.

My original understanding was that there would be a lot of funding from the government itself. It was on that basis that I felt it was appropriate for me to be the auditor. In actual fact, most of the government's contributions appear to be in kind. In other words, the government is constructing facilities for the games and therefore not sort of handing over money to be handled or managed by the committee.

DR. CARTER: Just on that point. For example, the coliseum in Calgary, at the moment the provincial government is doing its one-third contribution plus covering the one-third from the federal government. I assume that the funds are flowing through the Department of Public Works, Supply and Services.

MR. ROGERS: Yes.

DR. CARTER: So you would be auditing the Department of Public Works, Supply and Services anyway.

MR. ROGERS: Exactly. We would be auditing those aspects anyway. That was not my original understanding.

DR. CARTER: This is a very important point. I think in the minds of all of us as Albertans, we don't want a fiasco like Montreal. If you have an alternative way of ensuring that we don't have a financial mess-up, perhaps we could examine that at another meeting, Mr. Chairman. For one, I am partial to

the idea of the Auditor General keeping an eye on what is happening with CODA. That way, we have some assurance of the impartiality.

MR. ROGERS: I really will be guided in this particular matter -- as I am in all, of course, but specifically in this matter I would like the advice of the committee as to what best serves the public good.

MR. HIEBERT: I think what we could do today is take it under advisement, then come back subsequently.

MR. ROGERS: I'm committed for this year anyway, so it would really be giving notice.

MR. HIEBERT: We appreciate getting the notice that it is a concern.

MR. ROGERS: As I said, we have a sheet at the back that gives a full story on each of the entities involved. In all cases, I've been approached to be the auditor and, in my mind, there was adequate reason why we should be. Of course, some of the audits go back many years.

Incidentally, Neil just reminded me that these sheets that were given to the committee as early as '78, and since, have been the back-up of orders that have been signed. So these are not newly prepared, except for the new ones.

MR. CHAIRMAN: Does this page require a specific recommendation from you to us?

MR. ROGERS: Not this one. This is the information the committee requested. There will be an order for the ones that are marked with the one asterisk. These are the ones with approval pending. In the case of Glenrose, this was an oversight. We've been the auditors of the Glenrose Provincial hospital staff benevolent fund and charities fund for many years. But we overlooked getting the approval of the committee. These came to our attention in preparing these data.

MR. CHAIRMAN: Do you have anything further you want to say on this, or should I turn them loose on questions?

MR. ROGERS: Nothing further to say.

MR. THOMPSON: Mr. Chairman, I really have problems in making decisions on who should and who shouldn't be on the list. I was just leafing through this thing and came to Computer Modelling Group. It says here that this is a private company incorporated under the provisions of part nine and all that. It lists the people in there. I can understand non-profit organizations; I can even understand a certain amount of local government. But when we start expanding into private companies, no matter who the shareholders are, to me the horizon is then unlimited. How can we as a committee sit down and make a value judgment when we have things like this cropping up in the thing?

MR. ROGERS: While this is legally in the private sector, in actual fact it really isn't from a financial point of view. That is the government's interest in this right now. The subscribers to the memorandum of association were the Petroleum Recovery Institute, for which I'm the auditor; the Energy Resources Conservation Board, for which I'm the auditor; the associated members of the Oil Sands Technology and Research Authority, for which I'm the auditor; the Alberta Research Council, for which I'm the auditor; the universities of Calgary and Alberta, and I'm the auditor of those; and the National Energy Board, for which I'm not the auditor. So it's because of the

fact that all the parties involved know me as the auditor, they said we want you to audit this. I certainly don't go out into the private sector.

MR. THOMPSON: No, I realize that. A supplementary on that, though. Here's where I get really confused. The whole budget system is set up on programming. The total cost is related. A program is set up, and the cost of the program is laid out so that we have some rational base to work off. And it's not only here. But we find many discrepancies. The Ombudsman was telling us the other day: the cost of my office isn't in my budget at all; Public Works, Supply and Services picks it up. I'm not a bookkeeper; I don't understand that type of thing. If you're talking total cost, why don't you put the total cost in the program?

MR. ROGERS: As you know, sir, in my report that is one of the items I have reported on for several years now. I would like to see that happen. I would like to see all programs of government reflect all their costs, including audit costs. I'd be very happy to do that. But right now, I'm in an office where I'm not accountable for the square feet I occupy. I don't even know how much it costs, because Public Works, Supply and Services picks it up. I agree with the Ombudsman. That has been a recommendation of mine for at least a couple of years now. I would like to see that develop. I think the program administrators would then have a feeling of responsibility for the costs they incur, not just the costs they actually pay themselves.

MR. CHAIRMAN: Do you have a supplementary to that, John?

MR. THOMPSON: Like I said, it's something I have problems with. I understand the concept, but apparently we don't follow the concept.

MR. ROGERS: No.

MR. THOMPSON: Okay, that's all I wanted to know.

MR. CHAIRMAN: I'm going to interfere for just one minute here. It's now just after eleven o'clock. What are our time constraints this morning? We didn't establish a time to close this meeting off. There are several things we'd still like to review. I'd like to know where we are with respect to your submission this morning, Mr. Rogers. Are we getting close to the end?

MR. ROGERS: There are several orders to sign, Mr. Chairman, which I think we will leave with you by the time this meeting closes. They don't have to be signed immediately, but we've discussed pretty well all of them.

MR. CHAIRMAN: We don't have the pages to put our signatures to. You still have them, do you not?

MR. HENKELMAN: Yes, I do.

MR. ROGERS: Before we close, Mr. Chairman, I'd like to make just a few comments.

MR. CHAIRMAN: Please do.

MR. ROGERS: Subsequent to the last meeting, it occurred to me that here I'm saying that we're trying to hold the line and increase productivity, but here I am asking for more people -- not asking for more people but that my establishment be more fully occupied, if you will, or that the number of

occupied positions I have been more this coming year than last year. The question is, why?

The answer to that is that a very conservative estimate -- and it doesn't take much thinking to think of more things -- shows that we have a workload in excess of 12,000 hours over last year. The thing to recognize is that we don't control our workload. The workload is the result of government activity. For instance, this coming year we have additional work because of the establishment of new audits. These include the Alberta Hospital, Edmonton, and the Alberta Hospital, Ponoka, SAIT, and NAIT. These are now boards and therefore have separate audits. Westerra Institute of Technology, the Electric Energy Marketing Agency, the Alberta Microelectronic Centre, and we also have some audit requirements under the federal energy agreement and others. So this alone represents a considerable increase in work. Also we have additional responsibilities under the economic resurgence and interest shielding plans.

I'd just like to make the point that when you see our report, it looks as though that's the end result of a year's work. In a way, it is. But a lot of the work we do is never reported here. It is in the form of recommendations to management that do not get to the report stage. Very many of those recommendations are at an early enough point that they are preventive rather than anything else. In the case of the mortgage plan, to just take one example, we viewed the proposed systems before they were actually implemented. We came up with quite a long list of deficiencies in their systems. A lot of changes were made -- even changes in the number of staff involved -- as a result of our pointing out that they were heading for serious trouble. I think that plan turned out to be a success. I don't think I'm doing anything but stating facts. We were involved in that, together with management, as an auditor. We can be objective. We can see a situation developing. I would much rather head it off before it happens than get figures at a later date and report back then.

I just wanted to make the point that a lot of the work at our office is in evaluating internal control and, in many cases, evaluating systems before they even go into operation. Because of the new system we have as a result of increased government activity in the economic resurgence and interest shielding areas, it all adds to the work of our office. Consequently, as I said, a very conservative estimate is an increase of 12,000 hours for this coming year.

Just by way of interest, I have calculated the cost of our office to the dollars we audit. It works out at .035 per cent, or 35 thousandths of 1 per cent. This was in '80-81. In '83-84, on the basis of our estimate, this will increase to .042, or 42 thousandths of 1 per cent -- an increase of 7 thousandths of 1 per cent in four years. I just wanted to give an order of magnitude of the cost of auditing.

Mr. Chairman, I think that really covers the comments on our budget itself. Unless there are any questions . . .

MR. CHAIRMAN: By now you feel you've come pretty close to giving us your story for this particular time?

MR. ROGERS: Well, I don't know that it's a story. I like to give an understanding of the work of the office, because it is rather difficult for the committee coming in.

DR. CARTER: Mr. Chairman, for purposes of trying to clear up a great backlog in our minutes, I assume that this particular document as circulated, Office of the Auditor General -- List of Organizations Audited Pursuant to Section 12(d), is what we had requested of Mr. Thompson, even though you brought it:

to submit an explanation on all audits carried by the office where there's no direct accountability to the Legislative Assembly.

MR. ROGERS: That's correct.

DR. CARTER: So that's now off our list. We have at least five other items which we have to deal with as a committee.

One explanation I require with respect to this document is why there are two separate audits going here, Calgary Olympic Development Association and XVth Olympic Winter Games Organizing Committee.

MR. ROGERS: The first one you mentioned is the organization that was in existence to promote Calgary's getting the games, and dated back to the '60s. Then at a given point, which was last year, they closed that down or put it in cold storage, and we signed the statements as of the end of its activity. The committee now takes over until the games are over, and then it comes back into play again. They are two separate entities.

DR. CARTER: Except approval pending columns for both of them today.

MR. ROGERS: That's right, because they approached me last spring, after the last committee meeting.

DR. CARTER: And on what effective date do they go into mothballs -- or cold storage, because it's Winter Olympics? The first one, Calgary Olympic Development Association.

MR. ROGERS: The first one. The statement is not complete yet. It's a current order, so to speak. It was the end of last year, I believe. I'm not sure of the exact date because it wasn't an even date.

DR. CARTER: They have ceased to function for the time being.

MR. ROGERS: Yes.

DR. CARTER: But you still carry on the audit, which takes longer.

MR. ROGERS: That's right.

MR. HIEBERT: Just a quick question. You indicated that there is a growth requirement in the staff because of the number of working hours, which relates to government activity. Consequently, you're looking for some expanded manpower.

MR. ROGERS: No, sir.

MR. HIEBERT: Maybe I misinterpreted.

MR. ROGERS: No, I have exactly the same number of positions, but my vacancy rate is lower than in the previous year. I have not increased the positions; my authorized positions are exactly the same, 189.

MR. HIEBERT: Thanks for clarifying that.

What systematic approach is there in place with regard to looking at the other side? We have a tendency to keep building on building blocks, yet nothing on the other side seems to be knocked off. For example, I look at this document and see the stars: six are approval pending and one

discontinued. All I'm saying is, what systematic approach is there to assessing, so that while we're building on one end we're also starting to move away, discontinue, sublet to agencies, or whatever -- so that there's a balance kept in terms of what proportion falls in your staff's workload.

MR. ROGERS: For one thing, I would point out the number of hours for each of these entities. To give you a feel for it, we consider that to be fairly small when it's compared with the parent organizations, usually. For instance, a number of these are associated with universities. The audit of a university is considerable, up in the thousands of hours. Therefore, if you have -- as in the case of the new western film and television foundation -- an extra 210 hours, and the records are all the same records, then you absorb that very readily in the job. It wouldn't make sense to bring an auditor in because to do the job, he'd have to understand the university's record keeping, which would be completely uneconomic for an audit of 210 hours. Usually, the pragmatic approach is for us to pick it up in the course of our work.

Some of these that sound as though they don't belong to government are because the funds are held in trust by the university, and actually their records are intertwined with the university records. It's just that because they are a separate entity, they need a separate financial statement. Therefore, it only makes sense for us to incorporate that in our work and produce a separate set of statements.

For instance, the one that has gone away, the Canadian Corporation for Studies in Religion, was because the professor involved, who for three years was in effect the treasurer of this organization -- his term of office expired, and I think the next man is in St. John's. So you get that kind of thing. Some of these do move on, but as long as the entity is there, we continue doing it. It wouldn't make sense for anyone else to do it.

MR. HENKELMAN: I'd just like to mention that some of these are governed by agreements, and they have a five-year life. If the agreements aren't renewed at the end of the five-year life, that's the end of the organization. I think there are three or four of them like that in here. It depends on what happens three, four, five years down the road, and they could end.

MR. HIEBERT: Maybe I could put it in a general way. What concerns me is that as we project into the future, what is the state of equilibrium between the growth factor and the slip-off factor? Where do you see this thing going in the next decade?

MR. ROGERS: Well, as far as the next decade is concerned, I'm not saying we won't ask for any increases. In fact, we've held it level now for four years. We've not increased staff positions. We've had our ups and downs in the amount of hiring we've been able to do. As I explained in an earlier meeting, I was in the position of having gone to England; we'd arranged this visit in February of 1981. In the fall of 1981, of course the energy agreement was signed. I thought I would still be faced with the same problems in obtaining staff, so I brought a number of CAs over in 1982, almost to my embarrassment. Commitments had been made; people had sold houses, and so on. There was no way we could not honor those commitments. But in the meantime, the economy turned on us. Therefore, I didn't lose staff as quickly as I thought; therefore, I have a fuller complement this year, right now, than I've ever had in the 10 years that I've been Auditor General, or probably our office has ever had.

What I'm saying is that the increase in work means that those people aren't going to be idle; they're going to be busy.

MR. CHAIRMAN: Do we have any unfinished business now with the Auditor General? I have one very short question. At an earlier visit, there was the discussion about appointing or reappointing an auditor for your . . .

MR. ROGERS: That is correct, sir.

MR. CHAIRMAN: Did we complete that piece of business? I can't recall right now. David, would you give me some guidance here? Do you recall what we are going to do about that? Do we get assistance, directions, or recommendations here?

DR. CARTER: My understanding is that we had a recommendation from yourselves to continue . . .

MR. ROGERS: I would recommend the reappointment of the auditor.

DR. CARTER: So we have that, and we now would deal with that at a subsequent meeting of the committee.

MR. CHAIRMAN: All right. Is there anything else then, committee members, that we require from these gentlemen? It looks like we feel at this moment, Mr. Rogers, that we have what we want for now.

MR. ROGERS: Thank you very much, Mr. Chairman. I would like to thank members of the committee for their patience in listening to me.

MR. CHAIRMAN: Thank you for your patience in handling all our questions and requests.

DR. CARTER: Mr. Chairman, on behalf of the committee, I'd like to express our thanks as well, and also that we do intend to take you up on your offer to come and visit your facility. We expect that we'll be meeting with you a bit more frequently in the lifetime of this committee.

MR. ROGERS: I would appreciate that very much. Thank you, gentlemen.

MR. CHAIRMAN: Mr. Rogers, our committee will be working during the next few weeks, and we'll get through all the unfinished business eventually.

MR. ROGERS: If there's any way I can be of assistance -- of course, you know that. It goes without saying.

MR. CHAIRMAN: And as Dr. Carter says, we'll be keeping an eye on your coffee pot schedule over there, so we'll time our visits accordingly.

The committee moved in camera at 11:25 a.m.