

[Chairman: Dr. Elliott]

[2 p.m.]

MR. CHAIRMAN: Can we call the meeting to order, please? We have a delayed aircraft in Calgary. We tried to accommodate part of that delay, and the meeting was pushed from 1:30 to 2 o'clock. So here we are. The Calgary aircraft with David Carter is still not here, but he will be coming as soon as it arrives.

We welcome the staff from the Auditor General's group. First of all, I will turn to my guides and counsellors here to see if it's okay to proceed immediately into your work. Has anybody any objections if we proceed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Mr. Rogers, can we turn the meeting over to you and let you proceed through any statement you wish to make with respect to your report?

MR. ROGERS: Thank you, Mr. Chairman. I would like to talk to the budget analysis prepared for fiscal year '85-86. This budget has been prepared fully recognizing the period of restraint, the current conditions, and the current policy of the government, because I believe it's wise for our office to be in harmony with the general thrusts and trends of the government.

You will notice that Manpower, which I would like to address first, has actually decreased by \$177,222 between '84-85 and '85-86. As a percentage of the '84-85 total, that is a decrease of 1.89 percent. That is accounted for by a reduction of two positions, a manager and a supervisor, and that accounts for about \$85,000. We are hiring cheaper, if you will, for the turnover. To explain that, we have lost or are losing several people with long service, who have climbed up the salary scale over the years, but we will replace those positions at a lower level of salary. We've tried to take that into account.

Offsetting those two factors are the annual increases that other people automatically get. While there are no increases for merit, as you know, nevertheless annual increases still continue. That is, on their anniversaries people go to the next level of pay scale, except for management, who, as you know, have been static for the last year or so.

Taking all those things into account, the end result is a decrease of \$177,000.

The increase, which is in Supplies and Services, is 3.81 percent. Mr. Chairman, I can back up and go over any point that is of interest to any member of the committee, but I would rather hit a couple of the highlights which really explain any difference.

MR. CHAIRMAN: I recommend to the committee that we make our jottings and that you present your case the way you wish, and then we can come back.

MR. ROGERS: Then we can come back and go over it point by point.

MR. CHAIRMAN: Thank you. Just carry on, please.

MR. ROGERS: If you look on page 4, you'll see that Professional, Technical and Labour Services,

specifically Agency Audits, has increased by a total of \$420,000 between '84-85 and '85-86. The explanation is that in line with the desire the government expressed to us for a greater degree of privatization, this office has been involved in privatization, if you will, for a good number of years now — since 1978, I believe — through the use of private-sector agents. Consequently, rather than increasing in-house staff, we have increased the amount of work that will be put out to the private sector. We are talking about the next fiscal year, '85-86. We anticipate putting out more work to the private sector, and actually it's approximately 8,000 hours. The new assignments, less any audits that have come back to the office, account for some \$468,000 net. As you will recall, our procedure is that once an audit goes out to an agent, at the end of that agent's contract or if, for whatever reason, we decide not to renew that contract — it's usually because the agent is going on to some other work, or matters like that — we never hand that audit over to another firm. We always handle the audit ourselves for at least one year; one, as a quality check and, two, so we don't get one firm following another firm and a then lot of finger-pointing as to who did what. We find it's a lot cleaner, and the agents who work for us appreciate that method of operation. Consequently, it isn't all one way. In any given year, we put work out and the odd one also comes back in as part of its rotational cycle.

The net increase, though, after taking that into account, amounts to \$468,000. We're allowing \$61,000 for an increase in fees, on the grounds that we've held them steady — how long, Don?

MR. SALMON: For the past two years.

MR. ROGERS: For the past two years we've told them "no increases", and they have gone along with this. But if, as we believe, things are getting better in the economy, we can't expect to live with a nil increase indefinitely. So we're allowing \$61,000, which doesn't represent a big increase but allows for some manoeuvring room when we are discussing rates.

In the previous year, '84-85, we had a number of one-time projects, to some extent involved with the development of software and special audits, and that amounted to \$109,000, which isn't continued into the following year. So the net of all those figures is \$420,000, which is the increase shown in the budget document.

Now I would like to deal with the fact that the increased involvement of the private sector has increased the number of available auditor hours by some 8,000 hours. Offsetting that is the reduction of two positions on our staff, which accounts for about 3,000 hours. Overall, that has given us some 5,000 hours of additional audit time. I know that many departments have been asked to cut back on their programs, but as far as our particular type of operation is concerned, we don't prescribe our workload so much as it depends on what the government is doing. Every time the government creates a new fund, a new entity of any kind, in effect that is additional work. There are a number of new audits in the next year, such as the provincial loan fund, the Waste Management corporation, and

another six or seven different entities — which isn't a big increase but does represent additional work assignments.

One other factor: this is the time for more or less an annual report to this committee. I think it's prevalent across the country, because I've discussed it with colleagues in other jurisdictions, that our auditing is getting to be more difficult. When I say "difficult" I'm not implying any wrongdoing on the part of the people we audit; far from it. But it's human nature to try to, shall we say, make things look as good as possible, and we very often enter into quite protracted negotiation and discussion in order to avoid anything that could be looked at as unduly improving the results shown by statements. In any event, the mere evaluation of accounts receivable, for instance, which is one of the contentious points, has got to be a major undertaking, especially in such organizations as the Housing Corporation, the Home Mortgage Corporation, and that type of lending institution. The economic climate has caused difficulties for both the client, or the department we're auditing, and us. So I don't think having a cushion of 5,000 hours to take care of these things is unwise. In fact, I think it's necessary.

Those are my preliminary comments on the agency audits, which represent the only real increase in the budget. The other items have not increased, have held still, or have had a minimal increase, with the possible exception of the EDP, data processing, equipment. In that case, I have no hesitation but to say that I think it's for the benefit of the government and our office to exploit the use of computers to the fullest extent, and that is one reason we've been able to improve productivity, which is a main aim we've had over a number of years. In that regard — it wasn't planned and my colleagues weren't even aware of it until I showed this to Don a few moments ago, because I only read it this morning — is a letter from the Controller, which says:

We have discussed the proposed accounting policy change from the straight line to the constant yield method of amortization of discount or premium on investments . . .

This is a change in accounting policy that they wish to make.

In order to comply with generally accepted accounting principles, the financial statements of the affected funds and agencies will need to disclose the effect of the change in the year the change is made, i.e., calendar year 1986 . . .

I'll go down to the next paragraph, which is the important one for the purposes of this meeting.

We estimate it would cost Alberta Treasury approximately \$70,000 to compute the effect of the change if Treasury's computer software is used. We understand that your office has developed computer audit software that could be used to compute the effect of the change at minimal cost.

Minimal cost actually means no additional cost over the costs we've already incurred.

We would appreciate an undertaking on the part of your office to provide us with the information on the effect of the

accounting policy change . . .

That is a perfectly routine thing as far as we're concerned. The only reason I read it is to show that there are savings to the government from the expenditure on EDP in our office.

Mr. Chairman, if committee members have any questions . . .

MR. CHAIRMAN: Would any of your colleagues have anything they want to say in addition to the statement you've made, Mr. Rogers, or shall we go to questions?

MR. ROGERS: I certainly invite them to.

MR. SALMON: Not for me, Bill.

UNIDENTIFIED SPEAKERS: No.

MR. CHAIRMAN: I have Bud Miller, John Thompson, and Bill Purdy. Bud, would you start, please.

MR. MILLER: Thank you, Mr. Chairman. Mr. Rogers, I do appreciate you and your staff coming, because you certainly add to my knowledge every time I have a chance to meet with you. You've been very good about explaining what is happening and why you do things.

I would like to refer to page 5 and the audits you're doing. I know we discussed this last year, but I can't recall whether or not these organizations make a payment on behalf of the audit you're doing. Two things concern me. First of all, why is this charged to your department rather than to, for example, Advanced Education for universities? And if the government is receiving money for doing these audits, does that money go to the Provincial Treasurer?

MR. ROGERS: I'll ask Don Salmon to speak to that subject, except that I'll answer your last question first, if I may. We have no spending authority over any money we receive as revenue. That goes directly to the Provincial Treasurer as revenue to the General Revenue Fund. It does not increase our funds at all.

MR. MILLER: That was my understanding.

MR. SALMON: Mr. Miller, we have 28 audits to which we charge audit fees, which are the ones Mr. Rogers was talking about that go into the General Revenue Fund when we collect those fees. We are paying the fees for the agents because the Auditor General is the auditor of all departments, boards, and agencies in the province and because this office is the one selecting the agent, and the agent is working for the Auditor General to the point where we can also satisfy ourselves in signing those financial statements in our involvement with the agent doing that audit. The fee is charged to us so that we have total control over the audit being done. That is the reason our budget includes those moneys. When those organizations are charged a fee, we in turn charge that fee to them, they give it to us, and we deposit it into the General Revenue Fund. So it's a circle.

MR. MILLER: In other words, when you look at this, that is not the net figure.

MR. SALMON: These are the gross amounts budgeted to pay to these firms.

MR. MILLER: But in effect the Provincial Treasurer might be getting more money because you're paying out more money.

MR. SALMON: The Provincial Treasurer is getting the moneys we bill for. We don't bill each of these organizations.

MR. MILLER: I appreciate that we went through this.

MR. SALMON: All those we charge are being returned to the Provincial Treasurer.

MR. MILLER: But it could be increasing. Just as your costs are increasing, the amount of money coming back to the Provincial Treasurer could also be increasing.

MR. SALMON: If it happens to be one of those jobs for which we charge a fee, our fee would go up.

MR. ROGERS: I think you had better explain that it isn't the same dollars.

MR. SALMON: It's not the same dollars; it's our fee charges.

MR. ROGERS: I think we went over this before.

MR. SALMON: It doesn't match.

MR. ROGERS: We charge the cost that would have been incurred if we had done the audit, the reason being that it isn't the auditees' choice whether their audit is carried out by us or by an agent. We impose the agent on them.

MR. SMITH: Almost inevitably the audit fee is less than what we are charged by the agent.

MR. SALMON: That's because our rates are based on direct costs rather than the full cost of the office. Do you want to use an example?

MR. MILLER: Yes. Why are you doing Lambeo?

MR. SALMON: Why are we putting that out to an agent?

MR. MILLER: You did it yourselves last year, didn't you?

MR. SALMON: Right.

MR. MILLER: I see, but now you're putting it out to an agent.

MR. SALMON: Right. We will be able to recover Lambeo.

MR. ROGERS: That's because it's a creature of the Agricultural Development Corporation.

MR. MILLER: Thanks.

MR. THOMPSON: I'm on page 5 too. As I recall, last year we had 13 irrigation districts on this list. Now we're down to about five.

MR. SALMON: You're talking about the order for approval.

MR. THOMPSON: I just catch five in here: United, Lethbridge Northern, Raymond, St. Mary . . . You have five different irrigation districts on the list this year.

MR. SMITH: Those are the ones that are done by agents.

MR. SALMON: These are agent lists only.

MR. SMITH: The remainder and most of the smaller ones are done by our staff.

MR. WINGATE: I think there might be some confusion here. What we're looking at are the charges we anticipate our agents will charge us, not what we're charging our auditees.

MR. THOMPSON: There is an awful lot of confusion. I look at a figure of \$5,000 going up to \$6,000 for the Taber Irrigation District. That seems reasonable. But basically when you get to something like Lethbridge Community College, I suspect there's an awful lot more bookwork — entries and income and outgo and everything else. They are only five times as much as the irrigation district. I have a real problem understanding how these figures are arrived at. How do you farm these things out? Do you tender it?

MR. SALMON: We have obtained submissions from the various firms in the province, giving us an indication of who their partners are, what staff they have, the size of the firm, and the experience they've had. We have basically used all the firms of a size we feel can handle the kind of work we're doing. We haven't used, say, a sole practitioner, because they don't have the staff to handle a job of the magnitude of most of these audits. It's based on the number of hours required to do the actual audit; that's the variation in the fee. You're right; the college is much more complicated than the irrigation districts.

MR. THOMPSON: I'm not a bookkeeper, but I suspect there has to be maybe 10 times as much time put in on Lethbridge Community College as there would be on the Taber Irrigation District.

MR. SALMON: Not necessarily. It depends on the systems they have and the controls that are in place. Volume isn't always a factor in completing an area. The variety of things one does at a college is somewhat different from irrigation. That's what really what causes the increase, not necessarily . . .

MR. ROGERS: It doesn't at all track the actual size of the organization, I'm afraid. I wish it did.

MR. THOMPSON: All right; let's go on. I accept your explanation. Lethbridge Community College is \$25,000; University of Calgary is \$160,000. If what you say is right, that how it works depends on their

systems — I'm not questioning what's here. It's the confusion in my mind. You say you just pick the number of hours, but . . .

MR. SALMON: We can determine it by the basis of the kind of work we do there. We knew the number of hours and what it was costing. When we set up our agencies, we know approximately how much time it will take them to do those audits.

MR. ROGERS: If we did a job in, say, 500 hours, and in discussing it with an agent he said it would take 1,000 hours, we'd say, "Good-bye."

MR. SALMON: We know we can do it for that.

MR. ROGERS: As a matter of fact, I was riding back on the plane yesterday, and Mr. Salmon's name came up. He deals basically with these agents. I was told that he was a very hard-nosed individual. That's because the rates and the hours are hotly negotiated in many cases. Basically we're buying professional skill. A case in point is Alberta Government Telephones. We looked around for people who could help us in one particular area of AGT's operation. We chose Touche Ross. The reason we chose Touche Ross is that we happen to know they're the auditors of Bell Telephones and probably have more experience in auditing telephone system revenue than anyone else. It's that kind of rationale. There was no alternative to that.

MR. SALMON: Just for interest, Mr. Thompson, in that particular audit — I don't think anyone will mind if I say — when they submitted their initial proposal after we had had discussions with them with respect to the portion of AGT we wanted them to work on, we decided their rates were too high, and they're going to come down because we said, "No, you're out of line in relation to what we know it should be done for."

MR. ROGERS: We also exercised our right to have one of our people join their team to work on one particular area of the work.

MR. THOMPSON: Mr. Chairman, I appreciate that little kicker you have: that when a firm is through, you people look after it for a year. That gives a pretty fair idea of where you're at. From my point on view, if they know that's going to happen, it also has a dampening effect to some degree.

MR. ROGERS: It tends to keep them honest.

MR. THOMPSON: As you said before, most people are, but human nature being human nature, we always try to — we don't want to go short. I think that's a really neat thing to do: when you change auditors, you audit the books for a year. That gives you some idea of where you're at.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Thompson, I was wondering if you were going to suggest that the Auditor General use that system in legislative jurisdictions when governments change too.

MR. THOMPSON: You can go too far.

MR. CHAIRMAN: Bud, I recognize that you are going to have to leave at 2:30. Do you have another question?

MR. MILLER: Could I follow up on that? You select firms; you don't go to tender. Do you get criticized by some firms not getting a chance at it, for example?

MR. SALMON: No, but they do try to lobby us if they haven't been used recently.

MR. ROGERS: If we have — not a bad experience, because if I had a bad experience with a firm I would take them immediately to Conduct and Discipline of the profession. Sometimes you can have an experience that you feel isn't quite satisfactory. Then they know very well they're going to go dry for a while, and we've had that. We've not had any problems with firms, and we've been doing this since 1978.

The pluses of this — I said we were buying skill, and that is true. We're also buying proximity to the auditee. A good number of these offices are in rural areas, close to an auditee. Colleges: we usually have a firm in the same town or city; for instance, Red Deer. There's a double advantage to this. One, the audit is carried out for us. We have an intimate knowledge of the work they're doing; we have to be satisfied with that work. As I said, we make sure we're satisfied. The other plus is that if the auditee — the college, let us say — wants to have some accounting advice or accounting work during the year, we've made it very clear to them that we would be very happy if they would go directly to the firm that is acting as our agent, which is a local firm, right in their community. There's a big psychological plus to this. In the old days, they had to get on the phone to our office in Edmonton. I believe it has been a very positive thing from that point of view. Can you comment on that, Don?

MR. HENKELMAN: One thing that perhaps should be said is that if they do have extra accounting work done, the firm bills the client. We don't get involved in that cost.

MR. ROGERS: I'm sorry, I forgot that. They bill the client directly in the normal course.

MR. SALMON: The only way we'd get involved is that we have asked them to make sure to let us know what they are going to ask them to do, to see whether we are happy that there would be no conflict of interest relative to any extra work they'd be doing. So they've been doing that.

MR. MILLER: I appreciate that, and that's very good. But suppose somebody in Red Deer should say: "I've never had any of this work, and I want some. I want that to go to tender, because I think I can do it for less."

MR. SALMON: We haven't had anybody ask us to go to tender, but they have asked to be considered to be used. We have on file in our office — I don't know exactly how many — a number of firms that have submitted resumes and proposals to us. Periodically they'll give us a phone call and see how things are

going. In recent times we've been able to pick up and use some of those where we haven't used them before. On a rotation we have been able to swing a couple this year as well.

MR. ROGERS: There's another thing I would like to comment on, on this tendering business; that is, one has to look at the custom of the profession. For instance, with doctors you don't get tenders for brain surgery or that sort of thing. It is the same when an audit opinion is called for. It isn't like something where you say so much a pound or can see what you're getting. By all means, tender those sorts of things. But it's a little different. Tendering is not done in the community at large in the private sector. Haggling over rates, getting the best deal — yes, that is done, but not competition tendering like that.

MR. CHAIRMAN: You said tendering is not normally done in the private sector. What about in the public sector out there; for example, a health unit that advertised for an auditor?

MR. SALMON: I think the city of Edmonton asked for submissions from various firms on a selective basis. Those submissions come, and they look through those firms, usually on a rotation basis on a four- or five-year cycle.

MR. CHAIRMAN: I see.

MR. SMITH: There have been instances where some organizations have gone to tender.

MR. ROGERS: Yes, but it's not normal practice.

MR. SMITH: It's not normal, and it's very unpopular amongst the profession. The profession does not like it at all.

MR. CHAIRMAN: I'm going to ask our transcriber: are you getting along okay for names? Very good. We kind of ignore you at times and forget you're there, but you turn out a good product anyway. Thank you.

MR. MILLER: Excuse me, Mr. Chairman.

MR. CHAIRMAN: Very good, Mr. Miller. We'll see you again.

Bill Purdy, you were next with a question.

MR. PURDY: Mr. Chairman, I was going to go to page 5, but I think most of the questions I had have been asked by other members. However, Mr. Rogers, I'd like to know why you would have a decrease of \$8,000 at the University of Calgary, a large facility, but an increase of \$6,000 at Grant MacEwan college.

MR. SALMON: Do you want me to talk?

MR. ROGERS: Yes, I'm afraid I can't answer that.

MR. SALMON: We had a very good audit last year through some good planning and some work that was done. The fee this last year was much less than \$160,000, and there is an increase in the \$152,000 over the actual cost of last year. So it was a very

good audit last year which came in a lot lower than we'd estimated.

MR. PURDY: I'd like to refer back to a couple of questions throughout the document. In overtime for your permanent full-time employees, you show an increase of \$14,000. But in the end result you show only a .2 percent increase. By my arithmetic, it looks like 40-some percent.

MR. HENKELMAN: That percentage is a percentage of the total rather than a percentage of the item.

MR. PURDY: Okay. You're getting at a total of the whole \$6 million.

MR. THOMPSON: What page are you on, Bill?

MR. PURDY: The first page, John.

MR. ROGERS: It's a percentage of the Manpower estimate.

MR. SALMON: \$14,000 over \$7,161,000.

MR. PURDY: Okay. The next question is on page 4 of the document, first regarding the repair and maintenance of electronic data processing equipment. You show about a \$20,000 increase. Is that because the equipment is getting older and requires more maintenance, or do you have more equipment?

MR. HENKELMAN: We actually underestimated our cost for the current year, 1984-85. It's going to come in at something higher than \$66,000. So the \$86,000 is to recognize the additional cost that we underestimated last year and have to meet this year.

MR. PURDY: Does all the data processing equipment belong, or is it rented?

MR. SALMON: We own it.

MR. WINGATE: We are in the process of acquiring it. We're in fact leasing it, or buying it over an extended period.

MR. PURDY: Rental purchase?

MR. WINGATE: That sort of thing, yes.

MR. ROGERS: But not external.

MR. WINGATE: Not external — within the government.

MR. ROGERS: It's Public Works.

MR. WINGATE: Over a five-year period.

MR. PURDY: The next question is regarding Data Processing Services, Computer Operations. You show a decrease of \$91,000. I refer to a schedule on page 6, where you are actually purchasing a lot of equipment. It shows an increase of \$75,500. Can you give me the rationale there?

MR. WINGATE: This is in part the switch to buying

outright, as we will do in future, from buying over an extended period. Part of the reduction we're seeing is due to some older equipment which is reaching the end of its lease life; therefore it becomes ours. I think you'll see the costs of the upgrade reflected in fixed asset acquisitions, new equipment. If this equipment were bought on a long-term lease, you wouldn't have fixed asset additions, and you would have a smaller decrease in the operating charges.

MR. PURDY: On the same page, why do you show a \$67,000 decrease in the acquisition of that Desktop Generation?

MR. WINGATE: It was anticipated that we would buy specifically a product of Data General called Desktop Generation. We bought two of them and decided not to extend the purchase. They're not really giving us exactly what we want. We feel that if we wait a while, because there is tremendous development in the micro market, we'll get something much closer to what we ultimately need.

MR. PURDY: Continuing on, can you give me the numbers of terminals and modems that you will purchase for the \$18,000? It's not a large order, is it?

MR. WINGATE: The terminals would be a maximum of about \$1,500 each, and the modems would be about \$1,000 each — so approximately 15 or 16 pieces of equipment.

MR. ROGERS: That's because the software is now getting into widespread use throughout the office by the various professionals there.

MR. WINGATE: One of the things we want to do is make a terminal available to every principal in the office. At the moment only selected principals and the AGs have terminals. But in the year '85-86, we intend to make those terminals available to all principals.

MR. PURDY: So the \$17,000 software purchase reflects the terminal purchase.

MR. WINGATE: No. If you go to the software, it's intended that we acquire a product called CEO, which is a package product handling word processing, diaries and calendars, spread sheets, and that sort of thing. It's a package product, and we propose to acquire it.

MR. PURDY: Aren't you doing spread sheets through any other process right now?

MR. WINGATE: Yes, we are. But the disadvantage is that it's not a shared spread sheet. This would be mounted on some central facility rather than on individual micros.

MR. PURDY: Oh, okay. Then everyone will be able to plug into them anyway through the system.

MR. WINGATE: Right.

MR. PURDY: Those are all the questions I have, Mr. Chairman.

MR. CHAIRMAN: Thank you very much. Dennis?

MR. ANDERSON: Mr. Chairman, I think most of my questions were answered previously. But just for clarification on page 5, you were doing AGT last year. Is that why . . .

MR. ROGERS: We still are.

MR. SALMON: We still are. This is only one part.

MR. ANDERSON: Only one part of the audit?

MR. SALMON: Yes, the area of revenue.

MR. WINGATE: If you remember, Mr. Rogers mentioned the fact that we felt we could improve our audit in the toll revenue area. So we approached Touche Ross, who audit Bell Canada, to gain their assistance with it. What you're seeing here is the charges we anticipate will be incurred as a result.

MR. SALMON: We have a little concern about that area this year, as you probably know, and they're going to do some special work on it.

MR. ROGERS: I haven't mentioned this, but the other thing is that the use of agents has almost hidden benefits. For instance, in this case, by being closely involved with Touche Ross's work and auditing the revenue which is based on their Bell Canada experience, it's quite obvious that we will possibly learn some things to our advantage, and we have done that. We're unique in the province in that I don't think any other body or entity has a window into each of the firms as to how they work, how they do their approach and audit, and so on and so forth. This has been of great value to our office from a professional point of view and, I'm sure, helps improve our operation.

MR. ANDERSON: Two other points, Mr. Chairman. First of all, what is Chembiomed Ltd.?

MR. SALMON: It's a 100-percent-owned subsidiary company of the University of Alberta.

MR. ANDERSON: With respect to the firms you're currently using, are you using pretty well all the major firms in one way or another?

MR. SALMON: We're using all the major firms and a number of the local firms, particularly in the outlying areas.

MR. ANDERSON: Of those major firms, is most of the work being done out of the Edmonton offices, or is there a fair amount in the Calgary offices?

MR. SALMON: Edmonton and Calgary are matched in firms.

MR. ROGERS: But not just Edmonton. As a matter of fact, Lethbridge . . .

MR. SALMON: We have a national firm we're using in Lethbridge at the university — Thorne Riddell.

MR. WINGATE: I think you could say, Don, that the

majority of work is not handled out of Edmonton.

MR. SALMON: No, it isn't. You can tell that most of these offices are located away from Edmonton.

MR. WINGATE: Right.

MR. ANDERSON: Thank you.

MR. CHAIRMAN: Bill, what's your time frame?

MR. PURDY: Three o'clock.

MR. CHAIRMAN: Thank you.

The questions I had were also answered, except I have a couple more that came up while the discussion was going on. Back to page 5, using Alberta Government Telephones as an example, the audit data you're showing there is part of an audit, as you explained. Does that apply to the others under 1984-85 that were shown as blanks? For example, was Keyano College being done by somebody else last year?

MR. SALMON: No, we were doing it ourselves for the first time.

MR. CHAIRMAN: And this year you're farming it out. Same with Lambco?

MR. SALMON: Lambco is new.

MR. ROGERS: The comment you made about AGT being a part of an audit — that is fairly unique. It is just because of the massive problems involved in that area.

MR. CHAIRMAN: The topic of irrigation districts also came up, I think, when John Thompson was asking questions. As I understand it, the ones shown on page 5 are the ones being audited by other firms.

MR. SALMON: There are eight.

MR. CHAIRMAN: Today we also have before us, John, another list of seven irrigation districts which are being audited.

MR. SALMON: Two of those are by agents, and five are done by us. They are the small ones.

MR. CHAIRMAN: Do the two being done by agents appear on page 5?

MR. SALMON: Yes, United and Raymond are both on that list.

MR. CHAIRMAN: United and Raymond — so there's an overlap.

MR. SALMON: Well, it's not an overlap with the ones done by agents versus us doing it. But the fee we're charging the firm is less than what we would have charged if we had done the audit.

MR. CHAIRMAN: That was the point I was going to make. The fee being charged is shown on this display. Did that lose you, John Thompson? If you want to ask further questions on that, I'll surely

welcome them, because I need some clarification. But I'd like to blame you for not knowing the answers.

MR. THOMPSON: I think we went into that pretty strongly last year. I'm sure that anything that's on this page is done because they have to do it, not because they want to.

MR. CHAIRMAN: Are you referring to this page?

MR. THOMPSON: Yes.

MR. ROGERS: I might say that some of our fee increases have caused some rather strong objections from the people when they received their bills. I think there was a lot of horror and consternation.

MR. SALMON: Only a couple.

MR. ROGERS: Yes, but it was pretty strong nevertheless. I think they've all been accepted by them.

MR. CHAIRMAN: John Thompson has a follow-up question.

MR. THOMPSON: Mr. Chairman, on that point, as I understand it, it's a given that whenever you deal with the government you have one price, and when you deal with anybody else you have a different price. I'm sure you people run into this on occasion, dealing with a good, solid private enterpriser. But do you finally reveal the truth to him that you really understand the system and you don't agree with the two-price system?

MR. SALMON: We've been giving them the full information, so they're fully aware of what it's costing us and what we do.

MR. CHAIRMAN: Again with respect to page 5, is any of the work done by others on your behalf being done by anybody other than a chartered accountant?

MR. ROGERS: No, sir, it isn't. From a professional point of view, I have to rely on their opinion. I adopt that opinion; it becomes my opinion. It's my signature that goes on those financial statements. Consequently I have to have full assurance that the work is being done in accordance with generally accepted auditing standards.

MR. CHAIRMAN: Thank you.

MR. PURDY: I have one further question on the manpower element. How many of the 165 occupied positions are managerial and how many are within the public service?

MR. HENKELMAN: Eighty-two are managerial, professional specialists, and 83 are nonmanagement, being audit assistants, secretarial, accounting, and so forth.

MR. PURDY: What executive committee do you have as management in your office, Mr. Rogers?

MR. ROGERS: The management committee is at this table.

MR. PURDY: That's what I mean. Okay.

MR. ROGERS: You've drawn attention to the position summary on page 2. As a matter of interest, as much as anything, I would like to point out that on November 1 we had 13 vacancies in audit assistants. This is a nonmanagerial position. We had an advertisement, and we had 900 responses.

MR. PURDY: Was that across Canada or just Alberta?

MR. ROGERS: Just Alberta.

MR. SALMON: But they found out across Canada.

MR. ROGERS: Yes, we got them from all over, but it was only advertised locally. We hired nine, but then we lost two people in November. So if we were looking at that figure today, instead of being 13 it would be six. I merely bring that to attention because it looks as though there's an anomaly between November 1, '83, and November 1, '84, when our vacancies went from five to 13. Actually it was only a timing thing; we had a competition under way at the time of November 1. It was completed in November and, as I say, we actually hired nine people. But then we lost two, so we are down to seven. So the vacancy is now six. I just thought that might be of interest.

MR. CHAIRMAN: Are there any further questions with respect to this report?

MR. THOMPSON: I'd like to make a general comment if I could, Mr. Chairman. It seems to me that at this meeting we've had with you, Mr. Rogers, you aren't quite as concerned as you used to be with some of the accounting practices of the different departments of government. I know that in times past you've made a few comments regarding some of the things that have happened. Obviously things have kind of smoothed out and the government departments are operating more to your liking than they've done in the past. Almost invariably at these meetings, you used to express concern in some areas.

MR. ROGERS: There is a possibility I'm getting older and mellow. But in actual fact, the response we received from the Provincial Treasurer on behalf of the government, which was tabled in the Public Accounts Committee in the recent fall session, accepted most of the recommendations we had made, as you are probably aware. Apart from the human nature kind of hassling we've been having, I would say that there have been some improvements. What do you fellows think? Do you concur with that?

MR. SALMON: Yes, although I guess we would have to reserve any comments for the current year.

MR. ROGERS: Well, you're dealing with cautious auditors, of course. But if you're asking for a general impression . . .

MR. THOMPSON: That's basically all.

MR. ROGERS: . . . I would say that what has happened in departments is not unlike what has

happened in our office. The economic climate has slowed down the revolving-door syndrome of people coming in and other people leaving, when the average experience of people you were dealing with was in the order of months instead of years. Because of change in the economic climate over the past several years, I think you tend to find you're now dealing with people who have more experience than used to be the case, and of course that is also true of our staff. I think that helps.

MR. THOMPSON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Following up on that again — we seem to be hitchhiking on each other's questions, but that's all right; that's what we're here for. A comment came to me very indirectly that some people in our organization, in the government programs, felt that they were being almost audited to death or monitored or something between your department, some other department, the Treasury Department, or whatever. You probably know which ones are involved. Does that concern come back to you frequently or ever?

MR. ROGERS: That has been a concern. We have to do our audits under statute, and what we try to do is sit down with Treasury and all the internal audit people and so forth and make sure that people aren't audited to death. We have also changed our own method of operation, so you won't have on the doorstep people from one part of our shop and the next day people from another part of our shop. That was one thing we were able to sort of clear up. I think that has decreased, Mr. Chairman.

MR. CHAIRMAN: Thank you very much.

I would like to change the topic, if the committee is in agreement. Have we completed our questions on the budget analysis?

MR. PURDY: Do we have to have a motion to accept the budget?

MR. CHAIRMAN: We might do that later when our visitors have gone, because we might want to draw blood or something; I don't know.

I would like to direct your attention to Mrs. Empson's memo of November 14, in which she said to find three orders received from the Office of the Auditor General. I have a duplicate set right here.

MR. ANDERSON: Mr. Chairman, now that the second shift is here, I'm going to have to vacate.

MR. CHAIRMAN: You go right ahead.

MR. ANDERSON: Thanks.

MR. CHAIRMAN: Obviously we are assuming that these are very important assignments on behalf of Her Majesty the Queen that are being attended to.

MR. ANDERSON: Most definitely.

MR. CHAIRMAN: Thanks for being with us this far, Dennis.

I took this apart, Bill.

MR. PURDY: I think I can put it back together.

MR. CHAIRMAN: Are you sure you can, Bill? There's one. We'd better check with Louise to see whether we have her permission to scribble on these, because I'm not sure we have.

MRS. EMPSON: Yes, you do. I have the original here.

MR. CHAIRMAN: So we can scribble. Sorry for the slight delay while we get ourselves organized, Mr. Rogers.

MR. ROGERS: No problem.

MR. CHAIRMAN: Does that page match anything you have over there, Bill Purdy?

MR. PURDY: I've already got it.

MR. CHAIRMAN: Are you sure? Okay, now we're away. If we all have the same page now, I'd like to direct your attention to Approval List O.A.G. 2-07. Is that what we're looking at for starters? Approval under Order A.G. 2, appointment of the Auditor General as auditor of the various organizations: ACCESS Charitable Foundation and Centre for Frontier Engineering Research Institute.

MR. ROGERS: The descriptions of those two organizations should be attached.

MR. CHAIRMAN: Yes. I'd ask the committee if there are any questions. Mr. Rogers, do you want to make any comment further to this? From our point of view, unless there are questions and everything is acceptable, this is a simple motion on the part of our committee, is it not?

MR. ROGERS: Yes.

MR. CHAIRMAN: If there are any questions or comments, we'll have them now. Would you lead off, Mr. Rogers?

MR. ROGERS: These are two organizations that are intimately connected with existing audits, one being ACCESS, the Alberta Educational Communications Corporation, and the other one being the University of Alberta. I think it's right to say that they represent — they are in effect very small audits, are they not?

MR. SALMON: Yes, both of them.

MR. ROGERS: Do you have any idea of how many hours it represents?

MR. SALMON: Neither one of them has had a full year of operation. We don't expect much out of the Charitable Foundation in the way of transactions. It will just be part of the audit.

MR. ROGERS: But it is just a matter of a few hours' work.

MR. SALMON: It should be. The other one is an independent company, and there's going to be a fee

charged.

MR. CHAIRMAN: By your bringing this before the committee, and our making a motion approving it . . .

MR. ROGERS: These organizations by their nature are not automatically under the Act, but there is provision under the Act that if the committee so agrees we can be confirmed as the auditor. That's generally the situation. As you know, this order has under it a number of such organizations. They're always organizations whose accounting records are a part of, integrated with, very close to, or kept by people we're already auditing. They don't want — in fact it may not even be feasible to bring an auditor in to do a job like that when their records are a part of or kept by such as the University of Alberta or ACCESS.

MR. CHAIRMAN: Both of these are brand-new, and you haven't had them before.

MR. ROGERS: One point I want to make clear is that we at no time solicit this kind of work. The request comes to us, and we don't really have any input to it.

MR. CHAIRMAN: Does this mean we would approve them year by year from here on in?

MR. ROGERS: No, these are added to the list.

MR. CHAIRMAN: Would it be your objective to farm them out eventually, if I may use that jargon?

MR. SALMON: Not unless they became an agent audit of the . . . If ACCESS was agent, it might make sense for them to do the foundation. In the case of the university, we're going to do those fringe organizations ourselves, even though the university is going out this year as an audit.

MR. WINGATE: That's a deliberate policy.

MR. SALMON: We've made the decision not to mix up so many little entities with a large university audit. We'll do them ourselves.

MR. ROGERS: The reason is that it would weaken our control over what the agent was doing for us.

MR. SALMON: Because of the size of the University of Alberta.

MR. HIEBERT: Mr. Chairman, how many of these solicitations do you receive? What are the criteria for accepting them under your domain, and what are some of the reasons and criteria for not accepting them? What are the implications these things have with regard to the growth in the Auditor General's department?

MR. SALMON: They're all very small.

MR. ROGERS: Absolutely minimal. It's easy to say that. We're not talking thousands of hours; we're talking tens of hours, mostly.

MR. SALMON: [Inaudible] hours for some of them; a

couple of hundred hours for a couple of the bigger ones. Can we give a little history of what happened?

MR. ROGERS: Sure.

MR. SALMON: We had a number of these before, and after discussion with this committee, a decision was made that those would make [inaudible] we would commence to charge a fee to all of these audits where the Auditor, by way of section 12(b), subject to the approval of the committee. Some of these are independent of the organizations we were auditing; others are charity organizations or foundations connected to the organizations. So we have commenced the process of charging a fee to those that are independent. We have been auditor for a number of years for the Sulphur Institute of Canada, for instance, where there is no connection with anything. They asked us a number of years ago, and out of the goodness of the Auditor General's heart we became the auditor, but we never charged a fee. There are several others we did the same thing to: Coal Mining Research and so forth. When we went to them and said, "From now on we will charge a fee, like anybody else", four of them backed out and we are no longer the auditor. So we're quite pleased.

In the case of the others, we will continue to charge a fee if they still want us, and we're now down to only about four that we can charge a fee. The others are very small, connected to the university, like the University of Alberta hospital, a couple of charities that only take about 20 hours or something like that and we have the little statement done. So we've sort of done that as a fringe to them. Most of them are of that nature. We're now down to what — 13?

MR. HENKELMAN: I think we have 18, not counting these two.

MR. SALMON: With the drop of the four?

MR. HENKELMAN: I believe so. I'm not sure, Don; I'll have to check.

MR. HIEBERT: Mr. Chairman, I appreciate your response, because the thrust of my question goes to that very matter; that is, some of these entities or organizations may look upon it as a benefit, just slipping it in so the audit gets done and it's looked after, as opposed to seeing it fielded out to the private sector. If you're putting a charge on it, I think you're asking the fundamental question.

MR. SALMON: Where we're charging a fee, I think we'll lose any of those that are independent, in the next year or so. We'll do these others as a matter of courtesy.

MR. THOMPSON: First, I'd like to ask: is this a kind of fish-hook operation, where once we give our blessing to put these people in we can't take it away again? I don't understand this very well.

MR. ROGERS: I could resign from these at any time.

MR. THOMPSON: The committee could give and the committee could take away.

MR. CHAIRMAN: Do you like that authority, John?

MR. THOMPSON: I don't like this thing where you can go in but you can't back out.

MR. CHAIRMAN: John has another question.

MR. THOMPSON: On that basis, would this be fair? Something like ACCESS, that's tied to a government operation, would probably take some time, if not almost as much time, to separate it out as to do the audit itself. So there is a rationale for some of these cancerous growths that are attached to the government. It really makes sense, while you're going through the books, to put them in too.

MR. ROGERS: Of these two, the ACCESS Charitable Foundation makes absolute sense, because it's all a part of ACCESS.

MR. THOMPSON: The next one is the one that bothers me, a private company.

MR. SALMON: That's why we'll charge a fee.

MR. ROGERS: That will be charged a fee.

MR. THOMPSON: Okay. That doesn't bother me anymore.

MR. SALMON: There are six of them we're charging a fee, and we can drop those any time if we want, except that there is a connection at the moment with the organizations we're auditing.

MR. CHAIRMAN: John Thompson, does that complete your questions?

MR. THOMPSON: Yes, thank you, Mr. Chairman.

MR. CHAIRMAN: Bill, do you have one?

MR. PURDY: No, I don't, Mr. Chairman.

MR. CHAIRMAN: I have a couple — hitchhiking on again. What is the consequence of our not approving this? What if this committee chooses not to make the motion or defeats the motion to add these to your list? What do these people do? Go someplace else for an audit?

MR. SALMON: ACCESS, where we would probably spend a thousand hours doing their audit, would have to have somebody come in and do an audit worth about 50 hours. It's tough for them to come in on top.

MR. ROGERS: Apart from that, I don't think it would be a sought-after assignment, because they would have to learn ACCESS's system as part of their preparation for the job. I don't think the number of hours and the fee would warrant it.

MR. WINGATE: I think the same would apply to the Centre for Frontier Engineering Research.

MR. SALMON: The records are being maintained by the university.

MR. ROGERS: When they do that, they tend to use short-cuts to make it as efficient as possible and, in effect, use an add-on to the university's system. It is no longer a nice little set of books for someone to audit.

MR. CHAIRMAN: For the purpose of clarification, we the committee are accepting as a recommendation from your organization that we should make this motion, approve it, and have you proceed with that kind of audit. Are there any further questions on O.A.G. 2-07?

MR. HIEBERT: Mr. Chairman, I move that we approve the recommendation.

MR. CHAIRMAN: Very well. We can do that right now since we have a motion. Does anybody have any problem accepting that motion at this time? I didn't accept one a minute ago, Al. I'm going to put that motion on ice for a second while we get further clarification from our visitors.

Could I direct your attention to O.A.G. 1-13, where we're being asked to exempt ACCESS Charitable from being charged a fee. Any comments on that, Mr. Rogers?

MR. ROGERS: This is in line with past practice that has developed as a result of previous discussions with this committee, Mr. Chairman. This really means that the Centre for Frontier Engineering Research Institute will get charged a fee. We don't feel that the ACCESS Charitable Foundation of Alberta should. It's really a part of ACCESS and is only separated to keep the funds separate and that sort of thing.

MR. CHAIRMAN: Do we assume from that that unless this committee makes a motion of this type, these organizations are all charged and are exempted only by these motions?

UNIDENTIFIED SPEAKER: That's correct.

MR. CHAIRMAN: Any other questions? I hear no further questions on 1-13. Can I draw your attention to 1-12, where we're being asked for authorization to vary fees chargeable, 1983. We all have the same paper in front of us. Mr. Rogers, do you want to lead us through this particular request?

MR. ROGERS: This is similar to ones this committee has seen each year, I believe. The list has shrunk, the dollar value has shrunk, and we are getting to the point where we're probably getting as much from these organizations as is feasible. I'll let Don or Neil speak to that, if they have any further comments.

MR. SALMON: We increased them this year by 22 percent, 22 percent, 52 percent, 20 percent, 19 percent, 18 percent, and 19 percent, in each case. So we've given them a fairly hefty increase, and we'll continue that to a point, although there is a limit, particularly in an organization like Ross Creek, which is not a very big ditch. We got a fairly interesting letter from the head of the district on this, thinking their audit fee was pretty high. We'll do our best to try to put them up as we move along. If we can approve Magrath's accounting, we wouldn't have the

cost. We do a lot of accounting in some of those districts.

MR. THOMPSON: It's ammunition I need.

MR. SALMON: If they had the books and records in position, our fee wouldn't be as high, in some cases.

MR. ROGERS: Ken, you probably have some light to throw on this, because I believe you've had some recent discussions.

MR. SMITH: They seem to feel that a lot of the work we were doing was on behalf of the government, the Department of Agriculture. We spent a bit of time in a meeting with most of the districts, convincing them that we were in fact their auditors and that if it weren't for us they'd have to have their own auditor and that the work would not particularly change; the fee might go up or down a little, but they would certainly be subject to the same types of fees under any circumstances. As the Act named us as their auditor, they were stuck with us for the time being. I think some of them felt that we were really the government's auditors, not theirs. So we were being looked at a little differently.

MR. THOMPSON: On that point, does that mean that if we pass this motion, they're not allowed to have their own auditors if they wish?

MR. SALMON: They can't have their own auditor because the Act specifies that the Auditor General is the auditor. The Act names the Auditor General.

MR. THOMPSON: That's right; I remember that.

MR. SMITH: If they want to change the Act . . .

MR. SALMON: You'd have to change the Act. It won't save them any money; it will cost them more.

MR. SMITH: If the Act changed, then we could be their auditor if we got approval from this committee.

MR. THOMPSON: So really we have no choice but to pass this.

MR. SALMON: At the present time, no. We could go back and bill them more.

MR. ROGERS: You could say: "We as a committee feel you're not charging them enough." We could increase these fees.

MR. THOMPSON: Six of them are in my constituency. I'm not going to . . .

MR. SMITH: Maybe you'd like to take the position that we should be reducing the fees.

MR. THOMPSON: No. We'll just stay where we are.

MR. PURDY: In actual fact, Mr. Chairman, if we approve this, we will be approving the fee, not the concept.

MR. SALMON: That's right.

MR. PURDY: We can't vote on something the Legislative Assembly has already voted on.

MR. SALMON: It's the fee we've charged.

MR. CHAIRMAN: We're authorizing to vary the fees chargeable.

MR. SALMON: Yes.

MR. ROGERS: Under our Act.

MR. PURDY: Thank you, Mr. Chairman.

MR. HIEBERT: On that same point, is there anything compelling as to why it should stay in the Act, or is there a change in perception whereby that should be repealed and amended?

MR. SALMON: That would be a government decision.

MR. ROGERS: That would be a policy decision.

MR. HIEBERT: You're ducking that one.

MR. ROGERS: Absolutely. We can't comment on policy.

MR. HIEBERT: I'd like to know what your observations are as a result of your experience, whether it should stay under the Act or we should take it out of the Act and allow them leeway, just as some of the others have.

MR. ROGERS: Just to comment on that, I think it would open the door to having audits that were less than satisfactory. I'm not libelling anyone, because when we took over these irrigation districts, we found some very serious situations, in that the financial statements did not disclose what had happened to public money. We had one case where Heritage Savings Trust Fund money in a bank account wasn't reflected on the financial statement — things like that. As a result, the Irrigation Secretariat feels a great deal of comfort from the fact that we are the auditing the statements.

If they said, "We don't really care who audits the irrigation districts", as far as our office is concerned, whichever way it goes is a matter of government policy.

MR. HENKELMAN: I think it was policy that was changed seven or eight years ago. Until that time we were the auditors of all of them.

MR. SALMON: We became the auditor when the Auditor General Act came in.

MR. HENKELMAN: But they changed the Irrigation Act at that time to name us auditor of them all.

MR. ROGERS: It dates from about 1978, I guess.

MR. SALMON: I think we now have about eight firms that are trained to do the audits.

MR. SMITH: The major benefit that has accrued from our being the auditor is that we now have financial statements that are quite consistent among

all the districts. Therefore the government, and presumably any readers who might have an interest in more than one of them, can take comfort that they're basically being prepared in the same manner. I would say that the standard of the audit and certain accounting systems are being brought up to standard in most of the larger districts at least, and there is a benefit there. I'm not saying that that wouldn't necessarily be achieved if you had separate auditors, but there would certainly be more risk that it would not be achieved.

MR. ROGERS: The consistency might perhaps change.

MR. HIEBERT: Mr. Chairman, as a result of your dialogue on the misperception that existed, is there a greater understanding and appreciation of the fee you're now levying, and has that been corrected?

MR. SMITH: I think so. We had a meeting in Lethbridge about two months ago, I guess, and I came away feeling that not only had they gained an understanding of some of the problems and concerns they were having but so had I. I think that generally there was a better feeling amongst the districts.

MR. SALMON: We received no complaints at all from any of the seven on here. The complaints were from other districts.

MR. CHAIRMAN: Are we close to the end of the question, John? My only comment is that it's interesting to hear Mr. Thompson say that business is done in his constituency about the same way it's done in mine: if it costs a dollar to produce and they can sell it for 50 cents, that's progress. We're going to farm until we go broke.

That is all I have at this end that has to be dealt with at this time. Have I missed something?

MR. HENKELMAN: I have one additional thing that I would like to leave with you. We've received the account for the audit of our office from Sax, Zimmel, and they asked that I give it to you.

MR. CHAIRMAN: The statement has been received here, so that will be part and parcel. Thank you.

MR. HENKELMAN: Perhaps one thing the committee could deal with is the question of whether Sax, Zimmel will continue as our auditor for March 31, 1985.

MR. CHAIRMAN: Give me the significance of the date, please.

MR. HENKELMAN: March 31, 1985.

MR. CHAIRMAN: Is that the date of appointment?

MR. HENKELMAN: We have to have an auditor appointed for next year to do our audit.

MR. CHAIRMAN: I see, and he would come into effect at that time.

MR. HENKELMAN: They would come in next August.

MR. SALMON: You could renew it, if you like, is what he said.

MR. CHAIRMAN: That requires a motion from our committee. Do you have any comment you wish to make about the possibility of our reappointing Sax, Zimmel as the auditor?

MR. ROGERS: We are satisfied with the job they do. I don't think we have any particular problems at this time.

MR. HENKELMAN: We're quite happy.

MR. ROGERS: But tying in with that, I believe Ken Porter suggested he would like to meet with the chairman of this committee at some time that is convenient to you.

MR. CHAIRMAN: That's Ken Porter, is it?

MR. ROGERS: Yes. He's a partner of Sax, Zimmel.

MR. CHAIRMAN: He's the one who signed the statement and letter.

MR. ROGERS: Some time that is suitable to you.

MR. CHAIRMAN: Thank you. We'll accept that recommendation.

MR. THOMPSON: Maybe we should mention the fact that we're making an attempt to get our budgets about September 1. If I recall, we're trying to get them a little earlier than we've had them in the past. Would it cause you any problems to get this document out before the middle of September?

MR. ROGERS: Every month that you come back from the end of the current year makes it that much more difficult, but if that is the wish of this committee for next year, we will do our best to do that.

MR. THOMPSON: We discussed it at our last meeting and at a previous meeting. Our problem is that at this stage of the game in the budgeting process, it's coming in fairly late to get approval from other people, not particularly for us. So we are attempting to get these budget forecasts a little earlier, if we can.

MR. ROGERS: If that is the desire of the committee, we will certainly do everything we can to do that, and I think we'll do it all right.

MR. HENKELMAN: It becomes less precise.

MR. ROGERS: That's right. There's obviously a lower degree of precision, with some of the unknowns yet to be resolved. But if it was on the understanding that if anything of a material nature came to light in the months of September, October, and November we could feel free to come back to you, we'd be very happy to do this for next year.

MR. CHAIRMAN: Expanding on Mr. Thompson's comments, we as a committee are trying to build our program on a 12-month basis, so we can look ahead

and prepare our budget for our own activities, which includes our travel when members of our committee accompany you people to wherever you're going, if it's appropriate for us to be with you — and of course the other two officers too, the Ombudsman and the Chief Electoral Officer — and have not only this information but any other information relative to activities and functions which might influence our year's activities and our expenses. We're going to have Louise put that together for us before next September, and we'll know exactly what we're going to do day by day for the following 12 months and how much it's going to cost.

MR. ROGERS: We will note that.

MR. CHAIRMAN: One last question from this end. We have the statement from the auditor who audited your office, and I'll have to ask for some help in recalling how we handled this last year. At that time did we discuss this with you at one of these meetings, before we accepted it?

MR. ROGERS: I don't think so.

MR. CHAIRMAN: We as a committee accepted this. We reviewed it and approved payment of the bill, external to any discussion with you.

MR. ROGERS: That is correct.

MR. CHAIRMAN: That's the way I recall it. If we have any questions, we'll come back to you.

MR. ROGERS: By all means.

MR. CHAIRMAN: Members of the committee, does that terminate this portion of the meeting?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Gentlemen, thank you very much.

MR. ROGERS: Mr. Chairman, members of the committee, thank you very much.

MR. CHAIRMAN: On our new schedule of activities, we have another coffee break planned for your place. This time we'd like to have doughnuts with two different flavours.

Thanks so much. Good-bye.

I'd like to entertain three or four fast motions. We have one of Al's on the books.

MR. HIEBERT: I'm sorry; my timing was wrong.

MR. CHAIRMAN: Just hold it for a second, Al. Let's take the first motion first. Bill.

MR. PURDY: Accepting the budget estimates for 1985-86.

MR. CHAIRMAN: The Office of the Auditor General, Budget Analysis, Fiscal Year 1985-86. Any further question on that motion? Those in favour? That motion is carried.

The second motion is with respect to — in the order in which we reviewed them — Approval List O.A.G. 2-07, where we are appointing the Auditor

General as auditor of the various organizations on this list: ACCESS Charitable Foundation and the Centre for Frontier Engineering. Do I have a motion approving that?

MR. HIEBERT: I so move.

MR. CHAIRMAN: Thank you, Al. Any question on the motion? Those in favour? That motion is carried.

The third one has to do with Approval List O.A.G. 1-12, which authorizes a variation in fees chargeable to the following organizations — it's the irrigation districts. We have a recommended fee. Do we have a motion approving this? Thank you, John Thompson. Any comment on that motion?

MR. PURDY: I failed to ask one question, and maybe it's something we can ask later on when we're back with Mr. Rogers and his group. How can they arrive at 18 percent for one and 42 percent for another?

MR. HIEBERT: I think he answered that, Mr. Chairman, when he said that it depended on what shape their books were in.

MR. PURDY: Okay.

MR. THOMPSON: They estimate how many hours it's going to take.

MR. HIEBERT: From what I could gather, some of them are in poor shape. They have to do not only the audit but the books, and there is greater time involved.

MR. PURDY: That clarifies it.

MR. CHAIRMAN: Any other question on that motion? Those in favour of the motion? The motion is carried.

The last one I have is Approval List O.A.G. 1-13, which is organizations exempt from being charged a fee. The only one listed is the ACCESS Charitable Foundation. Do I have a motion approving this? Thank you, Bill Purdy. Any question on the motion? Those in favour? The motion is carried.

The piece of unfinished business we reviewed today is that we have received the statement of the audit of the Auditor General's office.

MR. HIEBERT: The investigators of the investigators.

MR. CHAIRMAN: That's right. I'm going to ask Louise to make a note in the records of those of us who have received a copy and to send copies to the other members, along with a photocopy of the covering letter from Mr. Ken Porter and a copy of the statement of the account for the work done that was submitted today by Mr. Neil Henkelman on behalf of Sax, Zimmel, Stewart.

That brings us up to date on our mail. The next question is the next meeting.

MR. PURDY: What was the audit fee, Mr. Chairman?

MRS. EMPSON: \$9,850, and last year's was \$11,000,

so it's down this year. Mr. Chairman, do you want to deal with Mr. Henkelman's recommendation about appointing this firm or another one?

MR. CHAIRMAN: Excellent idea. Can we open the topic of the recommendation from Mr. Henkelman that we reappoint the same auditing firm to audit the office of the Auditor General?

MR. THOMPSON: In regard to that, Mr. Chairman, I think we ought to table that until you talk to this Ken Porter. I don't know what he wants to talk about, but we can hold it over. I would prefer to wait until you have your meeting with this Ken Porter.

MR. CHAIRMAN: John, I'd like to ask if you think that having Ken Porter meet with the chairman would be adequate to bring the message to the committee, or do you think we should ask Mr. Porter to come to a committee meeting some day and talk to all of us? We might all have questions to ask.

MR. THOMPSON: I would prefer that you meet with him. If it's something you think should be explained to the whole committee, that's fine. It may be very, very minor. I have no idea what he wants to talk about. He may just want to be introduced to you. I think we should leave that to the discretion of the Chair.

MR. CHAIRMAN: Thank you. As far as we know, his request is just to meet the chairman. Maybe it's just a social contact or something. Very well. We will follow through on that and make contact with Mr. Porter. Then we'll know what our next action will be.

MR. HIEBERT: Mr. Chairman, I suggest that if you see any value in Mr. Porter meeting with us, by all means select an appropriate day and we can meet.

MR. CHAIRMAN: I don't know what that means anymore.

MR. THOMPSON: When you're free.

MR. CHAIRMAN: We will make that contact. Do we have any other business that was identified for discussion at this time? Can I ask if your accounts are all in for my signature and processing?

MR. THOMPSON: They are now.

MR. CHAIRMAN: Thank you. I was rather hoping that our colleague and member of the committee David Carter would come through the door before we terminated this meeting. He was supposed to have been here by a quarter or ten to three. It's now 3:30, and he still isn't here.

MRS. EMPSON: Do you want to try to set another date for a meeting?

MR. CHAIRMAN: I think that's what we'll do next.

MR. THOMPSON: Mr. Chairman, this isn't on your agenda. I got this from Bob Bubba, and it looks like we're broke.

MRS. EMPSON: Actually no. There was another

\$6,000 put into the budget after, which I discovered last week when going through the files. Mr. Blain did that, and it's been approved by Members' Services. The committee now has a budget of \$39,000 and has expended \$17,000 or \$18,000, plus \$9,000 for Sax, Zimmel, so you still have a few dollars left.

MR. THOMPSON: But we're running close to the end.

MR. HIEBERT: We're coming close to the end of the year.

MRS. EMPSON: Actually, I think you'll be fine.

MR. THOMPSON: That's fine. I don't like to see those minus marks.

MR. HIEBERT: Are you trying to get some help for those irrigation ditches?

MR. THOMPSON: I wouldn't depend too much on that.

MR. CHAIRMAN: I wish to find a coffee and whatever else is there. Other than that, this committee meeting is adjourned. Do you have anything further at this time, Bill?

MR. PURDY: No, I don't. I just have my calendar open to . . .

MR. CHAIRMAN: I need some guidance on when we should go for another meeting. Do you think we should try to work one in between now and Christmas?

MR. HIEBERT: If we do, I suggest the 12th.

MR. THOMPSON: That's the most popular date in December, on my calendar anyway. Everybody wants a meeting.

MR. CHAIRMAN: I will have to leave it up to you people, because I'm with Kroeger on the South Saskatchewan River basin hearings on the 11th and 12th. If that's a convenient time to pursue these topics, the deputy chairman will be very happy to . . .

MR. PURDY: I'm not available that day.

MR. HIEBERT: Maybe we should leave it until after.

MR. THOMPSON: Mr. Chairman, what outstanding business do we have at the present time that would require a meeting before the first of the year? Anything substantial?

MRS. EMPSON: Probably this one. Mr. Henkelman seemed to be rather concerned about having the auditor appointed.

MR. PURDY: What about later on the afternoon of the 11th?

MR. CHAIRMAN: What about late in the afternoon of the 13th?

MR. THOMPSON: That's caucus.

MR. CHAIRMAN: Will we go into the evening? We're all in town.

MR. PURDY: I'm at a function in the constituency at 6 o'clock that night.

MR. HIEBERT: There's that Space Sciences Centre function.

MR. CHAIRMAN: I have nothing else marked on that day.

MR. THOMPSON: I haven't got anything on the 11th. I can come up on the 11th, I guess. I'll just get back from Vancouver on the 10th.

MR. HIEBERT: Is there an urgency with regard to the reappointment before the end of the year?

MRS. EMPSON: That's the impression I got from him. I may be mistaken.

MR. PURDY: That's the impression I got too.

MR. CHAIRMAN: I got the impression, when we pinned him down, that the deadline for this is March 31, and he kicks into gear next August.

MRS. EMPSON: I think they start earlier than that, but I could be wrong.

MR. CHAIRMAN: Start to do the audit, you mean?

MRS. EMPSON: Yes. That's what he indicated when he presented you with the account.

MR. THOMPSON: Let's reconsider my original suggestion. Obviously these people are fairly happy with the auditor they have at the present time. If the timing is crucial, maybe we should just go ahead and appoint them. I would prefer doing that to flying up here for a special meeting for that one item. They seem to be happy, and according to the report, these people seem to be happy. On that basis, Mr. Chairman, maybe you'd entertain a motion to have these people be the auditors for the Auditor General again.

MR. CHAIRMAN: I have no problem with that. I'll have to check it with the deputy chairman, who is coming in the door.

MR. THOMPSON: What's your assessment of PWA?

DR. CARTER: Let's demolish it.

MR. PURDY: When's Air Canada going to start flying out of there?

DR. CARTER: I checked them out; they don't start for 10 days.

MR. HIEBERT: Mr. Chairman, I'm going to speak against the motion. Some time should be given to taking a look at the document. I think that there should be contact between the chairman and Mr. Porter and that the chairman should call a meeting whenever it is deemed necessary. I think an examination can be made of the calendar as to when

would be a good day to call committee members back.

MR. PURDY: To add to Mr. Hiebert's point, this particular document — they can't start working any audit in the Auditor General's office until after April 1, 1985 anyway. What they're doing is auditing from March 31, 1985, back to March 31, 1984. So they can't do anything until such time as the books are closed for that particular year end.

MR. CHAIRMAN: Assuming that I as chairman can accommodate Mr. Porter and meet with him prior to the 13th — and I'm looking at a day when we will all be here, on the 13th or 14th — and find out exactly what is on his mind, and if we can each review this document in the next couple of weeks, I now need your guidance. What would be wrong with having a luncheon meeting on the 13th or 14th, when we are all locked into being in Edmonton for other activities? Could we not have ourselves together for a short while then? I understand from Bill Purdy that the evening of the 13th is out because there are other functions in the evening. I'm trying to see if there's some way we could meet for a short meeting during the 13th or 14th. The 12th seems to be out for about three of us.

DR. CARTER: What time are you meeting on the 12th?

MR. CHAIRMAN: Bill can't make it.

MR. PURDY: I'll be at a meeting all day.

MR. CHAIRMAN: Bill is out for the 12th, John Thompson is not available on the 12th, and I'm not available on the 12th.

DR. CARTER: Not even late afternoon?

MR. HIEBERT: Are people going to be in, let's say, next week?

MR. CHAIRMAN: When next week?

MR. HIEBERT: The 17th to the 21st. Let me further expand upon this. This committee has dealt with the Ombudsman selection and a number of things, and maybe a pre-Christmas meeting would be a good idea, where we were together for a luncheon and reviewed some of those very same things that you . . .

MR. CHAIRMAN: That can be arranged for me. I'm happy with that. Could you make a luncheon meeting?

MR. PURDY: Yes, any day except the 19th.

DR. CARTER: We have a problem, Mr. Chairman. Senate Reform is not available on the 18th, 19th, 20th, and maybe the 21st.

MR. CHAIRMAN: The 17th or the 21st, a Monday or a Friday?

DR. CARTER: What time do we leave on the 18th, Louise?

MRS. EMPSON: Mid-day.

MR. PURDY: I'm available on the 17th.

DR. CARTER: I'm available on the 17th.

MR. CHAIRMAN: I could be available on the 17th. John Thompson, you said you didn't want to have to make a special trip to Edmonton.

MR. THOMPSON: I just wouldn't come up, but that doesn't matter. From my point of view, I have all the confidence in the world in this committee. Whatever they decide is fine.

MR. CHAIRMAN: John, if you found an error in that auditor's statement, didn't like it, and let us know, we would take it under consideration.

MR. THOMPSON: I've never been able to understand any kind of financial statement.

DR. CARTER: What about the 10th?

MR. THOMPSON: I can't. I'm coming in from Vancouver then.

MR. CHAIRMAN: I could arrange something on the 10th. I can be here by noon. I do have a 2 o'clock commitment, but for all the length of time this thing would take, we could have a luncheon meeting starting at 12 and be through by 1 or 1:30, could we not?

MR. HIEBERT: May I make this suggestion, Mr. Chairman? If a meeting is needed in December because of the urgency of certain situations, call it with a view to trying to have a pre-Christmas meeting with a luncheon. Failing that, I suggest we look at a date around January 23.

MR. PURDY: As long as it's not at 3 o'clock in the afternoon, I'm okay. I'm opening a canola growers' convention that day.

MR. HIEBERT: Somewhere in mid-January.

MR. CHAIRMAN: The 23rd happens to be a bad day. It's the only day in the whole month that I have blocked in.

MR. HIEBERT: The 23rd or 24th?

MR. CHAIRMAN: The 24th is great.

MR. PURDY: The 24th and 25th is caucus.

MR. CHAIRMAN: Would a computer help us pick a day? I heard you, Al Hiebert, and we will attempt to do exactly that. I'm going to ask you while I'm here, though: is a luncheon meeting on December 10 completely out?

MR. PURDY: I'm okay that day.

MR. HIEBERT: I'm okay.

MR. CHAIRMAN: John, you said you wouldn't like to come up just for that.

MR. THOMPSON: I can't make it on the 10th, because I'm coming back from Vancouver on the 10th.

MR. PURDY: That's our annual meeting that night, isn't it, Al?

MR. HIEBERT: Yes. Shareholders' meeting.

MR. CHAIRMAN: David, how about you on December 10? Would that be at all possible?

DR. CARTER: Yes.

MR. CHAIRMAN: If we can find a couple more to join us that day, knowing that one won't be John Thompson, we might take that into consideration. Otherwise we're into January.

DR. CARTER: The 10th or the 17th, as long as we could meet in the morning on the 17th.

MR. CHAIRMAN: The morning of the 17th? Does that look possible for you too, Al?

MR. HIEBERT: Sure.

MR. CHAIRMAN: John Thompson, is the morning of the 17th a possibility?

MR. THOMPSON: Yes.

MR. CHAIRMAN: I think we just did something.

MR. THOMPSON: That's December 17. I'll put a question mark.

MR. CHAIRMAN: And I'll get in contact with

Porter. The only commitment we're leaving with is that I'll contact Porter before then. I will get back to Louise, and we will send out our notices for that morning. Somebody said morning; that means we are through by 12. Is that what you're telling us? Who said morning only?

MR. PURDY: It's a luncheon meeting, so you'd start at noon.

MR. CHAIRMAN: All right; that's fine.

DR. CARTER: Can we start at 11 and then have lunch at the tail end of it? Because I'm going to have the same problem with Pacific Western again. I've got another meeting in Calgary at 3 o'clock.

MR. PURDY: You're better off to drive, David.

DR. CARTER: Tell me.

MR. CHAIRMAN: Time Air from Grande Prairie arrives here at 11:30. We can have the meeting at 11:45. We'll pick a spot. How does that fit with Calgary flights, David?

DR. CARTER: Sure. I'll come up the night before. I might come up here permanently.

MR. CHAIRMAN: We have a date, and that's December 17. The time is 11:45. Louise will pick the place.

The meeting is adjourned.

[The committee adjourned at 3:47 p.m.]

This page intentionally left blank.