

9:01 a.m.

Thursday, November 14, 1996

[Mr. Hierath in the Chair]

THE CHAIRMAN: I'll call the meeting to order. As I recall, I think we passed the approval of the agenda for both days yesterday, so we'll proceed. I'd like to welcome the Auditor, Peter Valentine, this morning and Don Neufeld and Kelly Aldridge.

So, Peter, I think maybe I'll turn it over to you this morning to take us through your budget estimates.

MR. VALENTINE: Thank you, Mr. Chairman. Firstly, you should be aware that Kelly is going to succeed Don in the office. Kelly is now the chief administrative officer for our office. Don retires in one more budget, one more budget after this week. Last week we said two more budgets. So I thought that it would be appropriate for Kelly to join us this morning and get some sort of feel for the procedures here and what the objective is.

I think this year we've attempted to provide you with a great deal more information than in the past, with the covering letter and the footnotes on the schedules. Then I think I'll be brief, and we can answer questions directly.

I would point out that the budget request of \$9.6 million represents a reduction of approximately 22 percent from the target '92-93 year. That conforms with the 20 percent reduction guideline plus another 2 percent, or 10 percent of the savings. It's also 2.4 percent less than our request last year.

In the area of people in the office and the services that we've been providing, it's been a busy year. I now provide audit services to nine regional health authorities. Flowing from that audit activity have come a number of items of special work. The most notable were the laundry contract issue in Calgary and the budget issue in Edmonton. We've also just finished a whole budget review for the Red Deer regional health authority, very successful, resulting in a number of positive recommendations for them. They're very pleased with what went on with that, so hopefully that prevents some disaster down the road.

In addition, we've had a substantial involvement in the area of dealing with the implementation of departmental and ministerial financial statements. As you will likely know, that's a process that's going on in draft this year in anticipation of the real stuff next year. Performance reporting is very topical, and we seem to be involved in a myriad of task forces and activities that involve the area of performance reporting. We also conducted an investigation for the departments of Advanced Education and Career Development and Community Development.

MR. BRUSEKER: Career Development.

MR. VALENTINE: No. Family and Social Services was the other partner in that job. That was a matter that was discussed in the House, and you'd be familiar with it.

In order to properly identify my people, because they become more involved in specialist activities from time to time, we've allocated several of those kinds of responsibilities to three particular people in the office, and they have now become specialists. One's in the area of financial instruments, derivatives and the like. It'll be obvious why we did that. Another one is in the area of performance measurement, and it's obvious why we did that. I've also promoted three principals to assistant Auditor General positions with specific specialist responsibilities.

That's all part of my objective to flatten the organization and have the people out and involved with the clients, to get rid of the pyramid. I don't know whether you're aware or not - there has

been some publicity on the fact that Andrew Wingate, after about a four- or five-month secondment four days a week to ATB to solve some of the serious problems there, has accepted the position of senior assistant superintendent and chief inspector for Treasury Branches. I don't think I'm going to replace that position, because if I accept the fact that our organization should be flatter, then I see no reason to rebuild the pyramid.

The budget incorporates a reduction of four senior positions in our internal client service group. They were essentially involved with either the financial end of it or the computer end of it, and their duties have either been taken up by existing staff or we are contracting those services on an as-needed basis. I think that enables us to get the appropriate specialists at the time that we need them.

Dealing with the manpower costs, the biggest item in our budget, we've gone through a number of years now of staff reductions, and this budget provides for a small staffing increase from 109 to 114 people. Just to put that in focus, in 1992-93 we had 164 people, so our current budget really represents a 31 percent decrease in staff. I'll talk about some of the special services that we've been called upon to provide in the past year, and one of the results of devoting those resources to that activity was that we weren't able to do all of the recommendation work that we had in our plan, and we are anticipating that unless we bump the staff up a few people, we will have difficulty completing all of the March 31, 1997, opinion audits. So that's the rationale there.

I'm still of the view that we will have difficulty filling those positions because the market is so hot at the moment that it is difficult to secure good people, running in competition with all of the departments who are seeking to have staff with a financial background in their organization. In fact, I've just lost a very senior fellow very integral to some of the activities in the health sector to the Health department. We need to replace that talent.

On the matter of audit fees, when we presented our budget last year, we were optimistic that the government would implement the changes necessary to allow us to allocate our audit fees and to ensure that there would be an appropriate allocation of accommodation cost, telephone, and the like to all of the user groups. In anticipation of that, you people passed an order at our request allowing us to charge for opinion audits for year-ends after March 31, 1997. I'm here to tell you that the government has not progressed terribly quickly on this matter in the past year, so we find ourselves in the position of either auditing clients who will probably not have the funds to pay audit fee billings or there will be no mechanism to record those costs in the accounts of the various enterprises. Unless this situation changes in the next few months, I anticipate having to come back to you to ask you to modify the order for audit fee billings as a consequence of the lack of (a) a budget process that can put it into place and (b) an accounting mechanism that will facilitate the allocation of the costs. That's just to tell you what the facts are, not entirely within my own hands.

To conclude, I think that the track record of the office in the couple of years before I arrived and in the 21 months that I've been here - we are spending less than our approved budget in a number of areas, and that's good. That means we're watching the budget carefully. That's true in the year that we're presently in. I believe that the request for additional people is appropriate to satisfy the needs that we're experiencing, and I'm rather happy that we could do that in an environment that can be achieved without exceeding our 1996-97 manpower budget. So the budget for next year is not in excess of last year's budget. I can also tell you that the average salaries in '96-97, '97-98, the budget that

you're looking at is a 6 percent decrease from 47 and a half thousand dollars a year to 44 and a half thousand dollars a year.

With that, I think I've sort of covered the highlights of what it is. I'd be happy to answer questions, and if I can't answer them, Don will chip in.

THE CHAIRMAN: Thank you, Peter. Are there any questions on the budget estimates to Peter's people?

MR. BRUSEKER: Peter, if I might, just one question: salaries and wages.

MR. VALENTINE: Can you give me the page?

MR. BRUSEKER: Oh, sure. I'm looking at page 1, just sort of the overview page.

MR. VALENTINE: Good page.

9:11

MR. BRUSEKER: Yeah, I figured it was a good place to start. I see that your forecast is much lower than your estimate for manpower both for salaries and wages and employer contributions, which is good. Then that leads me to my question, which is: why then is it back up again for your estimate for '97-98, back up over the \$5 million mark? It seems you had some significant savings there.

MR. VALENTINE: Well, Frank, it's not good, because I haven't done the work I should have done. I would far rather be on the estimate. So if you look at the estimate of \$5.2 million plus \$900,000 for benefits and you look at what we're forecasting for next year, \$5,100,000 for salaries and \$825,000 for benefits - if I had been able to hire and retain the people that we thought we could when we presented the budget last year, then we would have come in at those numbers this year. But we're down in actual numbers below our budgeted manpower count, and that has restricted our ability to do things.

For example, one of the charges that I have is to report to the Minister of Education in the Legislative Assembly with respect to the requirements of the accountability Act in the education sector. Now, all school board year-ends are August 31. So August 31, 1996, was the first time that we were responsible for reporting under that requirement of the legislation, but we have not been into the Department of Education yet simply because we don't have the resources.

So I'm confident that the 1997-98 estimate is appropriate. It gives us 114 people as opposed to the 109 in last year's budget. Those additional five people allow us to do the scope of the work. At the moment we're at 106 people, so it's really eight below where we should be.

MR. BRUSEKER: Peter, you've raised this kind of concern before, and I guess I would have to ask then: do you see that there's a problem? Are there constraints upon you and your department that make it difficult for you to hire and retain the staff that you need?

MR. VALENTINE: The answer to that is a simple yes.

MR. BRUSEKER: Can you tell us what those constraints are?

MR. VALENTINE: Well, they're salary constraints, and that's across the sector. I'm not saying something that hasn't been said

by others. I have a concern that as you roll by next March or April, whenever the agreement with the unions runs out - and I'm sorry I don't know the specific date. Does anybody know?

MR. SEVERTSON: They vary.

MR. VALENTINE: Is it March?

MR. SEVERTSON: It's different; they vary.

MR. VALENTINE: There's AUPE and CUPE and others. When you roll past there, then the 5 percent, as I understand it, comes back in. That's an allocation that goes to everybody. Then there'll be pressure to increase salaries because there's been no increase since 1991.

Now, having said that, that's one thing. The salary thing is one thing. The availability of the people that we need to do our work is another, and they're not necessarily in lockstep. The energy industry is doing very well at the moment. I don't need to tell you that; the government is a benefactor of that. One of the things that always happens as soon as the merger, acquisition, and development activities of the oil industry increase is that the supply of chartered accountants goes down. That's where we are today.

Now, that's compounded by the fact that you have a number of entities looking for good chartered accountants that weren't looking for them in the past because they didn't have a demand for them. The first 17 of those entities are the 17 departments of the government of Alberta, where we are now going to full ministerial financial statements, departmental financial statements, and a revision of the budget process. So just to pick a department but without pointing any finger or anything like that, if we said Family and Social Services - they need a very good financial accountant over there. In the past they had a very senior budget officer, but he wasn't a financial accountant. So the demand is high, and the poaching has gone on in my office, and I recognize that. I keep a little scorecard, and at the end of the day I hope to win.

MR. KOWALSKI: Well, you also have your people planted everywhere too.

MR. VALENTINE: Well, that's the other side of the coin. When I was in private practice, it was really good to have the old folks, the alumni, in the client's office.

MR. KOWALSKI: That's the positive side.

MR. VALENTINE: It's also a huge advantage to us when we go and do an audit because then the senior financial officer understands our procedures and our goals and where we want to get to, and it inevitably causes you to have a more efficient audit. However, at the moment we're in that sort of desert period.

We've done very well. I can tell you that we offered 15 young people positions as article students this year. Seven out of the 15 have responded, and five have accepted, so we had two rejections. I think that speaks well for the quality of the office, because these kids in college get a lot of assistance from their professors and friends about where they should article, and if we get that kind of response, we're doing something right.

THE CHAIRMAN: Are you finished, Frank?

MR. BRUSEKER: Yeah. Thanks.

THE CHAIRMAN: Yvonne, you had a question.

MRS. FRITZ: Thank you, Mr. Chairman. It's just a quick question. I wondered why, with the reduction in staff that there has been, like the three positions, et cetera - Peter, I noticed that the overtime costs were reduced as well. I would have thought that people were working more overtime.

MR. VALENTINE: Well, our senior people don't get overtime.

MRS. FRITZ: Is it only the senior people?

MR. VALENTINE: Our qualified people don't get overtime. Inevitably when you have a job to do - and I'll just pick the budget job we did at the Capital health authority - it's the senior people who are doing that job. You can use the junior people to a certain extent, but those that will put in the hours will be the senior people.

MRS. FRITZ: So the added responsibilities are mainly undertaken by the senior people. I find it interesting that overtime costs are down when I know that with other budgets I've seen, they're all up because of responsibility.

MR. NEUFELD: I can respond to that. The overtime costs really were quite similar this year to last year, but last year I had budgeted for an increase because I knew we were heading into a very difficult period. We were more successful in getting temporary staff than we thought we would be, so our overtime stayed about the same even though I had budgeted for more.

MRS. FRITZ: Okay. Thank you. That helps me to know.

Also, I had another question on Calgary. In the back here it says that "the new Calgary office is jointly used by the Auditor General, the Chief Electoral Officer, and the Ethics/Privacy Commissioner." The reason I'm asking this question is that yesterday in the budget of the Ombudsman he had budgeted for a third position for a secretary and at the time the budget last year indicated that a third of the position would be filled by your office and a third by the electoral office or from the Ethics/Privacy Commissioner, but he talked about it all at the same time. Anyhow, then he indicated that he was going to be sharing your office, this new office and the new furniture and all the things, when all that discussion came about. Then I learned yesterday and was surprised that that hadn't occurred. There was this very creative way that he was budgeting for this secretarial position, but he still did achieve a new position out of it all. So I wanted to hear from you: what happened with this joint venture?

MR. VALENTINE: Well, I'll tell you what happened to us.

MRS. FRITZ: Okay. I'd be interested.

9:21

MR. VALENTINE: We have moved from the old Ford Tower building to the Energy and Utilities Board building. We have taken less space than we occupied before. I don't know what the numbers are, but we've made a material reduction in our space. We have moved into a building which is already an Alberta government occupied building, so we have ceased to pay the amount of our rent to a third party.

We went about planning the office so that Mr. Clark could use it for the two hats that he wears and so that the Chief Electoral Officer could establish the electoral officer offices in those

premises when an election is called. There are the appropriate facilities for computer hookups and the like there for him to do that.

We explored the possibility of having the Ombudsman join us. We would take additional space, but he came to the conclusion that the building wasn't secure enough for his activity. He became concerned that the kind of client that visits his office might cause a disruption in the building such that the prime tenant, I think, became a little bit nervous. As you are probably aware, the second floor of the building is the hearing rooms for the EUB hearings, and we have taken a corner on the fifth floor. The Ombudsman decided that he didn't want to join us in the operation, so we have three individuals and four offices located in the same premises.

We do not have a secretary there. At the moment we're trying to get along without one. We've also moved to being able to use our computer facilities in a way that materials, letters, and whatever sort of thing can be typed here in Edmonton and printed in Calgary on a laser printer just through the network in the office. So far we've found that we're probably not going to need a receptionist/secretary. Now, I think we're probably going to have to have a part-time one when an election comes along because there'll be a lot of traffic in and out of the place, but on a day-to-day basis we don't.

Some of you have been to visit already. Yvonne, I think you've been there. I think it turned out very well. There's a kind of office and an atmosphere which is appropriate to the services we deliver.

MRS. FRITZ: Okay. Thank you.

Just one last question, Mr. Chairman. With the change in furniture I know one of the goals was that the S and A and the WCB would be decreased because of the type of furniture that you were purchasing. Have you noticed that at all? It may be too early to notice any change.

MR. NEUFELD: We actually only installed the furniture last week. People are just unpacking their boxes as we speak, but they're very, very pleased initially. Their reaction has been very favourable.

MR. VALENTINE: Let me just share with you a small statistic. There's one principal area between Don's office and mine that's 720 square feet. Prior to the installation of the system furniture we had three people sitting in there, an average of 240 square feet per person. With the installation of the new furniture we have eight people in there at an average of 90 square feet per person, and they're in better and more comfortable circumstances.

MRS. FRITZ: Okay. Thank you. Thank you, Mr. Chairman.

THE CHAIRMAN: Any other questions?

MR. BRASSARD: Well, I'm still puzzling over the budget on page 1. I recognize your manpower costs are down \$657,000-plus, yet things like professional services are off as well. I would have thought you could compensate for a loss of personnel, your staff complement being down, that you would have increased costs of professional services or outside services, if you will. Is this not the case? Am I reading this wrong?

MR. NEUFELD: Okay. In previous years we've been able to hire staff on wages to get us through the very busy period. This year we could not get the amount of staff we needed to get our

opinion work done last spring. We spent approximately \$55,000 hiring staff through either placement agencies or CA firms. Some of those costs came out of our budget in the professional services area, but for purposes of the reporting here I have adjusted that and brought it up into manpower, because I thought it would be misleading to you to split what are essentially manpower costs between the manpower element and professional services. So professional services on this budget does not include anything for staff for audit work.

MR. BRASSARD: So any supplement to your staff is embodied in your manpower costs.

MR. NEUFELD: That's correct, yes.

MR. BRASSARD: So literally you truly are off \$650,000 in manpower costs.

MR. NEUFELD: Yes, that's right.

MR. BRASSARD: That's a high number.

MR. NEUFELD: Yes it is.

MR. VALENTINE: We're managing. If I get to the point where I can't carry out the mandate, I'll have to get more excited about it. We talked to a very well-qualified individual yesterday, and I am hopeful that person will join us. I've made recruiting a 24-hour-a-day, 12-months-a-year business in the office. I am hopeful that we can present the professional challenges to young people that attract them to come and work in the office and have an opportunity to succeed.

MR. BRASSARD: But being off on your costs of 10 percent, round figures, and you're managing to cope, one would be inclined to ask: if your workload doesn't improve, can you continue to cope with that? You said that earlier.

MR. VALENTINE: That's correct.

MR. BRASSARD: So you're building a backlog?

MR. VALENTINE: We are. You know, if somebody came to me today and said, "Here's a major investigation you'll want to do," I think I would have to go and contract people to do it. I am doing some work at the moment - we're just about to start it, and it remains confidential at this point - where I will contract three individuals from the private sector to work with us on it. They do come with skills we don't have in the office, so there's some *raison d'être* behind it.

MR. BRASSARD: Just let me comment further on the furniture, that Yvonne raised, and I don't know that there was a whole lot of things in your budget last year that created as much interest as the furniture purchase. Given that and given the fact that you've been able to reduce your costs in that area. I would assume that when you spread this out over three years, you set up a must-have, a want-to-have, and a like-to-have kind of a situation, where you filled what had to be filled. There are some areas that you would like to fill. Is there any possibility of delaying this second stage till the next budget? Is that possible?

MR. VALENTINE: Well, we didn't really do it on a must-have, would-like-to-have, nice-to-have basis. We did it more by area so

that we could improve the occupancy and the efficiency of physical areas in the office. I think it's to Don Neufeld's credit that we've been able to bring this thing in at two-thirds of the original budgeted cost, given that those budgeted costs came from Alberta Treasury. We thought we were dealing with good, solid information. If anything, the publicity made the manufacturers sharpen their pencils even faster. You'll be interested to know that the supplier that won the tender call for Alberta Treasury also won ours at two-thirds of the price. So what we are requesting here of you is to carry on, finish the office, achieve the efficiencies that we had in mind and planned for when we reduced our occupancy by 25 percent of the square footage and cut our rent cheque in half, for an annual rental saving of \$400,000. It to me is a package. It was a sound business decision. The thing got out of control in the public press, and we all know the history of that. But I still firmly believe that the reduction of the space that we occupy, the renegotiation of the rent, and the planning for the systems furniture, all one package, is a sound business decision.

9:31

MR. NEUFELD: I might just add that a condition of the tender was that the prices remain in force through to July 1, 1997, so we can complete the project the next fiscal year with this favourable pricing, that the deadline is to place the order by July 1, 1997.

MR. BRASSARD: I don't want this to sound wrong - and it probably will anyway - but a more cynical observer might say that the initial cost was deliberately inflated so that when it did come in, it would look like everybody was winning on this thing and we would get our furniture requirements completed in a two-year period instead of three. I'm just throwing that out as an observation, because as you know, in this business perception is such a large part of reality.

MR. NEUFELD: There were two things that changed. One was what Peter described, the price, and the other is that when I prepared the budget last year, we did not have a very specific idea of what each workstation would consist of, and we had a few more storage units and stuff included than we in fact ordered, as it turned out. So it was those two things.

MR. VALENTINE: We in fact pared that down. But back to your earlier comment . . .

MR. BRASSARD: I don't mean this on a personal basis, please note.

MR. VALENTINE: No, I understand that, but let me categorically tell you that none of that went on in my office nor would I tolerate any of it going on in my office.

MR. BRASSARD: I'm sure you wouldn't. I'm talking about the public's perception of it.

MR. VALENTINE: I understand that.

MR. BRASSARD: I don't have to elaborate on that.

MRS. FRITZ: It was based on what Treasury had purchased; wasn't it?

MR. NEUFELD: In fact we got exactly the same product.

MR. KOWALSKI: For two-thirds of the price?

MR. VALENTINE: Uh huh.

MR. KOWALSKI: Now, there's an interesting conclusion.

THE CHAIRMAN: Don Massey, you have a question.

DR. MASSEY: I didn't check *Hansard* from last year, but I didn't recall, when the furniture was being bought, it being linked with the reduction of rental space.

MR. VALENTINE: Well, let me assure you that that's the way I have understood it since six months or four months before I came to you people. The lease was being negotiated. My appointment had been announced in late October of 1994. I got involved in the lease negotiations with Don and Andrew Wingate. We achieved what I think is a very favourable lease for a lengthy period, which together with the other plans that were in place at the time, which involved the number of personnel we had, the configuration of the office, the amount of space we needed, was the overall plan for right-sizing the office.

DR. MASSEY: But was that linkage made in the arguments for the furniture? I can't recall at this point.

MR. VALENTINE: Yes, it was. You have to bear in mind that the issue of the furniture was not raised in this committee. It was raised in another committee. Peter Valentine was not present when it was raised. In fact, my office really didn't have any opportunity to explain what the issue was at all. It got swept up in the press and took on its own inertia.

MR. KOWALSKI: So be it. The price went down by a third. I think there's a positive benefit there.

MR. VALENTINE: I'd try it again.

MR. KOWALSKI: I guess.

DR. MASSEY: But I still think that it's a huge amount in a budget when cutbacks are being made in other departments or are under way.

MR. VALENTINE: Let me re-emphasize that the total furniture purchase is 1.25 times the annual rental saving and I've got a 10-year rental saving.

DR. MASSEY: We sit in the committee and listen to future savings from many people. I guess it can always be justified. I think the public perception is that - I mean, there is a great deal of suffering that has gone on because of the cuts and sacrifices made that the timing of such a purchase is probably not the best.

MR. VALENTINE: Well, Mr. Chairman, let me just comment that there are a number of areas in the government where some investment is being made to achieve long-term savings. In our office it was this one. I don't know that we could have given up 25 percent of our space if we didn't have a plan as to how we were going to house the people that occupied that space.

THE CHAIRMAN: Gary, you have a question?

MR. SEVERTSON: Yes, on the furniture. You mentioned earlier, Peter, the part you've done. You went from an average of 240 square feet down to . . .

MR. VALENTINE: No. Just in one section of the office.

MR. SEVERTSON: Yeah. The question was: how much more of the office can you see saving?

MR. VALENTINE: Well, in each of the areas where we're installing the system furniture, there is an improvement in the square footage occupied per person.

MR. SEVERTSON: Yeah. You went from 240 to 90 in the part you did. How much of that office space has been completed now in the renovations you've done?

MR. VALENTINE: We're about halfway through, I think, generally, and we need the balance of this furniture to complete this.

MR. NEUFELD: We installed 46 workstations in Edmonton last week. We have 26 to go.

MR. SEVERTSON: So that's about a third left to go.

MR. NEUFELD: That's right.

MR. SEVERTSON: So your dollars . . .

MR. NEUFELD: The dollars also include Calgary. This year we installed 10 in Calgary and 46 in Edmonton, and we have 26 to go in Edmonton.

MR. VALENTINE: The chairs are not here yet, so that's flowing over to the next period. There's also some secretarial furniture to come which is part of the workstations. I would like to be able to divide it into a per unit cost just the same way as the press did, but it doesn't quite work out that way. If you feel you need that sort of information, which is in detail, we did not bring it with us today.

MR. SEVERTSON: Thank you, Chairman. I'm finished.

MR. KOWALSKI: Can I take you to page 14, please, to revenue and income?

MR. VALENTINE: Certainly.

MR. KOWALSKI: There are 17 RHAs in the province of Alberta, and you're currently the auditor for nine of them. As I understand, when we had this discussion in the past, essentially what you do is hire private-sector auditor CAs to go do the work for you on a contract basis. Is that correct?

MR. VALENTINE: They are my agents, and the RHA pays the fee.

MR. KOWALSKI: Sure, but they're not bodies that you have in your office. That's the key point: to make sure that there isn't any competition from a government agency with the private sector.

MR. VALENTINE: None. Zero.

MR. KOWALSKI: Can you tell me why nine out of 17? Is there any magic to that number? Why wouldn't there be 17 out of 17? Or why is it nine instead of four?

MR. VALENTINE: The ones that have adopted the concept where we're appointed the statutory auditor – and we engage the agent of their choice – actually go through the selection procedure. We assist them with the management of that procedure, but we don't interfere in the actual selection. So they feel comfortable that they've got local auditors who know their community and who know the players. The fee is part of the proposal process. The board or search committee suggests to me that they'd like to appoint a particular firm. We appoint that firm. Then we contract with that firm to go on and do the work that we need to do in order to report to the Legislative Assembly. That work is in my budget, but the attest audit and the certification of the financial statements are paid for by the RHA, and it's essentially just a flow through.

Why only this number? Actually, this number of entities works out to 88 percent of the beds in the province. So while the number isn't the whole group, it's by far the largest percentage of beds, and it includes all the big ones except Red Deer, who is going to join it next year. That's my understanding. The ones that haven't are generally the very small ones and the rural ones and the ones that didn't know the work of the Auditor General's office in the past. There was some misgiving about getting the Auditor General in the door and so on, but I think we've demonstrated to most of the RHAs now that we have a service to provide that is different than the private sector, that we can help them with a number of their problems which have solutions in the government system and everybody wins with it.

So I would say that the experiment has been quite good, and I've not heard any bad-news stories. Most people like their auditors, and some very good things have come out of it. My people have learned a lot from the private sector, and the private-sector auditors have learned a lot from us.

9:41

MR. KOWALSKI: Mr. Chairman, this item is basically a neutral item, though, in your budget. It's just dollars in and dollars out. It has nothing to do with the management end of it.

MR. VALENTINE: I'd like to keep the dollars in the office, but they unfortunately have to go to the general revenue fund.

MR. KOWALSKI: Yes. This is true.

There's no intent whatsoever philosophically in the position taken by the office of the Auditor General to ever move into a competitive position with the private sector?

MR. VALENTINE: No, no.

MR. KOWALSKI: That's not part of your game plan anywhere. Okay.

THE CHAIRMAN: If that's all the questions, I have a question, Peter, further to the office furniture. I'm asking you about the allocation that we were talking about last year during budget deliberations. We agreed to the \$263,000 purchase for this fiscal period. When you were spreading the purchase over three years, then, what was the expenditure for '97-98?

MR. VALENTINE: The way that you approved it was \$263,300 for the 1996-97 year, \$261,900 for the '97-98 year, and \$247,500 for the '98-99 year. So you'll see from that that our request of \$245,000 in the current year is less than the second-year tranche. You'll remember we came to you and asked you for the 770-odd thousand. You came back and said: could you spread it over

three years? What we've done with the buying power is get rid of the third year.

THE CHAIRMAN: Your reasons for wanting to do it over two years is purely to increase your efficiency sooner rather than later.

MR. VALENTINE: Well, the other thing is to take advantage of the bid price we have. If we don't make the July '97 bid date, then it's got to go back to tender again, and we open ourselves up to the vagaries of the marketplace.

THE CHAIRMAN: Which might be less.

MR. VALENTINE: It might be less; it might be more.

MR. NEUFELD: And you may have different products, which causes other problems.

THE CHAIRMAN: True.

MRS. FRITZ: So then you bid in good faith, if you said for a three-year period.

MR. VALENTINE: That's right.

THE CHAIRMAN: Are there any further questions? Gary.

MR. SEVERTSON: When you made your bid, you thought at that time it would be three years. What's this July 1, '97?

MR. VALENTINE: No, no. By the time we went to tender, there'd been a bunch more prequalification done, and we knew we were going to save a major amount. We didn't know exactly what, but it was going to be very substantial. So the way the bid came back was that they've closed off the price in July 1997. Now, that's their call, not ours.

MR. SEVERTSON: But they gave you a bid to complete it in a two-year span instead of a three-year.

MR. VALENTINE: By that time we knew we were going to save something in the order of a third, you see. When we came to you last year, we brought numbers that another department had given us.

MR. SEVERTSON: Yeah, I know. I understand that. I was thinking that they had to complete it in two years when we had a budget over three years. That's why I was asking.

MR. VALENTINE: The bid is managed by public works. We don't involve ourselves in that. They are the experts in the bidding procedure, so I can't reinvent that wheel and don't want to. You see, this problem all started by us taking at face value the numbers from somebody else. If I made a mistake, it is that we should have put those numbers through some due diligence, but we didn't. So that's where you start with 700, and if I was doing it again, I might do some more due diligence.

MR. BRASSARD: In your own words, this lack of due diligence cost a whole bunch of people a lot of heat.

MR. VALENTINE: Well, I understand that. Some people said things about my budget in another forum that they didn't have any background in.

THE CHAIRMAN: Any further questions on the budget?

MR. BRASSARD: I have to be honest; I'm still uncomfortable with this. I would like to move that the final purchase of the furniture be delayed.

THE CHAIRMAN: Is there any discussion on Roy's motion?

DR. MASSEY: May I ask a question? When the original proposal for three years was put before us, how was the problem of compatibility going to be handled then?

MR. VALENTINE: Well, we hadn't tendered anything at that point. We'd gone to another department. We got the best numbers that we thought were in the system at the time. We took those numbers, planned our office, and developed a total number. We brought that number to you people. No tendering had occurred at that point.

DR. MASSEY: That wasn't the question I was asking. I thought I heard Don say that there would be a problem now.

MR. VALENTINE: Well, there will be because now we've tendered. We've gone to tender, and they've held the price until July 1997. I can understand from a supplier's point of view that he doesn't want to hold the price any longer than that.

DR. MASSEY: I thought we'd talked about that there would be problems with compatibility if you had to tender again in the future.

MR. NEUFELD: This system of furniture is all components that are hooked together, and if we were to relocate in six years' time, say, this stuff could be picked up and moved, but if we had two different products, that would cause some significant difficulties in configuring that furniture in a new space.

DR. MASSEY: Was that a problem that we were always going to have, even when it was over a three-year period?

MR. NEUFELD: Well, if we can continue with our plan right now, we will have consistent product, and that problem won't appear.

DR. MASSEY: It was going to be a problem?

MR. NEUFELD: It could have been. That was a risk that we were taking before; that's correct.

MR. VALENTINE: Also, by the time that public works went to tender, we had a pretty good idea that this cost was going to come in at something less than \$600,000. As it turns out, it's come in at two-thirds. So if they want to hold the price to July, that wasn't a huge concern to us because we could get it all done at the end of the second year of the three-year program and only spend two-thirds of the money.

THE CHAIRMAN: Yvonne, you have a question?

MRS. FRITZ: No. Actually, I was going to speak to the motion. I'm not going to support the motion, but I want to tell you why. I can understand why it's being put forward today, based on the discussion that we had last year and that it was a three-year term. I'm not going to support the motion because of the information we have this time around on the budget, and that is that I do believe

it was bargained in good faith, and we've heard a date of July '97 in order to hold the cost to be at a third less than what was originally anticipated.

Also, more importantly, I think this furniture, by what we had heard previously, is for the general well-being of the employees, and I talk about the ergonomics of this furniture, that were described to us last year. I know we've heard about less work space required, and we've heard about the change in office space, et cetera. But quite frankly, it's the employees that are sitting in this 90 square feet of space, that are doing the computer work and whatever else they do. I haven't seen the space, but I think that overall in the long run there will be less WCB, S and A, and we'll have far better health for our employees. I think that's a worthwhile goal, but also to be at two-thirds of what was put before the committee, that's like saving the one year. We're not saying today with this motion that we're going to take the money out of the budget completely; we're simply delaying it. At this time I wouldn't support that.

THE CHAIRMAN: Any further questions on the motion? If not, all those in favour of the motion? Two. Opposed? Three opposed. Defeated.

Okay. If there's no further discussion, then I would entertain a question for acceptance of the budget.

MR. BRASSARD: I would move that we accept the budget.

THE CHAIRMAN: That is the figure on page 1, Peter, of \$9,336,000.

MR. VALENTINE: Sorry; the \$9,596,000.

MR. NEUFELD: The two shaded numbers.

THE CHAIRMAN: Okay. You're talking about at the very end of page 1, where it says: voted operating expenditure. That is net on total expenditure; right?

9:51

MR. VALENTINE: If you go up the page to total expenditure in the column 1997-98, it's \$9,596,000.

THE CHAIRMAN: I saw the one at the bottom, thinking that that was the one that we were voting on.

MR. NEUFELD: Yeah. We're asking you to approve the budget of \$9,596,000. Treasury will actually only vote \$9,336,000 because the accommodation will not have to be paid out of our budget.

THE CHAIRMAN: I see.

MR. VALENTINE: Then the capital budget is \$483,000.

THE CHAIRMAN: Do you want that separate?

MR. NEUFELD: Yes. The \$9,596,000 and the \$483,000 need to be approved separately.

THE CHAIRMAN: So are you putting that in your motion, Roy?

MR. BRASSARD: Yes.

THE CHAIRMAN: So the first one, then, is \$9,596,000? All those in favour of that motion? Opposed? Carried unanimously.

Now I need a motion for the capital investment of \$483,000. Would someone like to make a motion for that expenditure in the budget? Ken. All those in favour? Opposed? Two opposed.

If there's nothing else, Peter, then thank you very much.

MR. VALENTINE: Thank you, Mr. Chairman.

MR. NEUFELD: Yes, thank you.

THE CHAIRMAN: Thank you very much.

We have to revert to item 9 on the first page, committee members. One item that we need to deal with is the Audit of the Office of the Auditor General, under tab 9(a). This is for information only: the audit of the financial statements . . .

MRS. SHUMYLA: . . . which were sent to us for the 1995-96 audit. They just sent it for the committee to have a look at.

THE CHAIRMAN: If you move to section (b), then, that's the invoice for the audit. Then under section (c) is the appointment of an auditor for the Auditor General for the upcoming year. You'll see that last year's audit bid was \$11,500 by the Kingston Ross people, and this year the estimate is \$11,850. So there's a 3 percent increase in what they would bid for the audit. If the committee is in agreement, what I need is approval of Kingston Ross.

MR. KOWALSKI: Just one question: these things are bids that we get? How does this work?

THE CHAIRMAN: Well, this isn't an open bid. This is a bid with Kingston Ross Pasnak, who, as you can see, have been doing the audit since 1992. If we wish to go ahead with an open bidding system, we certainly can do that, Ken.

MR. KOWALSKI: I have no problem with this one in the time period that we've currently got right now, but it seems to me that . . .

THE CHAIRMAN: . . . we should do that.

MR. KOWALSKI: Well, I think that's the fairest and most independent way of doing it. I'm not suggesting for a moment that they're unprofessional, but if you do the same audit for 10 years with the same group of people, it's amazing how synergy develops.

THE CHAIRMAN: Right. I guess one of the reasons we were kind of sticking with this audit was that historically we've been told that when a new company comes in, they have increased costs because they're not used to doing it. But I concur with you that it should be an open bidding system. If the committee members wish us to do that, we certainly can, but if your uneasiness is a little bit minimal, maybe we can have a recommendation that that happen next year.

MR. KOWALSKI: I so move.

THE CHAIRMAN: Ken has moved acceptance of Kingston Ross Pasnak for the coming year with the provision that next year it be an open bidding process. All those in favour? Opposed? Carried.

Now we have the budget estimates for ourselves, for the Legislative Offices Committee, under tab 10. I think I will ask Diane, since she put the paper together, to go through it a little bit

and just make a few comments on some of the highlights of the budget.

MRS. SHUMYLA: Okay. The budget is typically the same as it was last year. Well, now that we've approved having Kingston Ross Pasnak come again, that will affect the cost under other labour and services, where we had budgeted \$11,500. It will now be \$11,850, so that will increase it by \$350.

The only other cost is under conferences, where the costs are dependent on where the location of the conference is. On page 4 there are costs for two conferences: one is the Canadian Council of Public Accounts Committees and the other is the Canadian Ombudsman Institute. Last year it was in Buenos Aires, so the cost for travel was higher. This year it's in Regina.

10:01

Ron and I had a discussion before the meeting, and just a little bit of background on conferences that he's asked me to state here is that in the past, prior to 1993, delegates from the Legislative Offices Committee attended four conferences. That was the Conference of Legislative Auditors or the Public Accounts conference, the Council on Governmental Ethics Laws conference, the national Ombudsmen conference, and the Canadian comprehensive auditing conference. So in the past Legislative Offices had attended four conferences. However, in 1993 when the committee budgets were being reviewed at Members' Services, it was decided to retain only two conferences for this committee: the national Ombudsmen conference and the Conference of Legislative Auditors or the Public Accounts conference.

However, the decision came from Members' Services, not from the Legislative Offices Committee. Ron has attended the Public Accounts conference, and it's a joint conference of legislative officers. However, he found that it's designed for members to attend the Public Accounts portion but not to have a member from the committee attend the legislative auditors' portion. That's for auditors only. So in discussion I had suggested to Ron that the committee members may wish to consider taking out this conference of legislative auditors and consider substituting either the Council on Governmental Ethics Laws conference, or COGEL, which the Information and Privacy Commissioner and Ethics Commissioner and the Chief Electoral Officer attend, or the Canadian Comprehensive Auditing Foundation conference, which the Auditor General's office attends and is involved in.

Just another thing. The COGEL conference, or Council on Governmental Ethics Laws conference, deals with issues such as campaign finance, ethics, freedom of information, and lobbying, whereas the Canadian Comprehensive Auditing Foundation conference deals strictly with auditing issues.

So that was our discussion of substituting one conference for another.

THE CHAIRMAN: Generally, that wouldn't change the budget of the Legislative Offices on travel. It's just that the information - it's a little bit of my observation, attending the auditors' conference, that it's probably not as productive as going to the ethics laws conference. We can save that for a future meeting if you like. It won't affect the budget estimates that we have here before you today for the Legislative Offices budget.

MRS. SHUMYLA: Just one other thing I can note is that the Public Accounts Committee has the opportunity to send delegates to the Public Accounts conference.

THE CHAIRMAN: So the total expenditure, then, for '97-98 is the \$50,227 expenditure?

MR. SEVERTSON: We have to add the \$350 under that then.

THE CHAIRMAN: Yes. Yes, that's right. For the audit of the Auditor General.

If someone would like to add that extra number in there and then make a motion, I'd accept that.

MR. SEVERTSON: I'll move that we accept the '97-98 budget of \$50,577.

THE CHAIRMAN: Any discussion on Gary's motion? All those in favour? Opposed? Carried.

Next, Roy Brassard's going to give just a short report on his attendance at the International Ombudsman Institute conference. Roy.

MR. BRASSARD: Yes, Mr. Chairman. I wrote out a fairly comprehensive report, under tab 11, on the conference itself. I found it very productive. The sessions were open to everyone that was there. As you know, this institute was established by the province of Alberta, so it has a certain significance to our province. As a matter of fact, the University of Alberta and its Faculty of Law provide office space and a library and administrative support for this. So it's an ongoing thing, and we have an ongoing vested interest in it.

The conference is held every four years. It now encompasses 86 countries, and there were about 650 delegates at this conference. When you get talking to people all across the world, the role of an Ombudsman takes on different meanings. In Latin America, where they're going through the transition from dictatorship to more of a democratic process, they talk about different things when we talk about human rights, for instance. So some of the Ombudsmen, because of that, have significant powers.

One of the Ombudsmen that I spoke to, from Papua, New Guinea, can actually order someone put to death. Other people get into the arbitration between villages, whereby if I run over your child, you have the right to come back and demand a life from my village. We all recognize the future of the village is with its young people, so likely they go to the oldest in the village and ask him to take responsibility for this. He steps up, admits it was all his fault, and they put him to death. The Ombudsman gets involved in the arbitration of that kind of thing.

In some places the judicial system can't read or write. They're appointed because of their background, so the role of the Ombudsman is to interpret the laws and actually get into reading the documents for the judges.

It's a very different thing across the world, but I do believe that we have a significant role to play, if nothing more than to help establish the standard, if you will, of what an Ombudsman is across the world. Now, having said that, some of the more established Ombudsman positions are taking a more proactive role.

I listened once again to the Ombudsman from Ontario give quite a presentation on how she felt the role of the Ombudsman had to be much more proactive and go out to meet people in the streets and in the hospitals, in the mental hospitals and places where people normally may not be able or know how to access the services of the Ombudsman. I feel that it's a very fine line between responding to complaints, which I see the role of the Ombudsman being, and actually soliciting complaints. So I have some reservations about where we're going in that direction.

The final one is that as we expand the role of Ombudsmen throughout the world, the term "Ombudsman" takes on a different meaning itself, because we now have countries who have Ombuds-

men. Canada doesn't, but it has provincial Ombudsmen. Some municipalities are setting up Ombudsmen. Some of the major businesses are setting up Ombudsmen. They're all laying claim to this title, but they all have a different interpretation of what it is. So the institute itself is getting very concerned with somehow protecting just what it is that an Ombudsman's role should be and what the designation should carry. I think Harley spoke to that in his presentation.

One final thing. Our Ombudsman Harley Johnson's role in this international institute has been very significant over the years, so much so that they appointed him a life member. There have only been seven appointed in the history of the Ombudsman Institute, so he's thought of very highly within the organization. I think it would be appropriate if somehow this committee at least acknowledged the fact that his contribution had warranted such an appointment, and I would so request of the committee.

10:11

MR. KOWALSKI: Is it the office or him?

MR. BRASSARD: Himself. What he did, Ken, was take on the role of kind of an executive director of this organization. There has been some history - and I won't get into it right now; perhaps later on in camera - that caused our Ombudsman to feel that his involvement was appropriate, and he did it in such a fashion that it was recognized by all the delegates. So it was very well done.

Finally, they gave him a plate for attendance, and because our secretary does so much for all of our committee members when we go to these things, with your permission I'd like to give you, Diane, this plate and offer my sincere gratitude for your support and all the help you gave to me going to a foreign country, which was an interesting experience but would have been much more difficult without your involvement.

On that note, I think that in many cases, Mr. Chairman, it's very appropriate that some of the support staff attend some of these conferences where possible, because there is a continuity to our support staff that isn't necessarily associated with an elected official. Wherever appropriate, I think it would be in order that we suggest that some of the support staff attend some of these conferences in the future.

That's my report.

THE CHAIRMAN: Thank you, Roy.

MRS. SHUMYLA: Thank you very much.

MR. BRASSARD: You're very welcome.

MR. BRUSEKER: Now, Roy, you made some comment that the committee should extend something to our Ombudsman.

MR. BRASSARD: Yeah.

MR. BRUSEKER: Do you have a recommendation?

MR. BRASSARD: Yes. I would like this committee to offer their congratulations on the appointment of life membership in the International Ombudsman Institute because of his service to that organization. As I said, we started this organization, and I think it's really significant that he was given this honour. It is quite an honour too.

MR. BRUSEKER: Would you have the chairman write that letter, then, on our behalf?

MR. BRASSARD: Yes, I would, or I'd be happy to help them with it because of the background that I have.

THE CHAIRMAN: All in agreement of doing that?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Good. Unanimous. Thank you.

Thank you, Roy.

Item 12 is Other Business, and with the committee's approval I've asked Diane to circulate some paper about indemnity of the officers of the Legislature. You'll see in that correspondence that there have been a couple of officers that have requested indemnification, most recently the Chief Electoral Officer, and some of the correspondence with regards to the Parliamentary Counsel and the Clerk of the Assembly and so on. I'm bringing it before the committee.

It all started because of a change in the Business Financial Assistance Limitation Statutes Amendment Act of 1996, where the officers of the Legislature were not included in being indemnified. If you follow the process then, there is a process where the officers of this committee would be indemnified through Treasury Board and order in council. I think it is important to bring it forth to the committee. I think it's one of those processes where we can make a recommendation to the Provincial Treasurer to bring that forth for an order in council indemnifying the officers.

MRS. FRITZ: Can I just ask for a simpler explanation so I understand this? Indemnity for officers of the Legislature means, then, that those officers that report through this committee all would be . . .

THE CHAIRMAN: Exempt.

MRS. FRITZ: . . . from being sued by members of the public.

THE CHAIRMAN: Personally. Right.

MRS. FRITZ: Much in the way that MLAs are. I see. I agree with that, Mr. Chairman.

MR. BRUSEKER: Is that not part of the legislation that they have in creating their offices?

THE CHAIRMAN: My understanding, Frank, was that there was some exclusion on a change to the business financial assistance limitation Act, and they inadvertently were not included in that Act. So the process here is by order in council regulation.

If you would like to examine this in further detail, I'm going to try to put this committee meeting together, another committee meeting, at the very latest in mid-January. This isn't something that has to be done today, but it's something that I wanted to bring up today so that if committee members were in agreement, we could pass it. If you want to read it further and digest it, it'll be fine to leave it for a few more months.

MR. BRUSEKER: Well, Mr. Chairman, I guess I'm not sure why this is before this committee today. As I read the conclusion on page 3, it says, "In order for the Officers . . . to be provided indemnities, the Lieutenant Governor may, on the recommendation of the [council], make a regulation." Well, that's not this committee, so I guess I'm not quite sure why this is before this committee.

THE CHAIRMAN: Well, they are asking us for indemnification because we're responsible for the commissioners, and if we agree

that they need to be indemnified, then we would request that that proceed.

MR. BRUSEKER: Okay.

MR. BRASSARD: This indemnification would be similar to what is available to all the elected members?

THE CHAIRMAN: Yeah.

MR. BRASSARD: In such cases, if someone took exception to the performance of my duties and challenged me, I would have the support of legal counsel and so on and so forth and the backing of the government. If I indeed initiated such action myself, then I'm on my own. So that same rule would apply here. But if these people acted in what is perceived as being outside of their specific duties or responsibilities, they would not receive such indemnification; right?

THE CHAIRMAN: Right.

MR. KOWALSKI: I have no difficulty with the concept. I just wonder what the background is as to why these officers have not been provided this before now. Somebody, obviously, in the Attorney General's department can provide that answer. I'd just like to know what the answer is.

THE CHAIRMAN: Okay. It's fine to delay it, and I'll get the committee members some more information on it. We'll discuss it at the next meeting. Is that agreed?

MR. SEVERTSON: It was my understanding they got left out inadvertently when it came to the Act.

THE CHAIRMAN: The other thing on item 12 that I wanted the committee members to be aware of was that the Ethics Commissioner and Information and Privacy Commissioner's contract expires at the end of March of '97. So that being the case, I would like to get a meeting date - and it may not be possible - for our next meeting. There are a couple of other items, so we need to have a meeting in January or maybe even December. Do you as committee members want Diane to try to co-ordinate something, or do we want to do that now?

MR. KOWALSKI: Can we go late January?

THE CHAIRMAN: Generally, late January. Okay. What date would you like to pick, Ken?

MR. KOWALSKI: Late. That means like the last week. We have storms in Alberta in January.

MR. BRASSARD: We certainly should do it prior to going into session and so on.

THE CHAIRMAN: Okay. Diane will co-ordinate a date for late January with committee members.

That's all I had to bring before the committee. If there's no other business, I would entertain a motion to adjourn.

MRS. FRITZ: I'll move that, Mr. Chairman.

THE CHAIRMAN: Yvonne. All in favour? Opposed? Carried. Thank you.

[The committee adjourned at 10:20 a.m.]