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PUBLIC ACCOUNTS COMMITTEE

Legislative Assembly

April 6, 1978
10 a.m.

Chairman: Mr. Taylor

MR. CHAIRMAN: Will the Public Accounts Committee come to order, please.
The minutes have been distributed. What are your wishes in regard to the meeting of
March 22? Mr. Young.

MR. YOUNG: Mr. Chairman, I find no occasion to criticize the record as provided of what
the committee did. I am desirous of bringing to the attention of the committee an opinion
I have from Mr. Clegg, the Law Clerk and counsel to the Assembly, wherein he advises that
the committee does not have the authority to appoint a vice-chairman and that that
responsibility for the chairmanship and any other officers of the committee would have to
reside with the House itself. It would appear, then, that the decision made by the
committee might not stand. I don't know what the committee wishes to do with it. Since
it involves me, I put it on notice. I suspect it's not a decision that would stand.

MR. CHAIRMAN: Thank you, Mr. Young. It appears we've been acting illegally for years in
naming the deputy chairman of the committee. However, since it's illegal, perhaps the
committee would agree that that section of the minutes of the March 22 meeting be declared
null and void. Agreed? Moved by Mr. Thompson and seconded by Mr. Doan. All agreed?
Against, if any? The motion is carried.

Okay. A motion to adopt the minutes as amended would be in order. Moved by Mr. Hyland
and seconded by Mr. Kidd. All in favor? Against, if any? The motion is carried. Thank
you.

The next business I would like to raise is that the hon. Dr. Warrack has been advised
that AGT is requested to appear before the committee on Wednesday, April 12. That's next
Wednesday. The hon. Dr. Warrack has advised me that if the committee does not complete
the hearings of AGT by the end of the meeting on April 12, he has requested that it then
go on to two weeks, to April 26, as there are a number of commitments made by AGT for the
19th that would make it very, very difficult. So if we do not complete the hearings on
AGT at the end of the meeting on April 12, will it be in order for me to have Disaster
Services come for the meeting of Wednesday, April 19, and then back to AGT on April 26?
Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you.

MR. McCRAE: Mr. Chairman, just while we're discussing AGT, could I make another
observation? I've had discussions with the minister and he tells me there is some
litigation involving certain aspects of the AGT rate case hearing before the Public
Utilities Board. I simply want to make the statement that we would naturally want to

assure that we didn't prejudice either the litigation or the Utilities Board hearing. There may be certain questions the minister might or might not want to answer because of that situation. I would expect that all members of the committee would respect the position AGT is in.

MR. CHAIRMAN: Thank you, Mr. McCrae. I had also discussed that matter with the minister. I have advised him that the normal procedure in Public Accounts is not to question anything that's before the courts. I think that's understood.

Okay. Then the meeting today is to be an overall review of public accounts. We have with us Mr. D.W. Rogers, the Provincial Auditor and the acting Auditor General, and Mr. N. Henkelman, the Audit Director. I will now turn the mike over to Mr. Rogers. Mr. Rogers, please.

MR. ROGERS: Thank you, Mr. Chairman. Mr. Chairman and gentlemen, the compilation of public accounts can be looked at rather as a triangle. The base of the triangle would be the individual transactions that are processed during the year. These transactions -- we were doing a little calculation this morning -- are somewhat in excess of 5 million. Then by a series of summarizations we eventually arrive at the financial statements of the province.

I think I should say one or two words first about this particular set of public accounts. It was the first set of public accounts which were based on the new program budgeting system. We'll be discussing in detail the impact that system had on the format of the accounts, which this year -- the year we're looking at, '76-77 -- the format was completely revised by my office. Another impact that had on the compilation of public accounts was a regrettable one; that was, the one of time.

I should explain that we had to create a new EDP system to handle a whole new set of coding. This did result in a lot of technical problems during the course of the year. The new system had teething troubles, and so on and so forth. These have been overcome. But the one impact it did have was that everything took quite a bit longer this year. So for that I apologize to the committee that volume three still is being printed. We expect this in the next several weeks.

Volume four, which is the book on the salaries, cost us \$118 a book. So in future, as we end up only distributing very few books, if the committee is agreeable I would like to make this available in this form. I believe it's very readable. The cost is not to be compared, from the point of view of cost per book, because these take about eight minutes to produce once we have the tape, and the cost is around \$5.

So I think in the interests of saving money I would like to take orders for this book, because it is limited to the House by custom. I would like to take individual orders for the book, Mr. Chairman. Within one week we can bring as many books as are required.

Now if we look at the apex of the triangle I just mentioned, on page 21 we have the balance sheet which shows on an accrual basis, to the extent that available information allows, assets which it is reasonable to believe can in the course of time be turned into cash, together with the direct liabilities as at the end of the fiscal year. The details supporting each of the amounts on the balance sheet are shown on the various schedules on pages 33 to 38. So this is a part of the build-up to the apex of the triangle.

We only have regard, contrary to the private sector approach, as our assets are not primarily to earn revenue. Therefore the application of those assets is not treated in the same manner. We're mainly interested in the public sector on those assets which can be converted into cash, in the course of time, to satisfy liabilities. So the balance sheet has a somewhat different purpose in the public sector.

Now, the accrual basis, as opposed to the cash basis. I read the definition of accrual. It is the method of recording transactions by which revenues and expenses are reflected in the accounts in the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions are being finally settled by the receipt or payment of cash or its equivalent.

On the next page, page 22, is a statement of surplus. This is basically a statement which we use to indicate the book entries necessary to convert the basis of accounting from a modified cash basis, which is the basis that all transactions are based, used for determining the budgetary surplus. We go from that basis to the accrual basis and these are the book entries that are necessary to achieve that.

On page 23 we have the statement of revenue and expenditure. We'll be talking in a moment or two about the basis on which the revenue and expenditure are determined. But this statement shows the revenue and expenditure by the various departments.

Statement number four on page 24 is the statement of changes in financial position. This statement shows the cash on hand at the beginning of the year; the sources from which cash was obtained during the year, including the budgetary surplus; how cash was spent or applied during the year for purposes other than budgetary expenditure, because we've already considered that in arriving at the budgetary surplus; and the resulting cash on hand at the end of the year, which is included in cash and investments on the balance sheet. So this statement shows the way in which the financial position of the province changed during the year.

Statement number five, which is a further statement in the set of financial statements of the province, is made necessary because of the Alberta heritage savings trust fund. It shows the transfers to that fund during the fiscal year.

The notes to the financial statements are on pages 26 to 32. These form an integral part of the statements. In note one, for instance, there is an outline of the basis of accounting on which the statements were prepared. The other notes cover all relevant matters which should be taken into account when considering the financial position of the province at the end of the fiscal year, and the results of the operations during the year.

We will be coming back to specific parts of these notes, so I just wanted to get an overview of the financial statements. Now I would like to come back, if you will, to page 11 which is the Auditor's report. In view of the fact that the public accounts, under the system that was in force up until a few days ago, are prepared by the Auditor, then the report fulfils a somewhat different purpose from the conventional Auditor's report. It serves the dual purpose of allowing the Auditor to formally express his opinion on the financial statements, and to give an overview of the results of the operations, the state of the public debt, and other matters of significance arising from the transactions he examined or otherwise dealt with during the fiscal year.

The rest of the book, pages 39 to 43. We don't have to go to those pages, but 39 to 43 show the information relating to trust accounts. Pages 44 to 83 include statements of special warrants, statements summarizing departmental revenues and expenditures, and other statements providing details relating to various general revenue fund financial statement items. The rest of the book, pages 85 to 296, shows the details of revenues and expenditures by the various departments. Then of course volume two shows all financial statements of Crown agencies, boards, and corporations. volume three shows the details by pay, broken down by departments, within the total government. volume four shows the details of salaries. That was the one we discussed a few moments ago.

Mr. Chairman, before proceeding to the details of the results of the year's activities, are there any questions on the basic format?

MR. CHAIRMAN: Any questions on what we have done so far? I guess not, Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman.

MR. CHAIRMAN: Oh, Mr. Young.

MR. YOUNG: Sorry. If it's appropriate to go into it now, since the surplus aspect of our budget seems to be one we'll have with us for some number of years, could you explain the procedure which is involved, aside from the heritage savings trust fund -- how it's invested and what the guidelines are?

MR. ROGERS: I can make comments on the way. Perhaps we could get to that later, Mr. Chairman. I have to talk about all the various surpluses that we talk about. I would like to talk about those first. Then I think we can get to that.

MR. CHAIRMAN: Okay. Mr. Lysons.

MR. LYSONS: I have a couple of general questions. When you see a government cheque it's made out in the Provincial Treasury. I would just like you to explain how the general revenue is kept. Does it all go into one bank account in one place, or are there several bank accounts? How does that work, from the various departments?

I see here on page 23, Advanced Education, Agriculture, and so on all have revenue coming in. Do they go into separate accounts as such, or do they all go into one bank account?

MR. ROGERS: Thank you, Mr. Chairman. The revenue is received by the various departments. It can be deposited into bank accounts and then it flows automatically to the Treasury's bank account or accounts. In other instances the money, in effect, is delivered down to Treasury for deposit by Treasury. It varies with circumstances. But basically it all comes into one account.

MR. LYSONS: Then would it be . . . (interjections) Okay. My supplementary question then would be this: is it correct to say then that Treasury would use this money in short-term investments or long-term investments, out of that? And a small balance would be kept for current account?

MR. CHAIRMAN: Mr. Rogers.

MR. ROGERS: To the extent . . .

MR. CHAIRMAN: I'm sorry, we have to give these names. Otherwise the tape doesn't differentiate between the voices.

MR. ROGERS: To the extent that the money is not required for expenditures, yes it is invested.

MR. CHAIRMAN: Okay. Any further questions? Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman.

If we look on page 11, the report commences with, as I said, the formal opinion on the statements. But as we prepare the statements it's obvious that we are of that opinion, of course. Then the results of operations, halfway down the page, we show the budgetary transactions -- the revenue before allocation to Alberta heritage savings trust fund.

We have made a change now that we are dealing in millions of dollars and tens of millions of dollars. So it's \$3,842,500,000, less the allocation to the trust fund which is new in this particular fiscal year. So the net revenue is \$3,226,200,000, as compared with \$3,327,900,000, an actual decrease of \$101.7 million. But it's recognized, of course, that that is after the allocation to the trust fund, which of course was not present in the year ending March 31, 1976. The expenditure was \$2,920 million, up from \$2,720,700,000 in the previous year -- that increase, \$199.3 million or a 7.33 per cent increase. There is a budgetary surplus of \$306.2 million, as compared with \$607.2 million the year before.

Perhaps now I should talk about what we mean by revenue and expenditure. The revenue is the total cash received on behalf of the general revenue fund by the departments within the fiscal year, subject to the relevant exceptions recorded under note 1(a), (b), and (d). These notes are in the notes to the financial statements we were looking at a few moments ago on page 26. I think these are self-explanatory, but obviously have to be taken into account when you're looking at revenue.

The expenditure is the total of accounts submitted by departments for payment up to and including April 30, 1977, for goods and services delivered by the departments concerned, up to and including March 31, 1977. This expenditure is subject to a reduction for refunds of 1976-77 expenditure received until the processing of accounts payable documents was completed, which in that particular year was August 7, 1977. The expenditure for the year, as I said earlier, was \$2,920 million. That was the expenditure for goods and services actually used during the year ended March 31, as long as the departments got the payment documents to us by the end of April. There are some that obviously can't be finalized by that time, and they get paid out of the new year. But we try to get as much paid out of the year's funds that year the goods and services were received, so there's a matching there as close as possible. So the budgetary surplus, in effect, is the difference between the revenue on the basis that I just outlined and the expenditure.

Now we have the non-budgetary transactions. These are loans and advances. These are seen on page 82 and 83 I think. Page 81 we have the statement of advances to revolving funds. On statement number 24 are advances to loan funds and repayments and the statement of loan repayments and outstanding loans on page 83.

Now I think the statement will show the type of transactions that we have. I think if you look on page 83, you'll see a very significant one from the point of view of how it is reflected in the final results for the year, and that is the repayment of a loan of \$289 million by the Alberta Housing Corporation. The advance that was in existence was repaid upon the issue of guaranteed debentures. Those debentures were in turn transferred to the Alberta heritage trust fund. The result of that particular transaction specifically, of course, meant that instead of an expenditure for loans and advances which we normally get the previous year and the year ending March 31, 1976, it was in effect an outgoing of \$158.6 million. We actually have money coming in of \$192.2 million, so that the overall cash surplus was in excess of the budgetary surplus. The overall cash surplus was \$498.4 million.

I have got notes which I'll be distributing later to anyone who's interested which more or less contain this information and spell out in detail how the overall cash surplus was arrived at. I have covered it though by pointing to the statements concerned.

Now the surplus that we always talk about is, in effect, the surplus of the general revenue fund. So far we've had the budgetary surplus, we've had the overall cash surplus, and now we have the surplus of the general revenue fund. This is the one which is the result of comparing the assets which can be turned to cash and the direct liabilities on the other hand. It is the difference between those two. This is more of a true surplus because now we're not talking about being on a cash basis, but on as near as we can get it

an accrual basis. It isn't perfect. We cannot accrue all revenue; income tax being a case in point where we receive moneys from Ottawa as they process their transactions. We do not know ahead of time what we've actually earned for corporation tax or income tax for individuals. We do not know during the year, or at the end of the year. We do not know how much is being earned. We are on a cash basis as far as moneys coming from that source are concerned. But there are other areas of revenue where we have been able to get onto an accrual basis. So it is on an accrual basis to the extent that our information permits it.

Now if the budgetary surplus and the overall cash surplus relate to the results of operation within a fiscal year, the surplus general revenue fund is a cumulative surplus shown at the end of each fiscal year. The balance sheet is prepared on an accrual basis to the extent that the factors involved can be quantified with reasonable accuracy. The surplus or excess of realizable assets over liability shown on the general revenue fund balance sheet is a yardstick. This is the way it really should be looked at, as a yardstick which, providing there is consistency from year to year in the way the assets and liabilities are arrived at, shows the relative financial state of the province's finances at the end of each fiscal year. This is really its true worth, one of being a yardstick of progress.

The accrual approach, because it is based on revenue earned rather than revenue received, eliminates, to a considerable extent, the year to year apparent swings and changes in the actual increase or otherwise of the cumulative surplus which would occur if such surplus were to be arrived at on a cash basis. These variations would be the result of variations from year to year in the timing of collections of revenue. It will be noted that the surplus general revenue fund provides a vehicle for adjusting assets and liabilities to their proper values for the purpose for which the balance sheet is designed.

However, in considering the surplus general revenue fund in terms of absolute value -- this is a point to be taken into account -- in terms of absolute value, we must look at some of the provisions of the notes to the financial statements. And I have in these notes picked up several of them that are the most critical. The amounts receivable and payable under The Alberta Income Tax Act are not reflected in the balance sheet. As I said earlier, we just don't know that we will get a cheque from Ottawa for X number of millions of dollars. It may arrive on March 31, in which case it is revenue of the year ended on that day, or we may get it the day after, in which case it's the revenue of the following year. So the sheer timing of actions in Ottawa can affect the total value of our surplus by however many millions of dollars are in that cheque. We don't have any control over that of course.

MR. CHAIRMAN: Mr. Lysons.

MR. LYSONS: This may be really a dumb question after you've done such a beautiful job of explaining this, but we have here on page 11 overall cash surplus of \$498 million as compared to \$448 million of the year before. That's on the cash basis. On the accrual it'll be upwards in the neighborhood of \$700 million. Now what do you do, or how did you handle the surplus from the previous year to come into this? Is this part of the '76-77 surplus, or what's happened there?

MR. ROGERS: Okay. If we look at the balance sheet, if you recall I said it's cumulative. If we look on page 21 at the balance sheet, at the end of '76 we had a surplus of \$516,582,680. Okay? Now, this year it is \$836,701,831, an increase of \$320 million approximately. Now our \$498 million cash surplus is out of that, all of that in actual

fact. But there were other factors that have to be taken into account when you're on the accrual basis as opposed to being on the cash basis.

MR. LYSONS: Supplementary. So then with it being on the accrual basis, this \$516 million is in fact added and part of the \$836 million. So that when we talk about the surplus of \$700 million, that's the accumulation of other years?

MR. ROGERS: Accumulation year by year by year. Yes. Okay?

MR. CHAIRMAN: Okay, Mr. Rogers.

MR. ROGERS: Now another thing to be taken into account in considering the balance sheet, or the financial statements of the year, and specifically the surplus of the general revenue fund which we were discussing, is the note which is in the notes. It reads:

The accounts of Crown corporations, boards, commissions, and other agencies are, with the exception of the Alberta liquor control fund, reflected in the balance sheet only to the extent of advances out of the general revenue fund.

That's a provision in one of the notes. In order to follow their results, you have to look at their individual financial statements. These of course are what volume 2 is all about because volume 2 consists of the financial statements of various Crown corporations, boards, and agencies.

Another thing is the pension plan on a current cost basis, and this is local authorities' pension plan as well as the pension plan for the public service, and no liability is shown in the attached balance sheet in respect to the present or future benefits payable under the acts. Again this is a note in the notes to the financial statements which should be considered when you're looking at the absolute value of the surplus. And no provision is made in the accounts for outstanding statutory obligations, future costs of ongoing programs, commitments under construction, or other contracts and agreements in force at the year end or future commitments made by the government.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: Mr. Rogers, on two points. First of all with respect to income tax and the timing of that transfer from Ottawa. What's the usual amount or quantity by which that can swing our accounts? In other words, do we get transfers on a periodic basis, or do we get a kind of a final transfer and just one transfer per annum?

MR. ROGERS: Thank you, Mr. Chairman. We get round-figure transfers and then a sort of a final settling up way down the road. I think one we just received was \$100 million. This is the order of magnitude.

MR. YOUNG: That's the first question that I had.

AN HON. MEMBER: Not through yet.

MR. YOUNG: I can see that it's significant to the accounts, Mr. Chairman. The second question, however, relates to the comments you've just made in connection with note 3 which is the liability, accruing liability, contingent liability for pensions. And I was wondering if you could enlighten us as to the usual governmental accounting practice. Are we different from other Canadian provincial governments, or is a normal procedure, right or wrong?

MR. ROGERS: I don't think we're different from other governments, but it is a matter of some concern to the accounting types. I'm on a committee, just as an aside but pertinent I believe, I'm on a committee of the Institute of Chartered Accountants, CICA, which is looking at accounting principles in the public sector and also audit reporting practises in the public sector and we hope, as a result of this study, to get some material that various governments can look at and sort of perhaps go a better way. But it's at that level and we pretty well represent all the provinces in Canada and the federal government and we all do things a little differently in various areas. It's a very interesting project.

But there is a liability there that has to be taken into account. But there are other liabilities too. It's only one of many but perhaps it has more the form of obligation in view of the fact it is agreements with individuals and is, in effect, an extension of their remuneration. So perhaps it could be viewed that way, or it could be viewed just as any other program for which provision has to be made for its continuation.

MR. CHAIRMAN: Mr. Lysons.

MR. LYSONS: Supplemental question to that. In normal business accounting -- let's say you have unpaid income tax or a law suit coming up or losses that you may have, you would always show those. I suppose that it may well be that you're doing that for income tax purposes and so on and really show a truer reflection. I notice that we've shown in other years the commitment to the heritage fund, but we don't show all these other commitments then? That's . . .

MR. ROGERS: That's right.

MR. LYSONS: So it's a deviation from normal accounting?

MR. ROGERS: There are items, yes, that we do not have the information on but we note that we don't include them that in the private sector I think you would not be in a situation and you would book those transactions if you could.

MR. CHAIRMAN: Mr. Kidd.

MR. KIDD: Maybe it's all been said, but just another point on the pension situation. In your deliberations -- let me see if this would be correct -- whatever accounting principle you arrived at, would that accounting principle have any real effect on the intent, and that is, I would imagine in a government as distinct -- and I see differences here between that and private companies -- the intent would be to fund that out of general revenue anyway. So are you talking about an accounting principle or are you talking about a real change in the way that funds are committed or not committed to the assurance of the pension? Is that a . . .

MR. ROGERS: I think it would have an impact insofar that if it were fully funded, then on an annual basis the government would be making contributions to that fund, whereas today there is no recognition taken simply because we're on a different basis. We just pay the pensions as the requirement arises.

MR. CHAIRMAN: Okay. Any further questions? Okay, Mr. Rogers.

MR. ROGERS: One further item that should be taken into account when considering surplus and that is there is no provision . . . By the way, these comments are not . . . They're in my own notes, in the notes to the financial statements. This is not to say that we should make provision. It is merely a caution saying: just look, we have not made provision in arriving at the results; we have not provided for these items. It is simply flagging them. It is not to say they should be included. We do not make provision for contingent liabilities and neither should we. But at least they should be considered in any scenario that you might be considering. And when you realize that the contingent liabilities amount to \$4.394 million -- I picked that up off page 18 which talks about public debt. At the top of the page you will see that we cover net funded debt, unfunded debt, and then it says: "In addition, the province is liable for certain guarantees which amounted to \$4,394,000,000."

Now obviously that is a very significant figure in certain circumstances. It's quite possible that the amount of guarantees to be implemented, and our normal experience has been they are a very, very, very small percentage. But under certain worst-case scenarios then, that could be a very different picture. All I'm trying to get across is the way in which the financial statements of the province could be considered as assistance to policy planning.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: In respect of the contingent liability in the worst-case scenario, would it be fair comment to suggest that if the worst-case scenario developed, the worst case would indeed be a very, very severe case? It would be tantamount to the collapse of our economic system as we know it. Does that . . .

MR. ROGERS: We probably wouldn't be worried too much about in actual practice. Everything would be so catastrophic, I would say. But there are degrees working down to that. That's the very worst case, but of course a bad economic climate could result of course in a greater percentage of guarantees being implemented. This just has to be taken into account in any thinking.

MR. YOUNG: In the normal, if I can use that expression, case, what proportion of those contingent liabilities are anticipated to turn into true liabilities?

MR. ROGERS: No provision is actually made for it because it actually has been, on the basis of our past experience, not a very significant amount.

MR. CHAIRMAN: Mr. Musgreave.

MR. MUSGREAVE: Mr. Rogers, through the Chair, is part of this money that we're liable for the Canada pension plan moneys, or not?

MR. ROGERS: No. The pension plans we were talking about really were the public service pension plan, the management plan, the local authorities' pension plan.

MR. MUSGREAVE: Do we not have a liability there, and where would it show up?

MR. CHAIRMAN: Mr. Rogers.

MR. ROGERS: Actually there's money voted each year for the payment of pensions.

MR. MUSGREAVE: Perhaps I'm not making myself clear. I understand that the money flows back to us from Ottawa that, in effect, is a liability that we have to Albertans for their Canada pension when it becomes due. Is this not correct?

MR. ROGERS: The money that flows back . . .

MR. CHAIRMAN: Mr. Rogers.

MR. ROGERS: I beg your pardon. Right. This is reflected on the gross on page 51. Yes, in this last year there was a grant total of \$42 million included in this now.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: The Canada pension plan flow of funds which we have here we treat as debts and we don't assume the contingent liability for the Canada pension plan. That's strictly in our books a fixed debt amount which is due and repayable on a certain time and would be kept quite distinct from our provincial pension plans as far as contingent liability is concerned. Is that correct?

MR. ROGERS: That's right. Yes, we do not have any direct liability for Canada pension plan. It is simply that Ottawa has these funds and makes them available to us so that to the extent that we have those funds, it's a direct debt then to Ottawa.

MR. CHAIRMAN: Mr. Musgreave, were you completed?

MR. MUSGREAVE: That's fine.

MR. CHAIRMAN: Any further questions? Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. We have now another surplus which I'd like to point out to you. It's on page 12 and we talk about the consolidated surplus of the province. But that is our surplus of the general revenue fund, combined with the heritage trust fund. You will notice near the bottom of that page, on page 12, we show that March 31, 1976, \$2,016.6 million increased to \$3,008.6 million, an increase of \$992 million. And that is the true increase of the consolidated surplus. But, of course, all the comments I made about potential liabilities may still apply of course in that surplus.

MR. CHAIRMAN: Any further questions? Okay, Mr. Rogers.

MR. ROGERS: Fine. Thank you, Mr. Chairman. At the top of page 12 we have a comparison of the actual revenue expenditure budgetary surplus, and loans and advances, and overall cash surplus with the estimates for the year. I think that's self-explanatory.

On page 13 we have the revenue by source, and we have on the first page taxes. This shows the actual amount received during the year, the per capita and the percentage of revenue that those amounts are, and this is compared with the same figures from the previous year.

On the following page we have the same information relating to the non-renewable resource revenue. But again this year, for the first time, we have the transfer to the Alberta heritage savings trust fund.

On the following page, we have the payments from the government of Canada.
On the next page, a number of various other revenues and we arrive at the total revenue.
The expenditure is by departments on page 17.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: Could I ask in connection with the first revenue table, which is the taxation table. The individual income tax revenue there shows that it's a greater proportion of our total revenue than it was in the preceding year. That may occur again in the '77 taxation year because of provincial/federal fiscal changes. We're going to show, I would suppose, an increase. Whether it's a relative increase I don't know at this time, but certainly will be quite a large quantitative increase. But we've incurred an offsetting decrease in federal/provincial transfers. Have there been any significant changes in the tax rates in federal/provincial relationships in the current year between '76 and '77 as they're shown here? In other words, is everything equal, generally?

MR. ROGERS: Yes, I think that took place in the '77-78 year. We will see that reflected in the '77-78 year and we will be making some specific comment on the effect of that change.

MR. YOUNG: But for the two years that we're looking at here, for comparative purposes, the 1976 to 1977, there weren't any significant changes that would alter that. In other words, that's a base change rather than a rate change, if I can express it that way.

MR. ROGERS: Well yes. There is also this timing problem as I mentioned earlier that would have a profound impact on it. And I think that we get perhaps a better look at it on page 29. This note rather extensively divides the amounts we've received into the years to which the tax applies.

Mr. Chairman, does that . . . But there was no significant tax base or taxing approach change in the two years that we're looking at, as I can recall.

MR. YOUNG: All the details then, Mr. Chairman, are shown under individual income tax on page 29, the changes there, eh?

MR. ROGERS: Yes.

MR. YOUNG: Would you mind just running over those for us, or were you planning to do that? Just so that we . . .

MR. ROGERS: Mr. Chairman, if we look part the way down page 29, the amounts we receive . . . We were looking at the total of \$439 million that was received during the year and that was applicable \$40 million to 1975, \$361 million to '76, and \$37 million for '77. Now the previous year, when we received \$352 million, \$48.5 million applied to '74, \$272.3 million to '75, and \$31 million to '76. So the distribution over three years is not that much, so I don't think it was a timing problem as far as individual income tax was concerned. It looks like a real increase in the tax.

MR. YOUNG: A true base change.

MR. ROGERS: Yes.

MR. CHAIRMAN: Mr. Thompson.

MR. THOMPSON: Mr. Rogers, on this freehold reserves tax, could you explain that a little bit, just what's involved there? I can understand income tax, I know what that is, but freehold reserves tax.

MR. ROGERS: Which page are we on?

MR. THOMPSON: That's on page 13.

MR. ROGERS: Mr. Chairman, so as I do justice to the question, could I bring a written answer next week?

MR. CHAIRMAN: Would that be satisfactory, Mr. Thompson?

MR. THOMPSON: Yes.

MR. CHAIRMAN: He will bring a written answer next week.
Any further questions? Okay, Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. If we could very briefly look at the public debt, we have discussed that, I have alluded to it earlier. But at the top of page 18, we see that the total of the net funded debt, the unfunded debt, and the guarantees, increased by \$1,169,891,326 in the year. Of course, the net funded debt and the unfunded debt decreased by some \$55 million and the increase in the guarantees was \$1.225 million, but we did have the \$289 million of that increase involved with the issue of debentures of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation which was guaranteed by the province. The results of those debentures was used to repay the loan that was in existence previously, and then the debentures were transferred from the general revenue fund to the Alberta heritage trust fund.

MR. CHAIRMAN: Mr. Lysons.

MR. LYSONS: You're on a subject there that I don't really understand. We talk about joint funding with the federal government and the provincial government through the Alberta Mortgage Corporation and other agencies. Could you explain how that works when we talk about a situation where it's a joint-funded proposition? Does the money flow firstly from the provincial Treasury and then from the federal, or what happens there?

MR. ROGERS: We bear the expenditure of the total program. This comes out of moneys voted by the Legislative Assembly and the money from the federal government comes in as revenue, so that it is not a case of: we spend 50 cents, and they spend 50 cents. We spend the money and then the money comes in from Ottawa as revenue. This is seen on this earlier page -- which is page 15 -- which shows the moneys received, the payments from the government of Canada, broken down under the various headings, totalling \$560 million.

MR. LYSONS: On that revenue page, it doesn't show anything for the Alberta Housing Corporation.

MR. ROGERS: Realizing that the Housing Corporation has its own financial statements and deals directly with Canada in that regard -- I think I can probably get you some figures

in a moment -- but that does not come through these accounts, doesn't come through the province. The programs I was talking about are those that are jointly funded but are part of main government. When you're talking about the Housing Corporation, then they are a separate corporate entity. Okay?

MR. LYSONS: Okay.

MR. ROGERS: Fine.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: Mr. Chairman, I've forgotten now whether it was two or three years ago before the Public Accounts and I believe it was in connection with one of the Crown corporations which we were examining at the time, and on that occasion, my recollection is that there was an uncertainty as to the amount of guarantees. Do we have any concerns left in that respect? I think, on that occasion, we discovered that there were processes in hand to rectify so that we would know what the amount of guarantees might be.

MR. ROGERS: Yes, that was the Agricultural Development Corporation if I recall it correctly, and that was all cleared up.

MR. YOUNG: Are there any others? Are you satisfied now generally in respect to the guarantees?

MR. ROGERS: Yes, although there are, on the guarantee statement -- which is page 55.

MR. YOUNG: Sorry, Mr. Chairman, I thought we'd gone by it rather than . . .

MR. ROGERS: It shows the guarantees and there are a number of notes that these are explaining the situation in all cases. That was a particular concern I had at the time that I expressed about the Agricultural Development Corporation, but that was solved. It was really a procedural problem as much as anything, and they took a little time to pick it up.

MR. CHAIRMAN: Any further questions? Okay Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. On page 19, we have the oil and gas revenues. The significance here, of course, is that they have increased very significantly over the years. The intention of this statement is that as the years go by, we can see what is happening, what the trend is.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: Sorry to be so persistent in questioning, but if I may take you back to that tax table and the corporation taxes, in looking at the reconciliation -- I'm not sure that's the correct term -- but I believe it's on page 29. There we do find a negative showing up on corporation taxes for the year 1974 which would seem to me to make a substantial difference if one is trying to compare the relative taxes for corporation taxes between the two years. Is that correct?

MR. ROGERS: Yes, that is correct. Oh yes, that was the first year of the royalty tax rebates and the tax had already been paid so therefore it shows up as a negative when you break it down into the year. There was a delay by Canada in assessing tax returns at that particular time which caused that.

MR. YOUNG: If I may then, for another moment, looking at that page 28, we are showing corporation taxes in 1977 as being \$384 million as opposed to \$269 million. The more true comparative figure, if we could net out for a year, would be something on the order of \$350 million to \$384 million. Is that correct, \$350 million to \$384 million? I'm rounding there and just generalizing, but . . .

MR. ROGERS: If you look at '75, the collection in '76 was \$336 million and we have in '76, \$236 million, which is relatively the same distance away in time -- shall we say -- from the reporting year. It's very difficult to make any . . . I see your point. Yes, I see your point. I just looked down here on the tax rebates and tax credits. Yes, this is right. That has to be taken into account. You're right on that.

MR. YOUNG: Mr. Chairman, what I'm trying to arrive at is whether the change which is shown on page 13, under the corporation income tax revenue, where we see a fairly substantial increase -- in 1977, \$384 million, in 1976, \$269 million. That's an increase of approximately \$115 million from one year to the next. Is that reflecting a true growth in tax base and can we, assuming no change in tax rates and not a major change in business climate, would we be able to project a trend line and say that we might expect corporation taxes to go up?

MR. ROGERS: Mr. Chairman, I really don't feel I have enough information to make a statement on that. Because of the timing problems you get in this area, I would not like to make a statement too definite on that particular subject without at least a quite a bit of further information as to what is in the pipeline, and so on and so forth.

MR. CHAIRMAN: Mr. Musgreave.

MR. MUSGREAVE: Mr. Rogers, on page 19, I was wondering, I am just curious why the oil export tax seems to have disappeared in 1977. I thought it was still on.

MR. ROGERS: That was a particular situation, if you recall, where the federal government established an export tax and then there was a sort of arrangement whereby some of that money came across to us and other amounts of the money were made available to us for specific projects. That ceased at that time as our price went up. It was when there was a very big differential in prices.

MR. MUSGREAVE: It is eliminated now, then.

MR. McCRAE: Mr. Chairman, could I ask a supplemental on that? Mr. Rogers, you talked about specific transfers out of the oil export fund. In yesterday's paper I saw an item where the federal government had transferred \$10 million, for research purposes, out of that fund to Alberta. Where would that show?

MR. ROGERS: Thank you, Mr. Chairman. That shows up as revenue and is taken in as revenue when we receive it. Then, as the projects are put under way, the money is made available by special warrant.

On page 288, in the Treasury department revenue, there is an amount of \$24 million which is taken into revenue but there is a responsibility to make sure that money is spent, that there is offsetting expenditure in approved projects to the same amount of money.

MR. CHAIRMAN: Any further questions? Okay, Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. At the top of page 20 there are some comments about organizations that are not audited, but these are all now taken care of and especially under The Auditor General Act, they are all covered up with the exception of the Alberta Energy Company which, by statute, is not an agent of the Crown in the right of Alberta.

I'd like at this time, Mr. Chairman, to perhaps issue some notes that members of the committee may find helpful and then we can perhaps work from those notes, because I have some appendices which give examples and follow a program through, because the main difference in format is in the supporting statements which are now based on programs and subprograms.

MR. CHAIRMAN: Mr. Henkelman, would you mind passing the notes?

MR. ROGERS: While Mr. Henkelman is doing that, perhaps I could just point out that when there is a change in the estimates, as the public accounts are the report to this committee of the way in which the funds were spent, when there is a change in format in the estimates, it follows that there has to be a like change in the reporting in public accounts. So we have several new terms to deal with and, if I may read: "A program is a distinct service to the people of Alberta". And I like to think of it as a definable purpose. In the public accounts, departmental support services and interdepartmental support services, which were both terms used in the estimates, I've treated them as programs. Up to and including the fiscal year '75-76, The Appropriation Act each year made an amount of money available to each department to carry out the various purposes of the department. Although each department showed in the Estimates of Expenditure that the money was required for various appropriations within the department during the course of the year, the transfer of funds between appropriations was permitted with the approval of the Provincial Treasurer.

Commencing with '76-77, The Appropriation Act made an amount of money available to each program or defined purpose. As a result, transfers between programs within the department are not allowed unless provided for in The Appropriation Act. That means that the purposes for which moneys are provided by the Legislative Assembly are now more closely controlled than they were where you had a department which had a number of diverse purposes. Under the situation that did exist then, money could be transferred with authority -- but not with the authority of the Assembly, obviously -- between various appropriations. Now that transfer capability is limited to individual programs, so you may have several programs under the umbrella of the department but the money cannot be transferred from one program to another.

MR. CHAIRMAN: Mr. Lysons.

MR. LYSONS: In the event that there was a change of operation of a department -- I would like to see more of them -- where one section of the department was phased out but they had to replace it with some other operation, is this where the special warrants come in? Then the department has to come back for a special warrant?

MR. ROGERS: The money that was provided, if I understand correctly, the new organization brought in, would be for a somewhat different purpose than the money that was provided for the organization that was phased out. In that case, the money that was provided for the purpose which was discontinued during the year, any surplus moneys unspent, would be frozen, they could not touch that for other purposes; but they were commencing a new operation, then that would be special warrant.

MR. CHAIRMAN: Further questions? Mr. Young.

MR. YOUNG: Mr. Chairman, if I might, since yesterday the Assembly dealt with Agriculture in the estimates, Vote 3 -- which is a program -- as I understand it is marketing assistance. Vote 4 is world development assistance. You're saying, Mr. Rogers, that when the Assembly approves Vote 3 and Vote 4, the way it's set out in the estimates, there cannot be a transfer of funds between those votes, simply between the subprograms within the votes?

MR. ROGERS: Yes. This is really a major change under the new system. Within a program we have subprograms and this is a more specific service within the program, but it is still for the same purpose. It is a subdivision, in effect, of the purpose.

I think everyone has a printout. We are now on page 6. The first number of pages dealt with the matters I discussed earlier and, I think, are self-explanatory in view of that. On page 6 we are now about a "program element", and this is one point I wish the committee to consider because this does, in some instances, cause a change in the amount of information that is available in public accounts. A program element is either an organizational unit responsible for a service, delivery of a specific form of financial assistance associated with the service. Financial information regarding individual program elements is not included in the public accounts -- this is a point I wish to make -- but such information can be produced for this committee within approximately one week's notice. We do have all the information because if you recall, I talked about the compilation of the public accounts as being somewhat similar to, or could be looked at as a pyramid. As we accumulate and summarize from our base of five-plus millions of transactions, as we summarize these then we've got information at various levels. To publish them all in public accounts, we could have a stack of books yea high and could have if the Assembly and this committee deemed it necessary. The problem facing us was just how much information to include in the public accounts and we took what we traditionally had, the two highest levels. Previously we've had the department level and the appropriation level. We've included information for those two levels. In the estimates, you recall that the money is voted on the program level, but you review the subprogram level; which is very similar to the way it used to be in that you would vote money by the departmental level but review at the appropriation level. So we have, in effect, maintained the status quo from that point of view. But the House also gets the element information as supplementary information and, I think, if we go through the example we have here, we'll see what the impact is.

A further component is the "object of expenditure". Money is provided for a purpose which we need to have recorded what it's spent for and, of course, this is also in the estimates. The main categories are: manpower, supplies and services, grants, purchase of fixed assets, and other.

We have a number of statements which, in the interest of time, I don't think we'll go into right now, if it's all right with you. I think these are seen on pages 66 and 44, showing the expenditure under these various headings.

The departmental statements are the one area where I would like comments from the committee. The example I took, for purposes of these notes, was the Department of Advanced Education and Manpower, Vote 2, Assistance to Higher and Further Educational Institutions, and subprogram 2.2, Provincially Administered Institutions. If we go through the appendices, appendix I is very straightforward. It's a xerox of The Appropriation Act, and shows that program 2 was voted \$278,495,446.

MR. CHAIRMAN: Mr. Young.

MR. YOUNG: Mr. Chairman, I believe we're scheduled to adjourn at 11:30. Is that correct?

MR. CHAIRMAN: Yes.

MR. YOUNG: I'm wondering whether it would be in order to suggest that we commence this portion of the explanation on another occasion, perhaps April 19 -- I believe that's the day we might have had Disaster Services -- if that's the wish of the committee, and take our time to go through it. I think it's rather important and pretty fundamental to a good understanding of the members of how these accounts work, and I would hate to see us rushed.

MR. CHAIRMAN: Are you suggesting that we do not ask Disaster Services to come on April 19, then?

MR. YOUNG: Yes.

MR. CHAIRMAN: Okay. Is it satisfactory to the committee that we continue this study on April 19?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Okay, next week AGT. The hon. Dr. Warrack and whoever he wishes to bring with him will be here. On April 19, the following meeting, we'll continue this study. Is that satisfactory with you?

MR. ROGERS: That's very satisfactory.

MR. CHAIRMAN: Okay. Mr. Clark.

MR. CLARK: Just before we adjourn, I'd like to get some direction from the committee. I have some information I'd like from Mr. Rogers. Really it's the amount of money received from government in each year from '72 to '76 for a number of consulting firms. I'd like some direction from the committee. Up until and including this year, there is no problem getting that information directly from Mr. Rogers. Any MLA can write a letter to him. When it includes information in the year that's been finished, but the public accounts haven't been made public, I take it the practice is to come before the committee and get approval from the committee to ask for that information. That's the practice we use now. Is that right?

MR. CHAIRMAN: Mr. Rogers.

MR. ROGERS: That has been the practice, yes.

MR. CLARK: So that in asking for information from moneys expended from '72 to '76 inclusive, there would be no problem in getting that directly from Mr. Rogers and not having to come to the committee. Is that right?

MR. ROGERS: I'm at the direction of the committee.

MR. McCRAE: Could we ask what past practice has been?

MR. ROGERS: Mr. Chairman, it's always been a bit of an ad hoc sort of situation. For any published accounts, I think the Auditor has -- and I know I have -- attempted to answer any questions that I can answer. But the problem is when it overflows into a sort of special little mini-investigation which provides one member with some information not known to other members. This is potentially always a problem, and I play the game. I always wished that this be approached. I'm happy to go along with it.

MR. CHAIRMAN: Mr. McCrae.

MR. McCRAE: Can I make an observation, Mr. Chairman? As I understood, the hon. opposition leader's request was for information for '72 forward. If that's what I understood him to say, we are today dealing with the '76-77 public accounts; however, that other information is available and has traditionally been made available. I don't think we should be discouraging the putting forward of the information. On the other hand, the matter is complex and it's coming up at a late moment in the meeting. Might I suggest that we come back to that topic on the next occasion that we are discussing generally the public accounts format with the Provincial Auditor, and that is April 19? Could we come back to that question at that time?

MR. CHAIRMAN: Mr. Clark.

MR. CLARK: Mr. Chairman, could I just respond by saying that the information sought is basically from '72 to '76 which, as I understand it, is all public information. It's here and the years previous. Do you understand?

MR. CLARK: The area which I think can cause some concern -- I frankly would like some direction also -- deals with information that would be in the '77-78 workings of the province -- do you follow me? -- which has been finished now, but the public accounts aren't out until next November. I think that's a problem that certainly puts the Auditor in a spot, when any MLA -- whether the opposition or the government -- goes to the Auditor and asks for information during '77-78 which isn't public information to date. The year is finished but the information isn't public until the accounts become public, Mr. McCrae. That's really the area that I'd like to get some direction from the committee on. Not trying to put the Auditor on the spot but, in fact, when any MLA -- including myself -- asks him for information during '77-78, it puts him in somewhat of a difficult situation. I hope, Mr. Rogers, I'm not overstating the situation.

MR. CHAIRMAN: The hon. Mr. Farran.

MR. FARRAN: But there is another mechanism, Mr. Chairman. I suppose the hon. leader could put a question on the Order Paper and it would have to be delivered by the government if you've got something that's not in the accounts.

MR. CHAIRMAN: Mr. Thompson.

MR. THOMPSON: Mr. Chairman, Mr. Farran made the observation I did. I can't see that this is part of our parameters to work in. The information is available but there are other ways of getting it than directly through the Public Accounts Committee.

MR. CHAIRMAN: Mr. Musgreave.

MR. MUSGREAVE: I would move that we accept the suggestion of Mr. McCrae that we table this for two weeks and give us time to consider it, and then come back.

MR. CHAIRMAN: The motion to table is not debatable. It's been moved that the suggestion that portions of the 1977-78 public accounts which are requested will be discussed on April 19. All in favor?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Against if any? The motion is carried.

Anything further today? If not, a motion to . . .
I'd like to thank Mr. Rogers and Mr. Henkelman, and announce that next week we'll have the hon. Dr. Warrack, and whoever he wishes to bring, from AGT before the committee next Wednesday.

A motion to adjourn would be in order. Moved by Mr. Kidd, seconded by Mr. Lysons. All in favor? The meeting stands adjourned.

(The meeting adjourned at 11:34 a.m.)