

Standing Committee on Public Accounts

Wednesday, May 14, 1980

Chairman: Mr. Mandeville

10 a.m.

MR. CHAIRMAN: Committee members, we'll bring our meeting to order. Are there any errors or omissions in the May 7 minutes? If not, we'll have the minutes filed, as in the past, and just go right into further discussion on the Auditor General's report. If we can turn the floor over to you now, Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. I think we were just about to commence item 4.3.5 on page 49. This is an instance where there appears to have been contravention of the tariff of fees, which was appendix 2 to Order in Council 471/73; the examples shown and a number of others were found during the course of audits. It states that the professional witnesses paid are allowed \$35 a day; however there is provision for special cases. Where this is inadequate,

the Deputy Attorney General or the Director of Accounting and Finance for the Department of the Attorney General may allow such sums as in his discretion seem just and reasonable.

In St. Paul, for instance, we observed a payment of \$500 for a 10-hour appearance, which is in excess of the allowed amount for professional witnesses, and there was not any evidence of its being treated as a special case, with the required approval. It's fairly clear cut.

MR. McCRAE: I want to raise a question on that, Mr. Chairman. It seems to me that would be an undue amount of centralization. Perhaps not, but we have umpteen dozen courts out there and judges deciding in the case of professional witnesses that there should be a higher stipend than the \$35. I'm just wondering if you wouldn't rather suggest that the courts delegated responsibility or authority in that area; whether that wouldn't be as good, perhaps a better way of doing it than the centralized way, having everything come up her to the A-G's or the deputy's direct attention. There must be dozens of examples of this.

MR. ROGERS: It's a question of compliance with regulations that are in place. There are a couple of ways you can go about it. You can change those regulations by amending the order in council, which would permit such discretion on the part of individual courts; I think that would be the best approach. Or there could be a delegation in writing by the persons who have to sign. I think that might be in order, as long as they take responsibility for the payment.

But I think basically the situation we have is that we have to see that there is compliance or report upon compliance with regulations as they exist. Now if it is a matter of policy and it is determined that those regulations should be changed, then that's outside our jurisdiction.

MR. McCRAE: I see. You're really saying then that the way it is being done now is not quite in conformity with the regulation.

MR. ROGERS: That is correct.

MR. McCRAE: If we want to do it a different way, we should change the system.

MR. ROGERS: If the regulations are changed to give the discretion to the courts, then we have a whole different situation, and there's no problem.

MR. McCRAE: I see. Thank you very much, sir.

DR. REID: Mr. Chairman, I know for a fact that when I have given evidence in court cases and have had to travel either to Edmonton or to places like Grande Cache, for which I have served as a medical examiner, they have made special allowances for me right in the courtroom. The judge has said something that, in view of the distance, or the time factor, or some other mitigating circumstance . . . Now is Mr. Rogers saying the judge does not have that power?

MR. ROGERS: That is correct. Unless he knows or is fairly sure in his mind that he will get retroactive approval, if you will, of the Attorney General, the Deputy Attorney General, or the department's director of accounting and finance, because that is the way the regulations presently read. I think it's eminently reasonable to change those regulations, because as I say, as soon as I get into there, I'm trespassing over the gray line between reporting on what happened, and policy.

MR. CHAIRMAN: Did you want to carry on, Mr. Rogers?

MR. ROGERS: 4.3.6 deals with the Public Service Pension Administration. As you will note over the page, we had some observations that were somewhat critical of the way in which the administration and accounting had been carried out. I understand that changes have been made since these observations were made. They are included in the report because I felt they were significant and had occurred on previous occasions, and were, in effect, of such significance that they should be included in the report. As you know, this pension administration has now been transferred to Treasury, and I believe corrective action is being taken on the matters noted.

Mr. Chairman, if there are no questions, I'll proceed with the next item, which is 4.4.1. You'll note on the Heritage Savings Trust Fund balance sheet there is an item of deemed assets. At the last statement, which was March 31, 1979, it amounted to \$255 million. This is the accumulated, aggregated total of expenditures under the capital projects division.

MR. NOTLEY: I apologize, Mr. Rogers, but if we could just go back to the Public Service Pension Administration again for a moment. In just glancing over some of your observations, I was a little concerned here. Where do things now stand in terms of the recommendation? What took place as a consequence, no doubt, of a management letter that would have gone, and are you now satisfied that things are now properly in hand? Because some of the statements made here: "Management indicate a general lack of adequate accounting and management controls". It seems to me that's the sort of thing that should probably carry with it a fairly clear response from the management in question. So perhaps you could bring us up to date on just what steps have been taken and what remedies have occurred.

MR. ROGERS: Mr. Chairman, I wonder if perhaps where the committee may wish to look into this matter more deeply. . . I can merely report that the observations made were taken seriously, that this unit is now transferred to

Treasury, and I have every reason to believe, from discussions and observations, that the matters noted are being properly dealt with. Beyond that, I really can't give any detail, I'm afraid.

MR. NOTLEY: Mr. Chairman, the transfer of the unit to Treasury will not necessarily improve the procedures that the Auditor General has indicated are faulty.

MR. ROGERS: No.

MR. NOTLEY: I guess what I would be interested in putting to Mr. Rogers is whether the Auditor General is aware of any changes that have been made subsequent to the report that would safeguard the operation of the unit and avoid some of the pitfalls he's made reference to, with respect to inadequate accounting and management controls.

MR. ROGERS: I have no detailed information to give the committee, Mr. Chairman, except that as I stated, I understand that the senior management of Treasury is taking an active role in developing cures for the matters noted. I'm afraid I have no information beyond that. But we obviously will be looking at it very closely in the upcoming audit, which will be taking place in the immediate future, in a number of months. But I'm not in a position to report on detail at the moment, except to know that work is being done to correct the situation.

MR. McCRAE: Mr. Chairman, I just wanted to comment in response to the member's comment or question. You know, all these recommendations break down into several departments. I think really, when we've gone through the report, rather than ask the Auditor General to try to interpret the response of a variety of departments, the better way would be to have the particular departments in -- there may be four, five, or six -- and let's get the ministers and their officials in and get their response to some of the recommendations. I think that when we finish going through the document we can discuss which departments we would like in, and in which order, and then we can have the debate and hear the responses.

MR. CHAIRMAN: Any further questions before we move on? Do you want to continue, Mr. Rogers?

MR. ROGERS: Thank you, Mr. Chairman. Concerning the deemed assets of the Alberta Heritage Savings Trust Fund, as I stated, as of March 31, 1979, these total some \$255 million. They are established as assets on the balance sheet by virtue of legislation, and there is certainly no quarrel with that. It is perfectly legal and correct, under the legislation, to establish deemed assets in the way they've been established, because that's what the legislation says. But in effect, I'm simply recommending that:

consideration be given to amending [the Act,] to enable accounting treatment of the amounts expended on Capital Projects to be accounted for in the financial statements of the Alberta Heritage Savings Trust Fund as expenditure and not as assets . . .

There could easily be a statement that shows the cumulative expenditure, but I guess the problem we have is that, while they are investments in a certain sense, from an accounting point of view they are expenditures, in that they are not assets represented by things owned by the heritage trust fund. This is the problem we have.

It has the problem in that people tend to use the figure of the heritage trust fund, the total equity, so to speak, as including that amount, because they are established as assets. Now perhaps that is not very significant as long as the amount is \$255 million, but 10 years from now the figure quoted for the heritage trust fund could include a very large amount of money that's already been expended, because for instance, these expenditures include grants and so on. Some of the deemed assets of the heritage trust fund are also recorded as assets of other entities, so we get a doubling up. For instance, if we look at the University of Alberta Hospital, some of the investments of the heritage trust fund which are shown as assets of the fund, also appear as assets on the financial statement of the University of Alberta Hospital. We have the similar situation of deemed assets -- not quite similar, but deemed assets represent funds paid to AOSTRA from the heritage trust fund. These are paid out in the form of grants by AOSTRA; there is no establishment of a payable in AOSTRA's accounts. So it does lead to some confusion. Therefore the recommendation is that consideration be given to an amendment.

I would comment, though, that Treasury has gone a long way to curing some of the problem in the statement presentation they have, but I feel it would be generally more satisfactory, or generally preferable in the long run, to treat these items as expenditures in the year in which they occur, and to record the continuing investment in the broader sense, in a statement that would show the accrued or accumulated expenditure on capital projects from the time the fund began. Mr. Chairman, I think that is the essence of that item.

MR. CHAIRMAN: Any questions on this particular area? Mr. Knaak.

MR. KNAAK: Mr. Chairman, I don't have the history of it, but our Heritage Savings Trust Fund committee of the Legislature was told that someone, somewhere, strongly recommended that the present procedure be followed, and that in fact the present way of setting up the annual report and the financial statements is following someone's advice. Now I, too, agree that it's misleading and in fact doesn't really communicate what should be communicated. I'm wondering if there's a specific recommendation the Auditor General can make in terms of changing the procedure at this time, so that the Heritage Savings Trust Fund committee of the Legislature could have the benefit of that recommendation.

MR. ROGERS: Yes. My recommendation, Mr. Chairman, would be that payments made for the capital projects division be treated as expenditure, not investment, but that there be a call for a financial statement which would show the accumulated expenditure on the capital projects division, from the time the fund was initiated. I think you don't lose the figure, and in fact, it could be given in the same detail it is today. Yet you don't establish it as an asset on the balance sheet of the heritage trust fund. I think that is the problem we have. Because once you establish it as an asset, you also increase the equity of the fund, so to speak.

MR. KNAAK: Just on that point, Mr. Chairman. I agree with that. It seems to me one of the misapprehensions of the public in Alberta and in Canada is that the fund, now close to \$6.5 billion, is all funds remaining to be investor invested, and in a sense that generates a return, when in fact that is not so. Some of them have been expended on capital projects that are not intended to show a return. I'm wondering if your suggestion would solve that problem. I guess it may be a bit of a naive question, but not being an accountant, I'm not sure whether your suggestion would solve that problem. Maybe it will.

MR. ROGERS: Well, the point is that as of '79, the \$255 million wasn't a terribly significant figure, but of course will grow each year. As I say, a number of years down the road, it will be quite significant, and will tend to influence people's perception of the size of the fund.

MR. McCRAE: Mr. Chairman, I just wanted to comment that because of the uniqueness of the heritage trust fund -- there not being a like fund anywhere in the world -- that it had been a decision of the government at least for the time being, that the policy we are now following is to show investments in various things -- Kananaskis park, Fish Creek, Edmonton city park, and so on, should be shown as they are presently, as part of the fund, even though your point would be that they are no longer a dollar asset, but have been transferred out to some other organization in many cases. But because of the uniqueness of the fund, it had been the government's position that the assets should be shown as that. I guess what it boils down to is that we're getting into an area of government policy that to this date at least, is provided for in the statute. I'm sure the government will accept the Auditor General's recommendation as his viewpoint and will certainly have it under advisement. The policy is as we are doing it right now, subject to future consideration or assessment.

MR. ROGERS: I would stress, Mr. Chairman, that I'm not criticizing the legality of doing it the way it is. We're in a section now, 4.4, of inappropriate accounting policies and inadequate disclosures. It's under that section that allows me, as Auditor General, to comment on accounting policies that have been employed, and I feel this is one instance where the accounting policy, legal as it is, can lead to a misconception on the part of the reader of the financial statements.

MR. McCRAE: I guess the other comment I'd like to make, Mr. Chairman, is that coupled with the annual report, which very visibly, pictorially and in writing, shows what the investments are -- not only in the investment world, but assets such as the parks, AOSTRA, and so on -- so that there is tangible evidence there for the public to see as to what comprises the totality of the heritage trust fund investment.

MR. CHAIRMAN: Would you like to continue, Mr. Rogers?

MR. ROGERS: Thank you, Mr. Chairman. The next item, again under the heading of inappropriate accounting policies and inadequate disclosures, has to do with the disclosure of asset transfers. Circumstances frequently occur where assets are transferred which have a significant monetary value. They are transferred by the province or provincial agency to other agencies or non-government entities for monetary or other considerations, below fair market value, or for a nominal value. The problem here is that where there are financial statements on each of the entities, there is a failure to disclose the true impact of the transfer involved. Again, there is no criticism of the policy of doing that, but merely an observation that these transactions are not properly reflected, so that the reader of the Public Accounts can't see what really happened. It is recommended that it would be probably preferable practice to disclose these transfers of assets in a schedule of such transactions in Public Accounts. Again, the recommendation is that the government give consideration to this.

4.4.3 deals with fixed assets. Here the problem is that if we're to measure effectiveness of programs, we need to know the true cost of those programs. Consequently, any assets used to affect those programs -- the costing for a given year should reflect to that portion of the assets that were used during

that year. And we do have situations, we have precedent within government service for treatment of fixed assets in this manner. I would refer to heavy equipment in Transportation; graders and heavy road equipment are purchased by the open account and charged out on a use basis, in effect so much an hour, or whatever. A charge is made to the appropriate program or subprogram appropriations. The purpose of this recommendation is to recommend the extension of this approach to other fixed assets, where those assets are important from a monetary point of view, because if we are to measure effectiveness, we have to know what the true costs are, on an expense basis. On the other hand, if fixed assets are purchased in such a manner, I think it is necessary that the budgetary controls over the acquisition of those fixed assets should be just as stringent as they would be if they were being purchased out of the programs concerned, in the way they are today.

Item 4.4.4, Mr. Chairman, deals with unfunded pension plan liabilities. Here we have a problem where we quote a surplus, but in fact we have a very large liability that I believe many authorities should be recorded as a direct liability, rather than simply referred to in the notes to the financial statements.

A report is being produced by a study group of the Institute of Chartered Accountants on government reporting standards, and I'm a member of that group. This is just of interest to members, Mr. Chairman. We sent a draft of this report to Harvard University to Professor Robert N. Anthony. I thought it would be of interest to read the comment he had on this matter. It was that:

The full pension liability should be recognized. In New York City, for example, one of the major sins of the 1960s was to give increased pension benefits, rather than increased cash wages, and not to record the corresponding liability and expenditure. Recognition of this expenditure began in 1978, and its size is one of the principal reasons why New York cannot bring its budget into balance. Indeed, as much as I favor expense reporting . . .

And this was the matter we were referring to just a moment ago with regard to fixed assets.

. . . failure to recognize the expenditure for future pensions is a far more serious cause of misleading financial statements in government.

So what we're talking about is not a problem that Alberta has right now, but a problem that has very wide ramifications for many governments. And there's a realization that unfunded pension plan liabilities should be recognized as liabilities on the financial statements. The recommendation does not recommend specifically. It does not recommend funding, because that is policy. But since this report went to press, of course, the government has announced that there is going to be a transfer to a pension fund, so that is going to be a positive move in the right direction.

MR. FJORBOTTEN: Mr. Chairman, what are other governments doing in that particular area? We understand what happened in New York, but what's happened in other jurisdictions? Have they picked up on this and are changing?

MR. ROGERS: There's a great deal of variation. Some of the jurisdictions are fairly well funded and have made provision for at least a number of years down the road being fully funded. Others have pension liabilities that are not established as a liability. I think we were in a position, of course, where we'd take the pension contributions into revenue -- again by our statute;

fully legal -- and increase our revenue by those contributions, but don't show any liability. So I think the proposed move, as I understand it from the statement in the House, will solve a lot of the present problem.

The last item of a specific nature has to do with limitation of access to information. This limitation to tax records occurs where the federal government is acting as agent for the provincial government in the collection of individual and corporation taxes. In effect, we were unable to audit -- other than that the money was received -- whether the correct amount of money had been received as revenue from these taxes, but also, of course, we were unable to audit the various expenditure programs that are carried out by being refunds from tax. For instance, I would mention renter assistance credit; there was no way we could audit those credits, because to do so would have entailed looking at tax records. And under the agreement, as you will see on page 53, there is an exclusion of the auditor of a province from access to those records.

We are recommending something short of being able to go to Ottawa to audit the records on behalf of the province of Alberta, because to do so would mean that in effect, the other provinces would say they had the same right, and the departments concerned in Ottawa would be subject to 11 or 12 audits. We have discussed this at a meeting of the provincial auditors and legislative auditors, and the feeling is that if we can work jointly with the Auditor General for Canada, we could get the necessary assurance. But at the moment we have to be one step removed. We cannot take the actions that are recommended for auditors to take in the CICA handbook for reliance on other auditors. We are unable to take those steps which should be taken, which would entail our being part of a team, to be able to look at these records; or, to look at the records if necessary. Our recommendation is that there be a joint audit on behalf of the provinces and the Auditor General for Canada.

MR. FJORDBOTTEN: Mr. Chairman, Mr. Rogers, is our own corporate tax structure that we're looking at going to change your recommendation at all, or will that have any impact on it?

MR. ROGERS: Yes, in this report I obviously have to comment on the situation of March 31, 1979. When Alberta is collecting its own tax, I believe, from my reading of the Act, I will be able to audit in a proper way because of the provisions in The Auditor General Act. The same commands, if you will, to observe secrecy and so on, are equally binding on the Auditor, and so there should not be any problem. I believe there will not be a problem with corporation tax when Alberta is collecting its own tax, but we are still left with the problem of individual tax, which will continue to be collected by the federal government. Mr. Chairman.

MR. CHAIRMAN: Any further questions in this area? If not, would you want to continue, Mr. Rogers?

MR. ROGERS: Section 5 deals with a number of general observations, and really is the establishing of a scenario, if you will, or a set of conditions which our office feels would lead to better or good control of the whole activity of a department, not merely the payment of its accounts, and is perhaps a preferable way to address the auditing of management control systems, especially those relating to effectiveness and efficiency, especially in those areas where highly specialized knowledge is required. Auditors by training usually have a good ability to examine systems, but we cannot have the knowledge of various disciplines; we have to act as a reasonable observer, if you will, to ensure that other people appear to be doing a satisfactory task. To acquire experts in various disciplines does have its own problems, and I've

attached as an appendix to the report the speech made by Mr. Leitch on that subject, with which I agree, where he said, if the department hires consultants and the Auditor hires consultants, and they differ, what happens? Do we have to hire a third set of consultants?

I think the Auditor's role is one of seeing that departments operate and run their affairs in a businesslike manner, that they themselves have taken internally the necessary steps to observe, by someone within the department but independent of the people actually carrying out the tasks, that there is in effect a management review of the way in which those tasks are carried out. This has been developed in industry. Of course I'd refer to larger firms obviously, but the Alberta government is a very large organization, and I feel that internal auditors could serve a very useful purpose to prevent senior management, shall we say, being surprised. This obviously must be kept in context. In a small department it would not have any real effect; it would be a waste of money. But the larger departments, when you consider that the department could have thousands of people on its pay roll and spend hundreds of millions of dollars, then I feel that because of the scope of activity, internal audit could be very valuable in keeping senior management informed of what is happening. Things might be happening that they completely disagree with, and I think this is one way in which senior management would have, shall we say, better control of what are very large organizations.

Also the accounting and financial administration is not, in all cases, at a high enough level, and consequently we are recommending that such a position report to the deputy minister and that the competence for the job be given a review by someone outside the department. It seems to me that Treasury would be a logical source for such a review, and this is included in these recommendations. Again I would stress that they should only be implemented in those departments where it makes sense to do so.

Mr. Chairman, 5.1.10 reiterates and picks up the various recommendations made throughout the report. And in 5.1.11 -- I would like to read this:

Subject to those matters relating to internal control upon which specific recommendations have been made in this report, the overall internal control exercised over the payment of liabilities incurred by departments improved substantially during the fiscal year under review. This improvement was due to the efforts of both the Office of the Controller and departmental accounting staffs in implementing the provisions of Part IV of The Financial Administration Act, 1977. A further important factor contributing to this improvement was the introduction of the Accounting and Financial Control Manual by the Office of the Controller and compliance with its provisions by departments.

I would just state also that the lot of the Auditor General is to report on the bad things he sees and the exceptions. In the course of the amount of auditing we do, what gets overlooked of course, is the good side of the coin, which is very considerable.

Mr. Chairman, I think that completes the overview of the report.

MR. CHAIRMAN: Are there any general questions any of the committee members want to direct to Mr. Rogers? If not, on behalf of the committee, we want to thank you and your staff very much, Mr. Rogers, for the very comprehensive overview you've given us on your report.

We have Mr. O'Brien and Mr. Heisler here this morning. Are there any questions that anyone would want to direct to Mr. O'Brien or Mr. Heisler in regard to Public Accounts in general?

On behalf of the committee, I would also want to thank you very much, Mr. O'Brien and Mr. Heisler, for giving us the overview of Public Accounts and for sitting in with us on all our meetings.

That brings us to a close now as far as the overview of the Auditor General's report and also of Public Accounts. If I could make a suggestion to the committee now that we determine some areas that we want to go into in more detail, as far as the recommendations are concerned, or in Public Accounts. If I could make the suggestion, I think it's going to be difficult for us here to set a priority on the areas we're going to explore. Maybe I could suggest that possibly Mr. McCrae, Mr. Clark, Mr. Notley, and myself, if that's satisfactory to the committee, once we get the suggestions from you on what areas we want to go through and scrutinize, maybe we could set up a priority and get it approved by the committee, if you would agree with this.

Okay, now the meeting is open for suggestions on areas that we should look into or . . . Mr. Notley.

MR. NOTLEY: Mr. Chairman, I think that perhaps one thing we might consider is to borrow an approach from the heritage trust fund committee last week, and that is to give the members some time. Perhaps we can take suggestions today. I certainly have a number of suggestions, but one specific suggestion I'd like to make. Perhaps if we'd give the members several days and then this subcommittee you're suggesting could meet before next Wednesday, but you'd still give the members a little more time than just this morning to produce their proposals.

If we want to go ahead right away, one matter that I would like to see discussed has been the subject of some debate already over the minutes. But I think it would only be proper for us, at some juncture, to look into the question of the changing of appropriation of funds in the Solicitor General's department. But I think that perhaps I'd be interested in other members' -- whether they want to make their proposals today or perhaps give a couple of days so that they can contact the Chairman.

MR. CHAIRMAN: You've heard Mr. Notley's suggestion that we give the committee members some time to think about the areas and the departments that the committee would like to get involved in. Assuming that we're coming to the end as far as the Legislature is concerned, is this going to cause a problem? Shall we use our next meeting to determine what areas we're going to get involved in, and then after that the subcommittee sit down and determine where we're going to set the priorities? Mr. Clark.

MR. R. CLARK: Mr. Chairman, might I suggest that there is the rather commonly held view that the House may finish its business next week. That's a possibility, I understand. That being the case, would it be possible for members to get their suggestions to you, sir, as Chairman, perhaps by the end of this week, and perhaps next Tuesday sometime, Mr. McCrae could sit down with us and we could attempt to arrive at some kind of agreement as to priorities, bring those back to committee next Wednesday morning, and then grapple with the question of when the committee might next meet; perhaps set some time period in the course of June, when the committee might have a couple or three days, and then we'd know which groups we wanted to bring to the committee. From my point of view, that might be a reasonable way to approach the matter.

MR. McCRAE: Mr. Chairman, just a number of comments. I don't have any quarrel with giving the committee as much time as it wants, naturally, to review what departmental areas they might want to. When we are doing that, I think we also have to decide whether we're going to talk about those particular departmental areas in terms of the Auditor General's report or the Public Accounts, a particular appropriation, or the two of them together. I think there is a marked difference between going over the Auditor General's report and then going over Public Accounts, as we have done in other years. And it is a Public Accounts committee. So I think we should have that in mind.

I don't think our committee members would have any difficulty in coming up with suggestions today. We may not want to prioritize them today, but just by going through the Auditor General's report, if that's the first thing we want to do, there are a number of obvious areas I think that we would want to discuss. The hon. member next to me and I have been mulling it over, and we've come up with three or four. We think the Solicitor General, sure; Treasury, Personnel Administration, Environment. Those are several areas that might come to mind because of the Auditor General's report.

If you go to Public Accounts, over the past couple of years, we've had a long, long list of agenda items, and we've only gotten to two or three. I think we might look at ones we haven't gotten to just with the idea of systematically, over a period of years, having each department in, maybe looking at those that haven't been in in the last three or four years.

I think we should hear suggestions from committee members today as to which departments they might want in, and if there are more coming in later in the week, fine. In terms of next week, I guess, fine, let's sit down as a committee -- we'd be happy to do that -- and try to agree on the priorities. I don't think we'll have any difficulty there. I'm a little concerned as to the comment of the Leader of the Opposition about agreeing to meet in June, if I heard him correctly, and going into Public Accounts, for two or three days.

MR. R. CLARK: Yes, that was not necessarily married to June, but I think in between sessions sometime.

MR. McCRAE: My own view on that, Mr. Chairman, would be that for the first go round, I just don't know how deeply we're going to get into any of this, and rather than set aside a lot of busy, busy time, or take two or three days out of a particular department's time, I would rather come back to it when the Legislature is sitting, and see what we can do on Wednesday mornings. And if we don't get through all our work on the allotted Wednesday morning time, let's look at some extra time. But as far as setting aside two or three days at this time, to do something that may not be required -- I think we have to remember that we have no experience in going over the Auditor General's report; we have no idea what kind of debate or time is required. I would rather we carried on with last year's, or the historic system, until we find that the time set aside there is not sufficient. I just know that everybody here is as busy as could possibly be, and you just don't want to mark out three days of your lives that may not be necessary, until you find that it is necessary. So I would urge that we come back to it in the fall, and if we find we're hard pressed to get all our work done in the fall session, then we carry on into November, December, January, and do it.

MR. NOTLEY: Well, Mr. Chairman, it seems to me that it would be a mistake to cross that bridge. I agree with Mr. McCrae to the extent that we're dealing with something new here. We have an obligation, it seems to me, to seriously evaluate the Auditor General's report. We've had the review, but I don't think any member of this committee would assume that the review is where it stops. The overview is really where our obligations as a committee have to begin. In fact, The Auditor General Act gives this committee a responsibility additional to the normal purview of Public Accounts, which we've customarily undertaken over the years.

I would just say to Mr. McCrae, why don't we wait until next Wednesday to make a decision? It seems to me that it may very well be that there will be enough suggestions following from Mr. Rogers' report that it would be prudent to have two or three meetings over the summer. There's no reason we can't have meetings. We're a committee of the Legislature; we can hold meetings over the recess period. It seems to me that rather than deciding now that we aren't going to meet, for heaven's sake, let's find out what our agenda is. If we only have one or two items, then perhaps we don't need to. But if we have a large number of suggestions, then it may well be prudent to have several meetings over the summer. But let's not close that door today.

MR. R. CLARK: I would just make this point: Mr. McCrae's comments are accurate from the standpoint of dealing with Public Accounts, or what now becomes the report from the Controller. It seems to me that as a committee, we have this year the responsibility as to how we're going to handle the Auditor General's report. If we decide not to have any additional discussions other than just the Wednesdays when the House is in session, then what we're attempting to do is give the kind of scrutiny we've given to Public Accounts in the past, plus I think a pretty substantial Auditor General's report, and to attempt to cram in the two responsibilities in the course of the same time that we've been putting in this area in the past. It also seems to me that this year, we'll have to spend a little more time in determining as a committee how we're going to handle the Auditor General's report, because the precedents we establish here will really how we handle it from here.

I think not only just on the committee, but there seems to be some sort of expectation within the Auditor's office, I would think, certainly in looking at the way some of the other provinces are going at dealing with reports of auditors general; they're spending some additional time, once they've made the pretty progressive step of going to an auditor general. It's really for that reason that I make the suggestion that maybe we set a day or two aside, look at areas raised by members as far as the Auditor General, once we've established priorities; then back in the fall session, for the period when the House is in session, look at the report from Mr. O'Brien's people. That's the scheme of things as I see it.

MR. KNAAK: Thank you, Mr. Chairman. I just want to support Mr. McCrae on this point. I think we're going to have a fairly lengthy agenda of recommendations, but that's always the case, and to some extent we adjust the agenda to the time available. I think this year, with the fall session coming up, we're going to be spending more time in this committee than we have at any time in the past. I would really like to see Mr. McCrae's recommendation that we postpone further meetings to the fall, aired at this time, and a vote taken on that point. I too think

we should have recommendations put in, but then begin to meet again in the fall session, and not have summer meetings.

MR. FJORBOTTEN: Mr. Chairman, I think it's a good idea to make a decision on it this morning. I would have to speak against having it over the summer, for a number of reasons: the members are away on holidays, and also the department people whom we might want to call on are away. Historically it's been that we could handle it during the session, and I think that in the fall, if we have to designate more time to do it in, I think that'll have to be done. I suggest we vote on it this morning.

MR. R. CLARK: Mr. Chairman, with the greatest of respect, I say to members that what we're doing here now is really doubling the responsibility of the committee. The committee no longer just has the responsibility of Public Accounts; it also has the responsibility to look at the Auditor General as a committee. I think it's not an unreasonable expectation that the committee should consider making recommendations to the Assembly as to what steps may or may not be taken as far as the Auditor General's report is concerned, at least with regard to some specific sections. For us to do that during the fall session, for the committee really to do a report then, get it to the House, and the House have a chance to deal with that, seems to me to make the time frame just extremely short. I recognize that members are busy during the time the House isn't in session. I don't think any of us look for additional meetings. On the other hand, we're all even busier when the House is in session, aren't we?

I would really urge members to look at it from the point of view of this committee now not just having the responsibility for Public Accounts, but carrying that responsibility and then the added responsibility of the Auditor General's report. I think it's going to call for us -- as busy as we are -- to allocate a bit of time, if we're to show the Auditor General and his staff that we're really serious about this. Now if we're not, then I think that'll say something to the Auditor General's staff; it'll say something to all of us here. I think it's something we have to weigh.

MR. McCRAE: I just want to come back in to make a couple of comments, Mr. Chairman. I guess I'd like to respond first to the last comment of the Leader of the Opposition, and that is some suggestion that if we don't sit during the summer, we're not responding to the Auditor General's report. No one on the government side is quarrelling with addressing ourselves to the recommendations of the Auditor General. I guess it's a question of when we do it. The fact of the matter is that the Auditor General has written a report, and I'm sure all of us are proud of the first report. We're proud that it is a substantial endorsement, I think, of the creditable way in which the financial operations of the government are handled. I don't see any great criticisms or problems out there. But in spite of that, there are a number of recommendations, and they are being addressed right now department by department, through correspondence and meetings of senior individuals in the department with the Auditor General's staff. So I think it's very unfair to suggest that if we don't meet during the merry month of June, we're somehow deficient in whatever our responsibilities are to the Auditor General, vis-a-vis his responsibilities to the Legislature.

We're trying to say that we have the report; we've gone through it now. It is a very busy period just post-session pre-vacation. We don't really know what we want to do with this Auditor General's report. There seems to be some feeling that we as a committee should come up with a written report to the Legislature. Maybe we should, but until it is obvious what kind of report we should write, I don't think we should be totally committed to that approach. If you have something to write about, fine, you should write; if you haven't, you shouldn't. If you have something to speak about, you should speak; if you haven't, you shouldn't speak. That's always been my position. So what we're talking about in terms of two or three days during June is taking ministers' time and departmental time, and saying, hey, sit out there and be available to this committee; we're not sure how much time, or what we want to do with you.

I think we should address ourselves in the fall session -- and the obvious spot to start, I think, is with the Provincial Treasurer. A number of the comments relate to his area of responsibility and overall government policy and so on. I think it would be very appropriate to have the Provincial Treasurer in as the first, whatever -- I think in terms of victim or villain, or whatever -- but the first area of departmental review. I think we'd get a lot of good information from the Treasurer as to government policy or departmental reaction to the Auditor General's report. And I think we can very well handle that in our first meeting in the fall session, and then we go from there. He may well cover the waterfront to the extent that we don't need to get into other departments or ministers, except in terms of Public Accounts, the other part of our responsibility. And if we can't conclude our deliberations in the fall session when we're all back here, then by all means we should be looking at having extra meetings after the fall session. But to set aside the busy summer season for it right now, I just think is premature, and it's no reflection on the fine work the Auditor General has done, Mr. Chairman.

MR. NOTLEY: Notwithstanding the enthusiastic position taken by Mr. McCrae, it seems to me that there are two or three fairly important points. One is, as has already been pointed out, we have added responsibilities. Now to suggest we can seriously deal with those added responsibilities in what may be three or four sessions in the fall session of the Legislature, is, frankly, optimistic.

Mr. Chairman, we have the question of precedent. In our system, once a precedent is set, it's there. The member says it's not binding; that's true. It's not binding, but nevertheless, it's pretty forceful, once set. I'm saying to the government, don't make your decision today. Let's take a look at the agenda, at the number of proposals that come out of the Auditor General's report. And if we find there is a substantial amount of business, then I think it's not unreasonable to look at several meetings over the summer.

The idea that this is impossible -- that's nonsense, Mr. Chairman. Other select committees meet over the summer. That's often when the work of select committees is done. The heritage trust fund committee is going to be holding hearings over the summer; that's when the work is done. You know, the idea that we can't do this -- in my view, it may be inconvenient; a lot of things are inconvenient. But it's not impossible.

The other point I would put to you, Mr. Chairman, and I think we'd have to get a ruling from you, as Chairman of the Public Accounts committee, because if we go over Mr. Roger's report and make

recommendations as a consequence of meetings in the summer, we are one session of the Legislature appointed as a result of a resolution, and we can do that because the Legislature will simply recess between the spring and fall sessions, but it prorogues in the fall, and we have a new session. I think we would have to have some ruling, either from the Legislature -- probably from the Legislature -- even for us to be able to sit as a Public Accounts committee after the prorogation, because we have to be reappointed each time a new session takes place. Whereas between the spring and fall sessions, there is no difficulty, as a Public Accounts committee. It's just a recess of that session, and we would be able to meet without any difficulty. I raise that because I appreciate the point Mr. McCrae has made, that if, after our three or four sessions in the fall, we have a lot of work left to do, then we're probably going to have to meet beyond that. But it does seem to me that that would at least take a resolution of the House for us to do it.

DR. REID: Mr. Chairman, I'd like to make a few points. Both the hon. Leader of the Opposition and Mr. Notley have made the point that we would be setting a precedent, and that's what concerns me. It's easy to add things later on, but as far as setting precedents, it's very difficult to take away from something that has already become established. I don't really think we have at this time to start considering a minisession in the summer between the other sessions, because at the moment we don't really know what the requirements will be. It seems a bit ridiculous to set a precedent, not knowing the parameters that are going to be fulfilled.

The problem with summer sessions, in spite of what may be said by other members, is that people do take vacations; people who may be required for a specific purpose may well be on vacation. There's the difficulty of getting members together from all over this very large province. I would like to move that we now make the decision that we will not have the meetings in the summer that have been suggested. I'd like to make as a motion that we not meet until the fall and that we take the required extra time -- nobody's quarrelling about that time -- that we take that required extra time in the fall session.

MR. CHAIRMAN: We have a motion on the floor now. But I recognized Mr. Trynchy.

MR. TRYNCHY: Mr. Chairman, I'm going to ask some questions, because I'm not so sure where we stand. The standing committee on Public Accounts -- do we have a mandate to review the Auditor General's report? And if that is yes, where does this put the Legislative committee on the offices of the Auditor General and the Ombudsman? Isn't that where it should be going? I don't know. Are we to do Public Accounts or are we to do both? Could you answer that question.

MR. CHAIRMAN: Yes, I think that we're to do both, as it's set out at the present time.

Committee members, as Chairman of the committee I have a concern. Excuse me for expressing my views on it, but I do think that we have these recommendations here, and when we prorogue in the fall, we're not going to be able to deal with them. I certainly hope, for the Auditor General's office, that we're able to deal with these recommendations. I appreciate that many departments have come up with the recommendations that are made in here and have improved on them. But some haven't been improved on, and what are we going to do as a committee? Are we going

to leave the recommendations as they are, or can we come back in the fall, after we're . . . The committee is ended when we adjourn in the fall, and then we'll have to elect a new committee in the spring. Committee members, that is the concern I have as far as it's not going into detail in Public Accounts. We can do that at any point in time. But these recommendations in this particular report, I would like to see some method of dealing with them and coming to a conclusion, so we can give some direction in this area, and take it back, possibly make a report to the Legislature, which most public accounts committees in Canada do.

MR. TRYNCHY: Could I follow up on that? I agree that we should take the recommendations and go through them. We've done it now, and all the ministers or the departments are aware of it. What can we add to the fine work the Auditor General has done? Are we going to supplement what he says? Are we going to change his regulations? Is that what we're trying to do? Or are we trying to get a message to the ministers?

I think the book, the report itself has gotten a pretty good message to the ones that have erred in the past. Just what are we trying to accomplish? I guess that's the question I'd like to put out there.

MR. CHAIRMAN: What I think we're trying to accomplish is to endorse the recommendations as they're in here, or make some amendments. That's what I think we're trying to accomplish as a committee. That's my view.

MR. TRYNCHY: Mr. Chairman, you didn't answer the question. How did we get this mandate to do this, because I've never seen it. Is it in writing someplace? Maybe somebody can answer that. I thought we were to review Public Accounts. I must've missed something, and if I have, please correct me.

MR. CHAIRMAN: That is what the select committee was set up for. It's a Public Accounts committee. But we have the Auditor General for the first time, and we've . . . I thought that was the decision of the committee, to deal with the report of the Auditor General and Public Accounts. Maybe it's not spelled out in our committee . . .

MR. TRYNCHY: I've been here all the time, but I've missed something, that's all.

MR. CHAIRMAN: Mr. Kushner.

MR. KUSHNER: I'll give it to Mr. Knaak, if he's speaking to the point made by Mr. Trynchy.

MR. KNAAK: Thank you, Mr. Chairman. It seems to me that the Auditor General has spent a year researching and making the recommendations, and we have now questioned him on those recommendations and have some elaborations on them, which are now on the record. But it seems to me that this committee, which has not had the benefit of the research the Auditor General and his staff has done, isn't really in a position to amend or rework those particular recommendations. The clarification has arisen from the questioning, and now what has occurred is really a matter of record. Those would automatically flow through to the departments and to the ministers. I really think, in the fall, the first thing we should do is have a discussion on that point, because

it's not clear to me what we can usefully accomplish to add to those recommendations the way they are.

MR. NOTLEY: Mr. Trynchy put a question. It seems to me there is a very simple answer to it. The committee he's referring to is a committee on the Ombudsman and the Auditor General, but that committee is a special select committee that is not set up to review the Auditor General's report, but rather to consider the estimates, salaries, and things of that nature. But the Auditor General's report as it applies to the entire Legislature and the implications of that for the province of Alberta, is referred to this committee.

MR. TRYNCHY: I might take issue with the comment that was just made, because I think the standing committee on the offices of the Auditor General and the Ombudsman -- and I chaired it last year -- our terms of reference were pretty broad. So I think they do report to the Legislature. I can't understand why the same committee couldn't go over this same report. I might be missing something, but it disturbs me that we have a report here that has some pretty thorough research done, and we're going to take it -- some of us that have no knowledge in administration -- and tear it apart and say we don't agree with it? I think it's being irresponsible. I think we've had a pretty good review. The report has been done. I accept it; I think it's a well written report. And if we haven't learned from it, I don't know what we're going to do, sitting here for the next three months, going over it again.

MR. R. CLARK: Mr. Chairman, we can all take exceptions to what each other say, and we can talk the thing out until 11:30 and all leave, if we want to. No one's talking about sitting here for three months. But, Mr. Chairman, the bottom line of the thing, as I see it, is that the function of the select committee, of which I, Dr. Reid, and several other members here are members, is to be a place for the Ombudsman or the Auditor General to take their concerns with regard to legislation that deals with the salaries of those individuals, the estimates for those areas, and that committee makes those kinds of recommendations. I think members will find that there's a report to the House coming from that committee in the next few days, dealing primarily with salaries and so on, of the individuals affected. Dr. Reid, I wish you'd correct me if I'm wrong on that. But the question I think we have to ask ourselves here is: who is this report to?

As I understand it -- Mr. Rogers, correct me if I'm wrong -- this is a report to this select committee -- or more accurately, to the Legislature, and then this committee of the House is charged with the responsibility of reviewing this report, and also the Public Accounts. I'm not trying to lengthen the argument, but I think this committee is missing its responsibility, if it simply says that the report is with us now, and we'll give it to the various ministers, and those ministers whose departments are criticized should make the appropriate adjustments. I think the committee has a greater responsibility than that. There may be some recommendations we agree with, some we don't; we may want to give priority to two or three; and to give that kind of direction to the House.

MR. COOK: Mr. Chairman, I think we're in a period of evolution at this point in our work. We've gone from the old Public Accounts system now to the Auditor General's report. I guess I'm going to disagree with

some of my colleagues, but I think this committee should be looking into the administrative procedures of the government and their management control; the other committee referred to should look into the operations of the offices of the Ombudsman and the Auditor General from the administrative point of view of those offices, and to deal with any problems they raise, if they're limited in their scope in some way. But that's quite a different function from going through the management control or administrative procedures of the government in a detailed way, which is a different mandate.

I guess I'll also have to point out that it's been difficult for me to do service to this committee during the session, and I would like to see some opportunity to delve into the work of the committee at some greater length than that. I think almost by definition, that requires us to work outside the work of the session of the Assembly.

MRS. OSTERMAN: Mr. Chairman, on a point of order. We have a motion on the floor.

MR. CHAIRMAN: Yes, and we are discussing the motion. We might be stretching out a little far, but . . . Mrs. Cripps. To the motion?

MRS. CRIPPS: Mr. Chairman, would you be kind enough to have the motion read again, please?

MR. CHAIRMAN: Yes. Donna, could you read the motion.

SECRETARY: Dr. Reid moved that the Public Accounts committee not have meetings this summer, and their first meeting would be in the fall sitting.

MRS. CRIPPS: My comment was that this is the first Auditor General's report, and my understanding from the first meeting we had was that if some of these recommendations that were not in your report were not adhered to and dealt with within the department, then they would appear in the next Auditor General's report. With due respect, I would think that, if they appeared in a second Auditor General's report, that's the point when we would have to deal with or make recommendations or whatever, from this committee, on the recommendations of the Auditor General. Maybe he can correct me if I'm wrong. Did I not understand that?

MR. ROGERS: Not quite. The reference I believe was to those matters that were observed in the course of our various audits, where the department in effect had, to use a rule of thumb, one year to correct the situation. Those matters are not referred to in the report. These are situations where there was no loss, where there was exposure, due to weakness of internal control, and in those situations, no report was made in the report, but the departments in effect have a year to clean house and get the matter rectified. That is permitted under The Auditor General Act. So the items referred to in that statement are not in the report. The items that are in the report . . .

MRS. CRIPPS: Right. May I ask a question, then, Mr. Chairman? Then what do you see as the purpose of these recommendations?

MR. ROGERS: The recommendations relating to the various shortcomings observed, are simply to bring these matters to the attention of the House, as required in the legislation.

MRS. CRIPPS: Has that been accomplished?

MR. ROGERS: I hope.

MR. McCRAE: Mr. Chairman, I'd make a couple of observations. One is in response to the hon. Mr. Trynchy's question or questions. I'd make the observation that the Auditor General's report was submitted to the special legislative committee on the Ombudsman and the Auditor General, and probably in future, the chief electoral officer. It was submitted to him and tabled in the Legislature by that committee. I think there's been a general assumption that the report would be referred to the Public Accounts committee for review, rather than to the special committee, which I thought had a rather limited -- not limited, but I didn't think their mandate extended to this.

However, I think Mr. Trynchy raises a very interesting question, which really is outside the purview of the motion. I think we should just address ourselves to the motion right now, if we might. The question simply is, are we going to sit in the summer, or are we going to attempt to address ourselves to the responsibilities of the Public Accounts committee, whatever they may be, in the fall session, and if we don't conclude our work in the fall session when everybody is here; then I think we make our own rules, so we obviously agree, with the approval of the Legislature, to sitting beyond the term of the fall session, if need be. We are a self-ruling committee, so I don't see any problems of jurisdiction. It's just a question of when we get out of here in June, do we come running back to beat this thing to death, or do we come back in the fall studiously, and do it properly? I think we should vote whenever the speeches are finished, Mr. Chairman.

Mr. NOTLEY: It seems to me the motion is whether we decide now that we aren't going to have any summer meetings, and then we go through the process of having to get a motion from the Legislature -- and it would be presumptuous of us to assume it would be passed; that's up to the Legislature -- because when the Legislature prorogues, this committee is no longer constituted. So a special motion would have to be passed by the Legislature.

It seems to me very clear that the Auditor General's report -- yes, it's a report to the government, but it's also primarily a report to the Legislature. And what is a more practical way of dealing with it -- and I think Mr. Cook made this point very well -- than: we've had the overview, and the overview has been helpful to the members; now we're in a position to single out those areas that we are concerned about and want more information.

We had debate last week in this very committee about being unfair to one of the departments of government and that we should have the Solicitor General in so we could get his side of the story. That's fair enough, but the way to do that is that there has to be a way in which we can do our subsequent investigations, complete our investigations, develop findings, and report them back to the House. And surely we should do that within the context of one sitting, rather than having to wait and prorogue and ask for special permission to sit after the session is prorogued. All I'm saying to the members of the committee is that we don't need to make that decision today. Think about it. And

Mr. Cook made some good points; think about it. We're going to meet next Wednesday, and we can make that decision then.

MR. KUSHNER: With all due respect, we're saddled with meetings now, and I don't believe in calling meetings to find out when we're going to have our next meeting. So I think we should call for the question and get this thing over with.

MR. CHAIRMAN: Are you ready for the question?

MR. R. CLARK: Just before we do. I don't in any way propose to put the Auditor General on the spot, but, Mr. Rogers -- and if it's unfair I expect you or the Chairman or Mr. McCrae to say so -- but I think it would be helpful to the committee before we vote on this question, to ask if any of the members or Mr. Rogers, know the practices followed in other provinces. Do the other provinces, several other provinces which have had considerable experience with the auditor general situation -- does the committee meet outside of when the House is in session, or do other provinces simply follow a practice of meeting just when the House is in session? Not that that has to bind us here.

MR. CHAIRMAN: I attended the meeting of public accounts chairmen in Newfoundland, and I would say it's about equal, the number of committees between sessions; half of them meet between sessions and half don't. As far as what they do in most cases where they have the auditor general, the committee presents a report to the Legislature, and the Legislature deals with it. The report is to the Legislature. The mechanism to deal with it is through the public accounts committee in some areas.

MR. ROGERS: Mr. Chairman, if I could just add to that, if I may. I think this is where the thought has arisen that this committee is the appropriate committee to examine the report of the Auditor General. I believe the practice in all other jurisdictions is that the public accounts committee primarily examines matters through looking at the items brought out in the auditor's report. Mr. McCrae, I believe you've studied this.

MR. McCRAE: Yes, I'm nodding my head in agreement with you, Mr. Rogers. I think there's no doubt that across Canada the public accounts committee is the committee that reviews the auditor general's report. Although it isn't in legislation or in the rules of the Assembly, it's just an assumption or a practice that has developed and I think would be adapted here. So I think we're before the right body. Could I just make the additional comment that I made some inquiries too, as to how they do things, and it's tremendously varied across Canada: some make reports, some don't, some meet off-season, some don't. I think we want to develop our own experience, and when we find a need for additional sittings, then we will determine as a committee that we will have additional sittings. I think we're just debating today that we don't want to have them before we see a need for them.

So let's meet in the fall and get right into the Auditor General's report. I'd recommend we start with the Provincial Treasurer and go from there, and then off into the Public Accounts area. Just one final comment, then I promise not to say anything more this morning. In the variety of ways that things are done across Canada, it's fascinating that B. C. does it one way, Manitoba does it another way, we get to Saskatchewan and they hold all their meetings in camera, I believe; we

get to one other jurisdiction and only the chairman is allowed to ask any questions: all the questions have to be funneled up to him. So I don't think you can look to other jurisdictions for precedent. Certainly, we wouldn't want to hold our hearings in camera, I know that Was that a cheap shot?

*interjection*

MR. CHAIRMAN: Ready for the question? Donna, could I get you to read the resolution.

SECRETARY: Dr. Reid moved that the Public Accounts committee not meet during the summer recess, but the first meeting be held during the fall sitting.

MR. CHAIRMAN: All those in favor of the resolution? Opposed? Eleven for and two against, so the motion has carried.

Just before adjournment, Mr. Notley, maybe we could keep in mind, providing that we don't adjourn before next Wednesday, maybe we could get together next Wednesday and set out agenda for the fall session.

SOME HON. MEMBERS: Agreed.

MR. PAHL: The way that resolution now reads, would it prohibit us from holding another meeting? I'm sure that was inadvertent, but I would suggest that wording be checked.

SECRETARY: No. It says "not meet during the summer recess".

MR. PAHL: I think if you read the whole thing, you'll find that it says "the next meeting of the committee" . . . .

SECRETARY: "The first meeting".

MR. PAHL: Okay. Thank you.

MR. CHAIRMAN: The motion of adjournment is accepted.

*The meeting adjourned at 11:30 a.m.*