

Standing Committee on Public Accounts

Wednesday, May 20, 1981

Chairman: Mr. Mandeville

10 a.m.

MR. CHAIRMAN: Good morning, committee members. Sorry for being late getting started; I was informed a little late.

As you'll notice, there's a revision on page number 1 as far as your minutes are concerned. Shelley has made the correction. Will you discard the first page in your old minutes and put in the new page Shelley just gave you. I see Mr. Stevens just coming in. It seems we have errors in his part each week. If you'll change that page in our minutes, we'll go from there.

MR. BATIUK: Mr. Chairman, if I may. The proper procedure in a case like this, when minutes have to be changed during the errors and omissions, would be for Mr. Stevens to bring an amendment at this time. I think it would be up to the [inaudible] here to decide, because this is a change of something in the minutes without the approval of the committee.

MR. CHAIRMAN: We have corrected the error, and if anything is wrong with the correction we can have it corrected.

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: Are there any errors or omissions in the minutes? This error has been corrected. Are there any further errors or omissions?

*Moved by Mr. Weiss that the minutes be filed*

*Motion carried*

MR. CHAIRMAN: Will Mr. Rogers carry on with the Auditor General's report, starting on page 28? I'll turn the meeting over to Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman.

Ladies and gentlemen, at the last meeting I covered more or less the problems with public colleges and the reason why it was treated separately. I believe we ended up at 11:30 with the item as to which colleges were involved in recording outstanding purchase orders as commitments, and therefore resulted in the reservation of opinion on the Auditor's report to the financial statements for June 30, 1980. The two colleges were Lethbridge and Medicine Hat. Lethbridge has since changed, and I have every expectation that Medicine Hat will change this year too.

Another piece of information was the colleges involved when there were reservations of opinion for the accounts June 30, 1979, regarding fixed assets. These are situations where the value of the fixed assets transferred from the department was not recorded in the financial statements of the college. Concern relates to Fairview, Keyano, Lakeland, and Olds.

Mr. Chairman, if there are no further questions on that section we could proceed.

MR. CHAIRMAN: Are there any questions on public colleges from the committee members? Apparently there aren't, so perhaps you could continue.

MR. ROGERS: Mr. Chairman, I would proceed with 2.3.8. This deals with the reconciliation of bank accounts and the timeliness of such reconciliations. Quite obviously if reconciliations of bank accounts are not made, as I think we're all aware, there is the opportunity for concealing the fact that deposits that should have been made were not made, that fraudulent cheques could be passed through the bank account, and these situations do not become apparent until the bank reconciliation is completed. Therefore good practice -- it's normal practice, really -- would suggest to balance accounts on a monthly basis. In the course of field work, the office became aware of a number of situations where this was not being done. Consequently, this recommendation was made. It is in the Auditor's report simply because it is a convenient way of bringing anything of this nature, of the need for this type of action, to the attention of the rest of the service.

Any questions on that, Mr. Chairman?

MR. CHAIRMAN: Dr. Carter.

DR. CARTER: Just one. You mentioned your field workers noticed this. Was it happening in one particular department over another?

MR. ROGERS: No. There was no pattern to it and, of course, during the course of the audits the reconciliations were brought up to date and there was no evidence of any wrongdoing whatsoever. The recommendation is that the controller's manual emphasize the need for prompt reconciliation.

MR. CHAIRMAN: Any further questions on bank accounts? You can carry on, Mr. Rogers.

MR. ROGERS: Section 2.3.9 deals with salary payroll, Mr. Chairman, and a large number of errors in the course of sampling. We carry out statistical samples each month which in themselves are not a great number but are widely spread throughout the payroll, which is administered by the controller's office. We found a great number of errors: not errors in the system; they weren't errors generated by the computer system itself but were the result of the correct processing of incorrect input. Of course the input is generated by the departments, and it is the departments' responsibility to correctly complete input forms to the system.

As this section shows, these errors pretty well related to most of the transactions involved in payroll preparation and included a large number dealing with pension deductions. It's our judgment that the area that needs to be improved is the documentation that is available to people in the departments, and I think we have to go back over the past to realize that we are dealing with somewhat of a different situation than the one we have had traditionally; that is, that in almost all departments, in fact in all departments in the past -- I know when we were involved with preparation of the payroll -- you would have people who would be in the department and have long experience. Therefore they knew, through having been around a long time, how to deal with the more obscure types of problems which arise from time to

time, and did not rely on documentation but rather their experience. Many of those people have moved from the scene and we do have problems, as highlighted here, of very high turnover rates. To get that turnover rate in perspective, we're not saying that these percentages apply to the service overall -- obviously they don't -- but they did apply to the relatively small groups of people involved in the preparation of payroll information data. When you get very high percentages of turnover, you have people who are not aware of what is required to correctly prepare the input for the system. Therefore the need for well-documented instructions is that much greater.

Our recommendation is that the somewhat fragmented instructions presently received from PAO and from the controller's office simply be consolidated and, shall we say, improved to take into account this change in situation which has come about over recent years.

Mr. Chairman, are there any questions?

MR. CHAIRMAN: Are there any questions in regard to salary payroll? Mr. McCrae.

MR. McCRAE: I have a question that may relate to that area. It does relate to payroll. Mr. Rogers, living in Calgary, a common question or concern I get is that non-salaried, non-permanent workers' pay cheques are delayed; that is, people who work in proximity to the [inaudible] Building on a weekly or part-time effort. I'm wondering if the recommendations you're making would slow the process or expedite it. I don't know what the delay is occasioned by. I guess part of it would be the mail system, but some of it is in getting instructions to the controller's office so the cheques can be prepared. Would the recommendations you're making further slow the process of getting part-time employees' cheques out, or enhance it through a better system?

MR. ROGERS: No, I think the reverse would be the case. What I'm suggesting certainly should not slow any operations but should speed them up. Very often, especially in the case of wages -- and maybe the controller would comment on this -- if there is an error in the preparation of a time certificate, that time certificate is rejected by the computer system, has to go back, be corrected, come in again, and you very easily have days', weeks' delay. From my own experience, I would say that you eliminate delays if you get correct data prepared the first time. But maybe the controller would care to comment on that.

MR. O'BRIEN: I think the error rates are certainly part of the problem, and that would relate to staff training and documentation of procedures as the Auditor has recommended. We have initiated discussions with PAO on that. We think we can also help that situation to some extent by improving our reporting to departments so that they understand the nature of the errors causing their problems. We've encountered some difficulty in producing the kind of reporting that will tell departments where their weaknesses are -- where they need to train, what particular procedures are creating difficulty in their staff -- so they can zero in on the problem. We are initiating work to provide better reporting to departments on that so they can identify the problem.

Of course, I certainly think there were some difficulties through the winter months in the postal system in Calgary. I was going to call them unique difficulties, but I don't know whether they are. We are considering alternatives for getting around that problem.

We have initiated direct deposit systems in the pension area which will permit direct deposits to bank accounts. We are examining whether that would be feasible. Again, that becomes difficult in a temporary staff situation because you have to know which bank account the employee would want his pay deposited to. But we're considering that. We're also examining the feasibility of whether a Calgary operation would help to expedite the problem. So we're looking at a number of alternatives to resolve the delivery problem.

The salary cheques, of course, are returned to departments. One question is whether we could improve the situation by not mailing the cheques at all but returning them to departments for physical delivery, but again the problem with temporary staff is that many of them probably wouldn't be working in the same area. So we have some unique problems with the temporary staff situation. But we are looking at alternatives on both the initial problem of getting the pay determined and producing the correct pay, and then how to deliver it to the recipient.

MR. WEISS: Thank you, Mr. Chairman. Through you to Mr. Rogers. I note you outlined in particular about nine or 10 errors or deficiencies detected. You report them as a high incidence factor. You do point out in your recommendations that in conjunction with the personnel administration office you've made recommendations for procedural training and staff documentation and so forth. I'm wondering if that has been done. Would you be following up on that particular level of incidence, because some of those error factors are certainly just procedural? They just shouldn't occur.

MR. ROGERS: I think it's fair to say some work obviously is being done in the follow-up by both the PAO and the controller's office. I believe that more detailed instructions are being prepared.

MR. O'BRIEN: In the case of the pension situation, we have received rulings to clarify the status of certain particular types of pay and employment for pension purposes. On March 27, we did issue a detailed instruction to departments to clarify the pension treatment of areas of earning in the more general area of developing improved training programs for departmental payroll personnel. We're only now developing that, and we have not yet initiated that activity.

MR. WEISS: I find it incomprehensible that, for example, attendance and absence reports would not be completed on a weekly basis by a person in charge, the departmental official, or whoever it might be. It has to be done. I just can't understand that you couldn't go into any department at any time in a given period and say, for example, this is the absence and overtime report for this week following and it has to be completed. I think the responsibility should be to the department official to see that's done on an ongoing basis.

MR. ROGERS: If I could comment on that. Many of these situations are cleared up before we even leave the premises. But until the next subsequent audit, we're not in a position to say that the matter has really been corrected. So our next report will contain comment on the effectiveness of the corrective action taken and, as is the case in every item in this report, if matters have not been fully corrected, the next report will contain comments as to the deficiencies still outstanding.

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

MR. ROGERS: Mr. Chairman, I would like to hold over item 2.3.10 to discuss together with another we held over. There are three items dealing with data processing that I would like to discuss together, and I would like to hold that for the moment. So if the committee does not object, I would like to proceed to 2.3.11, realizing that I'll come back and discuss 2.3.10 later.

Item 2.3.11 deals with travelling expenses. There is no additional report here. It is simply that we have not had the opportunity to evaluate the effectiveness of the steps taken by the government, by management, following the last report. For instance, on my desk is a list of hotels with rates which I think people are finding to be very useful, and which stemmed out of the recommendation in the last report. Action has been taken; it's simply that we have not had the opportunity to evaluate the effectiveness throughout all departments.

MR. STEVENS: Mr. Chairman, to the Auditor General. I have one concern in this area I would ask you to look at with the departments. If we have too rigid a list, we would have situations where we would take away from the employee and his or her supervisor the responsibility for determining the best means of achieving that travel and the goals of that meeting. You would have a situation possibly developing, as the federal government has, where you must stay at a certain hotel, and therefore you travel across a city to go to a meeting and back again at expensive cab fares because there's a rigid list. So I hope your assessment won't lead to recommendations that would take away the initiative of making sure that, as you have said here, the employee and the department plan their expenses wisely.

MR. ROGERS: No, Mr. Chairman. As a matter of fact the book itself makes that quite clear. It's an aid, if you will, and a guide, but there is nothing mandatory; nothing requires anyone to stay at the hotels in the book. Incidentally, it is very comprehensive, in any event. So I think there's plenty of choice. They're all acceptable hotels. Some of the [hotels], of course, do establish rates for government business that are very advantageous to the government.

MR. STROMBERG: Mr. Chairman, to Mr. Rogers. How many of the books are published in, say, a given year? How many will be distributed?

MR. ROGERS: Mr. Chairman, I really can't answer that question. I know one appeared on my desk, but I think the supply division of Government Services has been circulating those -- I presume to all departments, but only to senior financial officers and probably deputy ministers. I'm not sure on that, but I believe they are widely available.

MR. STROMBERG: What I was getting at is: if a large number of these were published, perhaps the cost of publication would offset saving. One appeared on my desk, so there're 72 right there: this Legislature. Now two of them appeared. They come out monthly.

AN HON. MEMBER: Do you use it?

MR. STROMBERG: Well I've got two now. I found it quite useful too, but I think that's . . .

MR. McCRAE: It's because you work so hard. They think you're two MLAs.

MR. STROMBERG: Would it be possible, Mr. Rogers, to have the costs at the next meeting?

MR. ROGERS: Certainly we will see if that can be obtained.

MR. CHAIRMAN: No further questions?

MR. STROMBERG: [Inaudible] I appreciate the book. I wasn't trying to be negative. The bureaucrats stay at the Four Seasons and we MLAs stay at the Ambassador.

AN HON. MEMBER: Who stays at the New Norway?

MR. CHAIRMAN: Do you want to continue, Mr. Rogers?

MR. ROGERS: The next item is Section 2.4, and deals with inappropriate accounting policies and inadequate disclosures. Item 2.4.1: there is no recommendation. If you recall in the last report, I brought to the attention of this House and the committee the treatment of deemed assets whereby these assets were on the balance sheet of the Alberta Heritage Savings Trust Fund. These are treated as assets when in fact the money has been expended. They're not assets in that there is no title, if you will; they're not assets owned by the Heritage Savings Trust Fund, and therefore an inconsistency with generally accepted accounting practice was introduced by the statute itself. Having brought it to the attention to this committee and the House, I feel it appropriate not to repeat this item further, as I believe the decision will be made as a result of considering the matter.

MR. CHAIRMAN: There appear to be no questions in that area.

MR. ROGERS: Mr. Chairman, 2.4.2 deals with the allocation of costs of fixed assets. A certain amount of this has occurred over the years. Specifically, the use of road grading equipment and heavy equipment in the Department of Transportation comes to mind, whereby the equipment is purchased in a revolving fund, and charged out to the various appropriations on the basis of use. If so many hours of use of a grader is called for or used in a particular project, then the project only bears the cost of that pro rata portion of the total cost of the equipment. In effect, this recommendation is that consideration should be given to treating assets generally this way. For instance, if a bulldozer is purchased in the forestry activities, it is a purchase of that year and appears as a program cost in total, although it may be used over a number of succeeding years.

If we're to look at programs from the point of view of their true cost, it is necessary that fixed assets, the use of which spans a number of fiscal periods, be prorated. This is not to say that we are suggesting that these fixed assets should appear on the balance sheet -- not at all; their actual cost to the various programs they serve should be borne in the fiscal periods in which they are used. I believe that management is examining this matter, and consequently the recommendation is repeated. That is correct, is it?

MR. O'BRIEN: Yes.

MR. ROGERS: Any comments, Mr. Chairman?

MR. CHAIRMAN: Any questions in this area? No questions.

MR. ROGERS: Item 2.4.3 deals with the estimates of capital projects. It is a recommendation that at the time a capital project is being looked at from the point of view of provision of funds for a fiscal year, some knowledge be available regarding the total project. I think this may be of some assistance, too, in that by separating out inflation it would be clear as the years go by -- because we are talking about capital projects that cover a number of years -- that it would be easier to see the way in which the original scope of the project had grown or whether it had not grown at all, but that the increase in dollars was due solely to inflation. I think it would form a better foundation if the whole project was defined at a very early stage. Of course this is a matter for the House to consider, and I simply make it a recommendation for consideration.

MR. CHAIRMAN: Mr. Speaker.

MR. R. SPEAKER: Mr. Chairman, to the Auditor. Do other provincial jurisdictions set up their budget plans under this format? I'd like to say that I certainly think it's a good idea, a good suggestion. To me it's just good common sense to do that type of thing. You would have to use a format such as that in private business. You'd have to project your cost, project not only your operating but capital, and be responsible. I am sure the departments do this type of thing internally, but here we're talking about making the presentation in one of the documents under study in the Legislature.

MR. ROGERS: Mr. Chairman, I have no knowledge of other jurisdictions. We did not carry out any research outside our own area in this matter. I think it was a matter of common sense and, in view of a number of situations we're all aware of, just a thought that it might be of assistance in monitoring the expenditures on capital projects.

MR. CHAIRMAN: Do you want to continue, Mr. Rogers? There are no further questions.

MR. ROGERS: Item 2.4.4, Mr. Chairman, deals with program charges offset against revenue. Here we have an example that illustrates the problem. The geophysical incentive program allows certain credits to be deducted from royalties payable under the above mentioned Act or, alternatively, payment of a cash grant. So for the very same program, you had \$6 million deducted from royalties received, and approximately \$2 million was dispersed as cash grants under the geophysical incentive program.

I think it's a matter of the public accounts clearly showing what has occurred and also brings in, of course, the related problem of the Legislative Assembly approving all expenditures, in that you have a program that if it is convenient, if it is possible, the payment is made by reducing the amount of royalty payable to the government. Therefore, an operator or someone who owes the government royalty pays that much less, which is effectively making a payment to them. If they do not owe royalty, then they are paid by cash or cheque by the government. It seems that essentially such a program is an expenditure program. Therefore it should, I believe, be approved by the

Legislative Assembly, be treated as an expenditure and, of course, be shown as such in public accounts. The same reasoning would apply to any expenditure programs that are at the moment administered as a reduction or an offset against revenue.

Are there any questions on that?

MR. CHAIRMAN: There appear to be no questions. Mr. McCrae.

MR. McCRAE: You're speaking here, Mr. Rogers, of a geophysical incentive program as distinguished from the oil drilling program. Your same comment would apply to the oil well drilling incentive program, presumably, if there were a cash credit situation there.

MR. ROGERS: Yes. Any program designed -- how do I phrase it? -- to put dollars in the hands of people and, when that is performed through forgiving them the similar amount they owe to the government, is really, I think, an expenditure program, and should probably be treated as such -- at least from the purposes of showing it in public accounts. I am not saying there is any lack of authority for such procedure. There is ample authority in the Act, and you can say that the Legislative Assembly has approved it. I'm not saying it's not an approved transaction. I'm saying it should be treated more as an expenditure program, and specifically shown as such in the public accounts. That would clarify the situation. We show the gross amount of revenue and an offsetting expenditure as opposed to a net expenditure.

MR. CHAIRMAN: Do you want to continue, Mr. Rogers?

MR. ROGERS: Item 2.4.5 deals with the unfunded pension plan liabilities. The recommendations have been amended to reflect the action taken by the government since the last report, which was to transfer \$1.1 billion into a pension fund. Primarily, the recommendation is not aimed at increasing that fund. Rather, it is the recognition of a remaining liability which is quite considerable -- one could say \$3 billion -- treating it as a liability; not necessarily transferring cash or assets into a fund, but in effect decreasing the surplus to that extent. If this were in the private sector, the funding of pensions is mandatory. The Act excludes these pension funds. So from a legal point of view, there is no requirement. But if the private sector is funding pensions, it is a requirement that they treat any unfunded liability as a liability, and to fund that liability in some orderly fashion.

I think it's fair to say there is a lot of dispute on this matter as to exactly how much should be a liability. There are various schools of thought. I think in fairness I have to point that out. But that is only then a question of degree to which this liability is reflected in the public accounts. I think it is a matter for discussion, but the purpose of the recommendation is to focus on that discussion.

MR. DIACHUK: One question, Mr. Rogers. Are there any other areas you would look at that are not funded that should be? I'm thinking of the government liability in the workers' compensation budgeting.

MR. ROGERS: No, sir. There may be an element of unfunded there for certain peripheral items, but generally it is funded. I am not aware of any other areas that are similar to this. Of course, a very big step forward has been taken here in that the Act has now been passed whereby deductions of employees



are deposited in the pension fund with, of course, a contribution from the government. There has been huge improvement. As I say, the recommendation has been modified, taking that into account, and simply deals with the remaining unfunded liability.

MR. CHAIRMAN: There appear to be no questions. I'm sorry, Mr. Bradley.

MR. BRADLEY: To Mr. Rogers. Do you have any comparisons as to how Alberta would stack up against other provinces or the federal government with regard to funding pension liabilities?

MR. ROGERS: I can't really give you hard and fast facts, but I do know that several governments are in the process of funding over some orderly period. You can't do it over, say, a year or two years normally. I believe Ontario has a program that will result eventually in having a fully funded pension. I believe we were the one exception of all the provinces whereby we took the deductions from employees, treated it as revenue, and then treated the pension payments as expenditure. In the review of government practices, I believe we were the only province that handled the matter that way. That has now been cured, of course, with the recent Act. There are varying stages of funding in the various provinces but, again, very few of them reflect the unfunded liability as a liability. Of course, this is not talking about what other people are doing, but what I feel we should be doing in this respect.

MR. CHAIRMAN: Do you want to continue, Mr. Rogers, if there are no further questions?

MR. ROGERS: Thank you, Mr. Chairman. The next item, 2.5, deals with uncorrected systems, weaknesses, and deficiencies originally detected in previous years. Under Section 19(5) of The Auditor General Act you'll recall that, as long as corrective action is being taken, there is a release there from the need to include matters in the next Auditor's report. But obviously if the corrective action undertaken or agreed to be undertaken was not undertaken, the matter is automatically subject to being included in the next following report.

Item 2.5.1 deals with a matter which, while small, is worthy of note in that in the case of the environmental research trust there were two bank accounts which, in accordance with regulation, should have been closed. We understood they were going to be closed but in fact they weren't, and it turned out that it was on the instructions of the chairman of the board of trustees. Consequently we feel that that is worthy of inclusion in the report.

MR. CHAIRMAN: Mrs. Cripps.

MRS. CRIPPS: Has recommendation number 38 been complied with at this time?

MR. ROGERS: I have no way of knowing at the moment. We have not followed that up. We will be going in this summer in the course of our normal auditing and will be looking at that problem or that point, and making sure that those bank accounts have been closed. I don't have any direct information on it at the moment; they were not at the time we left the audit.

MRS. CRIPPS: And that was when?

MR. ROGERS: It wasn't corrected at December 31, 1980. Unless it has been corrected since then, which, as I say, I wouldn't have automatic knowledge of, we will be reporting those next year if corrective action hasn't been taken.

MR. CHAIRMAN: Mr. Speaker.

MR. R. SPEAKER: To the Auditor General. In circumstances such as that, where the minister certainly is responsible for that action taking place -- The Financial Administration Act is not being adhered to in intent -- who takes the corrective action when the minister hasn't followed through and said, look, that's wrong in terms of our financial procedures; it shouldn't be happening, and the board should be directed to do otherwise? I know other departments of government and institutions cannot keep this type of cash account under The Financial Administration Act. I believe they may under special circumstances, but these special circumstances haven't been pointed out here. Does it just sit in limbo, or is there someone in the administration who can say, look, this must be done, and give them a time limit?

MR. ROGERS: Mr. Chairman, I think that if the matter is still unresolved at the next report, the report will deal with the action taken to correct the situation. I have every reason to believe it will be corrected by the next report. I'm afraid I can't give any other information. That is all I know at the moment, but we will definitely be looking at what action was taken.

MR. CHAIRMAN: Do you want to continue, Mr. Rogers?

MR. ROGERS: Thank you, Mr. Chairman. Item 2.5.2. Item 2.3.10 which deals with the security over centrally-stored computer data and programs, and an earlier one, 2.3.3, dealing with the management information systems for central vehicle service, is trying to . . .

MR. CHAIRMAN: Going back. Item 2.3.3 is on page 21 and 2.3.10 is on page 31.

MR. ROGERS: The reason I include these three together is that a common theme links them; that is, the responsibility of the user departments, if you will, in the instance where they are using data processing operated by the central agency, which is the Department of Government Services. I feel user departments must take more responsibility for defining their needs in great detail, and for not accepting any system that does not fulfil those needs. It seems to me that unless we do that, we will have situations such as this where it is difficult to fault the central body that provides the data processing service. For instance, control over security of data is exercised by a number of systems in place at the data centre -- information services division of the Department of Government Services -- but unless they are made fully aware of the particular security needs of any particular data, they have no reason to treat any particular data differently to any other data. Consequently, the comment regarding the security of data was included to bring home to users the fact that they have a responsibility for determining how they use the systems in place at the information systems division. It is the information systems division's responsibility to run the systems, but the user must know how to use those systems.

Similarly in the development of new computer systems, it is the users' responsibility to know what he wants and to make sure that he doesn't accept

anything else. As you are well aware, and it has been well documented, there was a serious situation regarding the main accounts receivable system in the Department of Energy and Natural Resources. It has been very costly from a number of angles, certainly far more costly than was visualized at the time the system was first planned, and certainly has not been providing satisfactory results. But again I think the main message that has to come across in a situation like this is that the user has to take responsibility for putting into operation a system that was not capable of fulfilling the user's needs.

MR. CHAIRMAN: Are there any questions? Mr. Notley.

MR. NOTLEY: Mr. Chairman, I apologize to Mr. Rogers. I came in part way through his comments.

One of the things that struck me about this particular question: as I understand it, a system was in place when the MARS program was developed and for some reason that was dismantled. That strikes me as being a rather unusual course to follow. Certain people who are reasonably knowledgeable in the computer field tell me that whenever you have a new program, you never dismantle the old; you keep the existing program in place until you've got all the bugs ironed out of the new program because, inevitably, there are going to be problems in getting a computer program operating effectively.

I guess what really puzzles me is why we seemed to be so confident that the MARS program would work that we apparently dismantled what was perhaps not as good a program, but at least was a fairly serviceable program.

MR. ROGERS: Mr. Chairman, the predecessor system, if I recall correctly, was on bookkeeping machines which were in a very bad state of repair, in need of either renewal or had pretty well reached the end of their lives. I quite agree that normal practice is to parallel process; compare, if possible -- and it's not always possible -- the results you're getting with the new system with the old system, and not discontinue the old system until you know you can rely on the new system. That is standard operating procedure. For some reason that was not the case in this instance.

MR. NOTLEY: As a supplementary. Mr. Rogers, you say "for some reason". It strikes me that because that is the standard practice, it's important that we know why for some reason it wasn't done, and who in fact made the decision that it not be done. We're told now that we have an assistant or an associate deputy minister who is in charge of this program. I appreciate that, and I think that's an indication of some concern on the part of the government to correct it. But if, in fact, what we've done is shuffle people around in the department who basically were instrumental in the program in the first place, and if part of the development of that program was the dismantling of an old system before a new system was in place, I have to question whether or not we are putting in place the kind of competent personnel we can have confidence in in terms of the future. I think that the question of who made the decision to go that route is a reasonably important one.

MR. CHAIRMAN: Do you want to comment on that, Mr. Rogers.

MR. ROGERS: I think I should reply to that, Mr. Chairman, by saying I think that would seem to be a rightful question to be asked of the department by this committee.

MR. NOTLEY: Mr. Chairman, rather than pursuing it -- I think Mr. Rogers has certainly made the point -- I would just like to serve notice that when we get around to looking at departments down the road, I think this committee will be honor-bound, as a result of the Auditor General's report, to have before it the Department of Energy and Natural Resources to explain the MARS program: why it was set up in the way it was, and who made the decision. We have one of the more important observations in the Auditor General's report, and I think we're entrusted with the responsibility of fully examining that. So I just give notice that when we get to the point of looking at departments and issues, one by one, I'll certainly be stressing the need to have that department before us.

MR. CHAIRMAN: Mr. Speaker.

MR. R. SPEAKER: Mr. Chairman, to Mr. Rogers. Not only do the procedures seem to be a little ill-planned and didn't seem to come out right at the other end, but, reading through the report and other information in terms of the cost of the operation, both projected capital and operating costs were much below what they turned out to be. Could you comment on that at this time? What seemed to be the problem that caused that?

MR. ROGERS: I think it was that the system as visualized and the system eventually called on to be operated, simply didn't bear too much relationship to each other. I think it's fair to say the additional costs were mainly incurred in making the system perform the tasks that were required. These costs involved a far greater development cost than was originally visualized, and a far greater operating cost than was originally visualized. I think there is no doubt about that.

MR. R. SPEAKER: Mr. Chairman, to Mr. Rogers. I'm not sure whether this question is appropriate at this point. Was a program, or projected type of program, in place, or some type of study done before this program was launched, that was available to you as Auditor General, and potentially could be available to us as members of the Legislature to use for study when the minister is here to be questioned?

MR. ROGERS: Mr. Chairman, there were studies at the time. But as I think I said, they didn't really encompass the department's needs in a proper manner. Again, I think that should probably be asked of the department.

MR. CHAIRMAN: Are there any further questions in this area? Do you want to continue, Mr. Rogers?

MR. ROGERS: Item 2.5.3 deals with the fact that there is no legislative authority to collect lottery licence fees. I think the item is self-explanatory in that we were assured that this matter would be cleared up. As late as November 5, 1979, we were told that it is recognized that the fees charged for various licences are not covered by legislation. The caucus task force committee is presently reviewing this matter and, as it has not been resolved, it is included in the report.

MR. CHAIRMAN: There appear to be no questions in that area, Mr. Rogers.

MR. ROGERS: Item 2.5.4 is repeated from the previous year. It deals with the failure to reconcile the groups at the health care insurance fund. The reason it's included is that not only is it not cured, but it actually is worse than it was at the time of the previous report. Certainly, corrective measures had not been taken by the end of the 1979-80 fiscal year. Consequently the recommendation is repeated. I believe that, as a result of problems last summer involving the strike, the matter has grown; certainly in the fall of last year it grew to be quite a bit worse than it was formerly.

MR. CHAIRMAN: Mr. Speaker.

MR. R. SPEAKER: Mr. Chairman, to Mr. Rogers. Is the problem of procedures more than the number of employees required, or is it more that more people are required and procedures are not bad, and secondary as a problem?

MR. ROGERS: Well, I've been sort of involved in this, Mr. Chairman, after medicare was first introduced -- at least I was in a different capacity. Trying to keep track of people moving from group to group and making sure that each individual's premiums are accounted for properly is a very, very complicated procedure. Certainly 12 years ago it was a problem. So I have every sympathy with them that it is a very difficult problem to wrestle with. Nevertheless, I can only look at the end result, which certainly is not satisfactory and, furthermore, is not improving but appears to be deteriorating.

MR. CHAIRMAN: Mr. Stevens.

MR. STEVENS: Mr. Chairman. I wonder, Mr. Rogers, given the measures that need to be taken, there is no impact upon a citizen who would fail to receive assistance, aid, or help? It's a matter of procedures within the government.

MR. ROGERS: I think the main impact is with groups; that is, employers. I think the main confusion must exist where they are being billed for people who have long since left them and that kind of thing.

MR. STEVENS: I wanted to know how it was working. Thank you.

MR. CHAIRMAN: Any further questions in this area? If not, do you want to carry on, Mr. Rogers?

MR. ROGERS: Thank you, Mr. Chairman.

Item 2.5.5 deals with pension administration which was fully reported at the last report. As you are aware, the Treasury Department became responsible around that time for the pension administration and I'm aware that significant steps have been taken to improve matters. But again, I think more time is needed and consequently one might sort of say that this is in a holding pattern to determine that the matters have been resolved by Treasury's efforts. Beyond the fact that I'm aware of significant progress, I can't comment because of the fact we've not had an opportunity to review the situation since they began to take these corrective actions.

MR. CHAIRMAN: There appear to be no questions in this area.

MR. ROGERS: Mr. Chairman, the next situation deals with the Research Council of Alberta. It covers a number of problem areas. I have a lot of sympathy with the Research Council in that until two or three years ago they did not have their own financial statements. They were not regarded as a separate entity in that they operated more or less as a branch of a department. As I say, we first started to develop financial statements for them only two or three years ago. This has caught them at a time when they are sort of expanding their operations and therefore does give the impression of many things being wrong, which is indeed the case. But I believe that at this period in their evolution they are taking action that should result in matters being corrected. The problems were so pervasive throughout the Research Council that I felt it was essential the matter be reported in the report. We are working with them -- and are willing to work with them -- to correct matters. I do know that they have taken steps that hopefully should, if all goes well, rectify some of these situations.

MR. CHAIRMAN: Mrs. Cripps.

MRS. CRIPPS: (Inaudible) Can you explain how the people of Alberta are protected by the patents that are developed through the Research Council?

MR. ROGERS: What protection do the people of Alberta have for patents?

MRS. CRIPPS: Well, I guess I'm particularly concerned with two areas. One is the development of a process or utilization of a process once it's been developed. Secondly, is there any protection for the people of Alberta possibly as co-sponsor of the research, and of the actual researcher in the registration of that patent?

MR. ROGERS: Mr. Chairman, I think this takes me into an area I'd feel more comfortable if I did a little research, so I would like to take notice of that question. I will come back with an answer next week.

MR. CHAIRMAN: Do you want to continue, Mr. Rogers?

MR. ROGERS: Fine, Mr. Chairman.

Item 2.6.1 deals with the audit of provincial income taxes and, as we're all aware, the provincial income taxes are collected by the federal government, Department of National Revenue, and are then distributed to the various provinces. I think I first became concerned about two or three years ago that the nature of the situation was such that there was every incentive for the Auditor General of Canada to audit that the federal government was receiving its proper tax moneys, but that there was no incentive, certainly for him, to audit that each province was receiving its proper tax moneys. Consequently, I looked into the agreement and found that while on the face of it it did provide for the provincial legislative auditors to carry out audits, in actual fact, because of the restriction or limitation of access to only those figures dealing with the provincial tax because the records are sort of combination records, there was no way that he could audit and yet respect the limitation imposed by the tax-collecting agreement.

The answer appears to be to have the Auditor General of Canada provide each legislative auditor with an opinion, but it would entail him doing more work in that what we call materiality factors are quite different when you're looking at Alberta's tax as opposed to all of Canada's tax. We have

established a task force consisting of Ontario and Alberta. My representative, one of my assistants as a matter of fact, has met with a senior person from the legislative auditor's office in Ontario, meeting with senior people in the office of the Auditor General of Canada in Ottawa. We actually were able to locate areas where we felt additional work should be carried out. This has been working after a fashion. It is a purely informal sort of arrangement as between legislative auditors. In effect, we're recommending that this be formalized and included in the agreement, and that the right of access be adequate for the legislative auditor -- in this case, me -- to conduct a review of the work of the Auditor General of Canada, who would be carrying out the bulk of the work. It's obviously undesirable to have 11 different audits of the records of the Department of National Revenue. I don't think they would appreciate it at all. If we can have one audit that satisfies all requirements, then I think that is the best approach. That is our general aim.

Mr. Chairman, if there are any questions on that?

MR. CHAIRMAN: There are no questions, so if you would continue.

MR. ROGERS: Mr. Chairman, we move into general observations. These are kinds of matters that are the distillation, if you will, as a result of looking at all the work we handle during the year. I think one area of concern is the fact that there does seem to be a lack of ability -- I think that is correct -- in certain areas where we feel that the level of middle management isn't what is really required in an organization as large and complex as the government operation.

When you make a statement like that, the obvious danger is that in effect you're implying that there are no competent managers in the service. That is far from the truth. There are many competent and dedicated people. I certainly wouldn't want anything I said here to have an effect or impact on them. Nevertheless, one comes across situations where it appears that the people who are occupying positions don't really have the competence or training and background they really should have.

The reason for this is very obvious. It's very difficult to get people, as I think we discussed at an earlier meeting. Very often I've been in the same situation myself, where you interview five people and none of them really is what you're looking for, and yet you feel certain of them might be right. I think you get into that situation. I think that if we can't obtain people from the outside, we should perhaps place more emphasis on developing people ourselves from within the service, or bringing people in and developing them. Recommendation number 48 is that we develop not just seminars or one-day or two-day affairs, but courses that are in depth, that can bring people along to improve their technical skills and managerial competence. As we all know, even large corporations get involved in this kind of thing from time to time. I believe that people who are developed this way would more likely develop the systems and controls that are absolutely necessary when you're handling the amount of funds being handled by the government. It's an overall sort of recommendation, Mr. Chairman, but one I think that, if allied to a rigid assessment system whereby people move forward only on the basis of proven competence, would eventually mean that all senior staff would be of the level of competence that should exist.

The reason for making this comment is of course that when you see that systems are giving trouble and the factor is the human resource weakness involved, it then becomes a matter worthy of inclusion in the report.

MR. CHAIRMAN: I see our time is running out and we have six more recommendations in the report. I would like to bring just one item to the committee. The chairman of the Private Bills committee has indicated to me he wants to see what the feeling of our committee is on next Wednesday. They can't find any time to fit in to complete their Private Bills and they are wondering if they can get the approval of this committee to have next Wednesday. It appears to me that, the way the session is progressing, by the time we finish this report we're not going to have that many more meetings as far as Public Accounts is concerned. Maybe we should be looking at the fall session when we're bringing in the departments.

If that is agreeable, possibly I could have a motion to the effect that we will release next Wednesday to the Private Bills committee.

*Moved by Dr. Anderson*

MR. CHAIRMAN: All in favor?

SOME HON. MEMBERS: Agreed.

*Motion carried*

MR. CHAIRMAN: Opposed. Thanks, Shirley. You'll have to . . .

MRS. CRIPPS: [Inaudible]

MR. CHAIRMAN: If that is the case, there will be no meeting next Wednesday and we'll continue the following Wednesday to complete our report, if we're still in session, and possibly looking at the fall session for bringing in departments.

Now if we could have a motion to adjourn.

*Motion to adjourn by Dr. Carter*

*Meeting adjourned at 11:27 a.m.*