

Standing Committee on Public Accounts

Wednesday, April 21, 1982

Chairman: Mr. Mandeville

10:07 a.m.

MR. CHAIRMAN: We have our quorum. Good morning all. You have your minutes before you. Are there any errors or omissions in the minutes? Is there any business arising from the minutes. A motion to file from John Gogo. All in favour?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: There was a recommendation at our last meeting that we would start the meeting this morning by going into public accounts. Mr. O'Brien is here to go through public accounts. If anyone doesn't have their public accounts, they tell me they have a few extra copies.

As far as public accounts are concerned, we thought we would get Mr. O'Brien to give us a brief overview. There have been some changes. He will go through those changes, and then the members can direct questions on any specific item, if they so wish.

Mr. O'Brien, could we turn the meeting over to you to give us an overview of public accounts?

MR. O'BRIEN: Thank you, Mr. Chairman. The public accounts are in two volumes, together with a volume of supplementary information that is prepared. The first volume contains the actual audited financial statements of the province and of the various funds and provincial agencies that are subject to the Financial Administration Act, 1977, and are required by Section 77 of the Act to be published in the public accounts. The volume is divided into eight sections. The first section contains the consolidated financial statements of the province. If I may, Mr. Chairman, in a few moments I will ask Mr. Heisler to go over those statements in particular and some changes that have been made in the consolidated financial statements. Those statements attempt to pull together the results of all the entities included in this volume into a single financial statement.

The second section contains the financial statements of the General Revenue Fund, which are generally the budgetary accounts of the province. The third section contains statements of revolving funds, which are department funds used for financing continuing activity on a revenue-dependent basis, that ultimately become reflected in the General Revenue Fund statements. The fourth section contains statements of what are called in the Act regulated funds, other than moneys held by the province in trust. Those are the various funds established by the Legislature, such as the heritage fund or the School Foundation Fund; a number of those funds into which revenues are placed for specific purposes. The fifth section contains the financial statements of non-commercial provincial corporations. Those are corporations that are in one way or the other supported from budgetary sources. The sixth section contains financial statements of what are called provincial committees, which are similar to corporations but are not legally bodies corporate. The seventh section contains the . . .

MR. McCRAE: Mr. Chairman, I wonder if I could get the hon. gentleman to explain the difference between sections 4 and 5. I think you said Section 5 is non-revenue, or you used words similar to that. How do you distinguish between the two?

MR. O'BRIEN: Section 4 contains regulated funds which are special-purpose funds. They are accounting entities, but they are not legally organized as separate organizational units. Section 4 funds, the funds for which specific statements are published, include the horned cattle purchase account, the School Foundation Fund, the Forest Development Research Fund. Those are not legal entities; they are not bodies corporate. They are really separate accounting entities, where the Legislature has authorized the establishment of a particular fund and accounting for a particular purpose: Health Care Insurance Fund, the Alberta Planning Fund in Municipal Affairs, and the Motor Vehicle Accident Claims Fund. The bodies in Section 5 are legally established as corporations.

MR. McCRAE: Mr. O'Brien, I didn't mean to be argumentative. The reason I asked the question and the one that caught my eye was the Alberta Heritage Foundation for Medical Research Endowment Fund, in Section 4. It strikes me that's a very distinct corporate entity. That's the reason I asked the question. I'm not trying to trap you.

MR. O'BRIEN: I don't think I'm trapped on that one. The fund is the fund which was set up as an endowment from the heritage fund and is held by the Treasurer for investment. The proceeds of that fund are payable to the medical research foundation, which administers the research program. The medical research foundation is exempt from the Financial Administration Act and is not an agent of the Crown. Its statements do not appear in the public accounts. But the investment fund managed by the Treasurer to generate funds for research is what's shown in Section 4.

MR. McCRAE: Thanks very much.

MR. O'BRIEN: Section 7 contains the financial statements of what we call commercial enterprises. In the introduction to that section, we explain the nature of the entities there. The criteria we use to define commercial and non-commercial here is not according to the nature of the activity, rather whether the activities of the corporation are fully supported by charges for their own goods and services, with no subsidy from the General Revenue Fund. So it's essentially an accounting kind of a distinction we're using to distinguish between the commercial and non-commercial agencies. In that section is the Alberta General Insurance Company, Alberta Terminals, the Workers' Compensation Board, the Liquor Board, the Treasury Branches Deposits Fund, and AGT.

The final section in Volume 1, Section 8, contains financial statements of the trust funds administered by the province that are being held in trust for third parties. There is a summary statement at the beginning of that section that shows the total of all trust funds of \$1.9 billion at March 31, 1981. The section also contains specific statements for a number of the larger and more significant trust funds involved there.

Finally, at the back of the volume, there is an alphabetical index of the funds and agencies. That's Volume 1. As I said, in a few moments Mr. Heisler would like to discuss some of the changes that have been made in the accounting and the consolidated financial statements.

The second volume contains details of the revenue and expenditure of departments, showing really the details of expenditure against the funds

appropriated by the Legislature, details of revenue for each department. In the final section, Section 25, we include a number of statements that are required as specific statements under the Financial Administration Act or that have been required by direction of the Treasurer to be included in the public accounts as supplementary information. There is only one change in that section, which perhaps I could mention as it has been discussed in this committee and was the subject of recommendations by the Auditor General. The final statement in that section, statement 25.9, provides a statement of the cash payments made of net lottery proceeds pursuant to the province's licence of lottery operations. That's shown in the final page of that second volume. That statement was audited by the Auditor General. I think that's the only material change in Volume II. The final volume of information is . . .

MR. CHAIRMAN: Mrs. Cripps, did you have a question on Volume II?

MRS. CRIPPS: On item 4, Section 4: regulated funds. If there's an excess of funds or a credit balance at the end of the year, what happens to that credit balance? Does it go back into general revenue?

MR. O'BRIEN: It would depend on the source of that surplus. The Act really deals with one situation first of all, which is where funds are paid from an appropriation of the General Revenue Fund. If the funds are paid out of that appropriation, and the moneys are not required in the regulated fund, they must be returned to the General Revenue Fund, and the authority for payment lapses. For example, school grants cannot be paid into the School Foundation Fund and remain there as a surplus, because it would have the effect of circumventing the legislative control of the appropriation at year end.

On the other hand, if moneys have been paid into a regulated fund from another source, or by statutory direction of the Assembly, then those surplus moneys would stay in the regulated fund, although there's another provision in the Financial Administration Act that permits the Provincial Treasurer to request payment of surplus moneys in any regulated fund over to the General Revenue Fund. In the case of certain specific funds, there might be some statutory direction that moneys can be paid over, on direction of the Lieutenant Governor in Council or that kind of provision for dealing with the surplus. But normally the surplus would be retained and continue in the fund, unless it came from an appropriation.

MRS. CRIPPS: School grants in the foundations program was the one that particularly caught my eye. There's \$11,747,000 excess of revenue over expenditure. My question is: how would you get an excess of revenue over expenditure when I assume that somebody makes a calculation before those funds are put in? Why wouldn't they all be disbursed?

MR. O'BRIEN: For the specifics of that, I think you'd want to raise a question with the Minister of Education. I'm not exactly sure what figures you are referring to. Are you on page 4.10, the school foundation?

MRS. CRIPPS: Yes.

MR. O'BRIEN: You're estimating revenues both from property taxes and from the grants, and you're estimating the expenditures in terms of the school regulations and enrolments that will be paid. I assume that would result in the difference. You'll notice that the remittances to the province resulted in clearing out the fund at March 31, so those moneys have effectively been returned to the appropriation.

MR. CHAIRMAN: Any further questions with regard to Volume II? If not, we can continue with the last volume.

MR. O'BRIEN: The final volume, I might say, we're pleased is available with the public accounts this year. In past years, some members recall, there have been lengthy delays in producing this information. But available with the other volumes this year is the supplementary information, which provides the details of expenditure by payee. That volume provides that detail for the General Revenue Fund expenditures and for two particularly significant regulated funds: the heritage savings fund and the School Foundation Fund.

Generally the information in the volume is organized for the General Revenue Fund. First of all, there are specific statements showing payments to Members of the Legislative Assembly for salaries, allowances, and travelling expenses, and also disbursements under the M.L.A Pension Act. The other expenditures of the General Revenue Fund are broken into expenditures for manpower purposes, expenditures for grants, and then expenditures for all other services, supplies and services, and purchase of fixed assets. Those statements show payments in total for the general revenue and also by department where the payments exceed, in the case of manpower and grants, \$1,000 or, in the case of other expenses, \$5,000.

So that's generally the structure of the three volumes of public accounts. If there are no questions at this stage, Mr. Chairman, perhaps I could have Mr. Heisler deal with the consolidated statements.

MR. CHAIRMAN: Mrs. Cripps, do you have a question?

MRS. CRIPPS: Yes. In supplies and services, fixed assets and other payments, you have some gas co-ops shown as receiving grants but not others. I guess what I want to know is how they would or would not get into the public accounts as having received grants from the government.

MR. HEISLER: Was the payment shown under supplies and services and fixed assets, or under grants?

MRS. CRIPPS: On 7.29, an amount is shown for Buck Mountain Gas Co-op Ltd. Now I know that they received more grants than that shown, and Evergreen Gas Co-op wasn't shown at all, because when I saw that one I checked for the other one. So I guess my question is: how come some payments to some gas co-ops show and others don't?

MR. HEISLER: If I may, Mr. Chairman. If shown in Section 7, these would not be grants. We would have purchased from the gas co-op. The grants would be shown in another section, under grants.

MRS. CRIPPS: Oh. So that means that you purchased \$9,000 worth of something from the gas co-op?

MR. HEISLER: (Inaudible) transactions with the co-ops, whereas grants payments made would have been paid under grant payments in Section 5, if any grants were paid to co-ops.

MR. CHAIRMAN: Are there any further questions with regard to any of the volumes on public accounts? If not, Mr. Heisler.

MR. HEISLER: Mr. Chairman, the consolidated financial statements in Volume I, Section 1, of the public accounts include a consolidation of all the funds and agencies in Volume I, with the exception of trust funds and one regulated

fund, being the Pension Fund. We've indicated in note 1 to the financial statements the reason for not consolidating it.

The purpose of the consolidated statements is to show the relationship of the government as an economic unit to the outside universe. To do this, all interfund and agency asset and liability, and transaction accounts are eliminated, except in the case of those corporations we have classified as commercial entities, where we consolidate on an equity basis. That is, we don't eliminate the interfund balances, and just pick up unremitted revenues or net earnings of those corporations. The reason for doing this is that they are on a considerably different accounting basis. To put them on a basis applicable to the General Revenue Fund would mean writing off substantial revenue earning assets.

This year the only significant change made in the consolidated statements is in the operating statements and schedules 1.6, 1.7, and 1.8. In previous years, after adjusting the corporate statements to the basis used in the General Revenue Fund, we added to General Revenue Fund net revenue the net revenue or deducted net losses of various corporations. This year we consolidated those transactions on a line-by-line basis, so the revenue figure includes the total revenue of all consolidated entities, and the same with expenditure. The consolidated revenue and expenditure tables are shown on page 1.11 in the public accounts.

A new schedule has been added, schedule 1.8, which shows the expenditure by major function of government as set out in the budget speech. This is consistent with an objective of financial reporting in government, to track the financial cycle from the budget speech to the estimates, to the end of the cycle, which is the financial report.

Thank you, Mr. Chairman.

MR. O'BRIEN: If I could deal again with the member's question on gas co-ops, the grant payments to the Buck Mountain Gas Co-op are shown on page 5.15 in the grants statements, and were \$908,241, paid by the Minister of Utilities and Telephones. Those other transactions would have been the purchase of something from the gas co-op by Government Services and the energy department. We could provide details if you'd like to know what those payments were. Similarly, the grant payments of \$245,801 to the Evergreen Gas Co-Op is shown on page 5.36. These transactions on page 7.29 would be the actual purchase of something from the gas co-op.

MRS. CRIPPS: Does every employee, directly paid through government departments, appear in this supplementary information?

MR. O'BRIEN: The details of salaried employees are shown as a total amount here. These are only contracted manpower services. The details of regular salaried employees are not shown in this volume, although that information has been made available to the chairman of the Public Accounts Committee, I think, and to other members if there was interest in a particular situation.

MRS. CRIPPS: Page 7.128, Mandelbaum, Henry. What would that be for?

MR. O'BRIEN: Being in this section, that wouldn't be a manpower service; that would be some kind of contracted service, not an employment situation. But the payment apparently was made by the Legislative Assembly, so the specifics of that would have to be . . .

MRS. CRIPPS: But can an employee of the government also enter into a contract with the government?

MR. O'BRIEN: In normal circumstances, there are restrictions on certain things, I believe, under the Public Service Act, such as sale of land to the government requires specific approval; in that case, by order in council. But there could be situations where an employee of the province would be dealing in another capacity with the province, yes.

MR. CHAIRMAN: Any further questions before we leave public accounts? It looks like we've pretty well covered our public accounts overview. If that is the case, we have no further questions on public accounts.

There was a recommendation that Mr. Rogers prepare a cross reference on the recommendations. Mr. Rogers has prepared this cross reference. Possibly if we could get them passed out to the members, we'll turn the meeting over to Mr. Rogers to give us a description of the cross reference on the recommendations.

MR. STEVENS: Mr. Chairman, may I go back one moment? I did have a question, and we were discussing some other matter. Could I ask the Controller, Mr. O'Brien, if we turn to Recreation, Parks, and Wildlife, for example -- and you don't need to turn to this -- and it says "expenditures, grants", how does one find out what the individual grants were? Do you have to know what they are alphabetically in the next volume? How does a citizen find that out? It just says grants, \$563,000. But that's made up of 20, 30, 50, whatever.

MR. O'BRIEN: Yes, basically I guess you'd have to ask the minister for a listing of those. The way we have structured the information here, if you want to find out what the grant to the Evergreen Gas Co-op was, you can discover that. It's organized that way. The details of grants are not organized by the program that paid them. That has to be extracted as a separate exercise or provided by the minister. Obviously, it's a matter of how one organizes that information on payees. Historically it's been organized alphabetically, regardless, and it just says the source of the department, rather than the other way around.

MR. CHAIRMAN: If there are no further questions, we'll turn the meeting over to Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. The handout you have before you deals with the recommendations in the report that was the subject of last week's discussion, Recommendation 35 onwards. I wouldn't plan on going through the whole thing, because the handout gives the recommendation in the first column and the appropriate part of the legislation in the Auditor General's Act in the second column. I've taken some liberties picking out key words and putting the odd linking word in, which appear in brackets, so it makes sense and reads properly. The only other thing is there are a few remarks.

Mr. Chairman, I would like to perhaps go through one or two points. In Recommendation 37, the report recommended that the mandate of the Auditor specifically include looking at regard for economy and efficiency in operations and procedures for evaluating and reporting on the effectiveness of programs in meeting their objectives.

The latter part of that certainly is in our mandate. The first part calls for the Auditor in effect to pass judgment on the activities of management. The Auditor General Act of Alberta has taken a somewhat different approach. That is, it is the Auditor's responsibility to look at the information and the systems that management has available to it, and report on situations where the systems are not present or, if they're present, where they're inadequate. Even if the systems are there, are they in effect being complied with?

I think you're taking the Auditor a long way out of his field if you then ask him to look at the judgments made by management as a result of management looking at that information they had available to them at the time decisions were made. Very clearly, you get into a situation where you get the Auditor, with the benefit of hindsight, second guessing management. So I think that perhaps the approach that was taken in the Auditor General Act in this situation is somewhat more appropriate than the recommendation called for.

However, I would point out that if we were ever faced with a situation where there was poor management -- bad judgment of a very material kind -- then the legislation, under 19(2) of the Auditor General Act, also provides that the Auditor can call the attention of this Assembly to any other case that he considers should be brought to the notice of the Assembly. So in effect there is no restriction on the Auditor. But I believe that last part of the mandate must be used with great care and discretion.

MR. GOGO: Mr. Chairman, with regard to 37, I guess sometimes the perception of the Auditor is very wide ranging. Some essentially view him as a scorekeeper that tells us about something that happened in the past -- would be a modern term, perhaps, for an historian. That's one end of the spectrum. The other end of the spectrum of course would be from the public protection point of view, that he in effect ensures that what legislators put on the books in ways of the expenditure of public funds is complied with. I can see you get into quite a gray area. On the one hand, in effect you evaluate something that's in place. But I think it should be clearly understood they are based on normal or acceptable management practices, not necessarily pure simple judgment; at least that would be my assumption.

I guess the concern I have is really in the latter part of the remarks on the right hand side. Mr. Chairman, to the Auditor General, I would think that automatically implies a sensitivity. Mr. Rogers, you've been around a long time. You're very highly respected. When you put something in print, everybody pays attention. I think you've seen reaction in this Assembly from Mr. Hyndman, our Treasurer, who not only values your views but acts on them as a spokesman for government. I want to make the comment that I view it perhaps a little differently from some. I view not only the Auditor General in the role but the individual who presently is the Auditor General in the role.

So I have no quarrel with what's been done. I have some sensitivity to whoever, because unless you're extremely unique, human life says that you won't be forever; someone's going to take over. I have to bring to the attention of the committee that I'd like them to understand that when you call attention to certain things now, government listens mainly because you're the Auditor General but also because of who you are.

Mr. Chairman, looking down the road, after all of us are gone, this may well indeed change. That's really the only comment I want to make.

MR. CHAIRMAN: Any further questions on 37?

MR. ROGERS: Mr. Chairman, perhaps I could comment on that.

MR. McCRAE: Mr. Chairman, the Auditor deserves the opportunity of rebutting the testimonial dinner he's just had.

MR. ROGERS: I have great sympathy with it. If the Auditor has free rein to express opinions on effectiveness of programs, make judgments on government's actions, I think we can get into a very serious situation. You're quite right; it is a very sensitive area. You talked about a gray area. I look upon it as sort of a very thin line, that has to be walked very carefully. I think any Auditor General who is appointed -- the Legislative Assembly should

be very sure, before he's appointed, that he is going to be the type of individual who respects the political reality, if you like, that you're dealing with on a day-to-day basis.

MR. CHAIRMAN: Could we carry on then, Mr. Rogers.

MR. ROGERS: Mr. Chairman, as you see, in most cases the legislation has satisfied the recommendations. So I will only comment on those where maybe we took a slightly different approach.

In the case of 42, it sort of recognizes that the legislative auditor may not be the auditor of all provincial agencies. In our case, the legislation provides, in effect by definition, that the Auditor General is the auditor of all departments, regulated funds, revolving funds, and provincial agencies, and, under Section 15, automatically has access to all records of all provincial agencies.

Of course, I included the section almost in total specifically to bring out Section 4, which says that the Auditor General or an employee of the office of the Auditor General who receives information from a person who's right to disclose that information is restricted by law, holds that information under the same restrictions respecting disclosure as governed the person from whom the information was obtained. That is a protection for respecting the restrictions imposed by various statutes. So in effect, the Auditor cannot release information that is protected.

In the case of a Crown-controlled organization, where the government is not a hundred per cent owner of the organization -- we have one situation, PWA -- I still have certain rights of access under Section 16. But those rights of access are not necessarily to the company, although they could be in extreme situations. In these situations, I deal with the statutory auditors of the company, in the case of PWA. When we incorporated that Section 16, during the time the legislation was being drafted, we didn't quite know how it would work. But it seems to have worked very well in practice.

I would now proceed to Recommendation No. 46. This suggests that the Auditor's report should incorporate responses by the audited organizations. There are cases across Canada where this actually is practised. I honestly don't believe it is a good practice, not that I feel the Auditor should be the only one to have a say. But I believe there are avenues for the departments and provincial agencies to present their case. In our situation, before the report is even prepared there has been very extensive discussion with the various departments and provincial agencies -- verbal, in the first instance and, after they've crossed that hurdle, a management letter is written and a response received from that. Only after examining all that material is a decision made as to those items which warrant being included in the annual report.

Now there is a government response to that report, which is then included in the succeeding annual report of the Auditor General. It is there that departmental and provincial agency responses are included. In effect, the Provincial Treasurer brings them together in his response.

There is one other very important way in which departments can present their case, and that is before this committee, in giving testimony when called by the committee.

Mr. Chairman, moving right along, if we could go to page 5.

MR. R. SPEAKER: Mr. Chairman, have we gone by 41 already, page 2?

MR. ROGERS: Pardon?

MR. CHAIRMAN: Mr. Speaker wanted to go back to 41.

MR. ROGERS: Oh, sure.

MR. CHAIRMAN: Do you have a question on 41?

MR. R. SPEAKER: I'd like to make a comment, Mr. Chairman. Sorry, I thought the Auditor was moving from one area to another; I wasn't sure. I just want to make a comment with regard to 41, which states:

Legislation make specific provision for the confidentiality of the Auditor's working papers.

I want to say that I have no trouble with that; I support that. That's long, historic precedent in terms of auditors, whether they're in the public or private service. I agree with that, and I know our legislation satisfies that recommendation.

I don't agree with the other aspect of our legislation that goes along with that. That's where the Auditor General has the right to make reports, in terms of confidential memos, to various ministers. The Auditor General is acting as a change agent in that capacity, because this would be a way by which the Auditor can bring about change in government in a meaningful way. It's supposedly a better service to the general public. I can agree with that. As I've said in the Legislature more than once, that is a very noble concept and a very noble effort on behalf of our present Auditor General. I commend him for that conscientiousness. But on principle, in terms of public administration, I can't accept that kind of act. I think it is the responsibility of the Auditor General to provide, not only to the Legislature but to the general public, an open accounting of the government. Those types of confidential memos which are to bring about change do not comply with that basic principle, as I see it.

The responsibility for change is incumbent upon a minister, a government, or a Premier, because that's what they were elected to do. They were elected to govern and manage the affairs of the people of a province. They should be held responsible to do that in public. If change doesn't come about after a matter is exposed by the Auditor General, then the political consequences are those of the people who were elected to govern, such as the Lougheed government in this province. I don't think someone else, such as the Auditor General, should buffet or stand in an in-between position and take the responsibility for change, when it is the responsibility of government to bring about change and to manage the affairs. If there's sloppy administration, then they pay the political consequences for that kind of administration.

I'd just like to say that I can't accept that principle. I want to say it here before the Auditor General so it's clear before this Legislative Assembly. When we passed the Act, I think most of us weren't aware of the fact that that was going to be the procedure. But as I said, with regard to Auditor's working papers, those papers are certainly the property of the Auditor, and that's a long-established principle. But once a memo, directive, or an observation from those papers is made to a minister, that observation should either appear in the annual report or be available to the members of the Legislature.

MR. GOGO: Mr. Chairman, I'm somewhat sympathetic to the Member for Little Bow and his comments. But I think the Auditor General was pretty specific in addressing 46 as relates to 41. Either a government is elected to govern or it's not; that's a sound principle. The Auditor General responded in 46 -- and not in agreement really with the recommendation -- by indicating how things are done. I think the thing we should be cognizant of is: what is the

role of the Auditor General? When you look at the size of government -- and I see what goes on particularly with Crown corporations. There are many, many meetings between auditing people and management. People are saying, hey, just a minute; what's the explanation for this; what's the explanation for that? Suggestions are given, changes made, and so on. Now I think that's essential to a smooth-running organization. If they comply, why make an issue? I totally agree with that.

I think, for example, of the building industry, with labor and building standards. I think of a project that came in a couple of years ago and required 600 changes by the department before a permit would be issued. The alternative to that is you would simply reject the application, and it would come back 400 times. Surely what we're talking about is working co-operatively. I've heard the Auditor General say that he submits to the Provincial Treasurer, the Provincial Treasurer responds, takes action -- he may not take action, but certainly responds. I don't think you can have it both ways. I don't think there can be a management letter issued saying, in my judgment I think this is wrong, and then have the thing public. I don't understand how that can possibly function effectively.

So I disagree with the Member for Little Bow on 41. I think the explanation I have had, which is very satisfactory to me, is really in 46. I guess the ultimate is within this Chamber through the Public Accounts Committee. Ministers can be summoned by this committee to appear and justify whatever's happened. So I would disagree with the Member for Little Bow, although I'm sympathetic with his intent. I think the Auditor General answered that in responding to 46.

MR. STEVENS: Mr. Chairman, I very much agree with my colleague the Member for Lethbridge West. I want to draw the attention of the committee to the fact that the Canadian Public Accounts Committees and Legislative Auditors report was prepared by a chairman who was the former vice-chairman of the Public Accounts Committee of Canada and by members from Nova Scotia, Queens University, Clerk of the House of Commons, British Columbia, Deputy Auditor General of Canada, and Ontario. I don't see any Alberta representative as a member or chairman of the committee. I think it's important that we remind ourselves that the report on Item 41 says:

The Auditor must not be used as a means of obtaining information from the government that would not otherwise be available. It is for that reason, among others, that all Auditors consider their working papers to be confidential.

Obviously if any other position were taken, the greater danger to all governments -- and this is one of all governments -- is that the Auditor General's relationship with the departments would be damaged. The confidentiality between the officials and auditors would be destroyed. Information that is required by any member can be requested, as is said in the report, from the source, the government. It is up to the government to determine whether the information is available. That's been the position of this government, and I notice it's a position recommended by this committee.

If there are further positions taken by the Member for Little Bow, I think they should be taken in a different area, not in this committee. They can be taken in the House, as they have been: at question period, by the tabling of Bills for examination of the Legislative Assembly. But this report very clearly indicates the reasons this recommendation is made. Alberta and Ontario have this procedure by the Legislature, and they have recommended that others adopt it accordingly.

MR. KESLER: Mr. Chairman, I take exception to wanting to deal with these matters in another realm. We're dealing with them here. If there are questions and problems as we review them, I think this is the time to deal with them, not leave them to another committee or a later date.

My question is to the Auditor General. Perhaps he could relay the value of this system and the advantages he feels that particular recommendation has to the government or to the people of the province, so everyone has a better understanding. Perhaps he has some experiences or specific situations he could present, so we have a better understanding of some of the areas he has to deal with in handling that recommendation, so it's more clarified. Maybe we can clear up some areas of doubt.

MR. R. SPEAKER: Could I just add one other question for Mr. Rogers to consider. My belief is that Mr. Rogers acts as a change agent under the present legislation and provides management letters and confidential internal documents between a department and the Auditor General's department. At that point in time, I feel the Auditor General is involved in the political process. I have all confidence in Mr. Rogers, and I'm not levelling any criticism. But because of the way that legislation is set up, the opportunity of discretion, where the Auditor can maintain confidentiality over certain kinds of mismanagement that may be occurring in government, that may be protecting the government from severe political criticism. At that point, I think the Auditor General -- I'm talking about a more extreme situation than even occurred last fall -- has allowed himself or herself to become involved in the political process, which is a dangerous situation. It takes away from the objectivity of the role of the Auditor General as I see it in my definition. I'd appreciate it if Mr. Rogers would comment on that as well.

MR. ROGERS: Mr. Chairman, if the Auditor had responsibility for change, as I believe was said earlier, I would agree that this would impair objectivity. I have no responsibility at all for change. I have a responsibility to recommend changes that are perceived to be necessary as a result of the audit work carried out by the office. If those changes are made and there is no loss of money, funds, or assets, it simply becomes a non-issue at that point. Many changes we suggest are really matters of degree. Sometimes it would be very difficult to make a convincing argument in a public report when you have almost matters of opinion.

I do not regard myself as being responsible for change. I do regard myself, from a public point of view, as having a responsibility for minimizing any possible damage that poor controls might result in, by bringing them to management's attention as soon as possible and making recommendations for change, which management usually complies with immediately. If there was any loss as a result of poor controls -- and controls tend to be very subjective; this is part of the problem -- those matters would be reported. Any significant matters, even if corrected -- and you will see this in the report -- are still reported if they serve as an example to other departments, and there is a utility to reporting them. If you grant Auditor discretion, as this Legislative Assembly did, I can assure you that I use that discretion very carefully. It is not used to cover up, if you will, poor administration.

I would like to add one further thought. While our Act in Alberta spells out that discretion, it is taken for granted for other auditors in Canada, both provincial and the Auditor General of Canada. They perceive their responsibilities to be the same as the responsibilities that I perceive I have. I might state that it is common practice, in fact almost universal practice, in both the private sector -- we're talking about private companies, where you get a similar accountability situation with your board of directors and shareholders -- and the public sector for management letters to be sent to

management at the conclusion of each audit. Then only matters that are considered to be significant are included in the Auditor General's report. In view of the discussions that have taken place in the recent past, I paid particular attention to the reports of my colleagues that I've received in the last several months. I do not perceive that we operate in any manner different from other jurisdictions. It is simply that our Act does spell it out.

MR. KESLER: Mr. Chairman, I would just like to say that there are those who seem to think that it is an affront to their integrity to seek information. I'd like to assure the hon. Auditor General that it was not an affront to his integrity. I just felt that I would like to have more information on the areas he is dealing with.

MR. ROGERS: The other thought, if I could just go on a little further on this, is that this process is necessary because very often we perceive a matter to be in a somewhat different light from the way management does. In many instances, we perhaps are too much in the ivory tower and recommend something that, when we get a little closer to it and have the discussion and letters going back and forward, we see that we would have looked pretty stupid or a little far-fetched if we had have put our first thoughts in a public report. This happens whenever you get human beings, people who are working with matters day by day by day. Then someone else, who hasn't the same depth of knowledge of the situation -- auditors can't have a complete view of everything that is going on in the government at all times. Therefore judgments made on the basis of a look over a period of, say, several weeks can often be set right by people who are working in an area all the time. That takes place in every audit situation I know of. You have to allow us to get that out of the system, so to speak, before you write a report that becomes public.

MR. R. SPEAKER: I can't argue with that last statement, but a management letter, if I recall the terminology used last fall, after exit conferences -- I guess that's the "in" word for the accounting jargon. At the point a management letter has been directed to a minister, some conclusions have been reached, after good thought, good collaboration, good consultation, and you're at a point where you're saying, look, I think something has to be done. That is the point at which there is discretion as to whether that becomes part of the annual report or a confidential document to the minister, which we as members of the Legislature may or may not ever see, and under the present terms, will not see, because the government won't give them to us and the Auditor feels they are part of working documents that we can't have.

The question I raised earlier is that, as I see it, that sets the possibility of -- and I don't think you addressed this question, Mr. Rogers -- where an Auditor, in his discretion, could protect, in a sense, the government from political criticism. I think that can happen. Secondly, because of this process and because the management letter is not made public, the Auditor General allows himself to come under criticism because he is involved in the political process and away from the role which you defined in your first comments as not the role of the Auditor General. I'm trying to look at this as the ground rules for any Auditor General, not for you, Mr. Rogers. I think you understand that. We're talking about the public administration of this province.

I would like you to get closer to looking at that question of your being involved in the political process, which you don't want to be because of this Act.

MR. ROGERS: Mr. Chairman . . .

MR. McCRAE: (Inaudible) responses I think have been very thoroughly canvassed. The question that has now been placed to the Auditor General causes me some difficulty and has an underlying premise that the Auditor General, by not making the management papers available to the opposition or the public, is somehow entering into the political process. Frankly, I don't accept that. I think the Act is extremely well and carefully worded. I think it is unique and pilot legislation in Canada. The system we have, as has been expressed by two other members speaking a moment back, where the Auditor's staff has the opportunity of assessing what is going on in a department -- in their minds, they may think it isn't necessarily a thousand per cent or a hundred per cent the best way of doing it. So a dialogue goes back and forth between the department and the Auditor General and his staff. In some cases, the Auditor General may have found that his point of view wasn't necessarily the right one. On further and deeper examination, he reaches a conclusion and so backs off from that point of view.

To make all that kind of discussion or memo writing public I think would deter the Auditor General from effectively carrying out the examination of the public expenditure that we want him to do. In some cases, if it were public his people might be embarrassed to raise the things they do. And that would deter them. In other situations, the point of view they're expressing may, in their minds, be an improvement that is accepted by the department. We all recognize the possibility for distortion by whoever, in terms of taking little bits of information or suggestions and saying, hey, we have a major case here; let's do something with it politically.

I think what the Auditor General is doing is effectively patrolling the area of public expenditures. If he finds that there aren't the two "e"s in place or, first of all, that the efficiency test is not there or is not being used, then he reports on that. But to require him to make public every suggestion, every question he raises, I think would completely defeat the purpose of the Auditor General's autonomy.

I want to sum up with -- and I think the Auditor General might have some difficulty in responding to the question, because it asserts that he is somehow into the political process. Frankly, I don't accept that. I think he is not in the political process but would be if he were to accept the recommendation or suggestion of the Leader of the Opposition and, by being inserted into the political process, would somehow be deterred from carrying on the very effective patrolling of government expenditures that is now happening. The reason I say that is that I think the Auditor General would have difficulty in responding to the answer with the underlying assertion that he is politically involved in the process.

MR. CHAIRMAN: Are there any further questions or comments on Recommendation 41?

MR. ROGERS: Mr. Chairman, I want to make just one remark. Whether or not matters are included in the Auditor General's annual report is a matter of judgment. I make the decisions. One of the criteria that does not even enter into the mix, if you will, is whether or not it is going to be politically embarrassing. That is certainly not my job, else that would take me into the political sphere. I do not even consider that. That is not part of the criteria. I just want to assure everyone of that. It is judgment, based on the facts.

MR. CHAIRMAN: Did you want to continue with recommendations, Mr. Rogers?

MR. R. SPEAKER: Mr. Chairman, that wasn't what I was saying in terms of the report; I respect what goes into the report. I was talking about an actual procedure which is in place at the present time, where the management letters go from Mr. Roger's office to Mr. Hyndman's -- in one case that we know of and in other cases -- which we as members of the Legislature haven't got access to. They're internal documents issued at your discretion. The content, from research in the department, is at your discretion. All I'm saying is that because legislation allows that process of confidentiality to go between two agents in a public process, whereas I as a publicly elected representative, responsible on the front line for what happens in government, can't get that document or can't judge whether the minister, because he accepted the document and responded to it, did it in a responsible way -- responsible to the public, not to you as Auditor General.

I'm saying that legislation that allows that in Alberta is not acceptable to me. That management letter should be a public document. If it goes to whatever minister, we should know about it. It is a letter that has been arrived at after much consultation, thought, and a lot of integrity and professionalism. Then we should be able to have it. Any management letter, significant or insignificant, should be included in this report. As far as I can see, it was significant enough to put into a management letter. The crisis wouldn't have occurred last fall if we had had that open process.

That's what I'm saying to you, Mr. Rogers. Because of that, whether real or perceived, you're involved in part of the political process; not because you want to be. You're doing an honest, sincere, responsible job, and I understand that. I'm not criticizing you. I'm trying to look objectively at the way we as legislators are handling it. I'm an elected representative of the people and have to answer to the public for my actions. Within the ground rules, I think we are leaving the possibility of your office being open to criticism down the road, even because you are being very responsible in taking that action.

I myself am not sure that as an Auditor General I would want to take on that role. I would say: the government is elected, and when I find something after good research and observation that is not quite right, I'm going to lay it out; let the political process take hold, and do what it has to do. If the minister didn't pull up his socks, I'd be the first guy to vote against him and turf him out of office. I think that should be the attitude, and it isn't. I think the Act has been arrived at because of the very responsible position you want to take. But when I examine it in terms of my responsibility and what your ground rules are, it could lead to difficulty.

I want you to know that my criticism is of the ground rules, the way we handle it, and what could happen. I'm not talking about you as a person. That should be clear.

DR. C. ANDERSON: Mr. Chairman, by wanting to have all those management letters and inferring that each of those letters needs to be made public so he can deal with it and address the problem, I feel the Leader of the Opposition is asking that he be made another Auditor General. In my constituency, I have a responsibility in the front lines too. I believe that if the problem isn't handled right, if there is anything out of line, the Auditor General will include that in the report, when it becomes available. So I don't think there is a need to have all the management letters made available. I'm certainly not going to try to take on the job of the Auditor General.

MR. KESLER: Mr. Chairman, I disagree. I think the concern is that the Auditor General is being used to cover the incompetence of ministers of the government. If they're so incompetent that the Auditor General has to cover their mistakes and rectify problem areas for that department, then Members of

the Legislative Assembly, whether on the government or opposition side, should know that department is incompetent, and they can be more aware of the direction they're taking.

DR. McCRIMMON: Mr. Chairman, when the Auditor General writes a letter to the minister in question to point out what, after study, alterations he considers can be made to increase efficiency in that department, it appears to me that his job is to try to make more efficient the financial operations of the department he is working with. As the Auditor General stated, this is true in every business across industry and across the country, in all phases of government: municipal, provincial, and federal.

As far as I'm concerned, to hand out that information to people for political usage, to be used for their own purposes, would be the height of indiscretion. It would be a terrible political mistake for any government or business to do this. It would destroy the whole purpose of the audit, which is to increase the efficiency of the organization. If something that is wrong is not corrected, as far as increasing or altering that efficiency, that comes out in the Auditor's report. If a minister doesn't change the procedures, it comes out in the Auditor's report, because then there is a difference of opinion between the Auditor General and the minister. If it's not resolved, it comes out in the report.

To ask that any changes be turned over to somebody for their own purposes, when the same ones have at their hands research funds and research ability -- in other words, it seems to me that they're asking somebody to give them information and background which a little work on their own part might resolve.

Thank you, Mr. Chairman.

MR. McCRAE: Mr. Chairman, I want to make one observation. I think it's fine to have all these varying opinions as to what the role of the Auditor should or shouldn't be. I appreciate the way the Auditor General has responded in terms of his assessment of what the legislation requires and permits him to do, and how it relates to the responsibilities of other auditors general across the nation, this wonderful world of Canada. I simply want to say that I hope we are not asking him to enter into debate with us as to whether his role should be expanded, limited, or whatever. It's fine that he should be asked questions and respond to them. He's given his interpretation of how the system is now and should be working. But I don't think he should be asked to debate or respond to the type of statement that was just made by the Member for Olds-Didsbury, that he is trying to protect an incompetent government. It isn't part of the record. We have his report. It doesn't show any incompetencies of government, so there is nothing to protect.

I simply say that we shouldn't be asking the Auditor General to embark on this debate we're now having. Perhaps the debate should take place on the floor of the Legislature; perhaps it's appropriate here. But the debate should be between members, not us and the Auditor General.

MR. GOGO: I simply want to reiterate what the Minister of Government Services has said. The Auditor General is an officer of this Legislature. It's obviously no secret that he who controls the government probably controls the Legislature, simply by numbers. The Auditor General is hired by the Assembly. I take strong exception to comments made by the Member for Olds-Didsbury that the Auditor General is being used by the government to cover up incompetent ministers. I take strong exception to the statement that he is being used for anything. I've been a member of this Assembly for seven years. I've developed a very, very high respect for the Auditor General. Frankly, that's a comment I would rather see withdrawn from this Assembly.

MR. KESLER: Mr. Chairman, I didn't accuse him of that position. However, because of the way the legislation reads, I think it could be construed as that and that there could be a time when it could happen. I didn't accuse the Auditor General of doing that today.

DR. C. ANDERSON: Mr. Chairman, I suggest the Member for Olds-Didsbury read the transcript. But I think we're really having much to-do about not much, and I suggest we get on with our business and do something else.

MR. CHAIRMAN: Mr. Rogers, did you want to respond?

MR. ROGERS: I have nothing further to say on that particular subject, Mr. Chairman. Do you want me to proceed?

MR. CHAIRMAN: We're coming close to a close here. We started a little late, so maybe we should quit a little early. I can see that we're not going to complete these recommendations.

DR. C. ANDERSON: I move we adjourn.

MR. CHAIRMAN: We have a motion to adjourn. All in favor?

HON. MEMBERS: Agreed.

The meeting adjourned at 11:27 a.m.