

[Chairman: Mr. Martin]

[10 a.m.]

MR. CHAIRMAN: Maybe we will get started. First of all, the minutes of Wednesday, April 3, were circulated to members. Are there any errors or omissions? All those for approval of the minutes of April 3?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Just a couple of announcements, first of all. Each summer there's a meeting of the Canadian Council of Public Accounts Committees from across the country plus the federal government. For anybody who has a burning desire to know what happens, there are two copies of the book. I have one, which people can borrow, and Mr. Moore has the other one. I know that you'll all be rushing up, and we'll have to keep a list of people who want to borrow the book. It's here if you want to see the minutes of that meeting. Mr. Carter is already anxious.

The other announcement is that three ministers, so far, have responded to Public Accounts, and these are confirmed: May 8 for Mr. Diachuk, May 22 for Mr. Trynchy, and May 29 for Mr. Koziak. We'll be confirming the other ones as we go along.

I'd like to introduce the Auditor General, Mr. Rogers, and have him introduce the staff member who is with him today. I thought we would follow what we have done in the past, going section by section through the book. Mr. Rogers will make initial comments, and then we'll open it up for questions to people in the Public Accounts. I remind people that our tradition, which seems to work relatively well, is one question and two supplementaries. The two supplementaries can be in any area in that section; they don't have to follow one from the other. If you look at it, the first part is Overall Assessment, and that's what Mr. Rogers will begin to talk about. That's section 1, up to page 12.

With those initial remarks, I'll turn the first part over to you, Mr. Rogers.

MR. ROGERS: Thank you, Mr. Chairman. As you know, this is the sixth annual report of the Auditor General since the office was instituted. For those who may not have been

present for previous reports, although we are reporting on the year ended March 31, 1984 — and this now does seem to be rather a long way away, and timeliness is one of the matters we mention, because the tabling of the report was nearly 12 months after the end of the fiscal year — nevertheless, the report is based on work that was being completed as late as December, and many of the observations are on systems and systems of control in place in the summer of '84 and even in the fall of '84.

That leads me to comment on the nature of the report. It is not a balanced report. It cannot be a balanced report because the terms of reference of the audit mandate, as contained in the Auditor General Act, call for observations of things that were not correct. Therefore, it's a report on an exception basis and is not balanced inherently. Consequently, this led me and my office to feel obligated to give an overall opinion, based on an overall assessment based on the work of the office which is going on year round and covers over 200 audits in total and pretty well every nook and cranny of government. One cannot do that without forming an overall opinion, and I think it is correct to share that opinion.

That is that, again this year, I have the feeling that the administration of financial affairs is generally satisfactory, subject to the items that are reported here. I think the important thing is that each year sees an improving situation, and that is recognized in a number of instances through the report. Also, if one looks back over the last five annual reports, those reports contained 139 specific recommendations. Of these, 11 are carried forward in this report, while 10 others are in a special section for recommendations from previous annual reports that were rejected or not completely resolved. In some instances this is where there is a difference of opinion between my office and management, the government, but they are still brought forward to have the visibility, and it is really for this committee and the Legislature to decide.

If you look back over the first five annual reports, they resulted in 118 of the recommendations which were either implemented or, in some instances, the conditions that lead to the recommendation were changed by, for instance, removing a function from one department to another and so

on and so forth so that the recommendations became redundant.

That is a sort of overview of what has occurred since the new legislation was put into place commencing April 1, 1978.

Going on now with this first section of the report. You are all familiar with the Public Accounts Volume 1 containing the consolidated financial statements, which are the financial statements of the whole province. Following those statements are the statements of the General Revenue Fund and other provincial agencies and funds. Volume II contains the details of expenditures for the various programs authorized by this House.

On page 3 of the Auditor General's report is the audit report on the consolidated financial statements which, as I say, show the overall effect, results of operations, and financial condition as a result of not only departmental activities and the revenue and expenditures in the budget but also those of provincial agencies, which of course are also under the authority of this House.

If we look at what those results show, they show that the province recorded a consolidated net revenue -- that is, an annual surplus -- of \$240 million for '83-84. By comparison, the '82-83 was a deficit of \$794 million. Therefore, the accumulated surplus at March 31, 1984, was \$11.5 billion as opposed to \$11.3 billion at March 31, 1983.

On pages 5, 6, and 7 we have some comparative figures of both revenue and expenditure, and graphic illustration of some of the more significant items in net revenue and expenditure. Page 8 shows revenue on both a percentage and per capita basis by classes of revenue, and page 9 deals with expenditure in the same way. Page 10 is a graphic presentation of the year '79-80 through to '83-84 of both the gross and net nonrenewable resource revenue. Page 11 defines these various revenues and offset programs and gives some comments on why the changes occurred. On page 12 are two pie charts, '82-83 and '83-84, showing the percentages of nonrenewable resource revenue gross to the Alberta Heritage Savings Trust Fund, to the General Revenue Fund, and returned to industry by way of various programs. You'll note the comment in the paragraph at the bottom of that page, which accounts for the figure to the Alberta Heritage Savings Trust Fund.

One comment I make is that it appears, by looking at these two graphs or illustrations, that there has been a considerable decrease as between '82-83 and '83-84 of the amounts returned to industry. This is what actually happened, but the explanation lies, as is indicated elsewhere, in the fact that in '82-83 there was a delay in starting some of these programs and some of the credits given to industry with respect to '81-82. So in effect you have more than one year's credits in there.

Proceeding to -- are there questions?

MR. CHAIRMAN: People can ask on any of this part he's been talking about.

MR. PAPROSKI: Pardon me, Mr. Chairman. You're going to let Mr. Rogers proceed through as far as he wants, or how far?

MR. CHAIRMAN: I tried to explain it before; we're doing it section by section. This is just the overall assessment, and it's up to page 12. We'll stop when he's finished and then any questions, and then we'll go on to the next section. We'll do it section by section.

MR. ROGERS: I've now actually completed that section, Mr. Chairman.

MR. PAPROSKI: Mr. Rogers, I'd like to go back to your initial statement about "not a balanced report". I wonder if you could spend some time clarifying just what that terminology means, if you don't mind.

MR. ROGERS: When auditors are given a mandate to report all instances of lack of compliance, all instances where systems were not in place, all instances where if the systems were in place they were not adequate, all instances of noncompliance with systems -- if the auditor does that strictly, then his report consists of instances of wrongdoing. Yet if you look at the overall picture, far more is done correctly than is done incorrectly. By asking for a report on only the incorrect items, it obviously is not a balanced report. It cannot be. It doesn't show a fair picture. That's why I felt very strongly that somewhere in this report that should be brought to attention and also there should be an overall assessment, if you will, of the way in which government was conducting its financial affairs. I think this is

perhaps the only one in the country that does that, but that's a personal thing. I feel that's only fair. It's a matter of fair play.

MR. PAPROSKI: Mr. Chairman, a supplementary to Mr. Rogers deals with section 1.3.2. You allude to the fact that you're referring to 70 different boards and agencies associated with your audit, and you exclude universities, colleges, technical institutes, et cetera. What I perceive from your comments is that this is the first year you've taken this into consideration as much as you have. There is a little bit of confusion, and I wonder if you could clarify that whole section for me.

MR. ROGERS: Are we talking about 1.3.2? No, this is the consolidated financial statement. Can I go back before the new legislation came into play? Prior to 1978-79 the financial statements of the General Revenue Fund were regarded as being the accounts of the province. But those accounts did not show any activity other than the program expenditure approved at the time of the budget, did not show the affect of the various provincial agencies -- Housing Corporation, AGT, various ones that exist. Of course by that time, as you know, the Heritage Savings Trust Fund was in existence, and so a considerable amount of activity was outside the financial statements of the General Revenue Fund. It was very difficult to say that these were still the financial statements of the province. At the same time, there was a move afoot within the accounting profession to try to define the entity that was a reporting entity for governments.

In my final report under the old way of operating, which was '77-78, my final recommendation, if you will -- although, as you know, as Auditor in those days I did not make a formal report except at the beginning of public accounts, because in those days I prepared public accounts. I think my final act was to recommend to Treasury that they give consideration to consolidated financial statements for the province.

That recommendation was considered reasonable, and Treasury was responsible for creating the consolidated financial statements by bringing in all the activities of government so one set of statements said, "This was the result of all of government activity." Of course, the statements of the General Revenue

Fund still exist. Nothing was taken away; rather it was added. But in deciding what to consolidate, and the decision actually hinged on the Financial Administration Act, it was decided that certain organizations, including universities, colleges, owned hospitals, and several other organizations, be excluded from being covered by that Act. That list is in note 1 or note 2 of the consolidated financial statements.

This isn't new. This has been in every report. This is the sixth repetition, if you will. It has to be repeated because a person who may be looking at this for the first time may not have seen the previous five reports. So as each report has to stand alone, the environment, if you will, has to be talked about each time.

DR. CARTER: Mr. Chairman, through you to Mr. Rogers. First, as vice-chairman of the Legislative Offices Committee, I'd like to formally place on the record the appreciation of that legislative committee of the work of Mr. Rogers in particular and his senior staff and how co-operative they have been with respect to the work of that committee.

I have two questions. The first one is with regard to page 8, which is section 1.3.9. Scanning the graph that's available here, I wonder if the Auditor General would be good enough to comment as to whether he believes that all the payments from the government of Canada that we were entitled to during that reporting period did indeed end up in the Alberta Treasury.

MR. ROGERS: That is a difficult question to answer specifically, Mr. Chairman. Put it this way: I would rather put it in the negative, that I do not know of any payments we should have received that we did not receive. The problem is that my audit staff has no access to the records of the federal government. As a matter of fact, that is one of the matters I have brought to notice in various reports. However, that is not the whole picture. To some extent I take comfort in and rely on the work of the federal Auditor General. We have worked in close contact with that office over the last several years. I actually went to Ottawa. I had tongue firmly placed in cheek when I said, "I've come to audit your work as agent for the Alberta government in collecting provincial income tax." I heard later that it caused a bit

of a panic.

What it did, of course, was focus on the problem. We discussed it in our annual meeting of the legislative auditors, subsequent to my visit. The result was that we created a task force of several provinces to sit down with the federal Auditor General's team that was auditing Finance and National Revenue. The concerns we had were then expressly addressed by the federal Auditor General, who of course does have access. We sort of got around it that way. But that is not as satisfactory as if there were even the right of access, which certainly would make our position a little stronger, although I do believe that if you can have one audit instead of 11 audits, that's the way to go. But it did mean that my people who were on the task force were unable to look at any documents. If the team of the Auditor General of Canada was explaining a matter, he could not show them a single document, which removed us somewhat from the audit activity. However, that's perhaps digressing somewhat, although I think it's relevant to the question asked, Mr. Chairman.

Overall, though, I have every reason to believe we are getting the payments we should get. But whether we get them on time is perhaps another matter.

DR. CARTER: Thank you. Mr. Chairman, to the Auditor General: the flip side of the three-way triangle between the provincial government, the federal government, and the nonrenewable resource industry takes us to the matter of royalties and so forth to be collected, from the oil and gas industry in particular as an example, but they're not the exclusive area. Do you feel to your satisfaction, because there is no auditor general reporting on behalf of those industries, that the province has indeed been the recipient of the full amount that was due it?

MR. ROGERS: Yes, Mr. Chairman. As a matter of fact, it isn't in this report, but I have carried out work; as you say, the flip side. I've prepared working papers and have expressed opinions that, through the department here, have been made available to the department in Ottawa, dealing with the various national energy program programs. As a matter of fact, we are in discussion this next month with officials from Ottawa together with our own

officials, because I don't believe that our office should deal directly with the federal departments; rather, through our department. My reports are to our own minister responsible for natural resource revenue. It is an ongoing thing, and we are still dealing a couple of years in arrears. So we're still dealing with the results of this year that is being reported. It's ongoing.

I have a reservation of opinion on certain technical factors, and it is then up to the government to justify actions taken in those situations. As you'll appreciate, it's an extremely difficult subject. I have people who have had to gain quite a bit of knowledge in this area, of course. Our office is involved in giving all parties involved assurance that both ways operate it satisfactorily.

MR. STEVENS: Mr. Rogers, I wonder if you'd turn to those charts that Mr. Carter referred to on pages 8 and 9. As I look up at the press gallery and note the terrific enthusiasm and interest by our 30 or 40 various media representatives, I hope, Mr. Rogers, that if they do read the transcript, some of our media, no matter what political persuasion any of the members have — those charts are very helpful, and I'm going to make sure that a number of my constituents see them. At the bottom of the pages you show Statistics Canada population. I wonder why you don't use Alberta statistics, which I believe are more up to date and based on movements of people in and out, health care changes, and so on. Why Statistics Canada? Did they not do a projection for March 31, 1984?

MR. ROGERS: I asked the same question. In fact, I first accused people of having made a clerical error. They do maintain the movements, and we actually verified that there was no change. The quarterly figures also bear that out. That quarter happened to remain the same. For instance, July 1, 1983, which is between these two figures, was 2,354,300; the last quarter of 1983 was 2,351,900; the first quarter of 1984 was 2,348,000; and then, believe it or not, at the date that we picked up, it came back to 2,349,100. So their figures showed there had been changes in each of the quarters but, coincidentally, at March 31 of each year the figures were the same. I had a bit of a problem believing it, to be quite honest,

but we double-checked it.

MR. STEVENS: I knew you would. I wonder if you might give consideration to reviewing this particular chart and the three years, and see if our Alberta statistics and our own provincial figures would be more reliable -- other than for the decennial census or the interdecennial census that, of course, Stats Can does and, I understand, will be doing again.

It's interesting to note on those charts that without nonrenewable resource income, less incentives, and without investment income, the only remaining revenues to the province through taxation or payments from the government of Canada or fees and so on are less than the expenditures that are made on behalf of the people of Alberta for education and health. The fact that these charts are here is very helpful to each of us, and we should refer to them.

Mr. Chairman and Mr. Rogers, can I turn you back to what the charts made me look at, and that's page 5. You have two charts showing how personal income taxes during the year in question decreased by 10.2 percent compared to the previous year. That's in the first bar graph there. Below that you show how corporation income tax, for the reasons indicated, increased by \$315 million. Yet when I look at the statistics at the top of the page, you show that taxes increased by about 12 percent. You show a gross tax figure of \$2,152,000,000. I can't get that figure from the two bar graphs, nor can I get it from pages 68 and 69, which show personal income tax, gross or net, and corporate income tax, gross or net. I don't know how you get the 2.1 figure, unless I'm missing something.

MR. ROGERS: Mr. Chairman, the answer is that there are other taxes involved. We have quite a list of taxes, but these are the most significant ones that we picked out of that total figure at the top.

MR. STEVENS: Is there something in the report that gives us an idea of the other kinds of taxes available to the province?

MR. ROGERS: Mr. Chairman, all these graphs and figures are not original; they are taken directly out of the public accounts. The only reason I do that is to try to make them perhaps a little clearer. At least this was the objective. I don't know whether we've met that

objective, but the objective was to try and make them a little more understandable and a little clearer and sort of get away from accounting format. The figures are here. We will give a complete listing. If we don't do it now, we'll do it for the next meeting.

MR. STEVENS: If it's available in the other booklets, I can find that. Thank you.

MR. PAPROSKI: Mr. Chairman, the questions that Dr. Carter referred to the Auditor General are intriguing, especially with respect to the relationship with the federal Auditor General. I ask the question what the relationship is like with the Auditor General for the city of Edmonton. What relationship does your department have with that department? Is there an ongoing relationship there? What kind of procedures are followed, if any?

MR. ROGERS: Mr. Chairman, if I may, I would like to give a little bit of history of our relationship with the federal Auditor General just by way of explanation, starting with the year 1973. A number of us were appointed in that year, including Jim Macdonnell, the Auditor of Ontario, me, and several others. Being new boys, we were a bit lonely. So we decided we would do something that had not occurred since Confederation; that was, we would have a meeting. Needless to say, we've had a meeting each year since, and more recently with the Public Accounts Committee chairmen and vice-chairmen. It has turned out to be enormously helpful in, if you like, checking course. While we all go our own way and do our jobs the way we feel they should be done, nevertheless it's useful to know how other people tackle similar problems in other jurisdictions. It has been extremely helpful. Therefore, there is a fairly close relationship between the various legislative auditors. Quite often you'll pick up the phone and talk with an opposite number in another jurisdiction. Consequently, working with the federal Auditor General has been very satisfactory simply because of the personal relationship that builds up.

In the case of the Auditor General of the city, there is a personal relationship in that he was a student in our office, graduated in our office and became a chartered accountant in the office of the Provincial Auditor. As a

matter of fact, at one point I was responsible for his studies. That's just coincidental that there is a personal relationship there. On a professional basis, there is not the same commonality of interest, if you will, that there is between the federal and provincial Auditors General. However, our paths do cross and we refer to a case -- mainly in the last report, but there's mention of it in this report -- where he is expressing an opinion on compliance in the case of the LRT moneys advanced by the government and the way in which the city expended those funds. But on a professional basis there is not a great deal of contact.

MR. PAPROSKI: A supplementary on this point. You indicate clearly that the relationship is a positive one; there is a professional relationship. But do you foresee or would you predict that the professional relationship should increase, that your involvement with that department and the city's involvement with your department should be enhanced, should be broadened, due to the vast amounts of moneys that are filtering from the city to the province and vice versa?

MR. ROGERS: I'll put it this way. I certainly think that the possibility of a positive result is there. The only problem is that the Auditor General of the city is working under a mandate quite different from our office's. For instance, our mandate does not include recommendations to increase efficiency and those kinds of things. We are more oriented towards financial administration and compliance with legislation, whereas he is not the auditor of the financial statements of the city. A firm of chartered accountants is their auditor. His involvement is mainly with systems in a rather different way from the way in which we relate to systems, because he is looking at it, as I said, more from the efficiency and economy point of view. Of course, his reports to city council reflect that.

MR. HARLE: Mr. Chairman, following up on that, from the point of view of accounting for grant moneys where the budget of the province is authorized to pay grants and there is a legislated background for the ability to make grants -- I'm thinking of grants to the municipality -- what is the relationship between you and the municipal auditor from the point of view of tracing those funds to see that they're

being used for the intended purpose? Some of those grants may be conditional grants, on condition they be used for a certain purpose. On another occasion it may be an unconditional grant. If the cheque is made out to the city of so and so, is that all you are looking for, or do you follow through with the auditor of the city to ensure that it was in fact used as intended if, for example, it was a conditional grant?

MR. ROGERS: Certainly, we're interested in seeing that a grant that is paid to a city or any other municipality is properly authorized. But having been paid, if it is nonconditional it ceases to be public money and I have no right to follow that grant. If it is a conditional grant, it is for the department, under their own grant regulations, to determine that that grant has been used for purposes for which it was intended.

We come into the picture when we are auditing that department's records, when we see that the basis of the department's assurance is faulty. That was the case we referred to in our report last year. All the auditor was saying -- he was following the wording of a format prescribed by the department, which when you read it did not really give the department the assurance it thought it was getting. It simply said the money was spent. There was nothing there to indicate that there was compliance with the terms of the grant agreement.

I'm not blaming the department too much, because there were no standards at that time, and neither are there right now, except for one section of the CICA handbook which prescribes the form of report or what should be covered by a report on compliance. However, as you know, I told this committee before that I'm involved with developing standards. This is one of the areas where in either June or September, after four long years of getting consensus, I hope we will be issuing standards applicable to auditors' assurance with respect to compliance issues. I think that will make things a little easier for departments in that they will simply ask that they receive assurance and get a report that grant moneys were spent in accordance with those standards. If the amount is not large -- I'm not advocating that for a conditional grant of, say, \$5,000 or something like that. But where you're talking about millions of dollars, I think that gives the department assurance that a third party, with professional responsibilities,

has looked at that expenditure and gives assurance.

Our office does not have any right of access to the records of a municipality, but they are called upon to have an independent auditor. If that independent auditor gives assurance, then I think the department can accept that with a fair degree of certainty. It certainly is preferable to having people go out and dig around in strange books. If we went out, for instance, it would obviously take more time to arrive at the answers than the auditor of the municipality who is familiar with the books and records and the way in which the system operates.

MR. PAPROSKI: Mr. Chairman, I believe this is the time to ask a question like this. My question deals with the track record of our government in responding to the recommendations you have put forward over a number of years. You indicate in 1.2.5 that there were 139 specific recommendations over the last five years and 118 were implemented or there were changes in the department that made them redundant. Maybe it's not possible for you to answer the question, but because of your relationship with other federal and provincial jurisdictions, I'm wondering if you could comment on how our government is responding with respect to other governments in this country and the recommendations of their Auditors General? I'd like to know how we stand. If possible, I'd like to know our track record in comparison to these provinces.

MR. ROGERS: Mr. Chairman, for a number of reasons it's not possible to reduce it to a score. One is that most of the Auditors do not follow the reporting format that I adopted back in '78. I felt that if, as Auditor, I was reporting a deficiency or something wrong -- it's easy to criticize anyone. I felt it was an obligation, if you will, again in the interests of fairness, that I say what should be done. Sometimes I know the recommendation reads more or less like saying this is wrong, you should make every effort to correct it. But in most cases I think we give a recommendation that at least indicates what we feel should be done.

That is not always the case in many of the Auditors' reports. They simply point out what they've found. I myself think that after this period of time, this is a good format in that it

provides a focus, that something has to be done in a particular area, and it tends to bring it all together. The result is that we have -- and, again, this is fairly unique -- as an appendix to the report the responses to the previous year's report, March 31, 1983. It's on page 103, with the repetition of the various recommendations and the comments as to the action being taken in response. That gives us something to see that the response was carried through in practice. Of course if it isn't, it comes back into the report. So until the thing is completely resolved, we have a sort of system that keeps track of things.

That is not the case in most of the other reports, in that matters are reported and then disappear into limbo in some cases. In other cases, if the auditor feels very strongly about it, he will repeat it. But most of them do not have a formalized way of bringing matters forward until they are dealt with.

I think this varies very much with the Auditor's relationship with management. I think that plays a very important part. But while you're on opposite sides of the fence, and there is no doubt about that in some instances, for the most part there is a great deal of co-operation and understanding in both -- I'm really referring to my opposite numbers in Treasury as much as anything, but with the departments too. There's an understanding that we have a job to do, and when we do find problem areas, there's a desire generally to correct those situations. If there isn't, then I have other ways of bringing other people into the picture until corrective action is taken, or it gets into this report and then corrective action is taken as a response to the recommendations.

I would say that this system is unique to Alberta, so it's not possible to compare with other jurisdictions.

MR. R. MOORE: When we talk about relationship with the federal government, Mr. Rogers, we saw quite a bit of publicity over the last couple of years on access to information that the federal Auditor General had over Petro-Can. He had a lot of difficulties, and those still continue, I guess. We think of ourselves as an open government here, a point I'm sure our Chairman would agree with.

MR. CHAIRMAN: No comment.

MR. R. MOORE: What is the working relationship between your office and government departments in general in access to information you require to carry out your duties?

MR. ROGERS: The very brief answer is that it's good. That does not mean to say that on occasion there isn't a difference of opinion as to whether certain papers or minutes of meetings, or so on and so forth, should not be shown to the Auditor on the grounds that they deal with policy. As a matter of fact, we had one situation that is not reported here simply because it was cleared up, and that's the usual situation.

There was a feeling that minutes of executive committees of departments should not be shown to the Auditor on the grounds they contain information that deals with policy. A series of discussions took place, and that was amicably resolved in that people were told that if there were matters of policy to be discussed, they really had no place in the discussions of an executive committee, which is really a committee to discuss the implementation of policy.

Under the Westminster form of government, I think cabinet papers and discussion papers that lead up to cabinet decisions should be confidential, and I have had access to such papers sometimes, to clarify a question we have raised. There has not been a problem. On the other hand, when I see any information that is confidential, I have an obligation under my Act to respect that confidence unless it is material to my reporting requirements under the Act.

As I say, although from time to time a problem will arise, the result is that it is very quickly resolved. There is no situation I've ever been in where there has been information I've wanted and have not been able to get it. I think that's really the key to the matter.

MR. CHAIRMAN: Are there any more questions on Overall Assessment? If not, we'll move to the next section, section 2.1, and it's basically pages 13 and 14. Are there any initial comments there, Mr. Rogers?

MR. ROGERS: The initial comment I would make is that I had better have a word with my printer; the pages are all coming out.

Audit Observations and Recommendations.

Perhaps a word, Mr. Chairman, to go through the way in which we operate. First, I have people in the field, audit teams on an audit. At the conclusion of that audit, senior people from my office and the audit teams and similar people from the other side of the fence, the management, together with usually up to the ADM level, sometimes the deputy minister, sit down and we have what is called an exit conference. At an exit conference, all matters that were found during the course of the audit are brought out, including instances where there was not necessarily anything wrong but we wanted more explanation and simply thought we could get the view of more senior people. At the conclusion of that, all the items discussed are listed in minutes, with the departments' responses to all items raised recorded in the adjoining column. These are then sent back to the departments and acknowledged. At that point we feel generally comfortable that at least the department has some knowledge of the items we're reporting on and are not disputing the facts.

The more important of those items are then included in a management letter, which goes from me to the deputy minister, with a copy to the minister and to Treasury Board. Of course, we get a response back. Then, when we are preparing the report, these items are incorporated into the report. The report is discussed with the Audit Committee, which is an appointed committee and includes senior members of the auditing profession. The only government representative on that committee is the Provincial Treasurer.

That committee cannot cause me to make any change in the report. The members of the committee are listed in this report, on page 77. They are certainly a very useful sounding board. If they have any problems understanding, I know that I've got to go back and we have to work on the wording to try to make the matter clearer. That goes on for at least two meetings. The report items are then sent back to the departments and the report is issued.

I do want to stress that although this fairly lengthy procedure was developed to ensure that people were aware of what was being reported, at no time — and this is from 1977 onwards — was any pressure brought to bear to make any change. The only instance where I would consider change, and I would make the decision

to make the change, is where there has been a legal problem, and there have been a couple of cases like this. You will notice that one of the members of the Audit Committee is a judge. I've had some rather valuable lessons in the law from the judge. Even so, I would go back to my own legal counsel before making any change on that basis.

Mr. Chairman, I'm looking on this as more or less my last opportunity in some ways to report to this committee on the way the system works. As I think you all know, I'll probably get in only one meeting next year before the termination of my appointment. So I hope you bear with me.

Again, I feel that the system works satisfactorily, and I have no wish to change it although, as you know, the Audit Committee and everything is in the Act. I think it was a good move.

On to the results of reporting the work of the office. There were a number of reservations of opinion on various financial statements -- the six on page 15, paragraph 2.2.1. Those reservations of opinion are simply recording the fact that certain revenues cannot be audited; all you can determine is how much was actually received. 2.2.2 deals with a particular situation dealing with the Alberta hospital Edmonton and Alberta hospital Ponoka on the transfer of assets. The reservation on the Workers' Compensation Board I think you're familiar with from previous years. We have another reservation on the Alberta Research Council concerning the ownership and value of certain assets and so on. There is nothing there that I feel is of immediate concern, but is necessary before an opinion can be expressed.

Mr. Chairman, if there are any comments on those pages . . .

MR. CHAIRMAN: I'd just point out that I said 2.1, and we've gone into 2.1 and 2.2. Any questions dealing with reservations of opinion or the criteria used by the Auditor General would be appropriate. That's up to page 16.

MR. ROGERS: I'm sorry; that was my doing. It comes with having the pages out of the book.

MR. CHAIRMAN: That's okay.

MR. R. MOORE: Mr. Chairman, a question on the donations to colleges and the environmental

trust fund. You say there is a reservation there because of the manner in which they come in and so on. Is there a mechanism of accountability for those organizations to account for these donations? You say it's one that you have not too much control on. Is there a mechanism to assure the public that those donations are being properly accounted for?

MR. ROGERS: The donations that are received are properly accounted for. There is no problem with the actual donations received. As Auditor, though, I have a problem with unrecorded donations, if there are any. I'm not in a position to say that I've audited all donations because -- supposing, for instance, they were received but not entered in the books of record. I would not know that. Furthermore, because you cannot anticipate donations, as you can when -- if you sell a licence, you know you've sold a licence and therefore you must have the money for it. In the case of a donation, there is no way of tracking it.

This is not unique to ourselves. As a matter of fact, the Canadian Institute of Chartered Accountants is in the course of issuing standards for a provision for reservation, and I understand they are using our wording, in the case of not-for-profit charitable organizations in the private sector, because they obviously have the same problem.

MR. NELSON: Mr. Rogers, your comments on 2.2.4 relevant to the Alberta Research Council, and they are expanded upon on page 31 under 2.4.2. I wonder what progress is actually being made with the Research Council in addressing the concerns you have made in your annual report over the last number of years. Considering they have had so much time to address these accounting deficiencies or difficulties, is it not time that maybe you recommend that somebody's head roll or somebody be fired in that organization to get this thing straightened out so it meets the criteria of the Act?

MR. ROGERS: We haven't had a reply to our last letter, but that is quite recent -- November 14, 1984, is not that recent. I've had some conversations with them. The course of action you sort of suggested would be appropriate if they had not done considerable work, but they have. It's simply that it is not yet

satisfactory. You'll notice that I say:

It is recommended that the Alberta Research Council continue with the action necessary to eliminate the remaining financial control problems in its fixed assets, research projects, project contracts, inventories and expenditure systems.

They had a very bad situation; it is much better now but still not completely under control.

The problem with the fixed assets is the number of research projects where there is real doubt as to who owns the assets that are acquired in the course of these projects. It's a difficult area actually. I have every sympathy with the management of the Research Council. Their objectives really aren't focussed on this kind of work of determining who owns the assets and whatnot. They are looking for the end results of the various projects, and I have every sympathy with that. On the other hand, these matters have to be looked after. But I am now satisfied that there is an appreciation of that and, as I say, a considerable amount of work has been done. But it was quite a bad situation.

MR. NELSON: Considering the fact that it has been some five years since this has been going on and that as far as ownership of a project, equipment, or whatever is concerned, I think that would be a very simple management or accounting function to address that prior to a project being initiated or whatever by using a contract to facilitate this problem. Considering the fact that they're using public money, I don't excuse them for not correcting the problem. I just want to know how long we expect that this will continue until such time as we take a more aggressive stand to get this thing in order.

MR. ROGERS: Mr. Chairman, I really can't put a period on it, but we are just about to go into audit again, within the next month or two, and I will try to see what the situation is at that time and perhaps set it out in a little more detail so that this committee can deal with it as of March just passed. It is a matter of concern, but I believe it is a matter of concern to the department minister and Treasury.

MR. NELSON: Mr. Chairman, the fact that Mr. Rogers is going back in, can we expect that the Auditor General might take a little more

aggressive position in his next report, at least with the Research Council? If I can throw two questions into one, you might like to invite the Research Council to one of our meetings so that they may address this concern to the members?

MR. CHAIRMAN: I'll answer the first one. We will attempt to bring in whatever this group wants. Sure, if that's the wish of the committee.

MR. ROGERS: Mr. Chairman, if it will help in planning, I will be in a position by the fall to pretty well give an indication to this committee whether or not the matter was in a highly satisfactory situation. My colleague Mr. Morgan has just indicated to me that he's heard from a principal, Mr. Hug, who is in charge of that particular job. His preliminary assessment is that there is a possibility that we will be able to drop this item next year, in which case that is a hopeful sign. But I wouldn't like to make that a definite statement until we've completed our work. That will be over the course of the summer, Mr. Chairman, and by the fall we will be in the position to advise this committee on the current state of affairs. At that time, perhaps, a decision would be made whether or not to bring them before the committee. That would be my advice on the matter.

MR. CHAIRMAN: We'll flag it and take a look at in the fall and make a decision then, if that's okay.

I don't see any other questions on sections 2.1 and 2.2. Can we then move to section 2.3, Non-compliance with Legislative Authorities, which will probably take us a fair amount of time.

Mr. Rogers, any initial comments on section 2.3? If you're following the pages, section 2.3 goes from pages 17 to 28.

MR. R. MOORE: If I could make a suggestion, Mr. Chairman. That's a very important and a very long section. Rather than just get into it today and then leave it, I would like to see that we consider adjourning now and coming back, rather than splitting it two ways. There are a lot of questions to get into.

MR. CHAIRMAN: Is that agreed? That's probably a good suggestion.

MR. R. MOORE: It's going to take more time,

Mr. Chairman, than we have left here.

MR. CHAIRMAN: Is that agreed? We'll adjourn today and come back to section 2.3 next Wednesday.

HON. MEMBERS: Agreed.

[The committee adjourned at 11:16 a.m.]

