

8:30 a.m.

Wednesday, April 24, 1991

[Chairman: Mr. Pashak]

MR. CHAIRMAN: I'd like to call this meeting of the Public Accounts Committee to order. The first item of business on the agenda is to deal with the minutes of last day's meeting. Would anybody care to adopt the . . . Mrs. Black.

MRS. BLACK: I would so move.

MR. CHAIRMAN: So moved. Any errors, omissions, corrections? Agreed, then, that we adopt the minutes of the meeting of April 17?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: There are two items that do arise. One has to do with Mr. Klein's appearance before the committee on May 8. There's a very important cabinet meeting that morning, as I understand it, and he can't possibly get here until 9 o'clock. Now, Mr. Klein appeared before the committee last year. Maybe I could ask him to keep his opening statement very brief to allow for as many questions as possible. We did try to encroach on the time of the Private Bills Committee, but they turned us down. Is that acceptable to the members then, that we meet for one hour on May 8 with the Environment minister?

MRS. BLACK: I'll make a motion.

MR. CHAIRMAN: I don't know if we need a motion as long as you're agreed that we do that, and I don't hear anyone objecting.

The other item I want to bring to your attention is that Mr. Trynchy did not appear before the Public Accounts Committee last year. [interjections] Pardon? It's just that we had a bit of a discussion about that issue, if you'll recall, last day.

Now, with respect to today's meeting, I've had a discussion with the co-Chair of the committee. We have a notice of motion, and it would be my intention that at approximately 9:30 we would deal with the motion that previously was circulated to you. That would allow approximately 25 minutes or so for debate. If we finish questions earlier, we'll get into the motion before that. Is that acceptable to the members of the committee?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Fine. Well, this morning I'd like to welcome the Auditor General, Mr. Salmon, and Mr. Wingate and Mr. Dharap. The Auditor General has indicated that he would like to make a brief statement in response to a question that was put to him last week by Mr. Drobot.

MR. SALMON: Thank you, Mr. Chairman. At last week's meeting I was asked by the Member for St. Paul to describe what systems and procedures are in place to ensure that physicians' claims for services provided outside hospitals are accurate and legitimate, and I'd indicated that I'd give a more complete answer to him.

Firstly, I'd say that the Department of Health uses a computer system to check all claims submitted to the Health Care Insurance Fund to see that they are in compliance with the rules in the fee schedules. Claims that do not pass this check are

investigated manually by the department. To provide further assurance as to the validity of claims, the department's internal audit branch audits a significant number of individual claims each year. I've referred to this particular work on page 87 of my report under the heading of health care payments. These audits disclose that the department was overpaying or underrecovering claims estimated to be about \$4.2 million in the '89-90 year. I would point out that the volume of fee-for-services claims submitted to health care is very high, and the department has continued the process of making changes to the present computer system to improve and enhance the handling of claims. It is also in the process of developing a new computer system to handle health care claims to further improve the area, and we'll be monitoring that as the progress continues.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

Mr. Sigurdson.

MR. SIGURDSON: Thank you. Mr. Salmon, unfortunately, I wasn't able to attend last week's meeting, but in reviewing the *Hansard* record, I saw that you did briefly comment on your first recommendation with respect to Crown-controlled organizations. I'm wondering, sir, if you would expand on that recommendation for the committee in respect to the reasons why you think it's important that we have the disclosure of financial statements for those Crown-controlled corporations.

MR. SALMON: Mr. Chairman, as indicated in last week's meeting, we discussed this a little bit in my opening remarks and made reference to it in one of the questions. The reason for the recommendation, which I have explained also to the Audit Committee, is that I'm in a position where by my Act I can release such financial statements or information concerning such financial statements even though in many cases the Crown-controlled organizations may not be public or those statements are not public yet. I'm in an awkward position where I am commenting on financial statements which are not public, whereas in the normal process I am commenting on financial statements that are included in public accounts or have been tabled in the Legislature.

The problem with the Crown-controlled organizations is that it's possible there may be some sensitive information or they may, in the government policy process, want to maintain some confidentiality because of either disposing or developing marketability for these particular organizations or other reasons I'm not familiar with. Because of my independence from the government, I would have no reason to, nor would want to, discuss or debate with government whether or not I should release the information. My feeling of having this recommendation would be to get the feeling of the Public Accounts Committee and the Treasurer as to whether or not something appropriately could be worked out with respect to accountability which I maybe have not thought of, in order that I'm not put in an awkward position of possibly releasing information that would not be appropriate at any particular time. Now, that's basically the approach I have taken.

MR. CHAIRMAN: Supplementary.

MR. SIGURDSON: Just for my own information, have you an estimate of how many dollars are invested in Crown-controlled corporations at the present time?

MR. SALMON: I have not actually tried to document the dollar value. We have listed the four that existed as at March 1990, which we have included on page 3, and also commented later on in the Treasury area. There are possibly others that may come up in view of other problems in this current year. It's not something that's easy to get a handle on, because when things change, they can change rapidly and may not necessarily have the flow back to the Auditor General to know whether or not that organization exists at the time. We do our best before we finalize to be sure we have a handle on all of them and have done the work required by our Act under section 16. So no, I can't give you a dollar figure.

MR. SIGURDSON: Thank you.

MR. CHAIRMAN: Final supplementary?
Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. I'd like to turn to the Alberta Opportunity Company in the main public accounts book, page 6.70. My question there deals with: the loans receivable are shown as being \$119 million, and the long-term debt is \$156 million for this particular corporation. I wonder if the Auditor General has made any recommendation with respect to the Alberta Opportunity Company. When you have loans receivable that high and a debt that high, it seems to me they're losing money quicker than they're bringing it in. I wonder if the Auditor General has made any recommendation to the Treasurer or the Minister of Economic Development and Trade with respect to the Alberta Opportunity Company.

MR. SALMON: No, Mr. Chairman. Our involvement with this particular financial statement of the Opportunity Company was to ensure that the value of the loans receivable that you've just quoted, the \$119 million, is properly evaluated. If one were to look at note 4, you could see that the loans were actually higher than that, with an allowance for doubtful accounts against those loans of about \$13 million. The debt, of course, arises from borrowings from the government or through the heritage fund and, of course, is of a different nature, you might say, in that that's the debt of the corporation. That debt is handled through the repayments and so forth of those particular debentures. So to ensure that we can give an opinion on this particular financial statement, we have to make sure the values are correct, but as far as any recommendations directly, no, we wouldn't make those as long as it's been properly handled.

MR. BRUSEKER: That could be a big if.

My next question, a supplementary, then. It says in note 12, "provision for doubtful accounts and loss on realization," further down in that same column, a \$12,220,000 provision for doubtful accounts compared to total loans, from note 4, of \$132 million. That's roughly a 10 percent write-off. I'm wondering if that is a common ratio of loss, 10 percent, on an annual basis. It seems to be fairly consistent.

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MR. SALMON: Well, if one were to look at note 2, the basis on which the provision is established is included about two-thirds down where we talk about "provision of losses on realization" of certain types of things determined in such and such a way, and each one is listed. We look at them on the basis of individual loans and on the basis of the overall process by which they established the provision and determine whether or not it's

adequate for those particular categories of loans and try to come to the point where we're satisfied so we can give a clean opinion. I don't know whether that answers the question or not.

MR. BRUSEKER: Well, sort of.

My final question is again looking at the revenue. There's an \$11 million grant from the province and a net loss for the year of \$12.9 million. Since the \$11 million is really coming out of the pockets of taxpayers and the \$12 million is added, I presume, to the long-term deficit, my question is: would it be fair to say that the Alberta Opportunity Company in reality lost \$23.9 million? Is it fair to sum those two numbers together to come up with a total loss for that year?

MR. SALMON: No. I think one has to take it that the loss for the year is the \$13 million at the bottom of the line on the basis that this is the operation of the Opportunity Company itself. If you want to eliminate transactions involving heritage or anything like that, that's a different matter, because that only would take place at the time consolidation takes place with the government statements. So one has to look at this realistically from the legislation point of view, and our determination or our willingness to give an expression of an opinion on this statement would mean that it would be \$12.9 million rather than the other.

MR. CHAIRMAN: Mr. Lund, followed by Mr. Thurber.

MR. LUND: Thank you, Mr. Chairman. Good morning, gentlemen. Turning to the annual report, page 72, recommendation 22, this is not the first time that recommendation has been made to the department. It has to do with the disclosure of assets and shelter costs under the assured income for the severely handicapped. I take it that the department has not implemented this recommendation in the past. What's the reason for not having implemented it, or did they give you any reason?

MR. SALMON: Actually, part of the problem in this particular recommendation is that the processes that are in place are not designed to ensure they're getting the information they need to develop the CAP claim itself. There are ways and means, which we've discussed with them, that actually require the caseworkers to ask for certain information that sometimes they don't ask for, so the claim itself to Canada can actually be including the full costs they're entitled to. The department is fully aware of what they need to do. It's a case of getting the manual requirements operating with the caseworkers themselves and making sure that information is available. In the first part of that particular statement where we talked about the fact that they need certain information in order to provide assistance to the clientele but need additional information in order to put those costs in the CAP claim themselves, it means an extra requirement that has nothing to do with dealing with the caseload. Because of that, it's a bit awkward in relationship to getting the information needed for the CAP claim itself. They're trying to develop a way to do that.

MR. LUND: Since, of course, that information is necessary for the CAP claim, is there any way we could force the applicants to provide that information? I understand some are very reluctant to do it because it's got nothing to do with their getting on the program.

MR. SALMON: That's right, and one of the things the department is concerned with is to ensure that they also get the proper dollars from Canada in sharing these costs. Yes, they could tighten up, and they're looking at some systems improvement that would help them do it.

MR. LUND: The other thing you mentioned is the annual reviews. You're expressing some concern that possibly those are not done as frequently as they should be. How often are those reviews done now?

MR. SALMON: I don't have that written down specifically, but our understanding was that they have a requirement in their program manual for an annual review and they're not actually doing it that often. Therefore, there is probably a weakness in that area, so we're suggesting they reconsider ways and means in which they could get those reviews done a little more currently.

MR. LUND: But how often are they doing them now?

MR. SALMON: I don't have it in front of me right now, unless we've got it in the letter, but it was in the discussion with management. They've acknowledged that that's true, and we're suggesting they re-examine and see if they can determine some way in which they can . . . Probably partly it's the manpower situation as well.

MR. CHAIRMAN: Okay.
Mr. Thurber.

MR. THURBER: Thank you, Mr. Chairman. Sir, your recommendations 11, 12, 13, and 14 of the '89-90 report all have to do with the management of the Southern Alberta Institute of Technology. These recommendations range from issues concerning improving the reporting and reviewing of financial information to recording inventories and the benefits of particular programs. Does this focus reflect some overall problem associated with the management of the institute, or are these problems generally unrelated and just coincidental?

MR. SALMON: In reviewing the first one, I believe it definitely points to a concern with respect to financial management. As the committee may be aware, there has been substantial revision of management within the area of SAIT. We understand from what's happening in the current audit that matters are being attended to by new people, and we expect a lot of these matters will no longer exist when we go back in there for the finalization of the audit.

MR. THURBER: So what you're saying is that the institute and its board are carefully reviewing their practices at this time.

MR. SALMON: They're very conscious of the concern as expressed in this particular audit, which, like I said in our comments last week, stemmed over a two-year period because we had the big delay last year and didn't get matters included in this report for the '89 year because of the problem that existed.

MR. THURBER: Does this suggest to you that they've been performing more poorly than they have in other years, or are there some other factors there that haven't come to light yet?

MR. SALMON: I think it came to a head in 1989. There were some weaknesses that we had been reviewing in the previous years, but it really did come to a head in '89 with the accumulation of several areas that were of serious concern.

MR. CHAIRMAN: Mr. Jonson.

MR. JONSON: Yes, Mr. Chairman. I'd like to refer to an item on page 57 - and it goes over to page 58 - of the Auditor General's report. It concerns our oil and gas revenues. Although they're declining as a proportion of our total revenue picture, they're still pretty important. There seems to be an ongoing problem here with respect to the reporting of revenue for the purposes of calculating royalties and so forth. We have a kind of catchy phrase there: the production, injection, and disposition system is a major problem. I wonder if the Auditor General could first of all explain what that is.

MR. WINGATE: This is a system that has been developed by the Energy Resources Conservation Board for a number of years. It records production, injection, and disposition data on wells in the province. It was initially designed for monitoring environmental information. There have been several difficulties with its development that are explained in this item. I think the major problem was that the system took considerably longer to develop than was originally anticipated, and both said they were not getting the benefits from the system that were originally anticipated. I think following review of the system's development, a number of these problems have been overcome.

2:50

MR. JONSON: A supplementary question, Mr. Chairman. Within the text of the report there's reference to part of the problem - I don't know if it's the main part or just a small part - "the industry's inability to submit accurate returns." Now, how can there be an inability to submit returns? Has this to do with not being able to operate the computer system, or they don't keep the information or possibly are slow and reluctant to submit the information? What is that issue?

MR. SALMON: One of the situations is that this is the board's explanation of why they were having so many error messages within the computer system itself. Certainly the backlog was so huge that it was difficult for them to handle. I think certainly there needs to be some basis of maybe amending the kind of information they're asking producers to supply so it will be a little easier. Andrew may want to comment further because of the detail.

MR. WINGATE: This is an extremely complicated area, and it's true that a number of people who supply data to the system do get it wrong. The Energy Resources Conservation Board I think has a big problem in training the people who are using the system; that is, the people feeding information into the system. It is a big problem for them to resolve and, I think, involves quite extensive training of the people supplying the data. Our testing indicated that quite a lot of the data coming into the system was incorrect. Obviously, if you get incorrect data going into the system, then you put pressure on the system and a lot of editing and a lot of reprocessing has to take place. So we're sympathetic with some of the difficulties the ERCB had to deal with. I think essentially it's a question of training the people supplying the data to do it correctly.

[Mr. Moore in the Chair]

MR. JONSON: I guess the final supplementary then, Mr. Chairman, would be: in this area of difficulty, could the Auditor General estimate as to whether we're losing money, getting more money than we should, or just not knowing what's going on?

MR. SALMON: No. I guess I can answer that in the general sense that things are getting better because the board and the department have worked much harder together in the last two or three years. They were very much separated in the kind of information that was supplied in the past, and with some task force work, some committee work, and the development of the new system, things are really looking good from the point of view of the department and the board. We're hoping that on the basis of recommendation 16, as they develop the second phase and move into this new area and do their proper reviews, they will eliminate the problems that certainly were causing them difficulties in past years. So we're expecting to see that change as this comes into being.

MR. JONSON: Thank you.

MR. DEPUTY CHAIRMAN: The Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. With reference to page 1.22 in the public accounts, there's a list of bank and credit union loans, and I would just like to ask the Auditor General a very general question. How do you deal with these loans? Do you make comments on them? Do you do, in effect, value-for-money type statements or analyses of these loans, or do you just accept them as reported by the . . .

MR. SALMON: This particular schedule is part of the statements and, therefore, is subject to the full audit examination of our office with respect to the financial statements. Treasury has the records and backup for these types of loans because this is the portion - they have to get confirmations from the banks and so forth as to the drawdowns these companies have made. This is the amount of the loans that are actually in existence and have been made. This particular listing is not easy but is checked, as we would do in all other parts of these particular financial statements, to verify the accuracy. So it's a full audit.

MR. PASHAK: Could you make comment at all with respect to whether or not the loans are made in terms . . .

MR. SALMON: And whether or not they are proper value. That's right.

MR. PASHAK: On occasion, as the Auditor is very much aware, some of these loans have defaulted, in which case there is a provision under the Auditor General Act, section 20, that allows the Auditor General to make a special report to the Assembly through this committee, I would assume, a select standing committee. Has the Auditor General ever considered making special reports to the Standing Committee on Public Accounts with respect to critical situations that might arise from a default of a loan?

MR. SALMON: I guess, Mr. Chairman, the debate would be whether or not at any time during the year this would be a matter for a special report or whether it's the normal course of

business. When one considers the magnitude of these loans and the examination we do each year, when one loan goes in default, it isn't something that hasn't happened in the past. Therefore, it's not necessarily standing out as something very critical. If it were a large amount, we would be concerned.

Now, from our perspective this year, we felt the nature of these types of guarantees was of concern to us in the fact that the implementation by Treasury or the payments were based on whenever they made the cash payment to the bank. The nature of the numbers of loans and the size of the losses was such that we have made recommendation 4, to have the Treasurer consider whether or not it would be more worth while to go to an accrual basis and actually, when they can acknowledge the loss, record it in that particular year. For instance, if there was a substantial number of losses in a year and this was on a cash basis, it would be easy to delay the recording of those loans as losses because the timing of the payment could be such that it could be held up until the next year. Therefore, the bottom line doesn't show the actual loss has taken place. So the reason for recommendation 4 is to have some consideration of that. We would like to see the guarantee implementation process on an accrual basis rather than on a cash basis. We hadn't made that recommendation in the past, but because of the nature of the volumes that are taking place, we felt it would be worth while to consider.

MR. PASHAK: Thank you.

MR. DEPUTY CHAIRMAN: The Member for Innisfail.

[Mr. Pashak in the Chair]

MR. SEVERTSON: Thank you, Mr. Chairman. On page 76 you make a recommendation

that the Department of Family and Social Services continue its efforts to ensure that fraud investigations are carried out promptly and consistently.

Presently what do those efforts consist of?

MR. SALMON: Mr. Chairman, the item has indicated that some of the concerns we had were that the delays in the investigation of the fraud areas have been in excess of two years. When one considers the fact that a known fraud exists and there's a problem there and no one touches that for two years, the likelihood of recovery is a lot less because the information is old and information or documentation could easily be destroyed or not be available. This particular recommendation is geared strictly to encourage the department to have the investigations more promptly. We were also concerned to ensure that throughout the province there was consistency in the way the investigations are carried out.

At the bottom of that particular page, following the recommendation you'll see that management acknowledges the need for these investigations to be more prompt, and there has been an increase in staff because of their concern of the area themselves. Hopefully, this will produce some consistency as they develop their manual processes so that they'll not be doing something differently in southern Alberta than in northern Alberta.

9:00

MR. SEVERTSON: My supplementary. You say a wider variance of practices. Is there one practice better than the other, how they investigate it?

MR. SALMON: I would certainly not want to comment on that. I think that's really a good departmental question. We were just concerned that the kinds of investigations they do are proper and consistent so you don't get complaints from one part of the province to the other in the way they're done and to ensure they're followed up promptly.

MR. SEVERTSON: On the promptly side, I have to agree with you that two years is a long time. What would you think promptly would be? Within two months or six months or a month?

MR. SALMON: Well, again, it's up to them to decide how often it should be done, but certainly we wouldn't be concerned if it was done within six months to a year, you know, if they could get to them.

MR. CHAIRMAN: Mr. Payne.

MR. PAYNE: Thank you, Mr. Chairman. Earlier this morning the Member for Ponoka-Rimbey took the Auditor General back to the Energy audit, the results of which are in the 50s of the Auditor General's report, and I wonder if I could also ask the Auditor General to go back to the Energy section of his annual report. The questions I have flow from information and the recommendations he makes on page 55. The Auditor General comments that the ERCB has improved its systems and procedures which provide the Department of Energy with oil production data. As I recall, the Auditor General has made such a recommendation for as long as I've been a member of this committee, and inasmuch as he has been making that request perennially, is he now satisfied that the new system to which he refers meets the criteria and objectives that are implied through his previous recommendations?

MR. SALMON: Yes, Mr. Chairman, significant progress has been made, and we feel it has been a number of years in order for this to get to the point where it is. We were delighted that this year we would make the comment that they should continue. On the basis that it's not a shaded recommendation, this will disappear come next year, which is something because it's been in ever since I've been here too.

MR. PAYNE: In the same vein, Mr. Chairman, the Auditor General quite properly comments that the same improvements have not been made in the area of the accuracy of natural gas production data. I wonder, have there been any indications from the ERCB chairman that these improvements on the natural gas production data side are under way or being contemplated?

MR. SALMON: Yes, there have been indications to us, and we expect to see some progress. The gas will not be as serious a problem come next year. Again, it was a case that the oil was done first and the gas is coming next.

MR. WINGATE: I think the point to be made with the gas systems is that essentially they're very much more complicated. To get adequate control in their systems is a really testing task, and I think the first priority was oil. Now they're moving on to gas production data. I think it will be some time before we've got the sort of controls required, but good progress is being made.

MR. PAYNE: Inasmuch as our chairman is the Energy critic for his party, he's obviously aware that this production data is used for verifying royalty calculations that our oil and gas producers make. I'm wondering, can the Auditor General comment as to whether the inaccuracy of this production data would have any fiscal repercussions?

MR. SALMON: I think we were in a position a few years ago where we were getting very concerned because the kind of information that was flowing from the board to the department was not such that the department could really rely upon it. With the changes, though, it's much more reliable and much more satisfactory. You can use the information to calculate royalties, so the worry is not nearly the same.

There's another thought, because we had made a recommendation earlier about cash versus accrual. There is an opportunity there for the Energy department to actually show their revenue on the basis of an accrual calculation, which would enhance the information even more so than it is presently. At present it's still on a cash . . .

MR. PAYNE: Is that happening now?

MR. SALMON: They're negotiating with Treasury to see what they can come up with in regard to that.

MR. PAYNE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

Mrs. Black, followed by Mrs. Laing.

MRS. BLACK: Thank you, Mr. Chairman. On page 47 of the Auditor General's report, with regard to the Attorney General's department you've made the comment that the Department has chosen to defer seeking recovery of certain expenditures which appear to be shareable with the government of Canada.

I was wondering if you could further explain the reasons given to you for the failure of the department to proceed to recover these funds.

MR. SALMON: Mr. Chairman, this apparently has to do with some arrangements that are taking place between Canada and Alberta. We included the item here because of the nature of the amount and the fact that they had not submitted a claim. There are specific reasons that I have not disclosed here as to why they haven't done it to this point. My understanding is that they're proceeding with a decision fairly soon as to whether they will proceed with a claim or whether there is another type of arrangement for recovery of dollars with Canada. I do not have the specifics here; I am only concerned about the fact that they hadn't claimed and there is some \$300,000 they probably could have if they had submitted the claim.

MRS. BLACK: Well, you did mention the \$300,000, and you also said that its recovery was deemed not to be cost beneficial. I'm wondering, would the recovery cost more than the receivable amount, or was this a nonrecovery motivated by concerns over management or control over the civil legal aid programs?

MR. SALMON: It really comes back to the debate on legal aid funding, which certainly the Auditor General is not in a position to get involved in. The CAP claim side of it, where we're involved in all the departments with respect to CAP claim: in

fact, we've gone so far as to let one of our staff members go on secondment to Canada for two years involved on that side of the CAP claim, presently assisting Canada, and it is a complicated process. I can't see why it can't be simplified, and hopefully, with the sorting out of the basis on which the funding should take place with the department in Canada with legal aid, it will resolve itself eventually. The fellow we have presently working for Canada is involved mostly, of course, with the social services side, where the majority of the dollars are recovered from Canada under the Canada assistance plan, but this one was there and could have been claimed. Certainly we were not in a position to determine whether or not it was involved in the policy of the department or whatever; it was just a case of identifying a concern and raising it with management, and they said they were looking at it and would try to resolve it.

MRS. BLACK: As my final, a broad question. Throughout the report there seems to be reference to inaccuracies or lack of claiming or overpayments or underpayments, et cetera. In your opinion, is it that we have developed so many systems within systems that we are not effectively controlling the system as a whole through our computers?

MR. SALMON: That's a good question.

MRS. BLACK: We need some good old-fashioned bookkeepers.

MR. SALMON: I think it's a case of individual departments having their own needs and concerns. We examine the system sufficiently to find out that there are problems in certain areas. It's interesting that a department, you'll say, will finally be all cleared up and the Auditor won't have anything to report and everything will go along fine and then all of a sudden there's something else. Right now we could say Energy's just about cleaned up and they're really going well, but maybe two years from now it will reverse itself. If you examine the Auditor's reports over the years, you'll find that they tend to shift. We tend to put emphasis possibly on other areas as well, but they tend to shift because the improvements are made and then other problems occur that are not even anticipated. I guess maybe that's why the office of the Auditor General is there.

9:10

MR. CHAIRMAN: Thank you.
Mrs. Laing.

MRS. B. LAING: Thank you, Mr. Chairman. On page 45 of this year's report, the Auditor General refers to weaknesses that have persisted over the full year in the Hail and Crop Insurance Corporation, even though they reported in the 1988-89 report. Has the Auditor General noticed any changes towards rectifying these problems since they were identified for a second time this year?

MR. SALMON: Yes, Mr. Chairman, we have noticed a change in rectifying them. They've had some staff changes. We lost a member of our staff to this corporation, so we're quite aware of what's happening. Certainly they're very conscious of the need to tighten up, and we're expecting something better this year.

MRS. B. LAING: Thank you.

The Auditor General noted some irregularities that occurred as a result of the weaknesses in internal control. Could the

Auditor General comment on whether these irregularities resulted in any unrecoverable losses to the corporation?

MR. SALMON: All losses were recovered, so there's no problem.

MRS. B. LAING: You also noted that some operations of the corporation are not in accordance with the regulations. Further to the examples given, could the Auditor General explain the costs incurred to the corporation as a result of these noncompliances?

MR. SALMON: The cost implication is not great. They are doing what they can, and I expect the amendments to the processes will be corrected so they will not have the noncompliance issues come this summer. We're hoping that everything will be all right by then.

MR. CHAIRMAN: Mr. Gibeault.

MR. GIBEAULT: Yes. If we might go back to page 8 of the Auditor General's report, discussing the question of the unfunded pension liability, the six major plans are grouped together there showing an unfunded liability of about \$5.7 billion. I'm wondering if the Auditor General could give us a little more detail. Is there some ranking there among those six plans as to the proportionate liability of the six? Are they all basically financially insolvent, and to what degree?

MR. CHAIRMAN: I think there are at least two questions there.

MR. SALMON: I think we need to look at the note in the report. Just a moment.

We didn't give the actuarial valuations of those plans in our report. We gave them in total, \$10.9 billion. On page 1.8 of the public accounts the Treasurer has included a note showing the actuarial valuations of the individual plans at March, 1988, coming up with about \$8.9 billion, and this year, if you took them, it would come to \$10.9 billion.

The question is related to whether or not individual plans are solvent or not. I think one has to take them into account as a whole from our perspective of coming up with the unfunded liability, and therefore we haven't broken them down. If it comes to the point of deciding on an individual plan basis, it would be a question of discussion with Treasury as to possibly what their plans are to eliminate the individual unfunded liability. Now, if we had broken the \$10.9 billion down, we would then have to decide whether you could break the pension fund down and how much of each part of the pension fund would apply to any pension plan, and that's the problem. I mean, the fund is related to all the plans together, so you can't very well say \$2 billion of the pension plan is against the MLA plan or vice versa. So that's why we haven't really broken it down.

On an individual basis, though, the Treasurer or Treasury will have to decide, because they're responsible for the plans, whether or not there is something that needs to be done in any plan individually to bring it to the point where the funded liability would cease to grow.

MR. GIBEAULT: Looking at those six major plans, just to leave the Teachers' Retirement Fund alone for a moment, the market value is \$5.2 billion and the unfunded liability \$5.7

billion, more than the value of the pension fund assets. I'm wondering if the Auditor General can suggest to us: does that imply that to come to some sort of solvency, self-supporting position, pension payments would have to double or more?

MR. SALMON: I believe there's more than one way to determine a way in which they could solve the increasing problem. I think what we're trying to identify here is the fact that the liability appears to be growing. Now, there is the argument that one can take different actuarial assumptions and come up with a different pension liability, and I'm not arguing with that; that's true. But based on the decisions that management chose to live with in 1988, it shows that the liability is growing, and that was our concern.

MR. CHAIRMAN: Mrs. Osterman.

MRS. OSTERMAN: Thank you, Mr. Chairman. I would ask the Auditor General to reflect on the Foothills general hospital, which is page 92 of his report. His comments there bring to mind a visit I made to the hospital and some innovations that are being made by the Department of Health with respect to hospital funding. I wonder if the Auditor General could comment as to whether he or his staff has been involved in the evaluation that was taking place in the hospitals where in fact their per patient funding changed depending on acuity and so on. In other words, are you involved in that measurement process? Because it has seen a taking away from some hospitals and additional funding flowing to other hospitals.

MR. SALMON: We weren't directly involved in that. We were aware of what they were doing and we're much aware of what they were attempting to do. Our involvement has not been in that particular area, but certainly they were willing to discuss it with us.

MRS. OSTERMAN: Are you going to be taking an interest in that area? It's a great deal of money. You know, it's a huge amount of funding that could be involved. I'm wondering how you feel about the kind of measuring that's being done and if you feel it's tight enough, objective enough, to do the job.

MR. SALMON: Again, without having any direct responsibility in that other than interest, yes, certainly we will keep our eyes open in relationship to the effect it has on the operation of the hospital and the effect it has on our ability to do the audit and review their systems. Certainly we have tried to be of assistance to the hospital as much as we can in relationship to all the areas that exist.

There's quite a lot of thinking going on in Canada with respect to hospitals and hospital operations as well which we're also trying to stay on top of because it's a conscientious effort to do . . . In the Canadian Comprehensive Auditing Foundation they've done considerable study and work, and there's been some pilot hospital work done in Ontario. This hospital, Foothills hospital, is very much aware of that, and that's why they're consciously looking at some of these things as well, which we'll monitor and watch because we're interested in the development that's taking place across Canada.

MRS. OSTERMAN: Just briefly, in terms of your group, you could be involved in those kinds of discussions right across the country. I see this as an incredibly important area, because as we try to rationalize our health system because of the huge costs,

a fair system, fair measurement and so on, is probably key to it. But it's very hard for some of the hospitals to swallow as they see dollars going from one place and being moved somewhere else. So I'll be interested in your observations as time goes on.

Thank you, Mr. Chairman.

MR. CHAIRMAN: An additional comment perhaps. The Canadian Comprehensive Auditing Foundation has had a number of presentations on hospitals, and you may be interested in attending or finding a way of attending.

9:20

MRS. OSTERMAN: Where was that, Mr. Chairman?

MR. CHAIRMAN: The Canadian Comprehensive Auditing Foundation has an annual conference. It's usually in Toronto, Montreal, or Ottawa. It seems to circulate around those three cities, but it's an annual fall conference.

MRS. OSTERMAN: Thank you.

MR. CHAIRMAN: Mr. Clegg.

MR. CLEGG: Thank you, Mr. Chairman. I'm happy to see you back in the Chair. I had some concerns when the vice-chairman was there, but I'm comfortable now.

On page 98, recommendation 36 in your report, you discuss a deficiency in the information available in the system used by Alberta Mortgage and Housing Corporation to administer its housing programs. This is the fourth year, if my memory's right, that you have made this observation without any substantive improvements. Given the seriousness of the deficiency, what sort of explanation has the corporation given to you on why changes have not been instituted in previous years?

MR. SALMON: Mr. Chairman, one of the situations with respect to the housing corporation, which the committee members will know, is that in this last year considerable changes have taken place. A number of portfolios of mortgages have been sold, there's a reorganization, and the whole process is somewhat different. Because of the nature of those changes, the improvements we were hoping for in the systems have not been made, although right now this particular recommendation is geared to those systems that will still continue with the corporation and those areas that will still remain intact. We certainly expect that with the numerous changes that have taken place this year, there will be a direction that we can probably change the course of this particular recommendation in the coming year.

Do you want to comment further, Andrew? You're familiar with the detail.

MR. WINGATE: Yes. I'd just like to echo what the Auditor General said. I think this year, because of the structural changes that have taken place, the corporation is likely to tackle some of these long-standing problems. If you look at recommendation 37, which deals with CHIP and MAP, we've been talking about the deficiencies with their control systems for, as you say, a number of years. But I'm confident that this year they will come to grips with those problems and we'll have appropriate management information.

On the housing information systems, it will take some time to develop the systems that are necessary, but there's much greater indication of resolve from the corporation to deal with these problems than there has been in the past.

MR. CHAIRMAN: Supplementary.

MR. CLEGG: Thank you. I'm glad to hear your answer, because I think we were all concerned about it. You feel that in fact the systems are being improved then.

MR. WINGATE: Indeed.

MR. CLEGG: Thank you. I have no further questions.

MR. CHAIRMAN: Ms Laing.

MS M. LAING: My questions are in regard to page 22 of your report. I know from past experience that the statements, particularly in the third full paragraph from the top, are not new in regard to the maximum amount to be invested, that there be guidelines involved in investment by loan categories. Now, my interpretation of that is that in this way there would be a limiting of loans to companies that may be related and applying for loans in the same kind of venture and in which they as individuals or individual companies would exceed the guidelines or the limits for loans, that they may through this application in the same area gain amounts of money in excess of the limits established by doing it as individual companies even though they're related or have a related investment base; or, secondarily, the Treasury Branches then could be controlling the amount of capital or risk to particular categories of unassessed risk possibly. I'm wondering if you would care to comment on that.

MR. SALMON: Yes, Mr. Chairman. We're interested in the aspect of having the maximum lending amounts by loan type or program rather than by individual company. This would give them exactly what you say, the opportunity to assess whether or not they can assume additional obligation with respect to more loans or whatever, because they can see where they are going in relationship to this type of industry versus this other type of industry. They are setting some types of guidelines, and we're just suggesting that they could go further and be a little bit more sure with respect to the type of category loans they have.

MS M. LAING: My second question is in relation to the last paragraph on that page in which you talk about, "Synergy is either not needed by management or is unreliable," and the statement, "For example, loan type codes used to identify loan class, purpose and collateral are not used consistently." I read that in conjunction with a statement on page 107, in the third paragraph, where they talk about a procedure manual that "lacks guidance on how it should be used to evaluate proposals." These two statements cause some alarm as to the competency of some of the departments. I'm wondering again if you would care to comment on those statements.

MR. SALMON: With the Treasury Branches we have this general statement about management information system and Synergy. We feel that with some amendments to the system, they would have much better management control over the processes we're referring to here. They do have the manual records. It's just much more time consuming and risky, because you're dealing with branch information and getting that information to head office in some cases. It's a case that we're finding that the nature of it, the time, the cost, et cetera - the Treasury Branches have got to set the priorities, and they're saying they're just not prepared to do that yet because they do know it works through the manual system. We're just saying they'd be much

more efficient if they go the other way. We'll continue to encourage them.

Now, you had another part of it. Maybe Andrew can just comment on that.

MR. WINGATE: Yes. On 107, our point there is that the computer system which can assist in the evaluation of these proposals is not being used by all staff. Our feeling is that this is a question of time and training. I think staff are used to reviewing things using different approaches. It will take time for them to use computer assistance in a consistent fashion. So I think it's largely a question of timing and training.

MR. CHAIRMAN: We've actually come to the time at which we'd said we'd debate the motion. I think in essence your last question really had two parts to it, so if it's all right with the member, I will call upon Mr. Sigurdson. Would you care to restate your motion. I think we could assume that it's been presented. I think the way I will proceed, if there's no objection, is that I'll invite the member to make an opening statement. When he speaks again that will conclude debate. Given that a number of people have indicated they want to speak to this motion, I would just ask that everybody keep their remarks rather succinct if they can do that.

I'll recognize people now who might want to speak on the motion.

9:30

MR. SIGURDSON: Thank you, Mr. Chairman. My motion deals with the recommendation that's found on page 3 of the Auditor General's report, and that is:

That the Standing Committee on Public Accounts adopt the recommendation of the Auditor General that "the Public Accounts Committee consider the question of Crown-controlled organizations and consult with the Provincial Treasurer with a view to making a recommendation to the Legislative Assembly on any necessary legislative amendments to achieve appropriate accountability, including the disclosure of financial statements."

Just a few opening comments, Mr. Chairman. The Auditor General has a great deal of responsibility, as does the Legislative Assembly, to ensure that public dollars are being properly accounted for, and that's just not the case at the present time. We're getting some information some of the time but not sufficient information all of the time. Crown-controlled organizations are not included in the public accounts. Any Crown-controlled organization, as by the definition of the Auditor General Act, is any corporation with more than 50 percent but less than 100 percent of it owned by the province. We have limited public accountability of those taxpayers' dollars.

I asked the Auditor General earlier if he could guesstimate the number of taxpayers' dollars that may be involved in Crown-controlled organizations. He couldn't comment on that, but he has listed that organizations such as Gainers, Northern Steel, North West Trust Company, which would include any properties, and the numbered company 354713 Alberta Ltd. are currently organizations that are Crown-controlled. A couple of others have certainly popped into that category recently: NovAtel and Magnesium Company of Canada. Now, there's a problem that I see: that we haven't sufficient accountability of those public dollars, and I would argue that they amount to hundreds of millions of dollars. We often hear this government saying that it has not any funds of its own, that it's the steward of the public purse. I would imagine that good stewards should be accountable and therefore disclose those financial statements of those Crown-controlled corporations.

MR. CHAIRMAN: Thank you.
Mrs. Black.

MRS. BLACK: Thank you, Mr. Chairman. I would speak against the motion from the standpoint that I feel that according to Standing Orders, in particular Standing Order 50, this committee does not have the mandate to make recommendations for legislative changes, that our mandate is to review the public accounts as presented to the Assembly and report back. The concern, and it's a valid concern that the hon. member has mentioned - the responsibility is given to the Provincial Treasurer under the Financial Administration Act. He is held responsible and accountable under section 12, I believe, and would have to respond to the recommendation in the response that he makes to the Auditor General's report. Furthermore, the Financial Administration Act prescribes the contents of the public account, in section 77, and they do not include the financial statements of the Crown-controlled organizations. Therefore, I think that we as a committee would be stepping out of our mandate that has been laid out in Standing Orders and in fact in *Beauchesne*. I would refer people to *Beauchesne* 830, 831, and 832, which empower this committee to operate within the mandate that has been assigned by the House to us. I would suggest that any legislative changes would be the recommendation of the Provincial Treasurer to the Legislature through an amendment through the Financial Administration Act and, therefore, an amendment to Standing Orders, and not from this committee.

I would have to say that while I think the intent of the hon. member is justifiable in some sense, I think this is the wrong vehicle in which to do it. Therefore, I must speak against the motion.

MR. CHAIRMAN: Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. I would like to speak in favour of the motion, which will probably cause no surprise. The motion is, I think, very appropriate, not simply because it comes from the Member for Edmonton-Belmont but because it is in fact highlighted by being placed on page 3 of the Auditor General's report. It is in fact the first recommendation, although an unnumbered one, and I strongly endorse that.

One of the problems we have had in the Legislature is attempting to get information about what is happening with public dollars. These are dollars that have been invested by the taxpayer in Gainers, Northern Steel, North West Trust, et cetera. We now own a couple of others, and I think that looking at simply starting the process . . . Now, this does not necessarily say that legislative changes will go, but basically the operative word here is "consult." I think what we need to do is get the Public Accounts Committee together with the Treasurer and say, "Let's talk about what's happening here." That's really what this motion says: let's talk about what's happening; we need to make some changes somehow. Now, that may mean legislative amendments. It may mean changes simply in providing authority to the Auditor General, but I think what we need is an opportunity for this committee to meet with the Treasurer not to listen to some long rhetoric but to look at solving some of the deep financial problems we are having. That's the intent of the Auditor General's recommendation, and that's the intent of this motion, so I support the motion.

MR. CHAIRMAN: Thank you.
Mr. Lund.

MR. LUND: Thanks, Mr. Chairman. I as well have some problem with this motion as presented. Certainly I have no problem with the recommendation of the Auditor General. As a matter of fact, it's probably a very good idea. However, I think we're using the wrong vehicle to get there. I agree with the comments Mrs. Black made that *Beauchesne* 830, 831 also define what the standing committee is to do. I can't find anywhere where it's within our mandate to make this kind of a recommendation. The vehicle that should be used is if the hon. member would get the Assembly to agree that the Public Accounts do it or, alternatively, deal with the Provincial Treasurer and have him make the recommendation. I think we're coming at this from the wrong direction, and for that reason I can't support this motion as it's presented.

MR. CHAIRMAN: Thank you.
Ms Laing.

MS M. LAING: Thank you, Mr. Chairman. I think, in response to Mrs. Black's statements, that the Standing Orders are put in place to facilitate the process that goes on in this Assembly and to facilitate the work of the members of this Assembly. If the Standing Orders are found to thwart the very process and the very work that we are to do, then Standing Orders are changed, and they are, in fact, changed all the time. I think to argue that the Standing Orders do not allow for this is to put the Standing Orders in a position of authority above the members they are supposed to serve, so I don't believe that can in any way be an argument against this motion. I think, as has been stated, that this is to be a consultative process, that all of us as members of this Legislature are elected to represent the interests of Albertans, that the Treasurer is not alone in that responsibility, and that we all need to be involved in that process of accountability to the people of Alberta.

MR. CHAIRMAN: Thank you.
Mr. Shrake.

MR. SHRAKE: Thank you, Mr. Chairman. Actually, perhaps this motion doesn't go far enough. We should be looking at going beyond just the Crown corporations and looking at library boards, hospital boards, school boards, municipal districts, and even looking at the cities, the towns, the hamlets, and the villages. I've sat here I guess it's nine years on this thing, and here we're talking about: we'll solve the problems. I frankly haven't seen any problems solved by this committee in the last nine years. No disrespect meant to this committee of course.

If we did this, just imagine: we could hire researchers by the dozens. They could write up these questions for us, and we'd bring these little questions in here. We could ask our Auditor General questions by the day and by the night and go into this. Mind you, we don't even get to look at all our - you know, timewise. I don't know if we're supposed to assume that somehow they're all crooked or something's haywire out there and the Public Accounts Committee or the Legislature is going to solve the problems of the world and look at all these things. No. I think really, looking at money that was spent two years ago, we have . . . I've sat on budget committees for 20 years now, I guess. Twelve years I sat on city council in the city of Calgary, and thank goodness while I was there we didn't get into this thing of: we, the elected people, are going to really get in and become accountants and get into the administration. We had some really good people down there looking into this stuff, and they did a good job. The city of Calgary probably has some

of the best auditors. They have a competition with these auditors. These people must compete for it and put a proposal call in, and they go at this. They change them every few years to keep things fresh and good and so on. They do an excellent job in that city, and they go over that stuff, and the professional guys come in with good stuff.

2:40

MR. CHAIRMAN: Could I ask the member to get onto the subject of the motion, please?

MR. SHRAKE: Thinking it over and looking at it, I don't believe it goes wide and sweeping enough, because there are too many areas of the province that we haven't said that the Public Accounts Committee is going to go after. So for that I can't support this.

MR. CHAIRMAN: Seeing no other speakers, I'll call upon the mover of the motion to close debate.

MR. SIGURDSON: Thank you, Mr. Chairman. I'm somewhat surprised by the comments of a couple of my colleagues here who think that there's no problem with the recommendation that the Auditor General makes but that there's a problem with the motion that I present. I suppose that's probably why in my motion I took verbatim the Auditor General's recommendation and moved that as my motion, because I know there are some political differences here on the committee. I would have thought that the Auditor General's recommendation would have been a recommendation that's a little less political, perhaps even apolitical, but that seemingly hasn't come through.

The intent of the motion and the recommendation of the Auditor General was to have a consultative process with the Provincial Treasurer so that we could come back to the Legislative Assembly with a recommendation with respect to Crown-controlled corporations, but that's not how it's been interpreted. At least I imagine that's not how it's been interpreted, because members cite Standing Orders and *Beauchesne* as ways to get out of having some kind of responsible accounting of public dollars.

Now, I just want to comment to the Member for Calgary-Millican that at no time does this motion or did this member suggest that anything crooked was going on. What the motion deals with is a responsibility for the accounting of public dollars, not if there's something crooked going on. I just wanted to clear that up right away.

Anyway, the motion speaks for itself. Members have spoken. I guess we have positions.

MR. CHAIRMAN: Thank you, hon. member.

We're ready for the question then. Those in favour of the motion as distributed? Those opposed? The motion is lost.

MR. SIGURDSON: I request that it be recorded.

MR. CHAIRMAN: Well, I'm not sure if there's a provision for that, but we'll check that out. [interjection] Apparently we can do that, so could I see your hands again?

[For the motion: Mr. Bruseker, Ms M. Laing, Mr. Sigurdson]

[Against the motion: Mrs. Black, Mr. Clegg, Mr. Jonson, Mrs. B. Laing, Mr. Lund, Mr. Moore, Mr. Payne, Mr. Severtson, Mr. Shrake, Mr. Thurber.]

MRS. OSTERMAN: I didn't vote.

MR. SIGURDSON: One member didn't vote.

MR. CHAIRMAN: Are there any abstentions? Technically, there's no provision for an abstention. Abstentions are usually considered as in support of the majority vote on an issue, but I will check that out with Parliamentary Counsel.

MR. CLEGG: It's my understanding that before you can ask for the vote recording - in any association that I ever sat on, it must be asked before the vote is taken.

MR. CHAIRMAN: Well, I'll certainly check that out and take that under advisement if that's all right with the hon. member. This is the first time this has come up in a meeting I've chaired, so I'll have to check out and just see what the practice of this Assembly is with respect to that issue. We know how people voted; we have it all recorded. It will certainly appear in the *Hansard* transcript of the meeting, but we'll see how it will appear in the formal minutes as a result of a conversation that I'll soon have with Parliamentary Counsel.

Mrs. Black.

MRS. BLACK: Mr. Chairman, a motion for adjournment.

MR. CHAIRMAN: Well, before I accept that motion, we do have a few minutes left. We could still put questions to the Auditor General. I did cut off Ms Laing with a final supplementary, so if I could beg the indulgence of the committee to at least put her final supplementary. Mr. Shrake had also indicated that he wanted to ask questions.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Ms Laing.

MS M. LAING: Thank you, Mr. Chairman. My third question is on an unrelated topic. It's in regard to page 48 and the Alberta General Insurance Company, which I understand exists, has assets, and pays income tax. In questioning in the Legislature I believe there was some concern about the company's surpluses. Now, is it my understanding that these surpluses cannot be distributed except through an Act of the Legislature or an amendment brought to the Legislature? Is that correct?

MR. SALMON: Mr. Chairman, I know there are problems because of the nature of how the Alberta General Insurance Company was set up in the first place. We have no direct information, but I understand through word of mouth that the department has come up with a way in which they could resolve the problem that we've indicated here. They haven't had direct involvement with us, because this was through staff that has indicated that to me. We'll have to follow up to determine what that is to see whether it can actually be resolved in accordance with what we're suggesting.

MR. CHAIRMAN: Thank you.

Mr. Shrake.

MR. SHRAKE: Thank you, Mr. Chairman. On page 70 there's a recommendation 20. This is regarding Family and Social Services; I guess they're after these overpayments or something again. They're encouraging the Department of Family and

Social Services to improve the control of overpayments under social allowance and AISH programs and to ensure compliance with policy. They state that of the files they've looked at, 48 percent contained procedural errors. In 11 percent of these cases incorrect payments were made, mostly overpayments, I guess. The Auditor General states that "overpayments of \$12.3 million and underpayments of \$1.1 million occurred" during the year ending in March 1990. Why is it that the number of client files conceding procedural deviations is down 11 percentage points from the previous year and the number of files containing incorrect payments is down 4 percent, and yet the dollar figures for over and underpayments is up?

MR. SALMON: What's the question?

MR. SHRAKE: There's a deviation, and yet the amount of money is growing, getting worse and worse.

MR. SALMON: My understanding is that the actual dollar amounts have gone down from previous years. I'm not sure where the question is coming from, I guess. We did discuss this last week and did refer to the fact that we felt that they were improving, that things were getting better, and that there could come a time when we felt they could be low enough that we could probably drop this point. We're still just not to that point this time.

9:50

MR. SHRAKE: On that point, then, I don't have any supplementary questions. That is, I'd say, a good-news story.

MR. CHAIRMAN: Next week . . .

AN HON. MEMBER: I think now perhaps I'll make a motion to . . .

MR. CHAIRMAN: Well, if you could for a moment - I'll recognize Mr. Moore in a minute.

I'd just like to announce that the date of our next meeting is May 1 at 8:30. The Hon. Peter Trynchy, Minister of Occupational Health and Safety, will be with us.

I'd like to thank the Auditor General and his colleagues for answering questions that were put to them by members of the committee. We appreciate their presence here and the professional way in which they responded to the questions that were put by members of the committee. So on behalf of the committee, I'd like to extend my thanks and appreciation.

Mr. Moore.

MR. MOORE: A motion to adjourn.

MR. CHAIRMAN: A motion to adjourn. Those in favour?

HON. MEMBERS: Agreed.

[The committee adjourned at 9:51 a.m.]

