

8:32 a.m.

Wednesday, May 13, 1992

[Chairman: Mr. Pashak]

MR. CHAIRMAN: I'd like to call this morning's meeting of the Public Accounts to order. The minutes for the May 6 meeting have been distributed. Is there a motion to adopt the minutes as distributed? Moved by Mr. Gibéault. Any discussion out of the minutes? Any questions, corrections, errors, amendments? Hearing none, then, are you ready for the question? Those in favour of adopting the minutes as distributed? Carried.

We'll then just continue with where we left off last day. I'd like to welcome Mr. Salmon and his two associates again this morning. I've got a number of people that have indicated they'd like to ask questions, but I think we had a couple of people that didn't get on the list last day. Mr. Jonson, you'd indicated that you wanted to ask a question last week, and you didn't get a chance to, so maybe I'll begin with you.

MR. JONSON: Well, good morning, Mr. Chairman. I left my book in the Assembly. I'm just trying to find the right page here.

MR. CHAIRMAN: I think I'll just go around the room starting with the person to your left.

MRS. B. LAING: Do you want me to start then?

MR. CHAIRMAN: Okay. Mrs. Laing.

MRS. B. LAING: Well, thank you very much, Mr. Chairman. My question has to do with the Auditor General's recommendation 27 in the Department of Health section, improving "its systems for determining equipment priorities of hospitals and how they can be funded." It's stated in your report that the Department of Health requires information on each hospital's equipment priorities, the condition and the age of existing equipment, and the potential for sharing of some equipment. Does the Auditor General support the idea that funding be authorized to provide for an in-depth study of equipment priorities and condition at each of the Alberta hospitals on a yearly basis, and how quickly can such a system for gaining this information be implemented?

MR. SALMON: Mr. Chairman, this particular recommendation is the second time we've done this, and I think what we're asking the department to do is to reflect on the aspect that they have limited funding for capital purposes and the needs of the hospitals are expressed in much larger numbers. The concern we have is that they do not have the information to establish the priorities hospital by hospital. There is information that they can gather and that they do have, but it's a case of putting it together to be able to set those priorities. We will outline some of the things that they would really have to do to set those priorities in this particular recommendation. As far as the future's concerned, it'll certainly have to be up to the department how they want to approach that. We're not really suggesting a particular method but feel the concern as they try to handle this area that it's becoming more and more necessary for them to reflect on how they can approach it as the funds become more difficult to be available.

MRS. B. LAING: Thank you.

Also you suggest a move away from the use of the rated bed capacity for determining priority. What alternative measure could be more appropriate for determining these priorities?

MR. SALMON: I think in that case, based on the need to sort out where their priorities are, using this method is not really working to that end. They must examine how they want to apply those dollars to the areas where there's most concern. This rated bed thing doesn't work; it's not the method. So they'll have to reconsider the formula to determine how to set those priorities. That's really what we're identifying there.

MRS. B. LAING: Okay, thank you.

My last question, Mr. Chairman: does the Auditor General have any reservations about recommending a policy that may foster an even more competitive atmosphere among Alberta health institutions for equipment funding?

MR. SALMON: Well, I think more than anything that we think there are better ways of doing it than they have been doing it, and in discussions with management the concern is there that they will have to examine for themselves, along with the assistance of the hospital management, to determine a way in which they can establish something that would be fair and equitable to all.

MRS. B. LAING: Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Mr. Clegg.

MR. CLEGG: I have no questions.

MR. CHAIRMAN: Okay. Mr. Cardinal.

MR. CARDINAL: Yes, thank you very much, Mr. Chairman. My question is on venture funding, page 48. Recommendation 12 suggests "that the Alberta Opportunity Company use criteria consistent with its objectives to assess venture investments." You cite that one example where a \$2.5 million venture investment was used to establish a business in the U.S. Could you explain the circumstances surrounding this investment and comment on whether it is a trend or simply an isolated incident?

MR. SALMON: This was an interesting area. Mr. Chairman, as we looked at the Alberta Opportunity Company with respect to this type of funding, our concern was partly the interpretation of the mandate of the Opportunity Company and whether or not it was expanded to take care of this. It was really a compliance issue that we were really looking at. As you examine the Act and determine that they were to do things that would diversify the economy of Alberta, we got into a debate with them with respect to whether or not this type of a venture was really helping Alberta when the return didn't come back to Alberta as well. This was one particular one that was examined in the systems work that we were doing. The interesting thing about it: although they were not particularly in agreement with us in our interpretation of their legislation, I think the concern was raised, and as a result of the recommendation the little paragraph following recommendation 12 indicates that they recognize the concern there and are going to cease making investments in the United States in the future.

MR. CARDINAL: My supplement is on the same area. Could the Auditor General explain to the members of this committee the nature and the amount of benefits accrued to the company and the province as a result of this investment? I know in the report you mentioned that there may not have been any direct jobs, but if the company made a profit, for example, outside the province, would that profit be brought into the province and possibly create economic benefits to the province itself?

MR. SALMON: Actually, as we examined this particular situation, at the time that we were looking at it, I think the intent was that there would be some benefit in the long haul, maybe if some other things would happen in Alberta. But in this particular company it didn't last because this company went under, and therefore there was no benefit that returned to Alberta.

MR. CHAIRMAN: Final supplementary.

MR. CARDINAL: Yes. Are you comfortable now that there are adequate systems in place to ensure that these processes do not happen in the future, that any investments we make would bring some economic benefit back to the province?

MR. SALMON: Certainly, Mr. Chairman, that's what the senior management of the Opportunity Company have indicated to us, that they will be very careful with this area. When one gets burned on a few circumstances, you get a little bit more cautious, and I think that's really what their intent is, that it be for Alberta, and see what they can do for Alberta itself.

MR. CARDINAL: Thank you.

MR. CHAIRMAN: Mr. Thurber, again.

MR. THURBER: Thank you, Mr. Chairman. My questions this morning pertain to Family and Social Services. There were several problems cited by yourself in recommendation 19, including a failure to investigate suspicions that clients may have other sources of income and lack of employability assessments and related action plans. You have mentioned that this could be addressed by increased staffing. Now, are you suggesting that an increase in staffing would be the best remedy for this situation, or do you think there's some other method that could be used?

MR. SALMON: We're talking about eligibility for benefits?

MR. THURBER: Yes.

MR. SALMON: I'm not sure whether staffing is the actual — one has to look at all of these types of things and determine whether or not there's a cost benefit in doing some of the things. But in examining this whole area and determining whether or not the eligibility for benefits was known, we found a considerable number of errors in the testing that was done. When you find compliance deviations, as we indicated, it indicates a further weakness in the overall system. As we've sort of met with them and worked with them through this recommendation, it really becomes a way of developing their system to solve the problems, and they may choose different ways of doing it. We're not really recommending any particular way. What we're saying is surely the system has to be better than this or we wouldn't find the number of errors, and that's really where we're heading.

MR. THURBER: In your '89-90 report you cited a rate of 48 percent of noncompliance with government policy, and that's a really high number, in my view. Can you give us any idea how much this noncompliance actually cost the government? Do you have any handle on the figures, on the numbers?

MR. SALMON: No, we haven't quantified the particular finding. It was really a case of taking the random sample of files and recording the individual compliance issues where there had been errors. To quantify that would have taken considerable costs on

our part as well, and we haven't done so. Certainly it could be something that the department may be interested in. It really depends on how much it would take to do that, but the issues are there and it was a case of what can you do to tighten it up.

8:42

MR. THURBER: In recommendation 21 you recommend that the department continue "to ensure that fraud investigations are carried out promptly." Currently there's a backlog of over 1,500 referrals for fraud investigations. What do you feel is an acceptable backlog? Is this within the norm? It would seem to me that's a rather high number.

MR. SALMON: Yes; I believe we talked about this last week. Certainly the backlog is one of our concerns, and I think the things that I said last time indicate that a reduction in that area is of prime concern if we look at the fraud investigations themselves. There are other implications to the whole area as to ways and means of not having this build up. The department's going to have to determine a way to reduce the 1,500 backlog, whether it means actual investigation or whether it means to do something else about the approach to the whole thing. Do you want to make a comment?

MR. WINGATE: Yes. One of the points to be made here is that this delay increases the risk of further fraud taking place, because the whole system falls into disrepute. Also, your chances of recovering overpayments if you're very late in investigating the fraud is significantly reduced. Those are two other very important points, I think.

MR. SALMON: The older it is, the more difficult it is to solve it.

MR. CHAIRMAN: Do you have a final supplementary, Mr. Thurber?

MR. THURBER: That's three.

MR. CHAIRMAN: Mr. Paszkowski.

MR. PASZKOWSKI: Thank you, Mr. Chairman. Page 104, Transportation and Utilities, the project cost controls:

The Department does not set limits on its funding of projects under the Alberta Municipal Water/Wastewater Partnership Grant Program. Would you explain just what you mean by that?

MR. SALMON: I want to make sure I'm on the right one. "Does not set limits"?

MR. PASZKOWSKI: Yes, section 2, page 104.

MR. SALMON: Our concern in this particular thing, Mr. Chairman, was that without the limits — and there can be arguments the other way, in the sense that you tend to inhibit the municipalities from doing certain things with these grants. But we're saying that you can end up with a much higher cost without actually setting a limit on some of the projects, and if you don't determine the priorities and what you're trying to accomplish with the project, you're opening a door to an unlimited amount of cost. I think, generally speaking, the department recognizes this but they're also suggesting that setting the limits may be costly to develop and to determine, and they haven't chosen to do so. That's really what we're saying, is that with unlimited funding or the lack of control, without knowing what those projects are at

least estimated to be, you can spend a lot more money than you intended to in the first place.

MR. PASZKOWSKI: Thank you. Further down the page:

Although the Department has defined objectives for the Partnership Grant Program as a whole, it does not set objectives for each project funded. Furthermore, the limited information on completed projects, consisting of project costs, is not compared to estimates.

Has there been a cost analysis done as to what it would cost the department to do that? Obviously, the more information we extrapolate, the more expenditure there's going to be. I guess my question is: is this something that's going to be cost-effective? Have you done a cost analysis of this process to see if indeed this is going to be beneficial? A further question: do you do cost analysis on your recommendations?

MR. SALMON: Mr. Chairman, we have to be very careful here that we're not talking about doing a full-fledged cost that incurs a tremendous amount of money on our part. As we look at this whole thing, in the audit itself we go to management and say, "Look, here's the situation, and if you're not really going to look at these things, there may be an extra cost here for you to consider." Now, if the department in reviewing our recommendation chooses to say, "No, this is going to cost us too much", then we will look at what they're saying and see if there's another way around the problem. Certainly in this case we haven't done a full-fledged, but we have looked at it in relationship to thinking that there are some things here that would benefit the department if they would consider them.

Now, they've got to make sure that they don't spend money just for the sake of spending money. We're not recommending that. We're really recommending that the consideration of this kind of thing would help them in their management of this whole area, and project assessment certainly could be of benefit to them if they can make it cost-effective. That's our concern.

Andrew.

MR. WINGATE: Yes. I think in making this recommendation, we're very confident that the cost of acquiring the additional information would be far less than the potential benefit derived from using that information. I mean, in any recommendation that we make in the report, we're very conscious of the fact that we shouldn't incur costs greater than the potential benefit. But in this instance, we feel that the cost of acquiring the additional information is minimal in comparison with the benefits that would be derived. I mean, one of the examples we quote here under project cost control is that a review of six projects estimated to cost \$21.6 million showed a final cost 72 percent higher than that. This gets back to the first point being made, that if you set limits for a project, you have a better chance of controlling the cost of the project than if you say, "Well, just go ahead and build it."

MR. PASZKOWSKI: Just a further question on this question, if I may, Mr. Chairman. Were the six projects that were selected at random, or were they selective projects? Because that makes a difference.

MR. WINGATE: Our normal procedure would be to do it on a random basis.

MR. PASZKOWSKI: Well, what I'm asking here: is the 72 percent a random basis, or is this a selective basis?

MR. WINGATE: I would suspect very strongly that it would be a random basis, because we don't want bias.

MR. SALMON: I think it's random. You don't want to bias your samples, so you have to be very careful.

MR. PASZKOWSKI: Okay.

The final question. [interjections] I was just asking for clarification, Mr. Chairman.

MR. CHAIRMAN: That's fine. Go ahead.

MR. PASZKOWSKI: In a management letter to the deputy minister at the conclusion of the audit, it was recommended that the department define project objectives during the approval process and evaluate each project on its completion and establishment of the objectives that have been met.

I'm going back to my previous life as a mayor of a town. It seems to me we did have limits. I'm not just too clear on this. We were told by Environment what we could spend on this particular project. I'm a little surprised to see this comment here because Environment told us, "You will be allocated so many dollars."

MR. SALMON: This is transportation we're looking at.

MR. PASZKOWSKI: I realize that, but Environment is the one that provided that.

My question basically is: have you checked the entire process through to see that someone else has been placing limits on this, and transportation is just following through?

MR. SALMON: Well, in our exit conference with management, they definitely agree that they haven't set limits.

MR. PASZKOWSKI: Transportation hasn't?

MR. SALMON: Right.

MR. CHAIRMAN: Did you have questions, Mr. Drobot?

MR. DROBOT: Well, representing a rural area that went through two years of drought, I have a natural interest, I guess, in Alberta Hail and Crop. In your recommendation 9, you recommend that a review be conducted into "the processes used to generate management information" within the Alberta Hail and Crop Insurance Corporation. Will you now be having any input into such a review, and how is it going to be conducted, and do you have any ideas about greater efficiency?

8:52

MR. SALMON: Yes, Mr. Chairman. This is a good corporation in a sense that they're very co-operative with the audit and our staff. In fact, two years ago we had a senior member of our staff whom they recruited away from us after he went on the audit, so we're kind of close to them in that sense. Of course, there's a learning curve. As they expanded their work, they had a turnover in accounting and senior management levels in a certain area there, and there was a learning curve for those individuals. We think now things are coming around, and we stick fairly close to them because of the nature of the claim and some of the other things that are fairly substantial in that it takes in other than just the regular audit. So although we did identify a lot of weaknesses, we were able to say that the general manager was pleased with those

recommendations because he recognized there were concerns. He's indicated to us that things have turned around. We are in there now with respect to the current year, and those things will be reviewed carefully with them to be sure that they've eliminated them.

MR. DROBOT: Well, you brought up the word "curve." But due to an accounting error in the calculation of high-risk subsidies by Alberta Hail and Crop, the corporation received a special warrant of \$3.3 million. Could you elaborate on whether these funds have been returned to general revenue, or are they used elsewhere?

MR. SALMON: I couldn't answer that today. This was the 1990 crop year. We were concerned that the amount we were reporting here was that they did get the special warrant, and there were some differences in what the claim was. It was something we'll be looking at in the current year.

MR. DROBOT: Okay. But if the problems continue to persist into the next year, how will you be handling it? Will you be making further recommendations?

MR. SALMON: I'm afraid so. That's our tendency. If we can eliminate 9 and 10 on the basis of the findings of the current year, we'll what we call write these out and there won't be these recommendations. If we find them not fully recovered and corrected, we can maybe downgrade them a bit so that they're not the shaded recommendations. Normally we would like to see them go within the year. Some of them, of course, take longer to correct.

MR. DROBOT: Thank you.

MR. CHAIRMAN: Mr. McFarland.

MR. McFARLAND: Thank you, Mr. Chairman. To the Auditor General, this is in regards to the Alberta Hospital computer system. In recommendation 29, the Auditor General states that "management of the development and implementation" of the computer system at Alberta Hospital Edmonton is weak, and the project may be in jeopardy due to this. The Auditor General suggested a steering committee be set up, comprised of senior management officials, to oversee the project. Given that these officials may be inexperienced in the demands of implementing a \$2.2 million computer system, does the Auditor General believe this committee will be sufficient to ensure the success of this project?

MR. SALMON: Certainly the normal process when you get into these heavy computer systems is to have some assistance where you can rely on the direction it's taking you to establish the system that's going to benefit the hospital in this case, or whatever organization. They admit that things got a little bit out of hand, and therefore there was a little bit of a concern there. This is one way in which they can pull themselves back on track. I don't believe we ended up with any adverse concern, that they did admit that this was what they should do and are going to proceed in that light, but I think it was after we were able to write this out. Andrew, can you recall anything specific? We had a couple of meetings.

MR. WINGATE: Yes. Again, to comment on this question of senior management. Your concern was that senior management might not have had experience previously implementing large

computer projects. I don't think that's necessary. What is necessary is that senior management, with a unique perspective of the organization, should be present when talking about new systems. In other words, it's what they already have that they should bring to the steering committee. It's their knowledge of the organization, its aims and aspirations and this sort of thing. It's that sort of talent that is required on the steering committee to make sure that its development stays on track, that it satisfies the requirements of the organization. It's not as if senior management have got to develop special talents in order to manage the development of the system; it's more that their existing talents should be brought to bear in designing the system.

MR. McFARLAND: Does the Auditor General have any specific ideas for which terms of reference should be developed by the steering committee to be able to successfully address the project management issues on this particular project?

MR. SALMON: One of the things that we provide within these kinds of things, Mr. Chairman, is individuals from our office to assist in developing some of the directions they should go. At times we've had our people come out and assist in the direction to develop the system they want. We have to recognize that it is really management's decision as to who they hire to develop a system and how they do it. Within our own shop we've got some good people who understand computers and development of computers and systems and can give some guidance.

There are also government services' computer services that will assist in any way if someone really needs help in that regard too. So there are sources within government they can reach to rather than go outside entirely, if they choose.

MR. CHAIRMAN: A final supplementary.

MR. McFARLAND: Thanks. Does the Auditor General suggest that there should be departmental regulations for a steering committee that could be set up to provide direction for any such major expenditure before the funds begin to be spent, and should there be set criteria for choosing personnel to sit on this committee?

MR. SALMON: Any time you develop guidelines that help an organization to stay within a certain framework would be helpful. One has to recognize that in this case the direction would probably have to come from the Department of Health. They also recognize that they have given a certain amount of independence to the hospitals to develop these kinds of things. Our concern is that very thing, that there is some way in which the hospital area is guided and directed by the department. We'd certainly not object to them. We would certainly encourage that through the department.

MR. McFARLAND: Thank you.

MR. CHAIRMAN: Mr. Severtson.

MR. SEVERTSON: I'll pass.

MR. CHAIRMAN: Okay. Ms Calahasen.

MS CALAHASEN: I have one question. Actually, it's regarding community mental health services. As you've probably realized, in the last few months we've had a few problems in terms of health services delivery in my constituency, so I'm very interested

in seeing what has been happening. In your recommendation 24 on page 79 you're talking about delivery of community mental health services. In there you indicated the cost of operating these clinics is not available to the Department of Health. Why is there not a system in place to ensure that this information is available to the department?

MR. SALMON: We certainly feel there should be, Mr. Chairman. It's not a case that they don't know the total cost of all these clinics. What they don't know is the breakdown on individual clinics to know whether they're cost-effective. The point goes on in that other paragraph to talk about the community mental health services in other areas of hospitals, psychiatric offices, public health units, et cetera. So you've got community health services in other cities and so forth, and it becomes a big area to know whether or not these are being properly operated and are meeting the objectives of those particular clinics. Without that breakdown, which they don't have, they can't really determine whether or not they're achieving their objectives individually.

MS CALAHASEN: So basically when we're looking at the objectives of the community mental health services, we really have nothing in place to be able to measure the objectives of whether or not they are actually achieving them. Is that what you're saying?

MR. SALMON: That's what we're saying. In fact, it goes back to having not changed things since about 1972. Therefore, they really need to start looking at what it is today and how to meet those needs and those overlaps as well.

MS CALAHASEN: That seems to be quite a problem.

You suggest that

the Department should reassess its Community . . . Health Services program to determine whether cost savings can be realized from the elimination of duplicate services.

Could you indicate where there are duplicate services happening, if we don't even know what objectives are being achieved?

9:02

MR. SALMON: They may have decided there aren't duplicate services, but you have to recognize that the Department of Family and Social Services is handling certain things through their health units. There are psychiatric offices. There are care centres from hospitals, and those hospitals are not under social services. Alcohol and Drug Abuse also handles some community services. It really is a case that it's a bigger situation than just the one area within Health. So we just broadened that and said, you know, that it would be nice to know because there could be dollars involved here. Certainly if you don't need to do all that you're doing in all these areas, then maybe there are some savings there that someone hasn't yet determined. We certainly don't know for sure.

MS CALAHASEN: That's interesting. Thank you.

MR. CHAIRMAN: I hate to break up all these friendly interchanges going on, but under these circumstances it's rather distracting, I think, for some of the members that are asking questions. So if we could just have a little degree more of order, I think it would be helpful.

Mr. Gibeault.

MR. GIBEAULT: Yes, Mr. Chairman. I'd like to ask a couple of questions about the respective pension plans. I notice that on

page 7 of the Auditor General's report he says, "It should be noted that projections to March 31, 1991, are not available." I guess that's as of February '92 when his report was released. I guess I'm wondering why it is that with a Pension Fund of such proportions we're not able to get projections on a more current basis than that. Is there some reason for that?

MR. SALMON: Well, Mr. Chairman, the requirement for actuarial evaluations on the pension plans by legislation I think is every five years. So there's a cost involved when the government has obtained these actuarial evaluations on their due dates. However, with the previous actuarial evaluation that took place in the late '80s, within those actuarial evaluations there were some projections developed by the actuary, and last year in our report we used those projections to bring it up to 1990.

In the current year with pension reform the government went ahead and developed and was able to redo those actuarial evaluations by an actuary on the changed assumptions that are in here up to the date of March 31, 1990, but at that time the actuary did not do anything about extending the values to 1991. They stopped. Because of pension reform they were trying to resolve the issues as of 1990 and then go on from there. Rather than expend the cost to get projections, they stopped at that date. That's why we're sitting here with this particular comment to recognize that although we showed a potential \$6 billion unrecorded pension liability, we're talking about evaluations in 1990 for the six government plans and an evaluation in August '89 for the TRF. Those are the latest available figures from actuaries.

MR. GIBEAULT: Just to follow up then. If we take a look at page 1.8 of the public accounts document itself, it talks about pension obligations in note 3. The first thing I'd like to ask the Auditor is about the plan for judges and masters in chambers which requires no contribution on their part to the plan. I'm wondering if as Auditor you have any comment to make about the appropriateness of that kind of plan when most of the others, if not all of them, require a contribution by the employees.

MR. SALMON: Well, certainly. That's a matter of policy, and I'm not going to sit here and comment on any of the particular plans because I think there's still work going on in some of the plans. There are only two of the plans that have basically been settled.

As far as the judges' plan, that's a new plan. That's one that came on just several years ago, and why you don't often see that thing highlighted other than in the note is because it's a much smaller plan and it's just getting started. Certainly the way in which it operates was established by the regulations they have developed. If you go back into the Auditor's report, though, we're saying in another recommendation that we don't think it's in compliance with the legislation. So that's still another matter.

MR. GIBEAULT: My final supplementary, then, Mr. Chairman. Of those six government plans, given the size of the assets, the size of the obligations, the number of pensioners involved - they're all insolvent in the sense that they all carry an unfunded liability - could the Auditor tell us which of those six plans would be relatively the most insolvent or have the biggest relative liability?

MR. SALMON: That's not easy. There's been so much material kicking around lately because of pension reform. There is a statement - where's the one we've got in the back here? - of the five plans. You would have to look at them in relationship to the

size of the plan. The largest plan, of course, is the Local Authorities, but that's one of the ones that's now been resolved as to how they're going to fund it over the next four years. The next plan that's been resolved is the public service plan. That's resolved. It's a little bit less. I don't have those figures in front of me right now, do I? No, we don't know the unfunded portion for sure.

Under pension reform, with the resolution of those two plans the government has indicated in the information that's presently available and made public that the values of those plans are subject to future – whenever it decided – actuarial valuation. Until that is really done, we really won't know, based on the contributions that they've amended, what the actual unfunded liability will be, although we were talking about six. We're not sure of that six anymore. As you change the other things, that is also affected.

MR. CHAIRMAN: Okay. Mr. Jonson.

MR. JONSON: Yes, Mr. Chairman. I'd like to refer to page 62, and actually it goes on to page 63 of the Auditor General's report. There's quite a bit of commentary here with respect to the southeastern Alberta disaster assistance program.

I would like to start out by referring to recommendation 16. The Auditor General is saying that there was a difference between the published objectives and the eligibility criteria. My question would be: does this mean that when this all shook out, there could have actually been different criteria at the table when an officer was receiving an application from a farmer, from one officer to another, or were there different criteria applied in different parts of the approved disaster assistance area?

MR. SALMON: Mr. Chairman, this has been an interesting one, partly as to how it was developed. First of all, as you recognize, it was handled by Alberta disaster assistance program. All of this is done through a systems audit that we've done where we've dealt with the staff not only of disaster services but also of Agriculture and also going into the southeast area and some of the program areas down there where they're handling these things. In all the work and interviews and all the other testing that was done, yes, there was this confusion. Throughout this period when we were looking at it, it was also noticed that the criteria had changed. As those criteria change, sometimes things are not always done consistently, and it wasn't too smooth an operation. Therefore, that's why we're suggesting the recommendation of trying to develop something that would be a little bit more clear and understandable by all those responsible so they don't run into this confusion that took place.

MR. JONSON: Thank you. A supplementary question would be, Mr. Chairman, that the Auditor General has pointed out that this comes under disaster services. Now, as I understand it, normally a program that's initiated there would qualify for federal funding, federal support. Was any federal support approved or provided to defray the costs of this program?

9:12

MR. SALMON: No, I don't believe so. Not that I know of, not specifically.

One of the problems that occurred from our perspective – again, we're looking with hindsight; auditors never get in before the thing, we're always after the fact – was that there seemed to be some concern or confusion initially in this regard, and then it was decided it was going to be disaster services, whether or not it should be an agricultural program or whether it should be the

other. Now, whether there's any funding involved from Canada, I'm not sure. We will certainly be involved if there is some, but I haven't got it in my mind that there's a connection. If you could help us, I'd be happy to look at it.

MR. CHAIRMAN: That's a question that could be directed to the director of the program.

MR. JONSON: My final supplementary, Mr. Chairman, would go back to recommendation 15, and the question would be: does the Auditor General have any estimate on the overall ultimate direct cost of this program to the taxpayer?

MR. SALMON: The estimate that we're showing in here was approximately \$110 million the time we were looking at it. Now, we recognize that this has gone on in the current year. We'll look at it come the end of this year and see what we're doing, but at the time we were looking at it with the budget only showing about \$3 million, knowing already that they'd spent \$30 million and knowing the projections were \$110 million, we weren't sure that the program budgeting it had actually picked up and been properly handled. All we're suggesting is that where this information is known, surely it should be included so there is no doubt as to the position you're in with respect to the budget.

MR. JONSON: Thank you.

MR. SALMON: I understand that this year's estimates are much more detailed, which is probably good from the point of view of the program.

MR. CHAIRMAN: Mr. Lund.

MR. LUND: Thank you, Mr. Chairman. I'm looking at page 76, the Department of Forestry, Lands and Wildlife. I have a very keen interest in this because of having a constituency that has a lot of forest and trying to get a forestry project under way, and of course I believe firmly in the sustainable yield concept. But I do have some concerns. I recognize that you didn't make any recommendations, but you make the comment that "the quality of the information the Department uses to assess the growth of new forests needs to be improved." Now, you may feel that I'm questioning the Auditor General's role in this, and I am. The reason I say that: we have professional foresters, people that have spent their lives in this business, and they're telling me out in the field that in fact this government has been very conservative in their estimates of growth when they're setting out the annual allowable cut. So my first question would be: what is your expertise in this field that you would make a recommendation like that?

MR. SALMON: Mr. Chairman, that's a good question. We are not trying to be the experts, and the department recognizes that, because when we went and did the examination, we were looking at what they were doing, what their criteria were, how they were determining it. We were suggesting to them, "There may be some information that's there that you could gather and co-ordinate with industry and so forth that would help you." It isn't a case that you have to understand all the ins and outs of forestry to do that. You're getting a chance to look at the whole thing, balancing it out as to what they're doing, and it's really from the point of view of the management of the thing. Our people can look at a management system and say: "You know, there are some things

that are missing here. If you knew this, this might help you." That's really what it was.

It was interesting in going through the process. Our staff found that the department was very interested in what we were identifying because we were just looking at it from a management perspective and trying to look at the controls they had developed in developing the system. They said: "Yeah, we can take that. We can do some co-ordinating and some development and searching out some stuff from industry, and it will help us." That's really how simple it was. It wasn't a case of having any heavy responsibility with respect to the forestry aspect of it. We recognize that that's a totally different field out of the Auditor's, but we were looking for the management control process. It was with that perspective that we did it.

Do you want to comment?

MR. WINGATE: Yes, we were taking a very simple approach here. We were saying that the management information system here is based on a model, and the quality of the information coming out of that model is very much dependent on the quality of the information going into the model. So we took a very basic view of this and said that the better the quality of the information going into the model, likely the better or more useful the results coming out of the model. All I think we're trying to do here is encourage the department to gather more reliable data, and I think we've got the support of the department for that concept. I think they agree that better information can go into the model, which would improve the usefulness of the projections of the model. We took a very simple approach to a very fundamental management information system that the department uses, I think a key area of its activities.

MR. SALMON: I think that if we were really going to get into the nitty-gritty of what forestry is all about – you talked about the sustained yield policy and so forth – and getting into what forestry people understand well, we'd end up having to have a forestry man on our team or something like this, you know, and we're really not trying to do that. We're taking a broader picture from the management control aspect of it. We stay out of things where the expertise is not ours.

MR. LUND: I really appreciate your answer. As we read on through there, it seems . . .

MR. CHAIRMAN: At the risk of interrupting you, may I put a question to the Auditor General, since I don't ask very many? It follows from what you asked.

Just a comment perhaps on your role as Auditor General then. When it comes to making comment, then, on not policy issues but . . .

MR. SALMON: We can get into financial accounting and management control, and this really was a management control aspect that would help them improve the whole process. They were quite delighted just to have someone to talk with about this kind of thing. That's really what it ended up with. It was a very positive experience.

MR. CHAIRMAN: Good. I think that's very positive anyway. Carry on. Sorry to interrupt you.

MR. LUND: Certainly you've done that in the situation with the computer that came up this morning again.

MR. SALMON: Yes, the same idea.

MR. LUND: I guess what really caught my eye with this one – as I read through here, it seems that your recommendations would be things like more plots, more measurements, those kinds of things. They're doing that. It's just that all this stuff is slow. Certainly they do detailed measurements, and that's where the people in the field are telling me that we believe that in fact the growth is greater than we're allowing them to cut.

I'm wondering: did you have some other recommendations that you did not include in here, because as I read this, the only one that really sticks out is more plots.

MR. SALMON: No, we didn't have any further recommendations. The letter was a little longer because of other things that we did, but certainly the systems audit was the prime thing that was of help to them.

MR. LUND: Okay.

MR. CHAIRMAN: Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. I'd like to turn to page 100 of the Auditor General's report dealing with NovAtel Communications Ltd. A comment in here says that "audit tests . . . revealed weaknesses in certain of the company's systems and procedures." I wonder if the Auditor General could elaborate on the weaknesses that he discovered.

MR. SALMON: Yes. If it were public, I'd probably give it to you, but it's not public. It was in the management letter itself. We had a fairly lengthy letter and indicated the weaknesses. Management acknowledged those concerns and took it upon themselves to do what they could to correct those weaknesses. It didn't seem a necessity to actually describe them all. We had recognized that at the time they were seeking a purchaser for NovAtel, to disclose some of the weaknesses that had occurred in the past that were now being corrected didn't seem very fruitful from that perspective, so we didn't list them. So they haven't been put in this particular report.

9:22

MR. BRUSEKER: In doing an evaluation of the corporation, have you done any evaluation of the assets of the corporation – in other words, the net value of the corporation – and do you have that figure here?

MR. SALMON: You have to remember that this is the year that the Auditor General became the auditor, on December 31, 1990, and a firm of auditors had been appointed by the company when it wasn't owned by the province. So this necessitated that we become the auditor. We have that opportunity under our legislation, and we used the present auditor as our agent. That meant that I was responsible for the audit, and we had to get our people involved with them to review their working papers and to tie into it so I could sign the opinion. That took place, recognizing all the weaknesses that had been identified by the auditor, and we went from there.

I hoped all year that I wouldn't be the auditor at the end of this year, but I am the auditor for 1991, and an agent is presently working on that particular audit. We were pleased that the NovAtel Communications Ltd. financial statements were included in the public accounts – and they should have been because it's 100 percent owned by the government – and those statements are

available. We're satisfied with the valuations there, and I've signed the opinion on that basis. The valuations for 1991 will be done on the same basis. We'll be satisfied before I sign.

MR. BRUSEKER: My final supplementary. In previous reports on wholly owned corporations, the Auditor General has made recommendations or statements along the line that the corporation would not be successful without further injection of cash from the provincial government. Do you have the same opinion about NovAtel, that it requires a further injection of cash from the provincial government in order to be successful?

MR. SALMON: Certainly it's a matter that will have to be considered in the current year. In each case in the commercial aspect of Crown control over NovAtel, which is 100 percent, the auditor's problem in signing an opinion is based on whether it's a going concern or not. If you're the auditor and if the government would give the commitment, say, to an organization they own or have control over, then you know it's an ongoing thing for another year. But if all of a sudden that commitment isn't there, then we would end up with a concern and could probably give a different type of opinion than we would normally. If you can't get the going concern, you've got a problem.

MR. WINGATE: In the consolidated financial statements for NovAtel for the year ended December 31, '90, Note 1 to the financial statements said,

Financial Support

The Company has incurred significant losses which have been financed in part through bank borrowings guaranteed by the Parent. The Parent has committed financial support to the Company in the form of further loan guarantees and a capital contribution. The Company's ability to continue as a going concern is dependent on the continuation of this support.

I think that's what you're alluding to.

MR. BRUSEKER: Thank you.

MR. CHAIRMAN: Mr. Cardinal.

MR. CARDINAL: Yeah, just a quick one, and I don't have a supplementary on this. On page 92 of the report, section 2, Municipal Affairs, you made a recommendation to the acting president at the time

that the Alberta Mortgage and Housing Corporation improve the systems used to provide information needed to manage its housing programs, and eliminate the inefficiencies in these systems.

Has that been dealt with now, or does that still remain the same?

MR. SALMON: I wish it was, Mr. Chairman. This is an old one.

MR. CARDINAL: Yeah, it is. It was on last year too.

MR. SALMON: Yeah. We're working away at it but not getting it all resolved. As a result, it's very difficult to manage the housing programs, because the systems are very inefficient. The problem is that there's a group of computer systems, and you have to integrate all those and work through it all. It's very awkward and time consuming. Management information is difficult to gather, and that's really what we're after. They have plans in place to get a much more efficient system which would eliminate all this crossover and back-up system, but they haven't achieved that yet.

MR. CHAIRMAN: Okay. The next item on the agenda is a notice of motion by Mr. Gibeault. It was tabled on May 6, 1992. The motion is

that the Public Accounts Committee request that the Provincial Treasurer produce the 1991-92 public accounts by July 31, 1992, and in subsequent years within four months of the end of the fiscal year.

I ask Mr. Gibeault to move his motion and if he wishes to address it; then Mr. Moore and Mr. Jonson.

MR. GIBEAULT: Yes, Mr. Chairman. I would move my motion and speak to it. I think everybody recognizes that the rule that applies to taxpayers in this province and in the country is that you have to submit your statement to the government within four months of the end of the fiscal year. For the taxpayer it's the calendar year, but the rule is four months after. So by April 30 you have to submit your return and statement and cheque, if appropriate or applicable, to the government.

What I'm suggesting here is that perhaps the government should follow the same standard it requests of its citizens to make its statement. The government should make the same timely report back to the taxpayers of the province. If we used that same four-month rule, the government would produce the public accounts four months after the end of the fiscal year. The government has March 31 as a fiscal year, so four months after that would be July 31. The government has the department of Treasury, all the computers and staff and so on that are not available to ordinary taxpayers. So I think we ought to have one standard of accountability. Taxpayers have to account to the government four months after the end of the fiscal year, and I suggest we should have the Treasurer on behalf of the government account to the public on the same timely basis, four months after the end of the fiscal year.

I would encourage support for the motion.

MR. MOORE: Mr. Chairman, I listened to what the mover said. We all like to have information as soon as possible, as soon as it's realistically possible. That's all you can ask of anything: realistically possible.

When I look at this motion, I hope it wasn't an elected official of this Legislature that put it together, because it shows a total lack of understanding of the scope of accounting, a total lack of understanding of government and the processes we go through. It's a sort of motherhood thing taken up here and put in the form of a motion, because it is totally impractical. I said totally. That's why I say it would really surprise me if this motion was put together by somebody that was elected to represent people in a government. It must have been put together by a researcher that was out of touch with reality.

Under the accounting process, you must realize that at the end of the year when you're gathering all the accounts from various departments, they aren't just set on the desk of the Provincial Treasurer on April 1 or April 2. They are ongoing things that have to be accounted for in the accounting process. With the accounting process, it's totally impossible to bring out this request. It's totally beyond reason that anyone would consider it.

The Provincial Treasurer, like anyone else, wants to get that information out as soon as possible and he does. But putting a time limit of four months when he has all those departments and all the ongoing transactions in government, to bring it all together in a report and have it filed by that time cannot be accomplished. Taking time to consider something that's so nebulous and out of touch with practicality shows we aren't concerned about the time we have here and our relationship to the public to give good

service. We're tying ourselves up in something that is not really necessary.

MR. CHAIRMAN: I take it you're speaking against the motion.

MR. MOORE: I would take it I was speaking on the motion.

MR. JONSON: Mr. Chairman, the Member for Lacombe has covered most of my points. I think the motion doesn't take into account the very fact that the Auditor General's report has to have the actual totals, the actual expenditures, the actual revenue to the extent that's humanly and technologically possible. It takes various sections, various divisions of government four months to get their accounts in order, and they sometimes don't make it then. Then there's still the massive job of assembling all this into one comprehensive report. It's quite a different operation from that of a particular business or corporation or individual. I suppose symbolically it sounds good, but it just can't be done.

9:32

MR. CHAIRMAN: Mr. Paszkowski.

MR. PASZKOWSKI: Thank you, Mr. Chairman. I want to speak in opposition to this motion. I think it shows a lack of understanding of the whole process, quite frankly. In lieu of the statement made that individuals are subjected to a four-month lag time, that indeed may be true, but in that four-month lag time there's also an opportunity to provide additional information, and that is done in many, many cases, not just in the rare case but in many cases. How would government look if we provided information later on and forwarded incomplete information? How would we look as a government? It would be embarrassing. I think quality information is what we really have to seek out, and it has to be complete.

To me this is a ridiculous motion and one I can't support in any way, shape, or form. It shows a lack of understanding of the process.

MR. BRUSEKER: Mr. Chairman, I want to speak to this motion. I appreciate the intent of the motion. I think the intent of the motion reflects the frustration that I as a member of the Public Accounts Committee feel when the chairman cannot call Public Accounts Committee meetings for some weeks after we come back to the Legislature.

The Member for Lacombe talked grandiosely about time in the Legislature and service to the public. Well, we were here for a number of weeks before the government saw fit to table the public accounts. There's no way the chairman of the committee can call a meeting of Public Accounts when the Treasurer chooses not to table those documents in the Legislature.

So I certainly accept the intent of the mover to speed up the process. I have to agree with some of the other speakers, and I'm not sure if the date of July 31 is a feasible date. Certainly I believe that when we are in the Legislature, we should have our first meeting of the Public Accounts Committee the very first week and should start immediately as opposed to having to wait . . . How many weeks was it, Mr. Chairman?

MR. CHAIRMAN: Three or four.

MR. BRUSEKER: . . . three or four weeks before we can even begin.

MR. CHAIRMAN: Just a point of information, though. Public Accounts ceases to exist when the previous session ends. The way

our process works, we have to be appointed by the Assembly itself. So that's part of the reason for the delay in calling the first meeting of Public Accounts.

MR. BRUSEKER: Also, we had nothing to discuss, because we had no paper in front of us. That whole process can also be speeded up.

MR. CHAIRMAN: I recognize Mr. Gibeault. That will conclude the debate.

Does anybody else wish to get in on the debate? Mr. Severtson.

MR. SEVERTSON: I speak against the motion too. Mr. Chairman, if you would permit me to ask the Auditor General, is that time for the report, July 31, feasible?

MR. CHAIRMAN: My sense would be that that question would be better put to the Treasurer, but the Auditor General may wish to comment.

MR. SEVERTSON: Okay. I'll withdraw it.

MR. GIBEAULT: Just before I make a concluding comment, Mr. Chairman, I wonder if we could ask the Auditor General if he could tell us how the situation in Alberta compares with other jurisdictions in terms of the time delay before public accounts are made public.

MR. CHAIRMAN: Again, I'm not sure it's within the ambit of the Auditor General to do that kind of inquiry.

MR. GIBEAULT: It's just a point of information. I don't know if he knows.

MR. SALMON: If you are interested, there are three in Canada out of the 11, counting Canada itself, that have them out in late October and November. Two provinces in Canada get theirs out a little later. But one has to recognize there are other aspects to it. You have to decide whether or not it's full and complete or whether they've chosen a certain method for doing it and so forth. We talk about accounting methods, and some of them are a little longer than others; there's that aspect as well. B.C. is as late as we are, and there are others that for various reasons don't get them out until the spring session.

MR. CHAIRMAN: I appreciate the Auditor General providing that information.

Mr. Gibeault, did you have a concluding remark?

MR. GIBEAULT: It's clear there are other jurisdictions that do a better job than Alberta does, a more timely job in getting this information out to the public. [interjections]

MR. CHAIRMAN: Order, order. Would you make a concluding statement, please, with respect to your motion?

MR. GIBEAULT: Mr. Chairman, I think the question is that the people of Alberta, the taxpayers, are entitled to timely reporting, and we're not getting it. We get public accounts over a year after the close of the fiscal year, which is the situation we have now. So I encourage all members to support my motion.

MR. CHAIRMAN: Okay. Are you ready for the question on the motion? Those in favour of the motion, please indicate. Those opposed? The motion is defeated. [interjections]

Order please, just for a moment. I'd like to make an announcement. First of all, I'd like to thank the Auditor General and his associates, Mr. Wingate and Mr. Saher, for being with us for the last two days. I'd like to express on behalf of the committee our appreciation for the very frank and interesting way you provided answers to questions that were put to you.

The next meeting of the committee will be at 8:30 one week hence, and I think it will be in the Chamber. Our guest that day will be the Hon. Doug Main.

MR. MOORE: Just before we adjourn, I'd like to express my regrets to the Member for Edmonton-Mill Woods that he didn't have the TV cameras here for his big motion.

SOME HON. MEMBERS: Order, order, order.

MR. CHAIRMAN: That's out of order.

[The committee adjourned at 9:40 a.m.]