



Legislative Assembly of Alberta

The 28th Legislature  
First Session

Standing Committee  
on  
Public Accounts

Alberta College of Art and Design, NorQuest College,  
Northern Lakes College, Olds College

Wednesday, April 24, 2013  
8:01 a.m.

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**Legislative Assembly of Alberta**  
**The 28th Legislature**  
**First Session**

**Standing Committee on Public Accounts**

Anderson, Rob, Airdrie (W), Chair  
Dorward, David C., Edmonton-Gold Bar (PC), Deputy Chair

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Amery, Moe, Calgary-East (PC)  
Anglin, Joe, Rimbey-Rocky Mountain House-Sundre (W)  
Bilous, Deron, Edmonton-Beverly-Clareview (ND)  
Donovan, Ian, Little Bow (W)  
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Goudreau, Hector G., Dunvegan-Central Peace-Notley (PC)  
Hale, Jason W., Strathmore-Brooks (W)  
Hehr, Kent, Calgary-Buffalo (AL)  
Jeneroux, Matt, Edmonton-South West (PC)  
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Khan, Stephen, St. Albert (PC)  
Leskiw, Genia, Bonnyville-Cold Lake (PC)\*\*  
Pastoor, Bridget Brennan, Lethbridge-East (PC)  
Quadri, Sohail, Edmonton-Mill Woods (PC)  
Quest, Dave, Strathcona-Sherwood Park (PC)  
Sarich, Janice, Edmonton-Decore (PC)  
Stier, Pat, Livingstone-Macleod (W)

\* substitution for Kent Hehr  
\*\* substitution for Dave Quest

**Also in Attendance**

McAllister, Bruce, Chestermere-Rocky View (W)

**Office of the Auditor General Participants**

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Robert Driesen	Assistant Auditor General
Ed Ryan	Assistant Auditor General

**Support Staff**

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## Standing Committee on Public Accounts

### Participants

NorQuest College .....	PA-134
Jodi Abbott, President and CEO	
Lynn Faulder, Chair, NorQuest College Board of Governors	
Patrick Machacek, Vice-president, Transformation, and Chief Advancement Officer	
Northern Lakes College .....	PA-134
Robert LeSage, CFO	
Rick Neidig, President and CEO	
Olds College .....	PA-142
Rob Mackenzie, Acting CFO	
Tom Thompson, President	
Alberta College of Art and Design .....	PA-142
Don Dart, Vice-president of Finance	
Daniel Doz, President	



**8:01 a.m. Wednesday, April 24, 2013**

[Mr. Anderson in the chair]

**The Chair:** We'll call this meeting to order. Good morning, everyone. It's been a while since we last met. It's good to see you all. My name is Rob Anderson. I'm the committee chair and MLA for Airdrie. I'd like to welcome everyone in attendance today.

We're going to go around the table first and introduce ourselves, including our guests seated at the table. We'll start on my right with our deputy chair. Please indicate if it's the case that you're sitting here today on the committee as a substitute for another member.

Go ahead, Deputy Chair.

**Mr. Dorward:** David Dorward, MLA for Edmonton-Gold Bar.

**Mr. Quadri:** Sohail Quadri, MLA, Edmonton-Mill Woods.

**Ms Fenske:** Good morning. Jacquie Fenske, MLA, Fort Saskatchewan-Vegreville.

**Mr. Bilous:** Good morning. Deron Bilous, MLA, Edmonton-Beverly-Clareview.

**Mr. Hale:** Jason Hale, MLA, Strathmore-Brooks.

**Mr. McAllister:** Good morning. Bruce McAllister, MLA, Chestermere-Rocky View and advanced education critic with the Wildrose Party.

**Mr. Donovan:** Ian Donovan, Little Bow.

**Mr. Anglin:** Joe Anglin, MLA, Rimbey-Rocky Mountain House-Sundre.

**Mr. Stier:** Pat Stier, MLA, Livingstone-Macleod.

**Mr. LeSage:** Rob LeSage, Northern Lakes College.

**Mr. Neidig:** Rick Neidig, president, Northern Lakes College.

**Dr. Abbott:** Jodi Abbott, president, NorQuest College.

**Mr. Machacek:** Patrick Machacek, vice-president, NorQuest College.

**Mr. Ryan:** Good morning. I'm Ed Ryan, Assistant Auditor General.

**Mr. Driesen:** Rob Driesen, Assistant Auditor General.

**Mr. Saher:** Merwan Saher, Auditor General.

**Mr. Goudreau:** Hector Goudreau, Dunvegan-Central Peace-Notley.

**Ms Pastoor:** Bridget Pastoor, Lethbridge-East.

**Mrs. Sarich:** Good morning, and welcome. Janice Sarich, MLA, Edmonton-Decore.

**Mrs. Leskiw:** Genia Leskiw, substituting for David Quest, and I'm from Bonnyville-Cold Lake.

**Dr. Massolin:** Good morning. Philip Massolin, manager of research services.

**Mr. Tyrell:** I'm Chris Tyrell, committee clerk.

**The Chair:** All right. The microphones, of course, are being operated by *Hansard* staff, audio of committee proceedings is streamed live on the Internet and recorded by *Alberta Hansard*, and audio access and meeting transcripts are obtained via the Leg. Assembly website. In order to help with that, if everyone could speak directly into their microphones and not lean back in your chairs if possible, that would be great.

Yes, Mr. Kang.

**Mr. Kang:** Darshan Kang, MLA, Calgary-McCall. Good morning, everyone. Sorry I was a little late. I'm filling in for Mr. Kent Hehr.

**The Chair:** Yes. Thank you. Welcome.

Please do your best to keep your cellphones off or on vibrate.

We have the agenda that's been circulated to everyone. Can we have someone move that the agenda for the April 24, 2013, Standing Committee on Public Accounts meeting be approved as distributed? Mr. Donovan. Those in favour? Any opposed? Carried.

We've also had the minutes circulated from our last meeting, which was way back on March 13, 2013. Do we have a member that would like to move that the minutes of the March 13, 2013, Standing Committee on Public Accounts meeting be approved as distributed?

**Mrs. Sarich:** I move that.

**The Chair:** Mrs. Sarich. Those in favour? Any opposed? Carried.

All right. Today we are meeting with representatives from several colleges. Our first two here are representatives from NorQuest College and Northern Lakes College. What we'll be reviewing today with regard to reports is the 2011-12 annual report regarding NorQuest College, the 2009-10 annual report on Northern Lakes College, reports of the Auditor General of Alberta for March and October 2012 as well as February 2013, as well as, of course, as usual, the 2011-12 annual report of the government of Alberta consolidated financial statements and Measuring Up progress report.

How we're going to work this today is a little bit different in the order. We're going to ask our Auditor General to give a few comments first, and then after he gives his comments – and he'll do this once, before our guests from NorQuest College and Northern Lakes College – we'll go to our representatives from those schools.

We'd ask that you keep your introductory comments brief if possible. Try to keep them to five minutes each if you can if possible, so 10 minutes in total there, and then we'll put the remainder of the time to the members of the committee for questions.

With that, we'll go to our Auditor General.

**Mr. Saher:** Good morning, everyone. Thank you, Mr. Chairman. Well-managed postsecondary institutions can demonstrate they are cost-effective in delivering programs to educate Albertans and build a knowledge-based economy. They operate with strong financial controls in internal control environments that are sustainable and responsive to changing risks. They view internal control as an integral part of their enterprise risk management system. Their boards and audit committees are effective in holding management accountable for results and the use of funds entrusted to their institutions. They follow good practices for preparing timely and accurate financial and nonfinancial information to manage and govern their institutions. And their boards seek

regular reports from management to confirm that controls are working.

I draw your attention to our report card on internal controls over financial reporting. This report card can be found on pages 58 and 59 in our February 2013 report. The rankings in red are cause for concern. They signal that the boards and management of those institutions have not yet been successful in sustaining a robust set of internal controls over financial reporting. The most challenged institutions are named at the top of the report card. They are Northern Lakes College, Alberta College of Art and Design, NorQuest College, and Olds College. In my opinion, management and boards of these institutions have not made effective financial processes and internal controls a priority.

When internal controls are weak, boards and their audit committees may not receive accurate and timely financial information to fulfill their ongoing governance responsibilities. Simply put, effective internal controls are necessary to run business operations in an organized and efficient manner. Internal controls should function regardless of the size of an organization.

Our listing of outstanding recommendations in our October 2012 report for each of the four institutions coming before you this morning further evidence a lack of prompt action by management to make the changes needed to improve impaired internal control systems. The common themes are: roles, responsibilities, and accountabilities are not clearly defined; the institutions do not have well-defined policies and systems to enforce compliance; there are not enough qualified and trained staff to handle financial processes; the systems have not been responsive to change, and in some cases there has been insufficient investment in internal control systems to meet the needs of the institution; there is no regular and timely reporting of financial information to those that govern the institution.

On a positive note, our February 2013 report demonstrates that it is possible for an institution to graduate from red rankings to green rankings, with green rankings indicating no significant weaknesses identified by the audit process. Grant MacEwan University transformed itself by doing the following. The board and its audit committee acknowledged the recommendations that we had made and the need for action to resolve weaknesses in its internal control environment and to hold the president accountable for this. It, being Grant MacEwan, prepared a plan with clear actions and timelines to fix the deficiencies. It followed the plan to implement the required fixes and made sure the solutions were working and sustainable.

**8:10**

In conclusion, Mr. Chairman, without effective financial processes and internal controls postsecondary institutions unnecessarily put at risk achieving their goals cost-effectively. Weak control environments increase the risk of fraud and error going undetected.

Finally, we in the Auditor General's office continue to spend significant time auditing these institutions to work through problems and provide unqualified auditor's reports. In our opinion, our audit efforts could be better invested in higher priority audit work to benefit Albertans.

Just before we finish, I'm going to ask my colleague Ed Ryan just to give you an example by comparison of the investment of audit hours in some of these organizations as compared to comparator organizations.

**Mr. Ryan:** Thank you, sir. Mr. Chair, just by way of context for the upcoming year we have budgeted approximately 2,000 hours and approximately \$250,000 in resources to complete audit work

at the Alberta College of Art and Design. This is virtually the same budget and the same amount of resources we're going to be putting against the Alberta Gaming and Liquor Commission, a \$2.5 billion organization. The comparison of the sizes is quite evident, and the comparison of the work that we have to do, I think, is quite evident in those numbers.

**Mr. Saher:** Mr. Chairman, that concludes our comments. Thank you.

**The Chair:** Thank you very much for that information.

Let's start with our guests from NorQuest College. Dr. Abbott, go ahead.

#### **NorQuest College Northern Lakes College**

**Dr. Abbott:** Thank you, Mr. Chairman. NorQuest College is mandated to provide high-quality learning opportunities that prepare students for further studies within Alberta's postsecondary system and, perhaps more importantly, prepare students for jobs and careers that are workforce relevant and in demand for our provincial economy. Our college is dedicated to providing excellent educational programs and services to our communities and our students in our stewardship region. Our commitment to our students is clearly aligned with the ministry's mandate to secure Alberta's economic future by providing workforce-relevant students and a more educated population.

NorQuest's contribution toward this mandate was demonstrated in our delivery of 37 educational programs to over 8,500 full- and part-time students in the '11-12 academic year. The college graduated over 1,200 students last year, with the largest group of graduates coming from our health care aide and practical nurse programs. Perhaps our most important outcome is the fact that 95 per cent of our graduates are employed or enrolled in further studies after leaving NorQuest.

This is truly an impressive statistic given the socioeconomic and cultural diversity of our student population. Fifty-five per cent of our students are born outside of Canada and come from over 87 countries world-wide; 80 per cent are female learners; 9 per cent are self-identified aboriginal, Métis, or Inuit ancestry; and approximately 600 students come to us with learning and physical challenges.

While commitment to student success is evident, I can also say that we are equally committed to the responsible fiduciary management of public funds that we are entrusted with. NorQuest College's statement of operations for the year ended 2012 reflects the important changes that are taking place at the college. The operational surplus reflects the organizational restructuring the college underwent in 2011 in order to enhance financial performance, efficiency, and sustainability.

Indeed, we continue to strive for efficiencies through our Centre for Value Improvement. We use lean six sigma and business process management tools to improve efficiency and value to our students. During our first year of operation we benefited by realizing \$500,000 in hard and soft savings, which was reinvested into value to the students.

While we have many successes, we also have work to do. The '11-12 report of the Auditor General highlighted a number of recommendations, which we have taken very seriously. The Auditor General identified that NorQuest College needs to improve internal controls in order to reduce the potential risk of fraud and inaccurate financial information. There were eight recommendations made. The college took immediate action on

those recommendations by creating new policies and procedures and educating and training our employees. We believe that the majority of the recommendations are making satisfactory progress. As a result, we anticipate improvement on our audit in '12-13.

I'd like to give a couple of examples. For each and every recommendation we developed a comprehensive strategy to address and correct the issues identified by the OAG. These are monitored and reviewed by our board of governors, Finance and Audit Committee, and the full board. The college has taken rigorous action to address the OAG recommendations.

In May 2012 the college added four new positions within our finance division to strengthen integrated planning, budget management, internal reporting, and financial analysis. In November we recruited a new contract management specialist to manage contracts and ensure the college complies with all legal, fiscal, and insurance requirements.

We implemented a contract management framework as well as trained and streamlined internal processes. The framework provides a system to ensure that finance has the entire population of contracts, controls the issuance, amendment, and maintenance of contracts as well as good transactional processes.

The college has also learned from others. We engaged PricewaterhouseCoopers in September 2012 to assist in the development of internal controls over financial reporting. PWC has helped others. This project has identified opportunities in our controls environment and is assisting the college in the establishment of more robust policy, procedures, and process frameworks. This work includes training of our employees and a financial control process to deliver effective tools and methodologies. It's critical that our teams and staff throughout the college have a clear understanding of internal controls and are an active part of change management and sustainability.

**The Chair:** Dr. Abbott, we're sorry, but we're going to have to wrap up. If you could just take an extra, you know, one minute max to wrap up.

**Dr. Abbott:** Sure.

In closing, what I'd like to say is that we've worked directly with the office of the Auditor General and Enterprise and Advanced Education. We are taking our recommendations seriously. We really want to do this so that we can focus on what we do best, serving our 8,500 students.

Thank you.

**The Chair:** Thank you very much, Dr. Abbott.

Then our representative from Northern Lakes College. Again, if you could keep it to under five minutes. We're really pressed for time today.

**Mr. Neidig:** All right. Thank you very much. Well, good morning. I'd like to start just by talking a little bit about Northern Lakes College. I know many people aren't familiar with Northern Lakes College because of our location and geography. We have been in business for 40-plus years. We're a multifaceted organization. We offer postsecondary programs. We also offer accredited high school programs. We work in a region where high school participation rates are quite low. We have a noncredit arm in addition to the credit arm and have a very responsive system in working with communities in our region.

The region itself is nearly a quarter of this province, with many very small communities and a sparse population, so the challenge in environment that we have is reaching out to small numbers of learners in very small communities. We're very proud of the

success that we have in that regard. The way that we reach the communities is by working with communities and using community education committees and small learning centres in anywhere from 24 to 30 small communities, depending on the year and the offerings and the demand. We serve about 1,059 students. At least, that was the 2009-10 number of full-load equivalents. That's increased in 2011-12 to 1,128.

We know from our surveying of students that our quality of instruction is high. The quality of instruction has been rated consistently between 91 per cent and 96 per cent in the years from 2006-07 to 2010-11, with overall student satisfaction from 88 per cent to 97 per cent over those same years. Students that would recommend Northern Lakes College: the surveys are anywhere from 94 per cent to 98 per cent over a five-year period.

Not to dwell on that too much, but our system is a community-based system, so we are out delivering courses in small communities. We've made great strides in the last eight years in trades, from a very small 10, 15, 20 students up to 220 in the last few years.

Our health programs are strong and growing, and it's one of the areas that has the highest full-load equivalent number of students. Those programs and the growth of those programs: there are significant policy requirements and accreditation requirements and control requirements on the program side of the organization. We have accreditations from the College of Social Workers, the Canadian licensed practical nursing association, the Alberta College of Paramedics, and the Canadian Medical Association. All of those have stringent requirements for control and quality that our colleges work very hard to achieve in concert with the other important controls, of course, of finance.

**8:20**

I just want to talk briefly about a rough period that we've been through and that led to this for context. In 2010 we lost trust in our CFO at the time because of some illegal activities that he got involved in outside of the college. We requested a forensic audit from the Auditor General's office in the spring of 2010, that turned up no loss in our own organization. We dismissed our CFO right at year-end. This was a year-end that had complexities: consolidation of assets from the Northern Alberta Institute of Technology in the north; pro forma financial statements were changing at the time to a new format, so direct comparisons to previous years were not easy; and a student housing project was completed in that same time frame, which was our first capital project since 1992. Considerable external funding was coming in in this period of time. All of that kind of came together at the same time.

As part of our issue, in the summer of 2010 we contracted our former CFO, who is also a former Auditor General staffer, to keep us on track for our year-end. By that fall it was clear that that wasn't adequate. He was a little uncomfortable that things weren't quite right. Nevertheless, we did submit statements and found, with confirmation from the Auditor General, that things were not quite as they should be. We went further and hired a chartered accounting firm, had them onboard for a while. We tried to hire a big firm; none of them were available. They recommended another chartered accounting firm. Two people: one of them showed up; the other one went up to the territories. After a few months of work they left with our working papers and didn't come back. We had some hard time tracking them down, and we brought them back.

By this process we realized that we had a bigger problem than just someone who potentially was committing fraud and that there was lots of work to be done. We had lots of discussions with the

Auditor General's office, with Al Neid in particular. We involved our board at every stage through this process. At that point we hired BDO to help us, and we said: "Don't trust anything you see. Start from the ground up. We want new systems. We want solid systems. We want to make this work. It's going to take some time, but let's get it to where it needs to be."

We also realized, of course, at this point that the depth of our staff was not what it needed to be, that we needed to get more credentialed staff, that we needed to tighten up our controls. Much of our finance activity up to this point was desktop practice. People were aware of those practices, but a lot of it wasn't in writing and in regulation. Since that time we completed our 2009-10 audit in September of 2012.

I should add that we had hiring difficulties here as well. We went to a search firm for a CFO right off the bat in the summer of 2010. In the spring of 2011 we brought in an interim CFO, who didn't work out. We had him for about four months. We let him go as well. Then we proceeded to go back to a search, and Mr. LeSage here was hired in February 2012. So from summer 2010 until February 2012 we were without a CFO or an adequate backup in the finance office. We got further and further behind as we were trying to hurry to catch up. That is really the situation we found ourselves in.

The Auditor General has been very helpful. When we completed '09-10, they realized there was little time to complete the recommendations for '10-11 and '11-12. However, we made some valiant efforts to do that. We're currently at the stage now where the exit meetings are set for our 2010-11 and 2011-12 year-ends next week, early May, May 3 with the board and with management.

**The Chair:** Okay. Well, thank you very much for that briefing.

We're going to turn the time over for a limited time. We're going to take a full 40 minutes because we don't have all the regular business in the next hour. For this first hour, of course, we're talking with these two colleges, and then in the next hour we'll do the other two that are here. Let's start. How it will work is that we'll go 10 minutes with the government, 10 minutes with the Wildrose, five minutes with the Liberals, five minutes with the NDs, and then finish off with 10 minutes with the government. We'll start with that.

Mr. Dorward, if you could.

**Mr. Dorward:** Thank you.

Firstly, thank you very much for shuffling the deck. I think that you shuffled your deck to come later because of the budget estimates that we were engaged in.

Mr. Neidig, I want to single you out from the perspective of your long service. My oldest son was born in 1975. This seems like a long time ago, 38 years ago. My understanding is that the year after, you joined the colleges.

**Mr. Neidig:** Yes, that's correct. Thank you. Thirty-seven years and retiring in two months.

**Mr. Dorward:** Well, thank you. It just can't be very easy to touch 25 communities across such a broad range of northern Alberta as the college does, so thank you for your service.

We're here to discuss the prior financial statements in the Auditor General's reports. We're not here to discuss your current financial position nor any budgets that you're engaged in at all.

My first question is to our Auditor General. Would you just comment on the planning for any audits that are upcoming? We already heard from Art and Design. Are there any other ones that you have planned that you could tell us about right now as far as

your further work? I'm not asking you to tell me something you can't. Just so we get the context of when the next amount of work will be done on the colleges that we'll be examining today.

**Mr. Saher:** Okay. The colleges that are before you today: their financial year-end is the 30th of June, so the next financial year-end is the 30th of June 2013. We will have probably already had entry meetings. The entry meeting is where we sit down with the management group and the audit committee or the board and discuss the audit plan. To the best of my knowledge, the cycle will continue as planned. We will do a little bit of interim work, but we'll have a plan, and then the year-end work will start.

Rob, when would we start the year-end audit?

**Mr. Driesen:** The year-end audits would generally start towards the end of August.

**Mr. Saher:** Northern Lakes has, I think, briefed you on the issue with their financial reporting being behind.

**Mr. Dorward:** All right. Mr. Neidig, we didn't get a chance for you to introduce Mr. LeSage formally and anybody else that has travelled to Edmonton. Could you please just briefly introduce them?

**Mr. Neidig:** Yes. I'd be happy to do that. Mr. LeSage started with Northern Lakes College in February 2012, and we're very pleased with the work that he's done so far. In a little over a year we've completed three financial year-ends to help us catch up. That's been our primary goal, and he's done an excellent job of that, in fact. While we haven't been able to address every recommendation, we feel that until we get that catching up done, we can't get back into that regular routine and cycle that we need to get the work done properly.

**Mr. Dorward:** All right. Dr. Abbott, thanks for coming. Could you introduce any of your team that you wanted to have on the record for today? Thank you.

**Dr. Abbott:** Yes. Patrick Machacek is our vice-president of transformation, and he's also acting CFO at the moment. We have our board chair, Lynn Faulder, sitting in the back as well as Todd Schnirer, who is our director of finance.

**Mr. Dorward:** Great. Thank you. Anybody who comes to the microphone can identify themselves. Certainly, feel free to have somebody come up if it's more appropriate.

We are going to have Ms Fenske ask a couple of questions. Is that all right? Other than that, Mr. Goudreau would like to take up a couple of minutes as well.

**Ms Fenske:** Certainly. Thank you.

Welcome, everyone. I'd like to start with NorQuest College if I could. Thank you very much for coming. It certainly sounds to me, from the work that you've put in, that you would be very similar to the example that the Auditor General used earlier today.

Moving along on the recommendations, how do you as a college monitor and provide assurances that there's an improved control environment and that it's working?

**Dr. Abbott:** We're doing a couple of things. As mentioned, we have brought on PricewaterhouseCoopers. They are developing all of our policy and procedures as well as key processes. A big piece of that work is segregation of duties as well as documenting those key policies, procedures, and processes. Part of their work with us will be some testing, so they will actually go in and do some

testing to ensure that our staff understands roles and responsibilities and processes. On a regular basis we provide financial operations reports to our Finance and Audit Committee as well as regular ongoing updates on the OAG recommendations to Finance and Audit as well as to our full board of governors. That happens, essentially, at every Finance and Audit and board meeting.

8:30

**Ms Fenske:** You were rushed to do your presentation, and I was just wondering if there are any other comments that you would like to make with respect to what is happening in the way that you're addressing the Auditor General's recommendations.

**Dr. Abbott:** Well, I think what we've done is that we've developed an overall approach to looking at every one of the recommendations. We've improved in terms of our number of staff. In addition to the positions that I mentioned in our finance area, we did bring in a contract management specialist, and we're in the process of recruiting an internal controls individual. That person will have an ongoing role to ensure that we have sustainability of our processes because that's absolutely critical. You can't go in and do the work and then forget about it. We really want to ensure that we have an ongoing process going forward.

I would say that those are the key things. Certainly, for every recommendation we have an action plan and have been working on that action plan. I must commend our finance staff because they're putting in very, very long hours and also the Auditor General because we've had very, very strong support as we work through all of the kinks as we move forward on the recommendations.

**Ms Fenske:** Thank you. You did mention that you've been working forward on all the recommendations, but if we look in the March 2012 report, there's only one recommendation, on page 26, that's listed as implemented, and none of the others have been marked while three were repeated in the February 2013 report, on pages 88 to 90. What can you do to assure us that those things are being taken care of?

**Dr. Abbott:** Maybe what I can do is talk about a couple of them and the specifics that we're doing. First of all, legislative compliance was an area that was identified for improvement for all institutions. In '10-11 we actually developed a process where we would provide a report to our board on an annual basis. We have enhanced that. As a result of that, we've actually listed all relevant legislation. We've assigned duties for individuals to monitor and report on that. We've put controls around that, so we have checklists as well as sign-offs. We put a process in place so that if we become aware of any noncompliance, that gets immediately reported to our executive committee, and then of course I would put that on our risk management report. That's one that will be ongoing.

We have done things around our IT systems. You would have seen something around security patch management, and that's really making sure that any updates that are coming through vendors are done on a regular basis. We've now moved to a bimonthly process for anything related to finance and HR. We've reduced shared accounts in IT. What we did was shut down a whole bunch of accounts and then brought them back up as individual or named accounts. What's important for us is to monitor that going forward, and having an internal control specialist will help a lot. We've also put a lot of training and monitoring in place for our staff.

Those are some examples of how we plan to continue to move forward so that those reds turn to yellow and green.

**Ms Fenske:** Great. Thank you very much.

**Mr. Dorward:** Do we have any time left, chair?

**The Chair:** One minute.

**Mr. Dorward:** Mr. Goudreau, one minute, and then I'll take you into the next section.

**Mr. Goudreau:** Okay. Very quickly, then. First, I want to welcome Rick and Robert to the table. No doubt you've had a tremendous impact in my constituency. For the committee's information a couple of summers ago we had the Slave Lake fires. Northern Lakes College came out and helped tremendously. It was a beehive of activity on a lot of their campuses. I want to put this on record, to thank you for that. No doubt that had an impact on your abilities to do some of your work.

I may be looking at a slightly different report than you're looking at, but I've got the February '13 report, and it's got a number of recommendations in the report that go back to 2010. The recommendation is that Northern Lakes College clarify its goals for preserving endowment assets. You touched a little bit on it, Rick. Where are you with that? You know, do you have some defined goals on preserving the economic values of those endowments?

**Mr. Neidig:** Yes. Thanks, Hector. Thanks for acknowledging the Slave Lake fire. I meant to touch on that in my introduction. The fires occurred right at our year-end for 2011. We housed the command centre for the fire and had evacuees at our Grouard campus from Gift Lake and Atikameg. Twenty-four of our employees lost their homes in that fire, and we had a lot of emergency services for months afterwards from that fire. It certainly had an impact on our ability to complete at that stage.

I'll turn the question over to Mr. LeSage for the endowment.

**Mr. LeSage:** To preserve the endowment value, the college has made some changes to some of our policies. We've made changes to our gift acceptance policy, and we've also made changes to our investment policies. We're very close to completing the conditions or the requirements that the Auditor General has asked for. You know, we had this discussion as recently as last week about what is required. There is one more small change that's needed that gives our board some discretion over being able to increase the value of the endowments, but I believe virtually everything is covered that is required to meet that recommendation.

**The Chair:** Okay. The government will have about eight minutes left when it ends. To the Wildrose for 10 minutes.

Mr. McAllister.

**Mr. McAllister:** Thank you, Mr. Chair. I have a couple of questions for each member. Should any of the other Wildrose members want to jump in at any time, I'll just let you gentlemen know that you can't because this is my time. I'm kidding, of course. If you're so inclined, feel free.

Dr. Abbott and Mr. Neidig and all your staff, thank you so much for being here today. It was interesting to run into you in the elevator on the way up today. I have reached out. Rick, I know we had this conversation on the phone at one point. I know that you take this Auditor General's report very seriously. Obviously, you're here to answer any of the questions that we have today.

The first question that I'd like to ask: maybe I'll start with you, Dr. Abbott. You had mentioned during one of your answers that you had implemented some new policies to take into account, you know, what the Auditor General has recommended so that you improve your rating. Can you specifically tell us what you have done to this point?

**Dr. Abbott:** Sure. We have implemented a range of policies, and it includes a new expense and travel policy as well as very detailed procedures. Particularly on the procedures we've looked at things like hosting, both when you're hosting internally and externally, and we've identified how that ties in with fundraising activities as well. So we do have a new travel and business expense policy.

We've identified a new fiscal management policy and how we will manage our finances. We're in the process of revising our investment policy, so that's another one. We've also developed a new compensation philosophy and policy.

All of those will actually guide us into additional procedures so that we're giving direction to our employees. I think it's really important. We're trying to remove as much vagueness as we possibly can. It's much easier to do your job if you're very clear on what's required of you, so a big part of this is setting expectations and monitoring against the policy and procedure.

**Mr. McAllister:** How do you work with the department of advanced education? What direction do you get from the department of advanced education?

**Dr. Abbott:** We work very closely with advanced education. I personally meet with the deputy minister and the assistant deputy minister on a regular basis, and we cover a range of topics. We cover what's happening in our audit, what's happening in a particular fiscal year as well as some of our program developments and where we're going. I would say that we have a strong relationship with the department and certainly feel open to discuss both the opportunities and challenges in a given year.

**Mr. McAllister:** Right. I think I'd be remiss if I didn't ask the question today. Obviously, advanced education has been front and centre with the most recent budget and the cuts to the department and how it affects the postsecondary institutions, so I'd like to know: do you think that will hinder your ability to meet the Auditor General's requests in the report? Can you comment on that and maybe how your institution is able to deal with this given the new direction?

8:40

**Dr. Abbott:** If we go back to the '11-12 fiscal year and look at what we have for Auditor General recommendations, you can tell very clearly that we've taken them seriously. We have added new staffing to our finance area. We've added a contract management specialist. We will continue that work. We are dedicated to ensuring that we meet the recommendations of the Auditor General.

**Mr. McAllister:** I have no doubt that you are. Dr. Abbott, everybody wonders how much more difficult it will be now, and that's why I asked it. I sure hope that you can improve that rating, as Grant MacEwan did.

Mr. Neidig, I have the same line of questioning for you. I guess I don't know why Dr. Abbott gets the hot seat and you get to follow her with all the questions. Maybe we should flip that around for the next order. After all, 37 years, and you're chair.

**Mr. Neidig:** Ladies first is what I was always taught.

**Mr. McAllister:** Yes. We should all remember that.

Again, just to set up, I know you've taken this very seriously, and everybody is here, obviously, to make positive changes. What specifically have you done to this point to change the policies and practices at your institution so that you're not here again under these circumstances?

**Mr. Neidig:** Well, first and foremost, we've beefed up our staffing. We've added additional bodies but, more importantly, bodies that have good, solid financial credentials in the senior director, finance, and assistant director of finance positions.

We've been adding a number of written regulations to pull us off the desktop practices that I referred to earlier. You know, in the last few months we've written regulations for prepaid expenses, accounts receivable, writeoffs. We've redone our purchasing procedure to bring it up to date. We did the travel policy as well but mostly in that case to line it up with the public disclosure requirements. We had a good, solid travel policy anyway, but we've got that other addition to it. We've done a fixed assets regulation, several. Anyway, we're working on lots, and there are more to come.

The other important thing that we're doing is that we've been working on developing some training material using the expertise that a college has in educational development to put finance training on our Moodle platform so that budget officers can access the training information at any time. One of the observations I have about finance is that finance people know finance very well, and educators know education very well, but they often don't understand each other's business. Part of the training module that we're putting in place is to help budget officers who may not be finance people understand what it is they need to do, what their responsibilities are, and what training they need. Those are some of the key steps that we're taking to make sure that we don't fall into that again.

We've also got a year-end process formalized now in regulation to make sure that everything is collected in a timely fashion for year-end. This year we're doing a mini year-end at the end of March to make sure that the account reconciliations are starting earlier and that we're better prepared for the year-end in terms of the timeliness.

We're also making sure that we've done a PSAB plan to make sure that we're ready for the change to the public-sector accounting standards. We're currently already able to generate our balance sheets and our profit and loss statements out of our current information system, which is a very good information system. We can generate them in the old format or the new format and restate them and compare them side by side. We're ready for that part of the transition.

**Mr. McAllister:** Okay. Terrific to hear that so much is under way.

I think I read somewhere – and I know you'll correct me if I'm mistaken – that 76 per cent of the revenue in Northern Lakes is from government grants. To the question that I asked Dr. Abbott, and I would like to again relate it to the Auditor General's report and his call for change. Given that that is where your revenue source is and given that we know that it won't be what it was, are you confident you're going to be able to implement the changes that you have been asked to?

**Mr. Neidig:** We are being very careful not to reduce our resources in our finance office given the challenges that we have in front of us. The Educational Development Centre, that works on developing curriculum and programs, is the group that's helping us put together the training for the budget officers. We're making

sure we preserve that as well, not just for the finance part but also because without the development of new programs and growth in programs, you really are hamstringing yourself in terms of future growth. So we're trying to make sure that we have the solid finance piece to look after our business going forward, and we're trying to make sure that we maintain some ability to grow new programs so we can respond to demand in our communities.

**Mr. McAllister:** It must be more challenging.

**Mr. Neidig:** It'll definitely be more challenging.

**Mr. McAllister:** Yeah. How significant a role does your board play in making sure that this is carried out, and are you satisfied with that direction?

**Mr. Neidig:** The board has been very good. Given the challenges that we've had, we've kept them up to date on everything as it's unfolded, and we've been open and frank with the board. They've been supportive. They understand the challenges. They've undertaken to strengthen their own governance through the creation of an audit committee. The terms of reference for the audit committee were created a year to a year and a half ago and then revised twice since then as they've looked at other terms of reference from other organizations. The University of Alberta, in particular, was one that they went through and used to strengthen ours.

The board has, you know, I think, continually been very good on policy. I went back and looked at our board minutes from previous years. The board has reviewed 33 of 34 policies in the last four years, which I think is a very good sign of good governance, and the board also does a good, solid, annual board self-evaluation and CEO evaluation that covers all of the roles and responsibilities of the board and the CEO.

**Mr. McAllister:** I think I've been given a wrap. I know you've both been great about getting back to me. I look forward to further discussion if we have time today and then down the road.

Thank you.

**The Chair:** Thank you very much.

Let's turn to five minutes for the Liberal Party. Mr. Kang.

**Mr. Kang:** Thank you, Mr. Chair.

Thank you to Dr. Abbott, Mr. Neidig, and the staff for being here today. My first question is for Dr. Abbott. Referring to page 46, note 3 in NorQuest College's 2011-12 annual report, the college has been increasing cash from over \$20 million in 2011 to over \$30 million in 2012. Why has the college not invested a portion of this to maximize returns?

**Dr. Abbott:** That's a good question. Thank you very much for your question. Over the past couple of years, as you may know, we have been working toward the development of our North Learning Centre. This is a centre that will allow us to consolidate facilities. In the Edmonton area we have failing infrastructure. What we have done on this front in terms of cash and investments – we had anticipated that we may need some of that for the development of the North Learning Centre. The other thing we noticed is that we had cash in multiple accounts. So what we are in the process of doing right now is that we've just closed an RFP for banking services, and part of that will allow us to really consolidate some of those accounts. Our finance and audit committee has also asked us to look at our investment policy. At a recent meeting they identified core limitations that would guide that policy, and the policy is under development at this time. So

by consolidating our accounts and having a new investment policy, we will be better able to invest so that we can get a better return on the dollars that are there.

**Mr. Kang:** My next question is for Mr. Neidig. The last annual report for the college, including the audited financial statements, is for June 30, 2010. Why was the college unable to produce 2011-12 draft financial statements until late October 2012? I know you talked a little bit about this.

**Mr. Neidig:** Yes. I think that it is a variety of factors in terms of a combination of the staffing, the challenge to go back and rebuild and find the issues that were preventing us from doing that. The fires in 2011 certainly set us back some more, the stress and strain that that caused on our organization. Ultimately, we're not happy that it's taken that long to do, but we are very committed, now that we've got our three year-ends done in this past year, to making sure that gets back on track and stays on track.

8:50

**Mr. Kang:** Coming back to Dr. Abbott, I refer to page 24 of NorQuest College's annual report. The college reported performance measures related to organizational development. The ratings for employee satisfaction with compensation, senior leadership, and organizational support for learning and development were quite low and below targets. Has the college reacted to this result? Have you done anything in that regard?

**Dr. Abbott:** Yes. First of all, it's important to know that in 2011 the college went through a major restructuring. That was really to ensure that we could align our development as an institution. So we brought on areas like business development, we strengthened our financial area, et cetera. During this time, of course, there were a lot of questions that came from employees. So we were not surprised that satisfaction dipped below our targets, but we've taken this very seriously, and there are a couple of things that we've done.

First of all, we have a President's Advisory Council that is made up of nonmanagement employees, including faculty, staff, and students. That group worked with the rest of the organization to develop an engagement plan. Through that engagement plan they identified some core things that they really felt across the organization we needed to do.

One thing was to look at our compensation policy. As it sits right now, compensation is tough, and we didn't actually know at that point in time where we stood against other institutions. Our board approved a compensation philosophy and policy. We then did a bunch of work where we benchmarked positions, and we came forward with a goal to get people to the P50 level. That's one piece of it.

The other piece that we worked on is around the area of respect. When you're in a time of change, there's a lot of uncertainty. We always wanted to make sure that respect was number one among our employees, so we came up with a process for ensuring that people understand how to work with one another in the institution as well as feel safe and secure and that they can contribute to the organization.

I guess, in summary, we have an engagement plan in place, we're continuing to follow that engagement plan, and I report to the board on a regular basis on where we're at with our engagement plan.

**Mr. Kang:** What about from the prior years?

**The Chair:** Mr. Kang, we have to move on to the NDP.  
Mr. Bilous.

**Mr. Bilous:** Great. Thank you, and thank you and your staff for being here today. I'll start off with questions to Mr. Neidig. In the Auditor General's report of February 2013 on page 93 it talks about tuition revenue and improving controls over that. I'm just curious as to what steps you've taken to improve controls over tuition revenue.

**Mr. Neidig:** Yes. I'd be happy to answer that. The issue that we encountered was that an individual in finance was able to change a fee when they thought that there was an error in the fees in our student system. When the Auditor General identified that, we immediately took away those privileges for that finance person to change that because that's really not their role. We'd prefer that that go back to the person who entered those fees into the system in the beginning.

We've changed the method from spot-checking the entry into the system to – let me just back up. The board approves the fees. The fees are all approved and divided up into course and program: full-time, part-time, and all those different variations. There's one person responsible for entering that in the system, and that's the person that should be doing that. We did spot checks, but with this system what we've decided to do is to have a new report generated from our system that allows a second level of quicker and more comprehensive review.

We haven't implemented it yet because we're just at that cycle. We started implementing our fees to take care of this in this new system, and then, of course, the tuition fees were frozen in the last couple of weeks. So now we're backing out the ones that they started putting in and starting over. We will definitely be taking a closer look given that we started doing them on our increased fees. Now they're going to go back to 2012-13 for this year. That's something we're confident we'll have in place quite handily here as soon as it hits the right cycle in our business.

**Mr. Bilous:** Okay. Thank you.

Over to Dr. Abbott. In the March 2012 Auditor General's report the Auditor General talked about improving processes to manage donations. I'm curious. First of all, what is the current practice that NorQuest has to manage donations, and what steps have you taken to improve that practice?

**Dr. Abbott:** Certainly. What I'd like to do is ask Patrick to answer that question. He has responsibility for advancement.

**Mr. Machacek:** This recommendation came forward initially in our June 30, 2011, audit report. When that came out in the fall, we immediately looked at our processes and procedures for donations and sat down with our finance team and created a whole new system to work more closely with finance and the fund development office to ensure that we had processes and internal controls in place.

We then spent a couple of months actually revamping the system from top to bottom, ensuring that the controls are rigorous throughout the whole process. They were reviewed at the end of our last fiscal year, in June of 2012. At that time the Auditor was pleased with the developments. They just indicated that we hadn't had them in place long enough during the year for them to take that off as a recommendation. This year our expectation is that it will be fully removed and that we'll be on course for that.

**Mr. Bilous:** Okay. Thank you.

I'll stay with you, Dr. Abbott. Does the department provide any assistance or internal assessment independent of the Auditor General's audits to determine whether there are obstacles or which obstacles are preventing the implementation of outstanding

recommendations? What support does the department lend to both of your institutions?

**Dr. Abbott:** We have discussions, as indicated, with Enterprise and Advanced Education on a regular basis. Any time that a recommendation comes forward, when we provide an update to the Auditor General and to our board, that conversation always happens with Enterprise and Advanced Education. The other opportunity there is that senior business officers get together from across the province to talk about challenges and opportunities to work together, and most times Enterprise and Advanced Education is involved in those meetings so they can assist with understanding how we can look at system responses.

Certainly, through our interactions with Enterprise and Advanced Education we became more aware of the work that PricewaterhouseCoopers could do with us because of the work that they had done with another institution. I see that there's an important linkage role that Enterprise and Advanced Education plays, and it's been very helpful for us as we begin to address the recommendations.

**The Chair:** Thank you very much.

If we could go to the government side for the remaining eight minutes.

**Mr. Dorward:** Thank you. It's common for us to run out of time. It happens all the time. So what we do is we put it on the record, and because we are in *Hansard*, you don't have to scramble too much and write this down. You will be able to listen to the recording or check the written transcript. My colleagues, certainly, from the other parties, Mr. Chair – we would give up two minutes of our last time here so that we can make sure that anybody gets any questions on the record that they would like.

I'd like to read a couple of questions into the record, and then we'll go to Mrs. Sarich. This question is for both of you to respond to in writing. This does not mean that you need to write a book, just a simple explanation or acknowledgement of the question and some kind of answer.

The Auditor General's reports often talk about the base of an organization being what legislation they have to comply with and finding ways to have the appropriate policies, procedures, and controls to ensure the compliance with the legislation and to monitor any noncompliance by senior management and board audit committees. One, what measures does each of the colleges have in regard to ensuring that you go back to that benchmark of the legislation?

Two, I would like you to comment on your board recruitment thoughts or policies, particularly as they pertain to the audit committee, which is a huge part of the board. As we've seen from some of the work here, a strong audit committee on a board can find people that can get things done for you as well as manage that process.

Then, Mr. Neidig, with respect to your challenges in the north, I would also like you to comment in the written response about the challenges of finding these appropriate board members, how the compensation for those board members may have to vary from other colleges' standards in that amount to be able to recruit the people that you need.

Mr. Neidig, I'd like you to also comment, taking that just to the next level down, senior management, on how difficult it is in your area and with the challenges you have in all the communities you serve to find and recruit and keep those people. It's an opportunity for us to pass some information on to the minister relative to the challenges that you have there to make sure you have the

appropriate resources that you need to be able to do those kinds of things.

Thank you.

We'll go to Mrs. Sarich.

9:00

**Mrs. Sarich:** Well, thank you very much.

Also, thank you for your presentation of information to give us, you know, a reasonable sense about what has occurred over your timeline of chronological situations for the respective postsecondaries and also, more importantly, about the challenges that you've faced.

I'd have to say, from what I've heard thus far, that you are actively taking a lot of steps to make the course corrections operationally and within the system. I'm really pleased that we have in the gallery – I'd like to direct some inquiry to the boards of governors' chairs, so I'd like them to step up to the microphone, please.

I have to say that in my professional experience with systems – and I appreciate that we've heard extensively today from the operations side. But I do have concerns, and it is not clear to me as a committee member – for example, strategic direction and tone at the top is created by the board of governors. Ultimately the challenges, the difficulties of the postsecondary are the responsibility of the board of governors, so I'd like to hear from them. I believe we have in the gallery Mr. Cunningham and Lynn Faulder as well.

What I would like to know is – I don't have a sense of the timeline, like, how long you've been chair of the board – when these matters were identified by the Auditor General, what action the board of governors took to provide strategic direction to the presidents about resolution of these issues. That would be the first.

The second is your relationship to the internal audit committee.

The third would be the level of expertise and professional experience that the board of governors as a composite team would have to provide that strategic direction to the presidents and CEOs and if you have any opinion about the calibre, the best practices, and the tone and strategic direction that you're providing for your presidents because the ultimate responsibility lies with the board of governors. So I'm really anxious to hear what you have to say about that.

**Ms Faulder:** Thank you. This is not a very short response to this kind of question.

**Mrs. Sarich:** If I may, the questions are in the record. If you need to provide more detail to the committee, you are welcome to do that on my series of questions. Thank you.

**Ms Faulder:** I will be very happy to provide a written response with regard to this question, but I would like to also, before I leave this microphone, provide you with a bit of a sense of the governance continuum that our particular board has been on over the past four years or so. I've been on this board for about four years. We along with our president and CEO as a board member were able to strike a first college strategic plan, that was introduced in 2009. From that all of the business practices and governance practices have flowed to this point with increased concentration on programming, business practices, governance practices, everything from compensation philosophy on.

**Mrs. Sarich:** Sorry. Can I interrupt? Are you suggesting that 2009 was the first time the organization had a strategic plan for itself?

**Ms Faulder:** Yes, it was. That was the first strategic plan that was adopted by the college.

**Mrs. Sarich:** I have to say that I'm actually shocked by that because my area of expertise is strategic planning. In organizations that form, this would be a common practice. I'm actually shocked.

**Ms Faulder:** This institution is one that has evolved from a government-run institution. It was board governed about 10 years ago. In that time frame there would have been strategic retreats, but a comprehensive strategic plan was brought forward in 2009.

**The Chair:** All right. Thank you very much. That will wrap up this session.

I'd like to thank our guests. It's not easy coming into Public Accounts under these circumstances. I think we've heard a lot of ideas and proposals and action items that you're doing right now to get back to green-light status, so to speak, and I'd just encourage you to do that. We're certainly cheering for you to do so. We know you've got many, many competent and professional individuals working there. I really appreciate your answers and wish you the best of luck going forward.

**Mr. Dorward:** Can we just get Genia to read one, please?

**The Chair:** One more question.

**Mrs. Leskiw:** The government business plan identifies the opportunity to ensure that Alberta students develop competency to enable them to actively participate in their communities. Can you describe the role that NorQuest College has in supporting the underrepresented groups in the Alberta labour force?

**The Chair:** Okay. Thank you very much. We really do have to move on. Thank you very much for your time today.

Let's invite in our guests from ACAD and Olds College. We're going to get started here because we are pressed for time.

I'd like to welcome our guests. We've already gone through introductions for board members. I do want to recognize Mr. Mike Allen, whom I saw. He's here today. I believe that's all of the new folks. If there's anyone else here MLA-wise that hasn't been introduced on the record, please let us know.

If we could get quick introductions from our four new guests who are here. Just tell us very briefly your name and who you are. That will be good. Then we'll move on to something else.

Let's start with Mr. Mackenzie.

**Mr. Mackenzie:** Rob Mackenzie. I am the acting CFO for Olds College.

**Dr. Thompson:** Tom Thompson, president, Olds College.

**Dr. Doz:** Daniel Doz, president, CEO, Alberta College of Art and Design.

**Mr. Dart:** I'm Don Dart, VP, finance and corporate for ACAD.

**The Chair:** All right. We welcome all of you here today. We really appreciate your being here.

We're going to start with our Auditor General, who is going to give a few comments regarding some of his findings, and then we're going to move to five-minute presentations, five minutes each, no more than that. We're really pressed for time, so please adjust your notes accordingly if you need to.

Mr. Auditor General, go ahead.

9:10

**Mr. Saher:** Actually, Mr. Chairman, I feel that the comments I made at the start of the meeting this morning were general and

intended to apply to all postsecondary institutions, particularly the ones that are before you today. I don't think I can add anything useful at this stage. I think the time is better spent with you having an opportunity to ask questions of these people.

**The Chair:** Excellent. Thank you very much, Mr. Auditor General.

All right. Well, let's start with Olds College. Dr. Thompson, are you doing the presentation?

**Olds College**  
**Alberta College of Art and Design**

**Dr. Thompson:** Thank you, Mr. Chair. Olds College is in its centennial year – a hundred years. We have been board governed since 1978. Our board chair, in fact, is with us today. He's back here, Barry Mehr; it's nice to have him with us.

Just a couple of quick facts. Olds College has roughly 1,200 full-load equivalents. It services about 5,500 learners per year in workforce development, community and continuing education. We have students from every province in the country. Last year we had students from 14 other countries. I don't think it would be unfair to say that we're a leader in agriculture, horticulture, land and environmental management, rural entrepreneurship, agribusiness. We play a significant role in applied research and innovation, and we are prominent in an integrated learning environment.

We as a board are 11 people: seven publicly appointed and a president, plus faculty, plus staff, plus student. We operate on a governance model called governance as stewardship. We take great pride, of course, in moving from the fiduciary responsibility to the strategic responsibility to the generative responsibility. Our board obsesses on the outcomes. The outcomes are then articulated into key performance indicators. The key performance indicators are articulated into measures. We have right now 39 key measures, many of which apply to what we're talking about here today. Out of the 39 measures there are 13 that actually make up what is called the institutional scorecard.

Last comments, Mr. Chair, to keep them brief. We, of course, are known for quite a bit of innovation. The innovation in and of itself raises challenges as well in terms of financial management, financial accounting, and, of course, the audit. For instance, the community learning campus, which has been constructed and is now fully programmed over the course of the past eight years, is an integrated learning environment that brought together the constituents of a K to 12 system in Chinook's Edge school division: a town, a county, a university, and the college. Of course, you have an integrated learning environment that is essentially barrier free. But what comes with all of that, of course, are brand new challenges when you look at accounting and you look at the audit.

Lastly, the most recent major innovation, of course, has been the public-private partnership that has been developed to build a fully integrated hotel and conference centre on the campus. That has then spawned a whole set-up: how are you going to manage that from a financial standpoint? That led to the creation of a trust. Of course, the trust has been identified within the audit as well.

Keeping to your five minutes, Mr. Chair, I think I'll curtail my remarks and turn them over to my colleague.

**The Chair:** Thank you, Dr. Thompson.

Dr. Doz, do you want to go ahead?

**Dr. Doz:** Well, thank you, Mr. Chair and members of the Standing Committee on Public Accounts. It's a pleasure to be here. Let me first say that the audit recommendations made by the Auditor

General are taken very seriously by the board of governors, our senior leadership team, and the financial service staff.

My administration is less than three years old. Except for one person our entire leadership team, everybody, is new. In this short time the college has put in place more robust financial, academic, student engagement, and operational processes. Over the past two-plus years we really have met those challenges head-on. We've addressed, I believe, 22 of the recommendations over this time and six really key areas: improving our financial reporting, improving our transaction processing, developing new procedures, improving our accounting controls, improving our IT controls, and our new system initiatives. We still have challenges, and hopefully we'll be able to talk about that.

One of the things that I should really say here is that over these past two and a half years we have developed a foundation for moving ahead on a variety of fronts which we believe are quite essential. You have to remember that ACAD is a specialized school with a provincial mandate, which is to provide art and design education. We are only one of four schools of such nature in Canada. We're the only college in the postsecondary system with a provincial mandate.

We believe we're a key player in the diversification of the economy by training those within the creative industry sector. Now, our value is clear. If you look at the stats that Industry Canada puts together, in 2011 in terms of GDP creative industries represented a \$57.1 billion industry. Now, to put that in perspective, oil, gas, and mining extraction was \$57.7 billion, quite on par, maybe not so in Alberta but in Canada.

The world for which ACAD prepares its students is one of globalization, technological innovation, and an evolving view of the increasing value that art, craft, and design bring to society in making our communities richer and more livable and also contributing significantly to our province's economic diversity and cultural prosperity as well as enhancing our national and international reputation.

We have developed a long-term strategic plan, a 10-year vision, which, really, after two years of work, brought all the community together. It was a wonderful engagement piece.

One of the first steps that came out of this new long-term strategic plan was the reorganization of our academic structure. This January we launched four schools that had a goal to increase administrative efficiency and program flexibility. Doing this will allow ACAD to be even more responsive to market forces. ACAD is also implementing and developing a number of centres of excellence and incubators. They're really quite important vehicles, that allow us to connect rural and urban areas, diversity in the province, especially in the aboriginal contemporary art sector.

We are a small institution, as you all know, but we do have a big impact. Now, I'll give you a few numbers because I think they're really telling a very compelling story. Ninety-five per cent of our design graduates are employed within the first year of graduation, which is quite an amazing number. Ninety-six per cent of our graduates would recommend to someone that they should attend ACAD.

The faculty focus on excellence in research is evident in the fact that ACAD has more winners of the Governor General's award, which is the highest distinction in Canada for visual artists, than any other postsecondary institution in Canada. Our faculty and alum have won in the last six years five Governor Generals. This is unprecedented, and we should all be proud. Internationally our design students win more applied arts awards every year than any other program.

I think we have a very long history. We're not a hundred years old. We are only 87 years old, 28 of being independent, so that has

been a really long history. We're really proud to contribute to the province. We believe we're an integral part of the arts and culture fabric of the province. Evidence is not far from here. If you have a chance, go to the Alberta biennial that's taking place at the AGA. Seventy-five per cent of the artists represented in the biennial are ACAD grads or faculty, which is really quite telling.

**9:20**

We have no doubt that the college is in transition. We know it. This is something we've been working on for the last several years. We're really on the right path, I believe, and quite proud of what all our folks have been doing. That's my five minutes.

**The Chair:** Excellent. Thank you very much, Dr. Doz.

For the committee's information in addition to the reports that we already mentioned, we're also examining today the annual report for Alberta College of Art and Design for 2011-12 as well as the '11-12 annual report for Olds College. That is in addition to all the other reports that I already mentioned.

We'll go to questions now. We'll start with 10 minutes for the government.

**Mr. Dorward:** Thank you, Mr. Chair. I asked at the end of the last session a question regarding board recruitment, so if you could both go back to that question as a written and please get back to me on that.

My first question is for Olds College, actually a comment on something in your annual report. I don't know if you have a copy of it there. I'll reference it. It's page 16 of your annual report. It says: "Outcome #1. Olds College, in conjunction with other post-secondary institutions and partners, will operate strategically to provide access to learning opportunities." I thought that was a good comment – a very good comment – but I wonder if the comment wasn't more on the learning environment rather than on the administration environment as it pertains to things that could happen, institutions getting together and finding a way to get a payroll done or get a process for a registration done or something. Could you comment, firstly, on the overall statement, whether it pertains to administration, as I mentioned? Then it hints here that there are other partners. Who are those other partners, and how does Olds College get into the community in that regard?

If I cut you off, sir, it's not because I don't appreciate your answer. It's because we have more questions. Then if you don't get enough time, you can always go back to providing us something in writing.

Thank you.

**Dr. Thompson:** In brief, he has touched upon an outcome. The outcomes at Olds College are five in total. That outcome is, you might even say, first among equals. Very insightfully, as you note, it is about increasing and enhancing learning opportunities. Olds College has that rich history, though, of doing it with partners and has been there for a hundred years. When we talk about partners, we talk about not only industry partners but institutional partners. An example of industry partners is the very fact that on our campus we have a phenomenal number of industry partners co-operating with us not only in infrastructure, equipment, program and curriculum development. It's an ongoing way of the culture.

Institutional partners. A good example of the most recent one would be the Campus Alberta south partnership, which brings together Olds College, Bow Valley College, the University of Lethbridge, and Athabasca University into the brand new tower south of Bow Valley College.

**Mr. Dorward:** Wonderful. Thank you. Thank you for being brief and getting to that point.

On page 95 of the February 2013 report of the Auditor General the audit found that Olds College "should have effective processes to ensure it reports accurate financial" statements that are "prepared accurately and on time, in accordance with... generally accepted accounting principles." Can you please elaborate on what Olds College is doing to ensure the accuracy of its financial statements?

**Mr. Mackenzie:** Okay. Thank you. Keep in mind, please, that I am the acting CFO. I have been there now for about two months. The CFO who should be sitting in my seat has been away on medical leave, and we hope he returns on the 1st of May. But I was at one time in my history the vice-president of student and support services at Olds College, so everything old is new again.

With that preface, I know that I am going to sound a little bit like johnny-one-note when I say this because if I'm asked other questions, my answer may be identical, but the answer is this. We have known at Olds College for probably nine years that we needed to find a way to get into a far more substantial enterprise resource planning system. That's the current buzzword, an ERP. But it is very descriptive. It describes a system which is not only financial but which brings all of the other resources within an institution – your facilities, your students, your staff, your financial resources – together in a way that allows each portion of that process to speak fluently to the other processes and to draw together data and allow you to accumulate it. That is not a system that we have at the present time at Olds College.

We have a series of systems which are, for lack of a better word, cobbled together. We have an independent, stand-alone student system. We have an independent accounting system. We have a series of homebuilt building management and labour management systems. They are not as integrated as they ought to be.

Over the last nine years there has been an ebb and flow in the ability that we felt we had to get to an enterprise resource planning scaled model. We would be on the cusp of developing the ability to acquire that, and then there'd be a pulling back. We now believe that we have in fact got the ability to put through a shared services model – and this goes back to the sharing between institutions – with the University of Alberta and a PeopleSoft implementation, which we believe we'll be leading, as sort of the first adopter, if you like, amongst the smaller institutions. We will be adopting the larger scale solution, which is enjoyed, developed, and in many ways maintained by the University of Alberta, and mould ourselves to fit it.

The scalability of our prior solutions is the nub of the problem. If you have a department with 30 people, you have the opportunity to present separation of duties and create workgroups within workgroups. When you have a workgroup of three, that becomes a lot more problematic. The scalability stops working. There is at a point a scale you reach where you simply cannot do with less people, and if you have less people, you then suffer the consequences in terms of control and the ability to provide responsiveness and whatnot. You also suffer in the ability that you cannot afford systems where the users are able to extract information.

**Mr. Dorward:** Thank you, Mr. Mackenzie.

The March 31, 2013, year is upon us. Do you see improvements over March 31, 2012?

**Mr. Mackenzie:** Absolutely.

**Mr. Dorward:** Thank you. That's all I need to know.

I'm going to switch it over to Mr. Allen.

Thank you.

**Mr. Allen:** Thank you, Mr. Deputy Chair, and good morning.

Thank you all for coming this morning and giving those presentations. I do have just one quick question for both colleges. I'll start with Dr. Doz. First of all, I want to acknowledge the important work that ACAD does, particularly with your provincial mandate. My background is in the music business. Recently in Fort McMurray, which I represent, our own college has had some challenges with their arts program, and right away you had some of your senior administration up in Wood Buffalo to see how they could work with trying to bring some more arts back to our region. We really appreciate that.

I'm of the opinion that all too often arts is the first thing that suffers when we have budget cuts; however, without arts we lose the ability to create, and our technical institutions would in fact become stagnant. It defines who we are.

9:30

One thing that was in the Auditor General's report that I would like to comment on, though, is the disaster recovery plan. That's on page 65 of the February report. It states that "ACAD has not implemented a disaster recovery plan" in order to "resume its computer systems in a disaster (caused by nature or humans)." What is the college doing to remedy that now?

**Dr. Doz:** Thank you for your comments about our art education role.

I'll let my colleague, Don Dart, respond to that question.

**Mr. Dart:** Yes. Thank you very much for that question. Disaster recovery is an important element, I think, of most organizations, including ACAD. This recommendation from the Auditor General is now currently being reviewed in terms of how we might lift not just the IT disaster recovery planning process into a more formalized process but also looking at it more holistically across the entire college for business continuity.

The first thing we did was engage our colleagues from the University of Alberta to come speak to us on their disaster recovery planning and business continuity process, which I think is a very refined process. We did have that conversation with them very recently, I think in the last two months, and in fact are in conversation with their lead people right now to see how we might leverage some of their good work. We have looked at their documentation and so forth to tailor that to what we might have for a smaller college, not to the extent perhaps that the University of Alberta has but certainly to the elements of a disaster recovery plan for both IT as well as more comprehensively.

As we will speak about a little bit later perhaps, we are also engaging our enterprise management thinking behind disaster recovery and trying to fit disaster recovery planning into the context of a more holistic approach to enterprise-wide management thinking at the college as well. We're kind of in the infancy stage of building a plan and putting the planning framework behind a disaster recovery strategy.

**Mr. Allen:** Okay. Thank you, Mr. Dart.

**Mr. Dorward:** Yeah. Thank you.

Our time has expired. We'll move on to the opposition parties.

**The Chair:** All right. The government will have eight minutes and 45 seconds on the back end.

To the Wildrose, 10 minutes.

**Mr. McAllister:** Thank you, Mr. Chair, and thank you, gentlemen, for being here today. I look forward to further discussions down the road. I should also mention the Auditor General. This is just invaluable work. Thank you for your work and getting everybody here today.

I'd like to follow the same line of questioning that I did in the first round. You know, I think it's pertinent to answer those questions. Maybe I will start with ACAD, just to give you the hot seat first, although, frankly, I think you're more than prepared to respond to the questions coming your way. What specifically to this point have you done to respond to the Auditor General's report to make sure that you're not here again?

**Dr. Doz:** As I said in my introductory remarks, we've been really working hard in developing an implementation plan, working hand in hand with our board of governors. Especially, two years ago we had our Finance and Audit Committee of the board working very closely with us on that in developing the plan. I mean, it is true that we are a small institution with limited resources, but we have been deploying some of our resources strategically in bringing in outside help to help us with some of the issues and also sharing best practices.

We've been putting in place these processes as well as internally being really engaged in what I would call a cultural change. As you may know, dealing with artists and academics can be quite challenging, especially when you combine both. You know, part of an academic environment is really how you question things and how you push the boundaries. This cultural change took us a little bit longer. For example, I'm thinking about the P card system. It took us, I would say, a good year to have everybody really onboard and following it. We've been working internally on those as well as externally.

Don, do you want to comment?

**Mr. Dart:** Thank you for that question. How we are dealing with the Auditor General's recommendations I think is a large question. There are a number of things that we are doing. One, each year we do develop an audit implementation plan, which we discuss with the Auditor General's office, and in that plan, of course, we have a number of action strategies that are there to deal with the recommendations in a timely fashion. We work diligently on that plan.

In fact, I chair quite a number of meetings with the senior staff there – I think it's almost weekly – to go through the status reporting with respect to the audit implementation. That's a very key element of what we do to address the recommendations. I think, too, we were trying to stabilize our staffing. I think, as my colleagues from Olds also commented, staffing competency is extremely important to how we address financial management and controls and reporting and so forth.

Two, procedural development is a very key area that we're focused on. In fact, we have developed probably up to almost 20 new and refined procedures at the college in all different areas, from purchasing through to travel authorizations, hosting, IT, and so forth.

Three, we are working on the educational dimension, as Dr. Doz has pointed out. The culture of the institute: we're trying to change that culture with respect to the accountability and the ownership that all of our staff, particularly our faculty, take with respect to reporting accountability around controls and so forth.

**Mr. McAllister:** You're right, Mr. Dart. It's a large question, and it would take our 10 minutes – wouldn't it? – to address, but I appreciate you outlining some of the things that you're doing.

You mentioned staffing, and I want to follow up, and I do with Olds College as well. Given the budget that we have just received, are you confident that you are going to be able to meet the Auditor General's requirements given that you have to do more with less?

**Dr. Doz:** Well, first of all, each institution is dealing with the financial situation differently. In our case we have no plan to reduce the staff in that area. Actually, this is where we're going to be in the next two years – we have a little bit of a reserve – using some of the reserves to bring in some outside help in some very specific areas. Because we have a small staff, we don't have some of the expertise. Actually, we're quite confident that we'll be able to address this in a timely manner.

**Mr. McAllister:** You don't see it as a hindrance?

**Dr. Doz:** Not at this point, no.

**Mr. Dart:** If I could make one further comment, we are certainly not going to reduce our staffing with respect to our financial management team. We have a very small team. We have five staff. As Dr. Doz points out, we're trying to find some one-time funds to shore that up to ensure that we meet the requirements of the audit and particularly the new standards that you've heard about earlier in other conversations, the new public-sector accounting standards. I think that we're confident that we're certainly going to be addressing the vast majority of the recommendations. We take them seriously, and we recognize also that we have improvements to be made in a few other areas.

**Mr. McAllister:** Right. Have you developed any specific policies for conflict of interest and code of conduct?

**Dr. Doz:** Yes. They're all implemented also. We've done that this past year.

**Mr. Dart:** Yes. We developed two revised conflict-of-interest and code of conduct procedures and policies over the last two years, and these are fully implemented today.

**Mr. McAllister:** As per, obviously, the Auditor General's report.

**Mr. Dart:** Yes, as per the Auditor General's recommendations.

**Mr. McAllister:** Okay. Thanks.

Dr. Thompson, the same line of questioning, I guess. First and foremost, you know, to this point it's so hard to condense this, I think, into a couple of minutes, but it's your chance to explain to us what you have done. I know you've taken it seriously. What have you done specifically to address what was requested?

**Dr. Thompson:** As concisely as I can, when you're a small college and you're challenged by a staffing concern – and in our case over the past two years we've had the declining health of a CFO – that you feel a great impact in, you feel it directly with the contribution of the CFO declining. Then you feel it if there have been one or two questionable hires in the process. That is reflected, then, in things like processes, readiness, timeliness, and so on.

What have we done? What we have had to do over this past year is that we've had to revamp right up to and including the vice-president level. Our new vice-president is with us in the gallery today. From the vice-presidential level, then, what we did with external consultants was a complete organizational excellence review of the businesses service, which yielded the recommendations which are now being implemented.

After that, I would turn it over to my colleague for any of the microconsiderations.

**9:40**

**Mr. McAllister:** By all means, if you want to follow up on the specifics, feel free.

How much time do we have, Mr. Chair?

**The Chair:** Two minutes.

**Mr. McAllister:** Two minutes.

Maybe I'd just like to get to my next question, then, if I could. You mentioned, Mr. Mackenzie, that if you have fewer people, you can't be as effective.

**Mr. Mackenzie:** You need systems to support the people to be effective. We are looking a lot at financial compliance. I think the thing that the college needs as much as that – and it is an equal partner – is financial reporting and the ability of people to understand where they are in their business and how their business is unfolding. If we have sufficient systems to support them, I believe we have sufficient people. The problem we have right now is that there is far too much manual intervention and not enough system production to get the job done.

**Mr. McAllister:** Okay. One minute. Good luck, Dr. Thompson. How do you and your board – and when you speak of the trust, I am so interested in what you are doing and would love to see you succeed, and I'm sure everybody would – manage the risks related to, I guess, operating this for-profit operation?

**Dr. Thompson:** It's a fantastic question. We don't have enough time, really, to get into it, but it's almost like an entire pioneering exercise when you go down this road, right? You can't pull an example from another province, another college. It's difficult to get templates at the government level, so you actually have to collaborate all the way down the line in terms of the development of new processes, new procedures, and, of course, new policies. That led to the creation of the trust, which then was implemented with the advice of external consultants and legal.

**Mr. McAllister:** Terrific. Thank you.

**The Chair:** All right. Thank you very much, Mr. McAllister, for that.

Going on to our friends in the Liberals, Mr. Kang.

**Mr. Kang:** Thank you, Mr. Chair.

Thank you, gentlemen, for being here today. I've got so many questions, but I only have five minutes.

We will start with the performance measures for Olds College. One of the six outcomes identified in the college's institutional plan is affordability. How is management planning to deal with the decrease in provincial funding and the impact on the affordability of the college's programs?

**Dr. Thompson:** Specifically, how are we working through the challenges?

**Mr. Kang:** Yeah. That's right.

**Dr. Thompson:** It's a challenging time, and I'm sure it's a challenging time right across the entire system. I think that one thing that's very, very important for us, in terms of making what adjustments we have to make, are those very outcomes right there. Everything begins from those outcomes. Everything that we do in the way of an outcome, then, has a corresponding strategy. The

strategy has the tactics, the action plan, the critical timelines wherein you find your priorities. What we're going to be in the midst of as we go through this next couple of weeks is the adjustment of those priorities and making the necessary changes so that we can take the revised 2013-2014 budget to the board on May 25.

**Mr. Kang:** Thank you.

Like you said, there are students from 14 other countries coming to the college. Will you be banking on the foreign students to raise more funds, or will you be expanding those programs for foreign students so that you can get more foreign students here?

**Dr. Thompson:** You know, it's not a huge part of what we do. It's normally a service and a program that we provide. When we say that last year we might have had 14 different countries represented at our convocation, it's probably representative of slightly over a hundred students who have come to visit us and study in agriculture or horticulture, land or environmental management. So the answer is no, we're not looking at the international student as a major enterprise funding mechanism.

**Mr. Kang:** Don't you think that would be a good idea?

**Dr. Thompson:** Well, we've got a lot on our plate in terms of enterprise revenue production. There again you have to make choices as to where you're going to put your priorities.

**Mr. Kang:** Thank you, sir.

Coming to Dr. Doz, have you developed and acted upon an implementation plan, setting out timelines and action steps, to implement the office of AG's recommendations, and have you regularly kept your board apprised of the progress?

**Dr. Doz:** Totally. This is something that we felt – and we started this, as I explained a little bit earlier, two years ago with the board – that with my new administration we needed to really focus on this. I must say that the board of governors and the members of the audit committee are really quite dedicated. We had monthly meetings, working with them.

In addition, we developed a new strategy with our board, actually, which was to bring some additional expertise to the various committees of the board that were not necessarily board members but that would bring an accountant's perspective on the board, et cetera. We've been growing the committee members, if I may say so, participants on those committees to really complement and advise the board as well. That has really yielded some great progress there.

We actually meet regularly, pretty much on a monthly basis, not throughout the summer, obviously, and we work on their scheduled dates, and we keep them abreast of where something might change or not as we progress.

**Mr. Kang:** Thank you.

How much time do I have?

**The Chair:** Thirty seconds.

**Mr. Kang:** Thirty seconds. Okay.

I'll just read my question. For a college of your size why is Alberta College of Art and Design struggling to operate and maintain basic internal controls such as properly segregating incompatible functions and applying good contracting practices?

**The Chair:** We're going to stop it there. We'll treat that as a question spoken into the record. You can provide the committee with the written response, and then we'll give that to all members.

Mr. Bilous, NDP.

**Mr. Bilous:** Thank you, Mr. Chair. I want to thank both institutions for being here today and for bringing your staff. My first couple of questions are actually to the Auditor General. I'm curious. Is there any way for the department to assess whether separate legal entities, established and controlled individually or collectively by postsecondary institutions, have made donations to political parties or have paid the expenses of staff members who attend political fundraisers?

**Mr. Saher:** Your question is: is there a way for the department to have insight into that issue?

**Mr. Bilous:** Yes.

**Mr. Saher:** In the way that I understand how the relationships work between the minister, the department, and the institutions, I think the answer is that the minister and the department would be relying on the boards of the institutions and their management groups to provide and demonstrate that they have good control processes to understand the legislation that they must comply with. First understand the legislation you have to comply with, and then put in place processes to ensure that you do comply.

9:50

Because we were concerned about the quality of those systems across the sector, in our April 2013 report we did make a recommendation to a number of postsecondary institutions, essentially, to improve systems to ensure compliance with legislation. It was a generalized recommendation to a number of institutions. In making it, we believed that there was an opportunity for the institutions to come together and pursue best practice. The larger universities, the U of A, for example, are perhaps models of a process that could be emulated by others, so the intent of this recommendation was to have people come together and consider how this could best be done.

In my mind, the department should play a part in that. I think one of the persons appearing before you this morning made the point that she believed that the department has a facilitating role, an opportunity from its vantage point to see good practice and act as an advocate to others to move towards those best practices.

What I'm trying to say is that I believe that the primary responsibility to comply with legislation rests with the institution itself through the oversight of the board of governors, but I believe the department has a vested interest in ensuring that that is working smoothly across the sector.

**Mr. Bilous:** Okay. Just a brief follow-up question, and then I'll ask the two institutions. Back in your October report you wrote, "The Department told us that it plans to work with the Department of Service Alberta, which is responsible for [the charitable fundraising] regulation, to review its relevance and applicability to post-secondary institutions." I'm curious to know: in your follow-up why does the department think it would not be relevant or applicable for postsecondary institutions to make disclosures as required by the charitable fundraising regulation, especially in a province where we've had instances of prohibited corporations, a designation which includes postsecondary institutions, making donations to charities through very strange channels such as Tory fundraisers?

**Mr. Saher:** Yeah. I think that that is a piece of legislation that over a number of years we have had to tell postsecondary institutions: you're not complying with this piece of legislation. I think it's a piece of legislation that did require study. I don't think we were seeking to imply that it was legislation that was not

important. I think from a practical perspective we were saying that it needed to be looked at. There needed to be central guidance as to how to demonstrate compliance in a way that could be used by all of the PSIs so that they were not individually reinventing the wheel. “Here’s a piece of legislation. How do you set about demonstrating that you have complied with it?”

**Mr. Bilous:** Okay. I mean, I realize I only have about 45 seconds, so I may request both institutions provide a response in writing if possible, but I’m very curious to know, and I’m sure other committee members are as well, what processes each of your institutions have in place to ensure that you are complying with those regulations regarding legislation, especially in regard to political donations.

**Dr. Thompson:** As briefly as I can, I would concur with the last comments. In terms of articulating for you, everything begins at that governance level. If you can’t find it in that policy handbook, it likely isn’t there, but if you can find it in the policy handbook, then the next step in the process is: is it then articulated in your processes and procedures at the administrative services level? In our case you can find it in the policy handbook, and then it’s articulated at the administrative services level.

**The Chair:** All right. Thank you very much.

Let’s move on. The government has eight and a half minutes left.

**Mr. Dorward:** Thank you very much, Mr. Chair. After I was elected, being a financially backgrounded person – I don’t know if that’s coming out correctly. Being a person who . . .

**Mr. Donovan:** Can’t balance a chair.

**Mr. Dorward:** Can’t balance a chair.

**Ms Pastoor:** Just say you’re a CA and be done with it.

**Mr. Dorward:** I’m a chartered accountant, and I’m a CMA. Thank you very much for allowing me that. My eight minutes is disappearing quickly.

One of the first visits I had, actually, was with the Auditor General. I certainly grabbed the March 2012 report of the Auditor General, and I must say I was really, really surprised to see on the report card on page 7 that there were any red marks whatsoever. I really was. Then I saw so many yellows, and I didn’t see as many greens as one would have thought.

I reflected on the dollars that are being spent, taxpayers’ dollars, in the area of postsecondary education. I certainly reflected that immediately it was apparent to me that there should be some collaboration relative to the administrative issues, and I wondered if the marks reflect the struggles, quite frankly, with a comparatively small budget in terms of big corporations that have to deal with the amazing volume of information that is coming to you in legislation and in statutory requirements and everything else. I totally understand the issue.

On the other hand – I just wrote a list here – you have ministry folks that are available to help. You certainly have a board who should be governing. The department of advanced education, I suppose, has people that are involved in this area that can help out. You have a subset of the board, which is the audit committee. You have the qualifications of the staff that you need to be making sure you recruit. I’ll be the first to admit that everybody thinks that accounting is easy, and then we get into these things. It’s not easy.

**Mr. Amery:** It is.

**Mr. Dorward:** No, it’s not.

Then, finally, we have the Auditor General, who has his report card. But there’s another group there, and that’s the internal audit function. Really, when the Auditor General gets to do a report, if that list is functioning correctly, there should really be no surprises with respect to what the Auditor General is going to find because the internal auditor should have had the radar up probably already and reporting.

Just quickly, I might cut you off, both Dr. Doz and – by the way, Dr. Doz, do you have a relative who’s an optometrist in town here?

**Dr. Doz:** No. My family’s name is from France.

**Mr. Dorward:** Just an aside. [interjection] I know that’s out of order. The chair just called me out of order. I apologize.

How strong is the internal audit function in each of your organizations? Dr. Thompson – forty-five seconds each.

**Dr. Doz:** Okay. I think you’re certainly correct in listing all those various stakeholders. I think the issue really for smaller institutions is just a matter of economy of scale. It’s as simple as that. When you have a team of three or five and one is not there, you don’t have the backup.

**Mr. Dorward:** Okay. That’s good. That’s all I needed from you. Thank you.

**Dr. Thompson:** Let’s see. How quick can I do this? When you have an audit done and the number of auditors actually outnumber the number of staff members you have, it gives you some idea of what you’re up against in terms of the staffing component.

**Mr. Dorward:** Okay. Thank you. That’s all I need from you, Dr. Thompson. Sorry to cut you off.

This is what I had thought I might hear, so here’s my question. I don’t need an answer to it. It’s more, I guess, of a statement. I think there are some key areas of collaboration that could be done between all of the colleges, and I think this is an identified one. Maybe just a quick yes or no or maybe: would you be willing to collaborate across Alberta on things, maybe have a team of internal auditors that works amongst all the colleges, and come up with a mandate that might work appropriately? Are you willing to do those kinds of things?

**Dr. Thompson:** Yes. Great idea.

**Dr. Doz:** Yes. To a certain extent the CFOs actually do collaborate.

**Mr. Dart:** Just a quick response to that. The CFOs in Calgary, in the south region, are now getting together to talk about things such as that, how we might collaborate on some of the administrative oversight issues – internal audit might be one of them – and other opportunities. We are now engaging each other with respect to that question.

**Mr. Dorward:** Thank you.

We have about two minutes left. To colleagues, were there any other questions? Mike Allen.

**Mr. Allen:** Thank you, Mr. Deputy Chair. I guess we probably won’t have a lot of time to discuss this, but I will just throw the question up there for the record, and if you could even do a brief response later.

Dr. Thompson, you referred in your comments to a P3 model to

have a hotel and convention centre. I understand you're leasing the land, and there's a 60-40 split to the hotel and convention centre. Two brief questions. How does that partnership align with the college's current mandate and strategic plan? How does the management and board – what's the plan there? Based on the fact that you're an educational institution, how do you manage the risks related to dealing with a profit organization?

**Dr. Thompson:** Yeah. Let's see. Briefly, the hotel and conference centre aligns with the mandate of the college in many different programmatic ways: the tourism and hospitality; the Canadian brewmaster program; all of the landscaping from the landscaping program; all of the meats, all of the plants, all of the fruits, all of the vegetables into the restaurant. All of the uniforming is done by the fashion program. The programmatic integration is very, very special, and it starts right from the grade 9 level with learner pathways, where they actually can learn the industry on an experiential level.

**10:00**

The trick of the trade in that P3 model was to develop a business model which was a general partner and a limited partner. The limited partner then is managed through what you heard earlier, which was the trust, which brings it right back to the board of governors, brings it right back to the investment policy, and brings it back to risk management policy. The oversight is with the board of governors.

**Mr. Allen:** Okay. Do they have appropriate policies in place to mitigate that risk?

**Dr. Thompson:** I've had to create new policies to mitigate that.

**Mr. Allen:** As a result of that.

**Dr. Thompson:** Yeah. As a result of it.

**Mr. Allen:** Great. Thank you very much for that.  
Thank you, Mr. Chair.

**The Chair:** All right. Well, that wraps it up. Thank you very much, everyone, for being here today, our guests especially. I really appreciate your candid answers and your being here.

Is there any other business from committee members for today? If we could just keep our seats for two seconds. Any other committee business? No.

The date of the next meeting will be Wednesday, May 8, after the constituency break. We will have our regular premeeting briefing in committee room B at 8 a.m. We will be meeting with Alberta Energy here at our regular time of 8:30 a.m.

Can we have a member move adjournment? Mr. Anglin. Those in favour? Any opposed to adjourning? No. Good.

Thank you.

[The committee adjourned at 10:01 a.m.]



