



Legislative Assembly of Alberta

The 29th Legislature  
First Session

Standing Committee  
on  
Public Accounts

Tuesday, October 20, 2015  
2:32 p.m.

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**Legislative Assembly of Alberta  
The 29th Legislature  
First Session**

**Standing Committee on Public Accounts**

Fildebrandt, Derek Gerhard, Strathmore-Brooks (W), Chair  
Gray, Christina, Edmonton-Mill Woods (ND), Deputy Chair

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Bhullar, Manmeet Singh, Calgary-Greenway (PC)  
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\* substitution for Grant Hunter

**Also in Attendance**

Schneider, David A., Little Bow (W)

**Office of the Auditor General Participants**

Merwan Saher	Auditor General
Robert Driesen	Assistant Auditor General
Brad Ireland	Assistant Auditor General
Eric Leonty	Assistant Auditor General
Doug Wylie	Assistant Auditor General
Mary Gibson	Business Leader, Systems Audit Practice

### Support Staff

W.J. David McNeil	Clerk
Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
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Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>



2:32 p.m.

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[Mr. Fildebrandt in the chair]

**The Chair:** All right. We will call this meeting to order.

For the record I will ask that those joining the committee not at the table – I believe everybody from the last meeting at the table is still here, so we'll dispense with that formality. If those who are on the phone would introduce themselves, please.

**Mr. Schneider:** Dave Schneider, Little Bow.

**The Chair:** All right. Would a member like to move that the agenda for the October 20, 2015, meeting with the office of the Auditor General be approved as distributed. Dr. Turner.

**Dr. Turner:** I need to get my name on the list.

**The Chair:** He's got to get on the record.

Okay. Any discussion? All in favour? Opposed? Carried.

At this time I would like to officially welcome guests from the office of the Auditor General here to discuss the recommendations from the Auditor General's most recent report, October 2015. We will be inviting Mr. Saher to make a brief opening statement on behalf of his office of no more than 10 minutes. The remaining time will be for committee members to ask questions.

Mr. Saher.

**Mr. Saher:** Thank you, Mr. Chairman. With your indulgence, we may just take a little bit more than 10 minutes to preview this report.

**The Chair:** Very well.

**Mr. Saher:** We'll do our best to keep it brief, but I don't think we can do justice to it in 10 minutes, probably closer to 15.

**The Chair:** Take the time you need, and we'll just take whatever is remaining for questions.

**Mr. Saher:** Okay. Thank you very much.

I'm going to start with an overview of the report, and then my colleagues are going to talk about the work we did on for-profit and cost-recovery ventures at postsecondary institutions, IT system implementation at Olds College. We're also going to talk about the summary of the audits done at school jurisdictions by their auditors. We'll also talk to you about our follow-up work on, again, Environment and Parks, managing Water Act partnerships and regulatory activities, with a particular focus on wetland restoration. My colleague Doug Wylie, on my right, will talk about matters related to the Health ministry. Finally, Brad Ireland will close with some comments on unfiled corporate income tax returns.

Let me start with an overview. This October 2015 report of the Auditor General of Alberta has 13 new and four repeated recommendations to government. The message continues to be what we've been saying for over a year now: good oversight that focuses on results is how to be successful. The cabinet, individual ministers, deputy ministers, agency boards, CEOs and public service managers, and, ultimately, Albertans themselves should focus on improving their oversight. What does this mean? Those who are responsible for oversight need to be vigilant, they need to check that processes and systems, including the accountability for results system, are working well, and they need to signal preferred behaviour, with all of these three things done in the pursuit of desired results.

A big caution: oversight is not operational management, which is the responsibility of public service managers. Think of oversight as

the exchange of resources for expectations. If management cannot deliver the results agreed on, those with oversight should make changes. They must resist doing management's job.

Oversight at multiple levels is a recurrent theme in this October 2015 report. While the recommendations made are specific to the organizations in this report, there are lessons to be learned for every department and board-governed agency. Examples of good oversight can be found at the following pages: page 51, Alberta Health Services, managing health care waste materials; page 57, Athabasca University, information technology. I cite those two pages and the work we have there as examples of good oversight. Also, at page 123, universities' financial statement preparation: all four universities with March year-ends – that would be the University of Alberta, Athabasca University, the University of Calgary, and the University of Lethbridge – continue to sustain effective processes to prepare timely and accurate financial statements. That didn't just happen by good luck; it's a product of good oversight. The October 2015 report also sets out where oversight must improve to protect Albertans.

The first topic, for-profit and cost-recovery ventures. You can find this material at page 21. We've concluded that the Department of Innovation and Advanced Education does not have adequate processes to oversee the unique risks that postsecondary institutions take on when they generate revenue from these ventures. The department's oversight is necessary to ensure that each board of governors is properly overseeing its institution's additional risks from seeking alternative sources of revenue. Such oversight will protect Albertans from unjustifiable risk and resultant cost in relation to generating new sources of revenue.

Olds College, IT systems implementation, page 29. The college's implementation plan for its new enterprise resource planning systems has significant weaknesses. College management cannot assure the board of governors of a successful system implementation without rectifying the weaknesses. The board is unable to provide effective oversight of the project as it is not regularly receiving complete information on project risks, mitigation plans, and whether appropriate actions are being taken. A key decision that the oversight group has to make – and that decision has to be made imminently – is: is the project a go or a no go?

Turning now to the Department of Education, at page 81 we draw attention to the \$1.1 billion in cash, cash equivalents, and portfolio investments recorded on the balance sheets of school jurisdictions a year ago. That was in August 2014. We were unable to identify any analysis in the Department of Education's annual report of the reasonableness of these balances and their correlation with future plans at the school jurisdictions to use these funds. Potential uses include performance improvement, capital asset acquisition or enhancement, and funding future operating deficits. The department and Albertans could use such analysis to hold school trustees accountable for achieving desired results from the effective use of accumulated surpluses at their school jurisdictions.

2:40

Now a brief but important comment on the work we do auditing financial statements, which takes over 70 per cent of my office's resources. The government of Alberta prepares financial statements and makes them public to inform Albertans about the province's financial performance. As required by the Auditor General Act, we audit the financial statements of the province of Alberta as well as every ministry, department, regulated fund, and provincial agency, including ATB Financial, Alberta Health Services, and public postsecondary education institutions. We issued 150 unqualified auditors' reports on financial statements in 2015. No qualified auditors' reports were issued. This result means that the government

of Alberta's financial statement reporting, under the oversight of the Provincial Controller, is high quality.

Finally, I want to talk about outstanding recommendations. I mean the recommendations that have been made by this office but that we have not yet told Albertans have been implemented. The statistics with respect to outstanding recommendations can be found on page 17 of the October report. You'll see on page 17 that we are making progress in reducing the number of outstanding recommendations. By "we" I'm referring to government managers, this Public Accounts Committee, and the audit office itself. We all have a role to play. Five years ago the total outstanding was 300. Today that number is down to 160. We have to maintain the momentum and focus on dealing with the 25 per cent of those recommendations that are more than three years old.

Thank you. I'll now hand over to Rob Driesen. Rob will talk to you about the work we did in the Ministry of Innovation and Advanced Education, and he'll have some comments on the Department of Education.

Over to you, Rob.

**Mr. Driesen:** Thank you. I'll start with a quick summary of the work that we did with respect to for-profit and cost-recovery ventures. Alberta's postsecondary institutions feel challenged at times having the funding they need to provide all the programs they want in executing their institution's mandate. A number of institutions have entered into or are considering for-profit and cost-recovery ventures as an opportunity to generate additional revenues for their institutions. As auditors we have no opinion on whether postsecondary institutions should be considering these ventures or to what degree they should exist. What we have concluded is that with every identified opportunity comes increased risk that must be effectively managed. Ineffective risk management could increase the likelihood of both financial loss, requiring additional taxpayer money, and the reputational damage of perceived undesirable ventures.

The Department of Innovation and Advanced Education does not have adequate processes to oversee the unique risks from these ventures. We found that the department has not finalized its expectations of the desired results and risk management of these ventures along with supporting guidelines for postsecondary institutions. Draft expectations that the government has developed to date have not been formally communicated to institutions. Without clearly defining and communicating the department's expectations and guidelines, boards and management will expose their institutions to risk that, if not properly managed, may result in financial loss, reputational damage, and legal exposure.

We also found that the department's oversight processes are ineffective in ensuring that the board of governors and the management of institutions are properly managing the risks and reporting the results of these ventures within the department's expectations and guidelines. Without effective oversight by the department that appropriate policies and controls to mitigate risks on these ventures exist at institutions, there's an increased likelihood of unjustifiable exposure and cost to Albertans. As a result, ventures with the intended purpose of reducing the institutions' reliance on public funding could in fact increase the risk exposure and ultimate cost to Albertans.

I'll now provide a brief summary of the work that we did at Olds College on their IT system implementation plan. Olds College plans to implement a new enterprise resource planning system effective November 1, 2015, to replace its current aging IT systems, which are difficult to maintain and cannot keep pace with the college's growing business demands. A failure to properly implement the new system will impair the college's ability to effectively run its operations and

to provide management with necessary information to make decisions on how to provide education cost-effectively to students.

We performed a project early warning assessment of the college's IT system implementation plan to ensure the controls used by the college will manage the risks of not achieving the project's objectives. We found the college's IT implementation plan had significant weaknesses in its design. Project management risks are not being mitigated as a detailed project implementation plan and criteria for a go/no-go decision. A key project milestone has not yet been completed. Without detailed project management plans and criteria the college risks not completing all essential project deliverables or tasks on time or to an acceptable standard, resulting in implementation delays, higher costs, and failure to meet college expectations.

Business change management risks are also not being mitigated by the implementation plan as new reporting requirements of the system have not been defined. Business controls have not yet been defined as well, and a sustainment plan for the system after implementation has not yet been finalized. Without clearly defined plans around business change management the college risks an operational failure on implementation, which will impede its ability to provide accurate and timely financial reporting.

Finally, project oversight controls require improvement as we found that a project risk registry and mitigation plans were incomplete, and the board and management were not aware of all project risks and how they would be managed. Without good project oversight the board does not have complete information to ensure the implementation plan will be executed successfully. As a result of these weaknesses management cannot assure the board of governors of a successful implementation, and the board's decision to approve the system going live is significantly impacted by the lack of complete information.

Finally, I'll very briefly talk about the work that we did with respect to examining the audited financial statements and the audit recommendations made to school jurisdictions. The office of the Auditor General is the auditor of only one of Alberta's 74 school jurisdictions. As required under the Auditor General Act, we provide an annual summary report examining the results of the audited financial statements and recommendations made to all of Alberta's school jurisdictions by their auditors. In examining both the audited financial information and the audit recommendations made, we focus on any identifiable trends in the information which may be of interest to the department, school jurisdictions, or Albertans generally.

When we compiled the financial information from the jurisdictions, we observed a continued trend of increasing cash and portfolio investment balances, accumulated surpluses, and operating and capital reserves over the past three years. We also observed that in the last three years an overall operating deficit was budgeted from the school jurisdictions on a combined basis. However, in each of the last three years an overall operating surplus was realized.

As mentioned by the Auditor General in his opening comments and as noted at the top of page 84 in our report, similar to our report one year ago we again note that we do not see any analysis by the department of the reasonableness of these balances in the department's annual report or other public documents.

With respect to the process recommendations made by jurisdiction auditors, we noted that the 153 recommendations made this year are an increase from the 106 recommendations made last year, back to a level close to what it was two years ago. This is in part due to more recommendations made related to school-generated funds and purchasing processes. The trend may indicate

that “school jurisdictions continue to face challenges annually in establishing and sustaining the overall strength of internal controls and the quality of their financial reporting.” We encourage school jurisdictions to continue to hold their school jurisdictions’ management accountable for sustaining strong internal control and financial reporting processes.

2:50

**Mr. Leonty:** Our follow-up audit on managing Water Act partnerships and regulatory activities focused on the four recommendations that remained outstanding from our original audit, that we reported in April 2010. The results begin on page 43 of our October 2015 report.

Overall, the department has made a number of improvements. By implementing three of the four recommendations, we’ve found that there was a reduction in the backlog of Water Act applications. The department is doing a better job monitoring compliance of licence holders, and there are now better controls over grants that are being provided to the watershed planning and advisory councils.

However, we did find that progress in one area was slow. The department still needs to improve its monitoring to ensure that wetland restoration agencies are in fact restoring wetlands as required. Wetlands are a critical part of our natural environment and provide many benefits, from improving water quality and reducing the impacts of floods to providing habitat for animals and plants. When development occurs that might disturb or reduce wetland areas, developers are required to compensate for these effects by restoring previously drained or reduced wetlands. Our audit found that the department does not have enough evidence that the agencies are restoring wetlands as required and does not have agreements in place with one of the three key agencies that are restoring wetlands. Because of this, we are repeating our recommendation to the department to formalize its wetland restoration relationships and control procedures.

Thank you.

**Mr. Wylie:** Good afternoon, Mr. Chair and committee members. I’ll just take a couple of minutes to provide you with an overview of the results of our audit work in the health sector. As you’re aware, we performed follow-up audits on all of our outstanding recommendations, and like my partner here, I’m pleased to report that Alberta Health Services has implemented six recommendations, so it’s good news. Three of those recommendations relate to a stand-alone systems audit of processes that are used to manage health care waste. This work is reported on page 51 of our October report. In addition, Alberta Health Services implemented three recommendations resulting from our financial statement audits, and that write-up starts on page 106.

Let me now turn to three new recommendations we made. Two are directed to the Department of Health, and one is directed to Alberta Health Services. The two recommendations to the Department of Health arise from our financial statement audit and relate to health care card control processes and to processes to ensure the accuracy of payments to physicians. We noted that while the department has good controls to ensure that residency requirements are met on the initial application for a health care card, controls can be improved to ensure that residency requirements continue to be met. We also found that the department may pay for medical services that were incorrectly billed, as controls to ensure the accuracy of payments can be improved. The write-up on these findings starts on page 99 of our report.

Our one new recommendation to Alberta Health Services was that it develop and follow a comprehensive plan for implementing its IT disaster recovery processes. Without a plan that outlines

tasks, timelines, and aligned resources, it will be difficult for Alberta Health Services to demonstrate success in achieving the desired results.

Mr. Chair, that concludes my comments.

**Mr. Ireland:** On page 156 of our report we’ve made a recommendation to the Department of Treasury Board and Finance related to unfiled corporate tax returns. Essentially, our audit identified that there are a large number of unfiled returns. We’ve looked at some of the processes around monitoring and following up on those, and we think some improvements are necessary. Maybe the important thing, I think, to note out of this is that we didn’t quantify how much additional tax revenue would come from these returns. These are returns that the departments are expecting to receive. They haven’t received them. There have been no tax assessments made. We don’t know and we didn’t set out to sort of quantify how much additional tax revenue would be potentially owing from these returns once they are filed.

With that brief overview, I think I’ll turn things back to you, Mr. Chair.

**The Chair:** I’d like to thank the office of the Auditor General for their presentation today. I think we’re certainly drinking from the firehose of a lot of information. We could go in a lot of different directions with this. That’s a good segue for me to say that I have Flames tickets at 7 o’clock in Calgary, and we will conclude on time. We will conclude by 3:30, which leaves us 35 minutes for questions.

We’ve heard a lot of very, very interesting, high-level reports today, so let’s try to keep this to very pointed and poignant questions. The working group will meet I believe next Monday. We’ll discuss potential follow-up meetings from this at some point. As we’ve discussed previously, we’re way behind, nearly a year behind, on our work. We will eventually get to this although it might take some time.

We will take questions for about 25, 30 minutes here, and we will begin with Mr. Bhullar.

**Mr. Bhullar:** Thank you very much. With respect to looking at the postsecondaries and the for-profit ventures, first of all, I’ll start by saying: is that a look into the operations of international student recruitment? Was that something that was looked at?

**Mr. Driesen:** No, it was not. We focused our audit looking at the processes at the department and what they’re doing to ensure that they’re providing some guidance and oversight to institutions. We did not look at the individual ventures at the postsecondary level.

**Mr. Bhullar:** I see. Okay. In that case, then, I would say that it is my belief that departments are not the best places to vet commercial ventures. As, I think, more and more postsecondaries venture into the territory of commercialization, whether it be of technology or the development of land, such as what’s happened in SFU, then the mechanism needs to be strengthened. It shouldn’t just rest with departments. Did you look at whether or not departments have any set barometers by which they actually assess these ventures?

**Mr. Saher:** Let me take that question first. The audit was designed to see how well the department oversees a particular activity going on in postsecondary institutions. The audit was not intended to suggest that postsecondary institutions should not become involved in taking risk. The audit was attempting to see how well the department considered risk and reward and how much reward, in fact, it wanted. In other words, what would be the department’s plan over three, five, 10 years in terms of a goal

with respect to increased for-profit and commercial ventures? We wanted to see whether there was a framework of a desired result. Once the desired result exists, is the department clearly sending the right signals through its interaction with board-governed institutions? It's not for us to manage your institution, but we have an obligation to satisfy ourselves that you are in control of this risk-reward relationship.

Some of the media that followed this report, I think, suggested that the audit office was interfering with good entrepreneurship. Why would the audit office want to curtail this activity? As Rob said at the beginning, we're agnostic. We don't want to curtail activity. We're saying that if activity exists, the department should be clear in signalling what it intends to achieve, and then we just wish to see that the department had good what we call oversight systems to ensure that boards of governors are doing their work.

These ventures are varied. We have some examples in the report. Land trust development is one that we see growing. I have to admit that, in my mind, increased revenues to the system from international students was not, in my opinion, within scope because I'm not sure that that's viewed as a commercial enterprise. I'm not sure that it's viewed that way.

**Mr. Bhullar:** It is on many.

**Mr. Saher:** Fine, but, to be honest – Rob, you can supplement in a minute – in my mind that didn't actually fall within the notion of for-profit ventures or commercial activity.

Just in summary, our goal was to say that, ultimately, if something went spectacularly wrong with one of these endeavours, in our opinion the person accountable to Albertans would be the Minister of Innovation and Advanced Education. Therefore, that minister has to be satisfied that her department in this case has in place good oversight systems. We think that our recommendations point to ways in which the department could improve its oversight of the activities that are managed, overseen by the boards of these agencies.

3:00

**The Chair:** You can have a follow-up.

I would just provide a mild caution around questions of policy for our guests. Try to keep it to issues of administration.

**Mr. Bhullar:** Sure.

I don't know if this is a policy question or a practical question. Is it possible that instead of having the ministry be the one that provides that individual oversight – what I feel is that the policy decision for commercial ventures then becomes a ministry decision as opposed to an independent organization with a board of governors making that decision. Is it not possible for the postsecondary specifically to conduct – I mean, they have a fiduciary obligation to their institution – their own due diligence against a set of basic principles of, you know, that fiduciary obligation as opposed to having it funnel through the department and then being assessed? I don't know if that makes sense.

**Mr. Saher:** Absolutely. Your premise is absolutely correct. We don't believe that the department should be taking over the work of a postsecondary institution. Absolutely not. But we believe strongly that the department has to assure itself that those who have the primary oversight responsibility, the board working with the management group of the postsecondary institution, have the skills to do this. In other words, is there a properly skilled oversight board in place? Is there evidence that that board is carrying out its responsibilities well?

Oversight is checking. Oversight of boards at the department level is checking that the boards are doing what they are expected to do, not doing the work of boards or doing the work of a postsecondary institution. I want to make it absolutely clear that our work is not suggesting that the Department of Innovation and Advanced Education should roll up its sleeves and start running board-governed institutions. It's not that.

**Mr. Bhullar:** Thank you very much.

In other words, you're saying that a fair amount of deference should be given to them, to the individual institutions, as long as they are functioning responsibly and they have the skills to do so. Is there anything else as a part of that sort of test – responsibility, skills, you know, basic competence – that the ministry should look at?

**Mr. Saher:** Right. I think our thesis is that the department should have some sort of overall plan of activity, some boundaries for this, make it clear to Albertans. For example, how much additional revenue do you think it would be necessary in the next five, 10, 15 years for these institutions to generate other than from fees and grants? You know, what's the plan? How are they doing in terms of meeting that desired result, and in trying to meet that desired result, are they in control of their destiny?

**Mr. Bhullar:** Thank you.

**The Chair:** We have a follow-up on this topic from Mr. Gotfried.

**Mr. Gotfried:** Thank you, Mr. Chairman. Mr. Saher, I guess one of my questions is that usually the risk-and-reward sort of scenario in a nonprofit or even a for-profit organization is governed by the possibility of directors' liability, which I'm assuming a board of governors does not have here, hence your, I guess, mechanism to put it in place. Is the ministry then liable for some of the risks that would be borne normally by a board of directors in a nonprofit or a for-profit situation, and is that one of the driving forces to ensure that these mechanisms are in place, other than just the pure financial liabilities and risks that are there?

**Mr. Saher:** I don't think I can answer that question in detail today, but, no, it's not that. I don't think we're concerned about the department assuming liability in terms of poor performance or negligent performance by members of a board, of an oversight board. It clearly is the simple proposition that if one of these ventures goes wrong – anything could go wrong, but if it goes wrong because it was poorly managed by the management group of the institution and that was compounded by poor oversight, then that result in financial terms will be picked up by all Albertans.

**Mr. Gotfried:** Thank you.

**The Chair:** A new question, from Dr. Turner.

**Dr. Turner:** Thank you, Mr. Chair, but I'll pass.

**Mr. Cyr:** I would like to talk about unfiled corporate tax returns and the millions of dollars that we're losing because of this. It's my understanding that your recommendation is default assessments. That's where you just guess at what they think they owe and then send them a bill. Is that kind of what I'm thinking?

**Mr. Saher:** I'll start, and then I'll ask Brad to supplement. I think we wanted to make it known in our report as a simple fact that the department has at its disposal the facility to issue a default assessment. To the best of our knowledge, that facility is not being used, so we simply wanted to make that known, that that was there.

As Brad said, this was – I mean, it’s quite natural for people to make a leap: if an assessment has not been submitted, if it’s unfiled, then there is the potential of income that should be paid to the Crown. That was not the purpose of this. That was not the primary purpose of this audit.

I mean, we went into it because we were sort of intrigued by the large numbers of unfiled assessments, so we wanted to look at what we call a compliance process – what are the processes that are at play to ensure that those who should file are in fact filing? – on the grounds that an unfiled assessment that in the end might turn out to be \$200 is really of the same status as one that might turn out to be \$200,000. I mean, there’s a process there, that corporate tax payers are to file their returns. Why were there so many that had not been filed? We were looking at it sort of from a neutral point of view. What’s the system to ensure that filings are done? We make that point, that there is a tool, a technique that the department could use to up the ante, if I can call it that.

**Mr. Ireland:** Through our audit work we did have some discussion with the department officials. The CRA uses this technique, and they have some guidelines around using it, and it does result in some increased filings and increased collections. It is one avenue that the department could look at and is available to them, and we don’t see it being applied, so we’ve sort of raised that idea with them: is this something that you could be utilizing here in Alberta to improve the results?

**Mr. Cyr:** We’re talking big numbers here. As many of you know, I’m an accountant. This whole default assessment thing fails when there are no tax returns ever filed for a corporation, and you’ll probably find that many of these corporations have never filed any tax returns. We’ve got the ability to strike corporations from registries. Is this something that you might look into?

3:10

**Mr. Saher:** Let me take that first. I think we have to make the point here that it’s our job to identify how things might be improved, but we tread a very careful line. We don’t assume management’s responsibility in making decisions as to how things could be done, should be done. I mean, if you choose to have the Department of Treasury Board and Finance here and discuss this matter with them, I think you’ll be able to get answers to the sorts of questions that you’re asking. You know, what thought has been given to using default assessments? What’s the department’s view as to whether or not that is likely to result in identifying income that should be collected?

We simply felt that we had an obligation to inform Albertans that there seemed to be something that was not working as well as it should be, based simply on the large number of unfiled corporate tax returns. I mean, we thought that that number was unreasonable. When we started looking at the processes that are at play in that department to pursue those, we thought that there are ways in which they should be improved. As to the actual techniques the department will choose to use or not use, that’s their prerogative.

**Mr. Cyr:** How do we call people forward, the Treasury department forward? This is worth millions of dollars, that we are losing every year.

**The Chair:** As discussed, that working group will be meeting I believe next Monday as we come back to session, and we will discuss future agenda items. We might not attach dates to those yet, but we can certainly discuss our long-term agenda of items to tackle. I think most committee members agree that this is something

that’s pretty important at a time when we’re running deficits like this.

All right. The next question, from Mr. Barnes.

**Mr. Barnes:** Thank you, Mr. Chair. Mr. Saher, your recommendation 13 to Alberta Health Services and Alberta Health on page 102:

Enhance processes to check for receipt of services for which physicians billed.

You go on further to say at the bottom of page 102:

Further, with the elimination of sending confirmation letters to healthcare recipients and random audits of physician payments, the department does not have a process to periodically check the legitimacy of payments.

I’m wondering if that statement is accurate, if there is no process, if there is no oversight at all on how that is handled. In my three and a half years as an MLA I have to have heard a hundred times from Albertans: why don’t we get a bill from Alberta health care anymore with what we spent in the year, what my family used? Did you run into any roadblocks as to why that couldn’t happen again?

I also heard you say that the IT in Alberta Health Services for disaster recovery or complete loss was a problem, and I’ve had many, many Albertans complain about not having adequate patient participation health care records as well. I’m wondering if in your work the two are connected, if the money that’s been spent by the Alberta taxpayer on Alberta Health Services and information technology could have been better spent. Have you bumped into that anywhere?

Thank you.

**Mr. Saher:** Well, there were a number of lines of inquiry there. I think that with respect to the last one the focus was disaster recovery processes. I mean, those are critically important to ensure, you know, that health service delivery continues even in the face of IT systems not functioning. How can AHS get itself back up and running sufficiently fast to maintain the quality of care? Our findings are here. I don’t think I can make a leap from that activity into money being spent in that area that might have improved other aspects of health care delivery. I think it is a particularly focused area that we were concerned about, and we have made the recommendation that we’ve made.

With respect to the practice of sending Albertans billings, if you will, in the sense that, I mean, we’d be telling an Albertan, you know, “On your behalf the system has paid this amount,” one of the purposes is to have Albertans understand the cost of the health care that they are receiving, but also it serves a purpose of being part of a system of checking. An Albertan would look at this and say: “Well, this is mysterious. I don’t believe that I ever achieved any of this.” It does have some detective capacity.

As to why that was discontinued, I can’t tell you. Whether or not it would be a good idea to bring it back is a line of inquiry that you would have to make to departmental officials themselves. All I can tell you is that health matters are a singular focus of the work of the audit office. We have some work in the pipeline looking at the integration of health care service delivery, so we think that we will be bringing forward to Albertans and to this committee some useful work in the not-too-distant future which we hope will, you know, help to answer some of the questions that we feel Albertans have today about their health care system.

**Mr. Barnes:** Thank you.

**Mr. Bhullar:** Just following up on MLA Barnes’ question with respect to health care billing, getting into the tactics of this

investigation, what best practices have you seen in jurisdictions to have transparency in that specific billing and accounting?

**Mr. Wylie:** There are a variety of practices, and indeed some provinces are still using a direct confirmation with the individual who's receiving the services. I think part of the real reason behind these two points – and they're somewhat related – really drives at the accountability relationship that you have in the sense that you have a government department paying physicians directly, but the relationship between the person providing the services and the patient is disconnected from that payment mechanism, so the normal checks and balances that you have when you have two people, one providing a service and the other paying for that service, are one step removed. I think we would refer to that as an inherent risk, in our perspective. There are a number of things that are related here, but that's one of the overarching things.

The other complicating factor here is that the billing system is very, very complex. There are literally hundreds of pages of billing codes, so the potential for an error with respect to the exact procedure and the work performed by the physician and actually then what gets billed, is prone to, again, increased risk given the complexity of the billing system. When looked at in totality – and, again, these matters arise from our financial statement audit – you know, the department is doing certain things. To your point, they are doing some data analysis, some checking of the population of payments, if you will, to look for anomalies, outliers, and those types of things. They actually have a group within the organization that is actually doing checks on those, but, again, given the nature of the relationship some of the procedures that were followed in the past have been stopped. Confirming with the patients, actually going out and visiting with the physician offices themselves, those were stopped, and I believe they were stopped in 2012. The Auditor General is correct. We didn't really pursue the line of inquiry: why did you make those changes? We just note that the changes were made.

Back to your main question. There are a variety of practices that different jurisdictions are doing, but I would say that the one that gives you the most direct assurance would be confirming with the patient. I'll say this, however. Anecdotally, some of the comments that the audit team received were that often given the complexity of the billing system those receiving the confirmation might say, you know: was I actually billed for the exact, correct procedure? That, I think, has maybe cost some time with respect to resolving those issues. As the Auditor General said earlier, we're actually not proposing a fix. The department is aware of the issue and, I think, is going to be examining this to see how they can deal with these inherent risks.

3:20

**The Chair:** Last follow-up from Mr. Bhullar. We have to get to our last question after that before we cut it off.

**Mr. Bhullar:** Government always has reasons for changes, right? There are reasons for changes, but the question is whether or not those reasons actually end up producing the right types of changes. Since 2012 have you seen any difference in billings, any statistical outliers? Have you seen anything, or did your investigation get to that level of detail?

**Mr. Wylie:** We actually didn't pursue that ourselves, but, again, I know that the department does have a group that is analyzing the data.

**Mr. Bhullar:** Great. Thank you.

**Mr. Saher:** If I can just supplement. This may seem very technical. We're saying, confirming what Doug Wylie has just said, that the department is spending time. It takes a view on this big population of payments to physicians where they think the risk is greatest with respect to error and/or fraud. It concentrates its efforts in that, if you will, subpopulation. Our point is that the rest of the population is large, and we think it also warrants some attention. From a simple point of view, if you had misjudged what constituted a risk, then you're not going to find that – this is not coming out well. I'll start again. What we're really saying is that it's good that you're focusing on what you believe to be high risk, but if you haven't identified every risk, then there's a problem if you're not looking into the whole population in greater depth. That's essentially what we're saying, and that may seem very technical and pedantic, but given the size of this population we really do think that the department could improve its investigative work.

**Mr. Bhullar:** I think it's \$4 billion, isn't it?

**Mr. Saher:** Yes, it's of that magnitude.

**Mr. Bhullar:** Great. Thank you very much. Great work.

**The Chair:** This is our final question, from Mr. Panda.

**Mr. Panda:** This is with respect to fraudulent use of health care cards. On page 101 you mention that if we have an expiry date on the health card, probably that will force the users to prove their residency. If they're not living in the province, they have to prove their residency before they use the card. It's also mentioned that in other provinces there was an expiry date on those cards, separating Alberta. Only the new cards issued after August 2013 for temporary visa holders have the expiry date. Do you have any information from other provinces which are putting expiry dates on those health cards? How much of that will reduce the fraudulent use? It could be millions of dollars. Any comments on that?

**Mr. Saher:** The only thing I know is that the only other province that doesn't have an expiry date, to the best of our knowledge, is Manitoba.

As to the ability to quantify what could be going wrong, it's very difficult. I mean, we tend to look at systems in the sense of a preventive control. Generally that's what we would recommend. In other words, having an expiry date forces a reapplication, if you will. We think that that's a reasonable cost for the department to consider incurring. It's a reasonable effort on behalf of an Albertan, if you will, to reconfirm status. We just think that to confirm status once, when you get a card, allows the risk of misuse to be too great. That's what we're really saying.

I don't think we can quantify for you or anyone could quantify for you that this is the amount of inappropriate or ineligible health care that is being delivered because there isn't an expiry date. We just think it's rational, usual. Other provinces do it. Your bank card: why would banks put an expiry date on a credit card? I mean, it's good business practice. So I think that we're simply trying to draw attention to the fact that here is a card which entitles one to health care service. We should be sure that people using those cards are in fact justifiably using them.

**The Chair:** All right. We are two minutes away from our ending time. Are there any final questions?

**Mr. Dach:** Can we take up a collection to make sure you get Flames tickets regularly?

**The Chair:** Smart. We'll do so for the Speaker as well.

A very final, brief point from Mr. Cyr.

**Mr. Cyr:** I don't think my colleague Mr. Panda was talking about quantifying it. When the other provinces instituted expiry dates, did they see a decreased load on the system and an increase to charges to the residents? That's kind of what he was going for in those provinces.

**Mr. Saher:** I'm sure that we don't have that information. I'll ask my colleague to confirm in a moment. I mean, that's the sort of thinking, analysis that should be done by public service managers in determining what is – you know, the cost-benefit relationship of a control needs to be studied, and we're encouraging the Department of Health to spend time studying that. Is there evidence that expiry dates would in a cost-effective way minimize the risk? I mean, if the truth is that there's absolutely no risk of anyone using a card inappropriately – where would the audit office have come to that extraordinary thought? – then the department should reply: "There's no way we're going to do anything different. The risk is not there. We have evidence that there is no additional burden." I suppose what we're saying is that

we'd like to see that evidence because we're approaching it the other way.

The answer to that question can only come through a discussion with management of the Department of Health. Here's something that the audit office has raised. They think there is an unnecessary risk. What do you think? Do you intend to do anything about it?

**The Chair:** All right. We will end questions there.

I'd like to thank the Auditor General and his office for coming today and sharing this briefing with us.

Future meetings. Most of our meetings have been nearly all-day affairs because we've been combining training and all sorts of things with some official business. I think, moving forward, that we're going to find this much less gruelling but, hopefully, no less informative. The date of our next meeting: October 27, Tuesday, with Alberta Education and the Northland school division. That will be a big, busy day again.

Would a member like to move to adjourn the meeting?

**Ms Payne:** So moved.

**The Chair:** Moved by Ms Payne. Discussion? All in favour? Opposed? Carried.

Go Flames.

[The committee adjourned at 3:29 p.m.]









