



Legislative Assembly of Alberta

The 29th Legislature
First Session

Standing Committee
on
Public Accounts

Treasury Board and Finance, Health, Education,
Executive Council, Infrastructure

Wednesday, February 3, 2016
8:30 a.m.

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**Legislative Assembly of Alberta
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First Session**

Standing Committee on Public Accounts

Fildebrandt, Derek Gerhard, Strathmore-Brooks (W), Chair
Gray, Christina, Edmonton-Mill Woods (ND), Deputy Chair
Sweet, Heather, Edmonton-Manning (ND),* Acting Deputy Chair

Barnes, Drew, Cypress-Medicine Hat (W)
Cyr, Scott J., Bonnyville-Cold Lake (W)
Dach, Lorne, Edmonton-McClung (ND)
Fraser, Rick, Calgary-South East (PC)**
Goehring, Nicole, Edmonton-Castle Downs (ND)***
Gotfried, Richard, Calgary-Fish Creek (PC)
Hunter, Grant R., Cardston-Taber-Warner (W)
Loyola, Rod, Edmonton-Ellerslie (ND)
Malkinson, Brian, Calgary-Currie (ND)
Miller, Barb, Red Deer-South (ND)
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Renaud, Marie F., St. Albert (ND)
Turner, Dr. A. Robert, Edmonton-Whitemud (ND)
Westhead, Cameron, Banff-Cochrane (ND)
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* substitution for Christina Gray

** substitution for Calgary-Greenway

*** substitution for Brandy Payne

Also in Attendance

Nixon, Jason, Rimbey-Rocky Mountain House-Sundre (W)
Smith, Mark W., Drayton Valley-Devon (W)

Office of the Auditor General Participants

Merwan Saher
Brad Ireland

Auditor General
Assistant Auditor General

Support Staff

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Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
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Standing Committee on Public Accounts

Participants

Ministry of Treasury Board and Finance

Ian Ayton, Assistant Deputy Minister, Tax and Revenue Administration
Irene Chan, Director, Strategic and Client Services
Diem Fernandez, Director, Financial Policy
Ray Gilmour, Deputy Minister
Aaron Neumeyer, Assistant Deputy Minister, Budget Development and Reporting
Mark Parsons, Assistant Deputy Minister, Economics and Fiscal Policy

Ministry of Health

Carl Amrhein, Deputy Minister
Blaine Steward, Executive Director, Information Technology and Operations
Charlene Wong, Executive Director, Financial Planning

Ministry of Education

Lorna Rosen, Deputy Minister
Michael Walter, Assistant Deputy Minister, Strategic Services and Governance

Ministry of Executive Council

Jennifer Hibbert, Executive Director, Finance and Administration
Marcia Nelson, Associate Deputy Minister

Ministry of Infrastructure

Barry Day, Deputy Minister
Faye McCann, Executive Director and Senior Financial Officer

8:30 a.m. Wednesday, February 3, 2016

[Mr. Fildebrandt in the chair]

The Chair: Good morning, everyone. I will call this meeting of the Public Accounts Committee to order and welcome everyone in attendance. I'm Derek Fildebrandt, MLA for Strathmore-Brooks, chair of the committee.

I'll ask that members joining us introduce themselves for the record, starting to my right with our deputy chair for today.

Ms Sweet: Good morning. Heather Sweet, MLA for Edmonton-Manning.

Ms Goehring: Good morning. Nicole Goehring, MLA for Edmonton-Castle Downs.

Loyola: Rod Loyola, MLA for Edmonton-Ellerslie.

Dr. Turner: Bob Turner, MLA, Edmonton-Whitemud.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Ms Renaud: Marie Renaud, MLA, St. Albert.

Ms Miller: Barb Miller, MLA, Red Deer-South.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

Mr. Westhead: Cameron Westhead, MLA for Banff-Cochrane.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Fraser: Rick Fraser, MLA, Calgary-South East.

Dr. Amrhein: Carl Amrhein, Deputy Minister of Health.

Ms Wong: Charlene Wong, executive director of financial planning, Health.

Mr. Gilmour: Ray Gilmour, Deputy Minister, Treasury Board and Finance.

Mr. Neumeyer: Aaron Neumeyer, budget development and reporting, Treasury Board and Finance.

Mrs. Rosen: Lorna Rosen, Deputy Minister of Education.

Mr. Walter: Mike Walter, assistant deputy minister, Education.

Mr. Saher: Merwan Saher, Auditor General.

Mr. Ireland: Brad Ireland, Assistant Auditor General.

Mr. Barnes: Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. Smith: Mark Smith, Drayton Valley-Devon.

Mr. Hunter: Grant Hunter, Cardston-Taber-Warner.

Mr. Cyr: Scott Cyr, MLA for Bonnyville-Cold Lake.

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

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

The Chair: All right. The following substitutions were received for today's meeting: Heather Sweet to substitute for Christina Gray,

Nicole Goehring to substitute for Brandy Payne, and Rick Fraser to substitute for Manmeet Bhullar.

A few housekeeping items to address before we turn to the business at hand. Microphone consoles are operated by *Hansard* staff, so there's no need for members to touch them. Audio of the committee proceedings is streamed live on the Internet and recorded by *Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website. Please do your best to keep your phones off the table or to turn off the vibrate function; keep them on silent as they may interfere with the audio system.

As members remember, debate adjourned at the last meeting, on December 8, 2015, with a motion on the floor. Pursuant to Standing Order 57(1) the meeting was adjourned due to the start of the morning sitting in the Assembly at 10 a.m. under Standing Order 3(1). Therefore, prior to dealing with any new business today, we need to address that motion. The motion proposed by the deputy chair reads:

Ms Gray moved that the motion passed on December 1 with regard to the tobacco litigation be rescinded and be replaced by the following: that the Standing Committee on Public Accounts organize a meeting concerning the awarding of the tobacco litigation contract in April 2016, after the release of Justice Iacobucci's report.

Is there any comment on that motion?

A member would likely propose the following amendment, then. I will call for someone to move that the motion be amended by replacing the words after "Standing Committee on Public Accounts" with "invite Alberta Justice and Solicitor General for a meeting on March 15, 2016, from 8 a.m. to 10 a.m. concerning the awarding of the tobacco litigation contract and Justice Iacobucci's report." Would anyone so move?

Ms Renaud: I so move, Mr. Chair.

The Chair: Moved by Ms Renaud. Does anyone have comments on the amendment just proposed? I will now call for a vote on the amendment. All in favour? All opposed? Carried.

Before I call for a vote on the motion as amended, I will ask the committee clerk to read the amended motion for the record.

Mrs. Dacyshyn: Moved by Ms Gray that

the motion passed on December 1 with regard to the tobacco litigation be rescinded and be replaced by the following: that the Standing Committee on Public Accounts invite Alberta Justice and Solicitor General for a meeting on March 15, 2016, from 8 a.m. to 10 a.m. concerning the awarding of the tobacco litigation contract and Justice Iacobucci's report.

The Chair: Are there any comments on the motion as amended?

Seeing none, I'll call for a vote. All in favour? All opposed? Carried.

All right. We will move to the next item. Are there any additions or changes to the agenda as distributed?

Seeing none, would a member move that the agenda for the February 3, 2016, meeting be approved as distributed?

Ms Sweet: I'll so move.

The Chair: Moved by Ms Sweet. All in favour? Opposed? Carried.

Do members have any amendments to the minutes as distributed?

Seeing none, would a member move that the minutes of the December 8, 2015, Standing Committee on Public Accounts meeting be approved as distributed?

Loyola: So moved.

The Chair: By Member Loyola. All in favour? All opposed? Carried.

All right. We will move to today's business. Before we officially welcome our guests, I will remind members of the agenda for the rest of today. From 8:30 to 10 a.m. we'll meet with Alberta Treasury Board and Finance, Alberta Health, and Alberta Education to discuss the government of Alberta's 2014-15 annual report, including the consolidated financial statements and the Measuring Up components. After the meeting we will adjourn for 30 minutes. Then from 10:30 to 12 p.m. we will meet with Alberta Treasury Board and Finance again to talk about Alberta's corporate tax administration system. We will adjourn for lunch, which will be held in the Canadian Shield Room, and we will be back in this room for 1:30 p.m. to meet with Alberta Treasury Board and Finance, Executive Council, and Alberta Infrastructure on the topic of the special duty report of the Auditor General, released in August 2014. For this meeting members should have a copy of the briefing documents prepared by the committee research services and the Auditor General on the government of Alberta's 2014-15 annual report. A status report on outstanding recommendations from the Auditor General for Treasury Board and Finance was also made available to members.

Now I would like to officially welcome our guests, who are here to review the government of Alberta's 2014-15 annual report, including the consolidated financial statements and Measuring Up. I'll start by asking Mr. Gilmour to please make an opening statement of no more than five minutes on behalf of Alberta Treasury Board and Finance and then, for the same length, for Health and Education to offer their respective comments. We will then open it up for questions from committee members.

Mr. Gilmour, the floor is yours.

Mr. Gilmour: Thank you, Mr. Chairman. Thank you, and good morning. Today I would like to present an overview of the government of Alberta's 2014-15 annual report. This includes the consolidated financial statements and the Measuring Up components.

The executive summary for 2014-15 provides highlights of the fiscal plan results for the year, including total revenue, operational and capital plan spending. It also includes economic highlights from 2014. Changes in net financial and capital assets are explained, and there is a balance sheet provided on a fiscal plan basis.

The financial statements provide a comparison of the actual and budgeted financial results of the government's management of its economic resources, obligations, and financial affairs. I would note that the Auditor's report on page 27 is unqualified. This means that the financial statements are presented fairly, in accordance with Canadian public-sector accounting standards, and lets Albertans know they are receiving high-quality information from the government on the province's actual financial performance.

The consolidated statement of operations, on page 28, provides a comparison of actual and budgeted financial results and key accountability information about the government's performance. You will note that for the year ended March 31, 2015, there was an annual surplus of \$1.1 billion compared to a budgeted surplus of \$514 million. The increased surplus is largely a result of total revenue exceeding budget by \$956 million, primarily due to an increase in income tax of \$191 million and investment income of slightly over \$500 million. This offset the decrease in nonrenewable resource revenue as a result of lower royalty revenues of \$261 million.

8:40

Expenses decreased from the prior year, primarily due to lower spending on the 2013 Alberta flood since these expenses were recorded in the prior year. In addition, the province recognized a pension recovery in the amount of approximately \$400 million. This was due to overall improvement in the deficit of the pension plans driven by stronger global markets and higher investment returns.

On page 29 is the consolidated statement of financial position. The net financial assets were \$13 billion, up approximately \$22 million from the previous year. Cash increased by \$1.4 billion, which resulted in cash and cash equivalents being \$8.1 billion as of March 31, 2015. The annual surplus and timing of borrowing are the main reasons for the increase in cash. The unmatured debt was \$12.4 billion, which was an increase of \$2.8 billion from 2014. This was due to the planned increase in borrowing for capital projects. Total net assets were \$55.3 billion, an increase of \$1.4 billion from 2014. This was primarily due to an increase in tangible capital assets in the Ministry of Transportation, including the southeast Calgary ring road, highway 63 twinning, and the Edmonton ring road.

Referring to the Measuring Up document, which deals with performance measures, we did present it somewhat differently than in prior years. Changes were made to recognize best practices in performance reporting from the Chartered Professional Accountants of Canada, an entity referenced by the Auditor General as an example of best practices in management's discussion and analysis. Specifically, results presented in Measuring Up are organized by the priorities identified under each strategic plan goal from the 2014-17 government strategic plan. It also includes a strategic context section that outlines a number of important challenges the government is facing in achieving its outcomes.

In conclusion, I would just like to say that this is the end of my formal remarks, and I am pleased to answer any questions about this report.

Thank you.

The Chair: Thank you, Mr. Gilmour.

I think we'll go to Dr. Amrhein.

Dr. Amrhein: Thank you and good morning. I'm pleased to provide an overview of Alberta Health's programs as part of the government's 2014-15 annual report. Health spending forms the largest portion of government spending, so it's important we give Albertans an accounting of how their needs are being met.

Our operational expense was \$18.1 billion in 2014-15, which was 4.4 per cent higher than the previous year and about \$150 million above budget. The increase in operating expenses year over year is related to increases for physician services and other programs as well as just over \$400 million to Alberta Health Services. In both cases the increase went towards dealing with Alberta's rising population, meaning more doctors and more demands for services as well as meeting negotiated increases for salaries. The majority of the increase in operating expense over what was budgeted went largely to increased drug costs and AHS base operating funding. This was offset by decreases in programs, including the deferral of any new family care clinics. In and amongst all of these numbers were things we accomplished that helped improve health outcomes for Albertans.

On the capital side this included completing renovations on the emergency department at Fort McMurray hospital as well as addiction treatment facilities in Fort McMurray and Sherwood Park; continuing work on new health facilities in Edson, Grande Prairie, and High Prairie; continuing work on major

redevelopments in Lethbridge, Medicine Hat, Raymond, Taber, Edmonton, and Calgary; and continued planning on the new Calgary cancer centre, which now has been confirmed as being built on the Foothills site.

On the program and legislative side, this included introducing legislation on artificial tanning, continuing the public-awareness campaign meant to help Albertans understand ways to avoid preventable injury, and prohibiting the selling or supplying of tobacco products to minors and smoking in vehicles with minors present, among other restrictions. In addition, nearly 100,000 Albertans registered their intent to become organ and tissue donors through the Alberta organ and tissue donation registry. We also completed the three-year results-based budgeting process, which will help us to be more effective and efficient in program and service delivery. It will also lead to improved systems accountability and strategic decision-making. These are just a sampling of the actions taken by Alberta Health and our partners to help improve health outcomes for Albertans.

Alberta Health also continued to work to meet our goal in Measuring Up; namely, that Alberta's health care system gives Albertans the supports they need to lead healthy lives. There are four priorities under this goal focused on continuing care services, electronic health records, and evolving primary care delivery. We had a number of positive results that I'll briefly highlight for you.

In February 2014 two continuing care centres opened in the province, which allows for Albertans to age in place as their care needs change. This means not having to change locations as care needs increase and also helps people continue to live as couples, close to family and friends. Health and AHS also partnered on a palliative and end-of-life initiative which uses EMS staff to assess and support palliative care patients in their homes, avoiding trips to hospital.

We also continued work on providing access to electronic health records for care providers. Next year Albertans will be able to access personal health records through the myhealth.alberta.ca website. This will help Albertans to record and manage health information, an important tool to help Albertans stay healthy and to support their wellness goals.

When it comes to primary health care, we continue developing an action plan to accompany the primary health care strategy, which was released in 2014. This strategy has three main goals: enhancing the delivery of care, changing the culture of health care, and creating the building blocks for change. The action plan will give us concrete steps to take on this journey as we change how we deliver primary health care in Alberta.

Taken together, the work that we're doing has helped to increase Albertans' satisfaction with the health care services they receive. We need a health system that has strong links between primary health care, acute care, and continuing care so people can get the right care in the right place at the right time delivered by the right team of professionals. The work Alberta Health did last year and continues to do this year is helping us to achieve that goal.

Thank you, and we are ready to answer questions.

The Chair: Thank you very much, Dr. Amrhein.

I'll invite Mrs. Rosen to provide her opening remarks on behalf of Alberta Education.

Mrs. Rosen: Thank you and good morning. I'm pleased to provide a brief overview of the education-related items included in the government's 2014-15 annual report.

I'll begin with a few financial highlights. The operational expense of \$6.5 billion in 2014-15 was a \$205 million increase from the prior year, due mainly to higher than expected enrolment

increases and increases to grant rates; \$5.8 billion in operating and property tax support for public and separate school boards was an increase of \$147 million from the prior year; and \$268 million for the small class size initiative was targeted at the earlier grades with higher enrolment pressures. Accredited private school funding of \$234 million was an increase of \$11 million, due again to enrolment growth. There was \$394 million for current year pension expense, the post-1992 teachers' pension plan, which was a \$31 million increase from the prior year.

The capital plan also included \$784 million for school construction. This was \$286 million more than the prior year, due predominantly to starting 50 new schools and 70 modernization projects and beginning the next phase, of 56 new and 21 modernization projects.

8:50

I'll now summarize how Education contributed to several government-wide goals and specific priorities, as outlined in the Measuring Up section of the 2014-15 annual report.

Goal 2, "Vulnerable Albertans are safe, and have opportunities to contribute to and benefit from Alberta's economic, social and cultural life," is accomplished through Education predominantly through the early childhood development priority, partnering with Health and Human Services. Results from the early development instrument research project showed that less than half of kindergarten-aged children in Alberta are developed appropriately in all five developmental areas. The use of this instrument provides us with data to actually improve the results in this area. Data is a valuable source of information that can contribute to our collective efforts to improve outcomes for young children.

Goal 4:

Alberta's economy is knowledge-inspired, innovative and diversified, its workforce has the right skills and resiliency to fully participate in a dynamic economy; and its education system is sustainable and meets the lifelong learning needs of Albertans as well as the needs of the province.

The priority is:

Enhance learner pathways into and through community learning, post-secondary programs including apprenticeship, and workplaces so that Albertans can ... achieve their learning goals.

The provincial dual-credit strategy for Education created new opportunities for students to earn postsecondary credits while completing high school. As of March 2015 there were 51 dual-credit opportunities, including carpentry, welding, aesthetics, accounting, and numerous others. Currently there are over 60 opportunities.

In 2013-14 the high school completion rate was 82.1 per cent within five years of entering grade 10, which surpassed the target.

We ensured that 26 new schools connected to the high-speed broadband capabilities and services available through Alberta SuperNet in 2014-15, with another 63 schools scheduled to be connected by the end of 2015.

Goal 7:

Alberta has access to new markets and enhanced investment attraction through strengthened relationships with existing partners and the creation of relationships with new partners.

We have a priority:

Work with First Nations on a government-to-government basis, and with industry to better coordinate and support resource development and land management consultation activities.

There was a First Nations education summit held in March 2015. We demonstrated commitment to working in partnership with First Nations and the federal government to reduce the achievement gap.

In summary, these are a few of the Education programs reflected in the 2014-15 government of Alberta annual report.

Thank you again for this opportunity to present this morning. I'd be happy to answer any questions you might have.

The Chair: Thank you very much, Mrs. Rosen.

I will now invite Mr. Saher of the office of the Auditor General to make an opening statement.

Mr. Saher: Thank you, Mr. Chairman. The government's annual report is the supreme accountability-for-results document. Through this document Albertans should be informed of the results achieved on the government's fiscal and strategic plans. Readers should not be overwhelmed with details that reiterate planned courses of action. Rather, they should be provided with focused analysis of what was and was not achieved and at what cost.

The last annual report, for the year ended March 31, 2015, is the raw material for your discussions today. It represents the highest level of reporting to Albertans. Let me read a statement included on page 81 of the annual report before you.

Measuring Up is part of the Alberta government's commitment to be accountable and transparent to the people of Alberta. It endeavours to go beyond the reporting of financial information by answering the questions: what did the government achieve with the dollars spent and did the government make progress toward achieving its goals?

The government's annual report includes the consolidated financial statements of the province. In addition to providing readers with important financial indicators, these financial statements show the resources consumed in delivering government programs and initiatives.

Linking costs to results achieved and the analysis of results were the subject of an audit we publicly reported in July 2014. Although the work focused on annual reports prepared by certain ministries, the findings and the results management framework we developed are relevant to the government of Alberta's annual report. We found that there was limited information or reporting of the results achieved; of progress and achievements against business plan goals, commitments, and priority initiatives; and there was limited reporting of the relationship between results achieved and costs to achieve them. The Department of Treasury Board and Finance accepted our recommendation and is working to improve processes.

As you interact with the three deputy ministers this morning, I suggest that the focus be: how might the government's results reporting be improved?

Thank you.

The Chair: Thank you, Mr. Saher.

I will now open the floor to questions from members, which will be accepted for any of our witnesses with the following agreed-upon procedure. If you wish to start a new line of inquiry, please put your hand up with your fingers wide open. If you wish to have a follow-up question for what is being discussed at that very specific time, put your hand up with your fingers together.

I'll now open up the floor to questions from members. Mr. Barnes, followed by Member Loyola.

Mr. Barnes: Okay. Thank you, Mr. Chair, and thank you all for being here today and for your work on behalf of Albertans. I'd like to ask Mr. Gilmour, first of all – nice to see you again, Ray – about how your department sets the goals for what the Auditor General just stated: accountability, transparency, and cost. The transparency part seemed to be a lack of measurable. The cost seemed to be a lack of follow-up with, you know, the results achieved and the progress made on them. Could you comment on those two things as well as on the input into setting what the accountability measurements should be and what the goals should be at the start?

Is that solely your department? Is it in co-operation with cabinet? How does that happen, please?

Mr. Gilmour: When we look at the annual reports as they are made public to Albertans, number one, to answer your question, it's across government. Treasury Board and Finance is the lead department in preparing the document and the annual report and putting it together, and of course we work with the deputies across government, in all the departments. Each department has their own ministry plan and annual report, where they'll identify their goals and objectives and their results and their cost functions, that are shared, of course, in the Measuring Up document through the strategic goals but with further detail laid out in those plans.

Since the Auditor General's recommendation we have worked with Merwan's office a lot over the last year to enhance and improve on the accountability and the transparency of the reporting. We've established within government numerous subcommittee working groups on standards and on protocol, as we continue to move forward, to be able to enhance the reporting that's done.

You'll notice in the Measuring Up document that the strategic goals established by government are laid out with the different performance measures and the reporting on the results. Through each department we continue to try to enhance the performance measures and the results that are going forward, and I think we've made a lot of headway. As I said, we've been working with the Auditor's office since the recommendations on a continuing basis, and certainly our expectation is that across government and in the consolidated annual report you will see continued enhancements to the transparency and the results as they're displayed.

As far as costs go, of course, those are done through the Controller's office and the financial side of it and follow the public-sector accounting rules, and those are consolidated, as you see, in the annual report in front of you.

The Chair: A follow-up.

Mr. Barnes: Thank you. In the opposition we've looked at and been quite vocal about the fact that Alberta has the highest per capita cost of government in Canada and is second in health care.

The Chair: Sorry. Is this a new question?

Mr. Barnes: No. It's back to the cost.

The Chair: Okay.

Mr. Barnes: Is there any thought of developing a performance measure on that? How would something like that happen? Would that be done with health care? Would that be done with Treasury Board? Would that be done with cabinet?

Mr. Gilmour: Yeah. It'd be a combination. It would be, obviously, when the budget is set for Health and the deliverables. I'll let my colleague maybe answer some of that as well. I mean, obviously, that's done through the Department of Health and the consultation and the budgeting process around the deliverables of Health and those facets. We certainly play a role in that when it comes to putting all the numbers together across government and formulating the budget and the annual report as it goes forward, but as far as more details, maybe I'll let Carl jump in on that.

9:00

Dr. Amrhein: The department is well aware of the higher average cost per Albertan. It's over \$800, the gap. We have several analytical projects under way trying to break down that number into constituent parts. AHS has a process under way, comparing the

performance of their units by medical procedure with comparable units across Canada, to try to identify gaps in service delivery, gaps in the deployment of health professionals, and performance outcomes. We rely on HQCA to do periodic studies to look at very specific pieces of the overall delivery of health care in Alberta. The ministry has a compliance and audit function that takes a look at cost pressures and the performance of people who receive funding from the ministry.

So all of these are converging in a rather large and multifaceted conversation to try to bend the cost curve down. The 20-year average of health care annual increases in Alberta is about 5.8 per cent. Clearly, that is not a rate of annual increase that is sustainable in current fiscal environments, and our goal is to bring that annual increase down dramatically, as was revealed in the government's last budget.

The Chair: Mr. Hunter has a follow-up question to that.

Mr. Hunter: Can you let us know when those reports will be available to us, when those studies will be finished?

Dr. Amrhein: They will be coming out in the next 12 months. This is work that's under way in preparation for the next budget.

The Chair: Okay.
Mr. Loyola.

Loyola: Thank you, Mr. Chair. This question is specifically for Mr. Gilmour. I've long been an advocate for reducing financial barriers for advanced learning, so I was happy to see that goal 4 in the annual report identifies this issue as a key priority for the government, but from your perspective I would like to know if that's an achievable priority for the government. Are the measures that have been established appropriate?

Mr. Gilmour: You're asking about funding for postsecondary?

Loyola: Yeah. Well, specifically reducing financial barriers.

Mr. Gilmour: Absolutely. I mean, as you look at the postsecondary world and people's access to it, that continues to be a front-and-centre piece for government and will be into the future. I think that as we continue to work with the postsecondary institutions across this province and we continue to develop strategies with them on different ways to remove financial barriers in consultation, of course, with government deliverables, we will continue to make headway there.

It's quite a unique system across the country in that there are a lot of similarities, but there are a lot of differences as well. As we look at Alberta's system, obviously the government is a key contributor to and funder of that. There are also other streams of financial support, that they receive through tuition and other pieces. When you look at the big picture and you try to combine all that together, that then sets, I guess, the starting point or the moving forward for that fiscal year. Through the Department of Advanced Ed we continue to strive to try to improve outcomes in that area and, hopefully, address some of the issues that you've raised.

Loyola: If I may, specifically to – because you were mentioning before that each ministry establishes their own measures, right?

Mr. Gilmour: Yes.

Loyola: So that's what I'm looking at specifically. From your perspective and what they have said, are those measures appropriate?

Mr. Gilmour: I guess, specifics for Advanced Ed: I'll have to get back to you, sir. I don't have their annual report in front of me, but I can certainly get back to you on that.

Loyola: Okay. Thank you.

The Chair: Corinne, is that something we'd want to put on the list for follow-up items? Thank you.

As a general rule if members are asking a question, we'll just assume that there will be a supplemental directly from that member as a general practice.

Mr. Dach.

Mr. Dach: Thank you, Mr. Chair. Good morning, all. My question would once again be to Mr. Gilmour as well. Sir, goal 5 of the annual report indicates that world-class infrastructure is an important priority for this government as it provides the foundation for the private sector to grow the economy. Now, in the associated indicators on page 116 it suggests that investments in infrastructure are also assets for the government. Are you able to explain the rationale behind this accounting standard and why the GOA is presenting information in accordance with the Canadian public-sector accounting standards? That's 116.

Mr. Gilmour: I'm not sure. I mean, you'll notice that in this annual report there's a fiscal plan basis and a consolidated plan basis. The current budget no longer follows that. It's all consolidated. I'm not sure if I'm answering your question, sir. When the budget was done for this year, it was laid out on a fiscal plan basis, which dealt with everything except the SUCH sector, which was the schools, universities, colleges, and the health system. That's changed, but in here we show both. We show the consolidated and the fiscal. When we do an annual report, we follow the public-sector accounting rules, which leads to a consolidated approach.

I'm not sure if I've answered your question or not.

Mr. Dach: Around the edges.

Mr. Gilmour: Okay. Thank you.

The Chair: Perhaps I can – Mr. Dach, was the question focused around how the department or the government accounts for fiscal infrastructure assets? Was that it?

Mr. Dach: That's the gist of it, yeah.

The Chair: I don't want to speak for Mr. Dach, but I think the question was geared more towards: is your department compliant with how you're accounting for, as a financial asset, fiscal infrastructure assets?

Mr. Gilmour: Yes, we are. There are two different points in that, and thanks for that clarification, Mr. Chair. Financial assets are assets that have a life of less than a year, basically. When you talk about investment, investment in capital has a life beyond a year, so it's considered a nonfinancial asset. So on the balance sheet whenever there's an investment in the assets, that will go to the nonfinancial asset side. You'll notice on our balance sheet that that number is substantial because the asset base of government is substantial. This includes any assets owned by government, and on a consolidated basis that would be the health system, the education system, the postsecondary system, and, of course, anything directly owned by government. So that's all consolidated together and reported on that way.

The Chair: Could you speak to the direct, say, connectivity between budgets and the Measuring Up report as it relates to the accounting on both a consolidated and a fiscal basis, how directly connected the two are?

Mr. Gilmour: Again, in the Measuring Up document we reference both, on a fiscal or a consolidated. On the fiscal basis it was mainly government proper, which was everything within government outside of the three sectors that I mentioned, which are health, education, and advanced ed. Whenever we've done the annual report – and we've done that for a long time – it's always on a fully consolidated basis, and that's all consolidated within government. That change happened in about . . .

Mr. Neumeyer: It was '09, '10.

Mr. Gilmour: . . . 2009. That's when the accounting rules changed, and that's how we've been reporting it since then. The accounting rules have changed over the last 20 years, but the government has always maintained stability, ensuring that we follow our reporting based on the accounting rules.

Mr. Malkinson: Just to clarify about moving to a fully consolidated basis, is that something that other provinces are doing as well?

Mr. Gilmour: Yes.

Mr. Malkinson: Thank you.

The Chair: Mr. Saher, did you want to chime in about if the budget and the reporting after the fact, Measuring Up – how connected are the two? I think you've had something to say about that in the past.

Mr. Saher: Yes. The audit office had commented that the budgeting of the government was not being done in the same style, if I can put it that way, as ultimately the results of the province would be reported. Best practice suggests that the budget be set out in a way that can be easily and directly compared to the results that will be reported in the audited consolidated financial statements. That's what the audit office advocated for, and I'm pleased to tell you that the government has accepted that point of view. Going forward, I think the financial statements that you're looking at for the year ended 31st of March, 2015, will be the last set where comparability was achieved but at, I would argue, great cost and effort within government.

Going forward, I think the intention – and the deputy of Treasury Board can confirm this – is that the budget be presented on a fully consolidated basis; thus, the numbers that Albertans will see in the budget documents will be the cost of the plans, and those numbers will be directly traceable into the results that will be reported ultimately and that my office will audit in the financial statements.

9:10

The Chair: Mr. Hunter, was this a follow-up to that direct question or a new question?

Mr. Hunter: Actually, as much as I enjoy this line of questioning, I do have another question, a follow-up question . . .

The Chair: If it's a new question, I'll have to put you on the list.

Mr. Hunter: . . . to the last questions we had to Dr. Amrhein.

The Chair: Okay.

Mr. Hunter: There are actually just two questions. The first question is: when did you start this plethora of studies to find out what the problem was, why we were paying so much per capita?

Dr. Amrhein: My understanding is that these analyses have been going on for some time. The ministry has the primary health care plan going back to 2014. They're working on a strategy now to implement that. Every year AHS has their own set of metrics that they report, their dashboard. The ministry has sets of metrics that we report. HQCA every year has a cycle of different analyses on different issues. They did an important one on EMS delivery some time ago that continues to inform the thinking of AH and AHS. So it's not a new initiative starting from nothing; it's an ongoing set of initiatives. It's becoming much more intense given the current fiscal environment, and AHS is working hard to understand on a per-procedure basis.

If you want some details, behind me is the auditor from AHS, and she can provide some additional detail on their specific projects. We have other officials in the room if you want to drill down into specific areas.

Mr. Hunter: I want to keep this broad, but I guess my second question is: if these studies are ongoing – you said that they would be finished in 12 months – what do we expect in 12 months if these are ongoing? Now, you made another comment there. You said: due to the, you know, fiscal constraints and problems we're having in our province. Now, do we have to have those fiscal problems before we actually take this seriously, or why is it such a pressing matter now?

Dr. Amrhein: To clarify, the analysis of the health care system is an ongoing function of the ministry. We have several branches in our divisions whose responsibility is to continuously monitor immunization rates, wait times. There's just a very wide array of issues. This is the business of the ministry, and it's been the business of the ministry for quite some time.

In the last budget it was made clear that the annual growth rate in health expenditures was no longer sustainable at 5.8 per cent, so the ministry, with its partners, collaborators in AHS, and other entities are working to bend the cost curve down. This has been something that the minister has spoken about in public, the Premier has spoken about in public. The renewed or continuing efforts to find ways to bend the cost curve without degrading the quality of direct care to Albertans is front and centre in the next 12 months.

As part of our annual workload we will be reporting, through the health plan, through the business plan of AHS, through the various reporting mechanisms of the ministry, the results of the current round of studies. The studies are continuous. Each of the organizations has their ongoing set of responsibilities. The reporting out continues, and the reporting out for the '15-16 period will follow the government's budget.

I'm not sure if I'm missing the point of the question. Perhaps I am.

The Chair: I would just caution that if you have an interjection but the topic has significantly moved on since, you would give up that interjection moment. I think that would probably best have been classified as a new question even if it had been a legitimate interjection at one point as the conversation has significantly moved passed it.

We'll go to Mr. Gotfried next.

Mr. Gotfried: Thank you, Mr. Chair, and thank you to all the presenters and representatives today for joining us. In reference to the Auditor General's comments about transparency and

accountability I've got some concerns that Measuring Up includes not just seven goals but in many cases up to seven performance indicators under each goal. I'm wondering how Albertans would know, from reading this document, which priorities are the most important and, further, how Albertans would best understand both the context and consequences of meeting or not meeting these goals. I kind of look at that in both a quantitative and qualitative approach to things. Again, it's not just government and this committee and the Legislature that need to understand it. I would suggest that Albertans need to better understand what our priorities and measures are.

Mr. Gilmour: To start with, when you look across government, you've got a very large, complex organization. You know, to be able in the Measuring Up document to hone in on what the government at that time wanted to deliver, it was summarized into six, eight goals that were identified. Obviously, in a perfect world it would be nice if you could detail that in a few measurables that are easy to read and understand and move forward. I think the government has made a lot of strides in doing that, but because it is a very complex organization, I think that to try to get as much information out to the public as possible and to be able to make sure there's a fulsome discussion around the goals, it leads to multiple measures, indicators within each goal. Obviously, the complexity, whether it's the education system or our health system or a multitude of other departments – I personally think that in this report the government does a decent job and a good job of being able to show Albertans the progress on some key goals.

It's a continual change. I mean, as we live in a very dynamic environment, goals are going to change and be reflective of the day, and you're going to continuously see that. I think this approach, though, with the Measuring Up document provides a nice summary that people can read, with of course the added benefit that if they are really interested in a certain area, they can go into that department's annual report and get a more fulsome or detailed analysis of that. It was certainly meant to be able to provide higher level outcomes around the priorities of the government of the day and then be able to provide, you know, more detail if required. I mean, people can certainly debate: is that the right goal or should that goal change or how is that reflected? Believe me, that's a continuous discussion within government at all times. Obviously, each department is very concerned that they are focusing on the proper goals and moving forward, not only to share with Albertans but to deliver on the government's objectives and strategic plan as they move forward.

Mr. Gotfried: Just a further question in that regard. I guess I'm wondering whether, in the interests of actually creating that greater transparency and maybe understandability amongst the public, there couldn't be, you know, some sort of a visual dashboard. I know that that's an oversimplification, but within that you could have some links to more detailed information that would allow the public, actually, to be able to look at it and have a fairly clear view of the top priorities and the top performance indicators but also be able to dig deeper through electronic links.

Mr. Gilmour: Great point. We'll certainly, you know, as we continue to evolve and move forward, take that under consideration and thought. Anything that we can do to continue to improve the readability and the transparency, we'll certainly look at, but it is tough when you try to look at the whole government as one piece. That's a challenge.

Mr. Gotfried: Thank you.

The Chair: Thank you.

Ms Renaud has the next question.

Ms Renaud: Thank you, Mr. Chair. I'm not certain who this question is for, so I'll maybe direct it at you, Mr. Gilmour. Goal 2 in the annual report, page 89, identifies the reduction of child poverty as a key priority for government. More specifically, it states: working with communities to eliminate child poverty in five years and reduce overall poverty in 10. My question is: do you believe that these performance measures are appropriate, and do these performance measures allow for variance reporting?

9:20

Mr. Gilmour: I have to rely on the expertise of the folks that are in the Department of Human Services who deal with this on a regular basis, so I have no reason to not believe that these are effective measures in moving forward and reporting and transparency.

Again, following the previous question, this is a prime example where I think the goal summarizes well some of the deliverables and the focus that the department is moving to, but when you look at the reduction of poverty and the different metrics around that, obviously the Human Services department will have a much better and fulsome analysis in their annual report around that. I mean, I have no reason to not believe that these are effective, but as mentioned before, it's a continuous cycle, and if there are ways we can improve on it, we certainly will.

Ms Renaud: Let me just ask the question again. Do you believe that the goals identified are achievable by this government?

Mr. Gilmour: Yes.

Ms Renaud: Okay. Thanks.

The Chair: Mr. Loyola's got a follow-up.

Loyola: Yeah. In relation to this question and the one that I asked before, when the measures come from each of the ministries, does the department analyze those? That is, I guess, the best way to get to the bottom of this thing. Is there an evaluation of the measures when they come across your desk?

Mr. Gilmour: Over the past number of years, actually, the Auditor General's office has continued to analyze the performance measures that departments have put forward. They don't do it on an annual basis, but through a cycle of three or four years there's been an ability; that check and balance is there. Our analysts certainly work with the departments to move forward on that as well. So there are different steps of measures in place to continue to analyze and move forward. Again, as we move forward, departments have a lot of the expertise to be able to identify that goal that the government has laid out. There are checks and measures in place, absolutely, but we also rely on the knowledge and the strength of the department heads to be able to identify that as well.

Mr. Neumeyer: If I may supplement, Mr. Chair, one of the things that our office does, from a corporate perspective, is work with ministries on measures, as Mr. Gilmour said. Now, one of the things you don't want departments to do is, if after using a measure for a year or two they get a bad result, suddenly drop the measure. You want to have some consistency over a period of time. What we look at is whether the measure is actually getting at the goals, or outcomes, that the government is attempting to achieve. That's an ongoing process. What we try to guard against, if you will, is ministries trying to drop measures just because they got a poor result. Instead we should be looking at how you can make

improvements if you do believe that that measure is a good way of monitoring your progress to achieve that goal.

The Chair: Do you integrate any kind of value-for-money measure? You're trying to measure these goals and your outcomes. Is there a value-for-money component to that?

Mr. Gilmour: That's an area that we're continuing to expand on. To answer your question, some of the measures are comparable to be able to equate to value for money, but others aren't. There's a myriad of different measures and perspectives, and some certainly line up better than others in that regard. As we continue to move forward on the results piece, that's the main piece that we're really after to continue to expand and improve on those types of measures.

Loyola: Sorry. I'm just trying to get at how we learn from all this. That is really the issue here. I'm wondering if Alberta Treasury Board and Finance is actually involved in a reflection process on those measures when it goes back to the ministry. Are they improving upon the measures? I understand that we don't want to change the measures, but are you involved in the learning so that the ministry can then improve upon what it's trying to achieve?

Mr. Gilmour: There's always a joint process. As Aaron mentioned before, when we're putting this document together, our role in that function is to challenge departments and, at the same time, ensure consistency and comparability as we move forward. The departments have a lot of the expertise to be able to provide that information, and of course they have their measures audited by the Auditor General kind of on a cyclical process. So to say that that department's in charge or the Treasury Board – it's a joint process as it goes forward. We each kind of have our roles to ensure that we're trying to be transparent and, as mentioned earlier, to show the value in the deliverables and the progress made.

Loyola: Thank you.

Mr. Neumeyer: Remember, sir, that this is the back-end piece. The front-end piece is the measures that you see in ministry business plans and in the government's strategic plan. The work is more at the front end in terms of working with ministries on: are these measures the right ones to determine whether you're making progress toward achieving your goals and outcomes? So that's the front-end piece. The accountability framework ties together in that measures that were in the business plans at the start of the year are the measures you see in the annual report. That's how the accountability framework ties together.

The Chair: Mr. Barnes. New question.

Mr. Barnes: Thanks, Mr. Chair. A couple of questions to Dr. Amrhein, please. I want to talk about some important measures we're missing on, and then I want to talk about electronic health records.

Emergency department length of stay. My understanding is that only 48 per cent are treated and admitted within eight hours. We're moving in the wrong direction at a great cost when I hear of EMS people that wait eight hours for their patient to be admitted.

Access to continuing care is only at 60 per cent. This has led to Albertans in need being labelled as bed blockers. I applaud the government's commitment for 2,000 new long-term beds, but there are so many classifications of beds, and there are so many different ways to provide this service, whether it's public or support from the private sector. I wonder if you have any thoughts on performance

measures to ensure this gets done and to ensure this gets done the right way.

If you can comment on electronic health records – I understand that the taxpayers of Alberta have spent about \$800 million developing electronic health records. We're so not where we need to be when it comes to patients participating, when it comes to information to make our good doctors and front-line professionals better understand the impact through the whole system.

I understand that Alberta Netcare is being rolled out more this year. Do you have any performance measures on that? What are our guidelines going to be? How are we going to know that we're getting the most value for our dollars?

Dr. Amrhein: The convergence of issues that define the condition in the emergency rooms of the large hospitals really represents almost a microcosm of the entire health system. There are a number of discussions under way to deal with the congestion in the emergency rooms. There are discussions under way about expanding after-hour access in the primary health care system. The long-term bed strategy will certainly help free up some additional beds. The government's long-term care strategy, the 2,000 beds, is a very important initiative, but it will be an ongoing challenge to provide enough beds and to renovate existing beds, and there's work under way in the preparation of the budget to deal with those.

The EMS. There are pilot projects under way, an important one taking place in Edmonton in partnership with AHS, to allow the EMS attendants to work to their full scope of practice so that they can work with other health professionals to divert individuals from the emergency rooms when, in the professional judgment of the individuals, the person does not need to go to the emergency room but may need some other level of care. We face a challenge in that the default option in Alberta seems to be: if in doubt, you go to the emergency room. There are other models that are being looked at very closely to create alternative pathways for people who feel their condition is such that they need urgent and immediate care. The urgent care clinic is one model.

The emergency room situation tends to be a collection point for a number of the pressures that confront the health system. There will not be any one simple solution to all of these challenges. There will be a series of initiatives. There will be a series of efforts to deal with pieces of it so that the end result would be that we'd lose pressure on the emergency rooms.

Mr. Barnes: But, sir, how are we going to measure it? Like, health care this year is \$19 billion; next year it's estimated at \$21.5 billion. Albertans are younger and healthier, I think, compared to other Canadians. Should we not see some cost savings for this? How are we going to know two years from now that some of these things are working?

9:30

Dr. Amrhein: We will see cost savings in the longer term when we develop strategies that more tightly couple primary health care, especially the primary care networks, with the acute-care system. The strategic clinical networks have a number of studies under way that will modify the continuum of care in particular areas, building on the work of Cy Frank and the hip and knee replacement. There is best practice in other systems that we can bring into Alberta to care with critical pieces.

It is true that Alberta has a younger population than others in Canada, but we, too, are suffering from the increasing challenges of people living longer and complex comorbidities conditions of care, and these conditions, these individuals, add great pressure to the system. The 5 per cent consuming 65 per cent of the health care

expenditures remains in front of us, and the baby boom generation is aging. There are strategies being developed by AHS and others that will in the long run reduce costs, but in the short run the efforts to reduce costs will be relying on initiatives that deal with workforce alignment, that deal with migrating from a fee-for-service model to a blended capitation model. These discussions are under way, and we're optimistic that we will meet the budget targets presented to us.

Electronic health records, for me, are a critical piece in all of this. Alberta has invested substantial funds in creating a volume of health records that I'm told remains unmatched in Canada. The challenge we face now is taking the pharmacy system and the imaging system and the electronic health records in the hands of the primary care physicians and knitting all of these together into an integrated health records system. We have the expertise. We face some challenges in the Health Information Act to the mobility of information from various custodians to others, and we're working with the Privacy Commissioner on those issues.

The key, major piece that is under way in AHS is a proposal to create across AHS a single clinical information system starting with Edmonton north, Calgary south. However, Red Deer south is substantially more advanced than Edmonton north because of some investments in the past. So if we focus on Edmonton north for the next little while, it is part of the ongoing process of amalgamating a very large number of hospitals under previous administrative regimes into a single entity. If AHS has their clinical information system up and running, then the ability to hook with, for example, the primary care network electronic health record systems and bring in Netcare, that currently has the imaging and the pharmacy and other data sets, you begin to make major progress.

This coming year, as I mentioned, we will turn on the personal health portal, that will allow individuals to add their own health information to that which is already stored in Netcare. There is a pilot project under way right now to prove the system and to make sure we meet all of the information control and confidentiality concerns. The emergence of an integrated health records system over the next few years will allow much more easy and useful coupling of the massive amounts of information in the primary care system with the acute-care system and the other systems that support both pieces. Preliminary discussions are under way to reach into long-term care facilities and to bring into Netcare other health professions that currently are not part of the Netcare system. The ministry and AHS have a protocol for bringing these individuals on board, and there are a number of professions who are working through their privacy impact assessments.

We have some staff behind me that are daily worrying about this if you want to drill down into the conversations with opticians, for example, the group we met with most recently. The magic of the fully functional and integrated health system will not only eliminate unnecessary lab tests and imaging; there's an estimate that about 20 per cent of the work that is done when a person gets to the emergency room would be unnecessary if the family physician data were available in the emergency room when the person arrived. In the absence of that information . . .

The Chair: I think we're going to have to move on to the next question.

Dr. Amrhein: I'm running on. Okay. I could go on for all day on this one. This is my favourite topic. I apologize.

The Chair: It is fascinating. That's okay.

I will caution members to be careful with multiple questions put inside of an original question. If they are directly related to each

other, it might be allowed, but if they're quite two distinctive questions, we should do our best to avoid it.

There's a follow-up question from Dr. Turner.

Dr. Turner: Thank you, Mr. Chair and to Dr. Amrhein. The report notes that the personal health portal will help Albertans track their own health information, but will it also help them connect better with health care providers, and will physicians be able to note referrals and other info through that portal?

Dr. Amrhein: My understanding is that the personal health portal – and we should probably ask Blaine Steward, who's from the division working on this, to come to the microphone and explain – will not deal with what is known as peer-to-peer referrals, information between physicians, nor will it address the need for a referral system from family physicians to specialists. Those are other projects under way in the division. The personal health portal will allow individuals to see the collected information in Netcare, and it will allow individuals to upload information from Fitbits and to type in information like that.

I'm told Blaine is now at the microphone behind me. Over to Blaine.

Mr. Steward: Thank you. Dr. Amrhein is right. The personal health portal will allow individual Albertans to upload their information into the personal health portal and eventually to be able to look at their information that's available in Netcare.

The Chair: Do you have a follow-up?

Dr. Turner: The personal health portal was promised for something like 2013 to be implemented. What's the timeline for implementation of that portal now?

Mr. Steward: There'll be a launch this year. We're right now in the pilot project, and it'll be launched probably in the spring of this year.

Dr. Turner: Thank you.

The Chair: All right. We'll go to a new question from Mr. Malkinson.

Mr. Malkinson: Thank you, Mr. Chair. Goal 5 of the annual report indicates that improving engagement within Alberta public services is an important priority for the government. I'm just wondering: how feasible is increasing employee engagement, and are there appropriate ways to measure engagement in the public service?

Mr. Gilmour: Yes, there are. Actually, we've tracked employee engagement over a number of years within the government and across the country. We have certainly seen Alberta maintain a strong and effective employee engagement. Obviously, over the last few years with some of the challenges that continues to be an area that needs to be focused on as you move forward. When you look at the productivity of the public service, employee engagement is one of the best measures that you can look at around that. The public service certainly has over the last number of years improved its productivity in that the number of people in the public service relative to population continues to decline, which means at the same time that we're improving our engagement and our productivity. We certainly can track that. We do surveys within the government kind of every second year. We have had periods where we've done it annually, so we're able to track that. All the departments get the results of those surveys and have the ability through their executive teams to be able to implement strategies to continue to enhance the

employee engagement so that we can continue to meet the demands and the productivity gains that are required as we go forward.

Mr. Malkinson: Thank you.

9:40

The Chair: Do you have a supplementary to it?

Mr. Malkinson: No.

The Chair: Thank you.

Mr. Westhead for another new question.

Mr. Westhead: Thank you very much, Mr. Chair. My question is in relation to goal 7, which is on page 106, and it has to do with the relationship with First Nations. So the goal itself identifies that working with First Nations on a government-to-government basis is a top priority. You know, we've seen the Premier indicate that she wants to see a crossministry focus on renewing the relationship with First Nations and working with them in this new light. I have a First Nation, Stoney Nakoda, in my riding, and I met with them recently, and they made it very clear to me that they are going to be holding us to task on this commitment. I'd like to know, you know, how are we going to be sure that we meet the commitment, and are the measurements that are provided in the annual report an effective way to assess whether we're reaching this commitment?

Mr. Gilmour: I think when the annual report comes out next year, you're going to see a lot of focus on the new Department of Indigenous Relations coming forward with a strategy and goals to enhance the relationship with the First Nations as we move forward. This has been a continuum within government for a number of years, and there is a multitude of facets, a multitude of departments that work together with the First Nations, whether it be our Human Services department, our Health department, Indigenous Relations, Energy department, or other ones.

You'll notice the goals that are in here. Certainly, I've identified some improvements, but I do think that as we go forward, you'll continue to see that enhanced and developed and, certainly as we bring out the annual report this next year, to go forward on that.

To give you an example, some of the United Nations information and areas it has worked on: that has gone through the government with an ability, asking all departments how we can enhance and continue to try to move forward on those deliverables. I know that the Indigenous Relations department is heading that up, and we'll be moving forward on that.

Mr. Westhead: If I could just ask a quick follow-up. You know, the goal itself talks about having access to new markets and enhanced investment attraction. I think that when I met with the First Nations that I was speaking about, one of their key priorities was economic development and economic diversification. So are you able to tell us a little bit about how we can work again with our First Nations partners to meet the economic diversification and development priorities?

Mr. Gilmour: As you know, in the Budget '15, which came out in the fall, follow-up to this annual report, there was a strong emphasis on ways to improve and diversify the economy in Alberta and move forward. As far as direct relations, I can certainly get back to you, but I think, in fairness, I should get some thoughts from the Indigenous Relations department. But I can certainly follow up and send that information to you.

Mr. Westhead: Thank you.

The Chair: Thank you.

We'll go next to Mr. Smith.

Mr. Smith: Thank you.

The Chair: Oh, sorry; this is a follow-up for Mr. Smith.

Mr. Smith: This is the follow-up. Yeah. Okay. My questions will be directed to Mrs. Rosen. It mentions in goal 7 that you had a First Nations education summit, that you're going to be working, setting up some tables to try to address and reduce the achievement gap in education. So I guess the question that I've got then is: what are these tables going to be discussing and studying and what are the measurables that you're going to be using to try and judge the success or lack of success with regard to reducing that achievement gap?

Mrs. Rosen: Thank you for the question, Member Smith. With respect to the tables the tables are actually broader-based, not just education. There were tables handled predominately through aboriginal relations, now Indigenous Relations. Education, of course, was a topic of conversation at those tables. I think that in terms of concrete methods that we're using to promote closing the achievement gap between First Nations, Métis, and Inuit students, and all other Alberta students, we're focusing on First Nations on reserve and have dedicated some resources to doing that, to help bands that are of a mind to form education authorities and to promote Alberta-based practice in achieving better results.

I think that in terms of the performance measures we have very concrete, quantitative measures in Education directly tied to achievement results. There is a huge gap between First Nations, Métis, and Inuit students and the rest of Alberta students, and I believe that what we're going to really focus on is determining: what is a reasonable time frame for closing that gap and setting, then, achievable targets to see progress in that regard?

As opposed to looking at perhaps slight incremental change – and we have had some incremental change – it's going to take a long time to close that gap if we just continue to look at it that way. I think that we actually have to set more ambitious targets, and we're looking to do that.

Mr. Smith: Okay. Can I ask one quick question?

The Chair: Sure.

Mr. Smith: Do you have the timelines? Have you got any idea that you could give us of a timeline that you guys are sort of thinking of for trying to narrow that achievement gap?

Mrs. Rosen: At this moment, no, I cannot give you something concrete because we're currently working on that, of course, with First Nations and with the First Nations, Métis, and Inuit communities, but I would hope to have some progress to report on that within the next performance cycle.

Mr. Smith: Okay. Thank you.

The Chair: Ms Miller has a follow-up.

Ms Miller: Yes. My question is on the dual-credit options. Is there any thought of expanding the list to include for the aboriginal peoples and indigenous peoples things like trapping and hunting as dual-credit options? For a lot of them, they will continue on the way of life from their forefathers, and it's an option for keeping them in school. Is there any thought of expanding like that?

Mrs. Rosen: I think that perhaps what you're speaking to would be not necessarily a dual-credit opportunity because dual credit indicates that you would actually take a course, say, for example, in high school and get a corresponding credit for that course in postsecondary. So there would actually have to be a program in postsecondary in order to set up a dual-credit opportunity. I think that there are opportunities, however, to look at in that regard – career pathways and how students actually want to progress after high school – so we are looking at making those connections stronger in terms of career pathways.

The Chair: Another one for Ms Miller.

Ms Miller: Okay. I was thinking more along the lines of if they wanted to go into, like, aboriginal studies or native studies.

Mrs. Rosen: Yes. I can't tell you whether or not we have specific courses in that regard under investigation at this time, but I could get back to you in that regard.

Ms Miller: Thank you.

The Chair: Mr. Smith has a follow-up.

Mr. Smith: I think that probably most of us, if we know anything about the dual-credit program, are probably kind of excited about it. I think it does offer a whole wide range of opportunities that encourage engagement in learning.

I guess the question that I've got here is that in the document you bring up the issue of dual credit, but I don't see any measurables there that we could use to judge the effectiveness of this program, whether it truly is engaging students. Are students coming out of this program? Do we have any kind of measurables that show us that they're actually pursuing these dual-credit opportunities into postsecondary or into fields of study that they're actually graduating out of once they've gone into these dual credits? What kind of measurables have we got to judge the effectiveness?

Mrs. Rosen: That's an excellent question. I think that it's important to understand that we've just finished the second year of this dual-credit strategy, and we're now into the evaluation stage, which is designed to do exactly what you're asking: to measure the value proposition, to actually look at whether or not we're being successful. What I can tell you is that we've had over 1,500 students participate, and where a lot of those students are participating is from areas where it can be a challenge to actually promote continued work into postsecondary because you're working in areas where that perhaps is not as readily available.

We have seen some success. We are going to be evaluating this year the success of that program and hope to then be able to report on progress after that evaluation.

9:50

Mr. Smith: I look forward to it. Thank you.

The Chair: Mrs. Rosen, this is a topic of interest for me because the Siksika First Nation is a very close next-door neighbour to a lot of people in my constituency. My question would just be: because Indian affairs and status Métis are under federal jurisdiction, can you explain for the committee just how much of an influence your department has over education for First Nations people? It is not actually under provincial jurisdiction.

Mrs. Rosen: From a funding perspective, I think it is important to understand that, of course, First Nations education, First Nations on-reserve, is funded predominantly through the federal government.

There has been a commitment provincially, the first of its kind in Canada, to actually provide enhancement funding for First Nations on-reserve education. We are working hard with those First Nations and, quite frankly, with the federal government to live up to the promises in the memorandum of understanding that was signed by First Nations in Alberta, the federal government, and the province of Alberta in 2010, and we're actually seeing some real progress now in terms of being well on our way to having the first education authority set up.

Where we would focus on is providing what I would call enhancement funding to the federal funding but also to provide those third-level supports for First Nations. We do have in the Alberta system a regional collaborative service delivery model that helps school jurisdictions in collaboration with Health and with Human Services, and we're working hard this year to extend those supports to First Nations on-reserve. So it's a matter of not in any way trying to replace the federal funding or to take over that federal responsibility but to provide enhancement and to work hard with those partners in order to improve results.

The Chair: Thank you very much.

Mr. Gotfried has a follow-up to this.

Mr. Gotfried: Thank you, Mr. Chair. I'm very interested in the discussion around measures and goals in this area, Mrs. Rosen, as well. In supporting some of the goals and improving education access and outcomes for not just the FNMI and indigenous populations but also other vulnerable populations such as new Albertans and cultural and linguistic minorities, can you just comment on how some of the measures and goals that maybe you're instituting for the FNMI population will also help some of the other groups that may need some increased access and maybe some goals and measures to enhance their outcomes as well?

Mrs. Rosen: I think that the important thing to understand is that we actually measure achievement and success conditions for all Alberta students the same way. Then what we have to focus on is: what are the results? In order to address your question, I would let you know that we do follow those subsets of students. We do follow, say, for example, English language learners as a group to determine whether or not their results are similar to all other Alberta students, and there is a little bit of a lag. So that would cause us perhaps to look at – right now we fund five years of grants for English language learners. Maybe we would need to revisit that to see whether or not there's a connection between the resources that are provided and the actual success.

I think that where we have an advantage is that we actually use the same approach to measuring achievement, and we recognize that there are different levels of achievement between different categories of students and then try to drill down to determine why that is and see if we can then dedicate some resource to improving that situation. We actually have some business intelligence tools and approaches that do exactly that, try and drill down to find the underlying cause of why there are those differences and see what we can do to improve them.

Mr. Gotfried: Excellent. Thank you.

The Chair: We are on about our fifth follow-up question, so I want to caution members – not that that one was off; that was on topic – that when we get this far into follow-up questions, we sometimes start straying pretty far.

Mr. Smith has a follow-up question to this.

Mr. Smith: Well, I hope that the chair will allow me to ask this question.

The Chair: We'll see.

Mr. Smith: Okay. You were referring to, in your answer to Mr. Gotfried, measuring achievement and how we measure achievement consistently for all students in Alberta. That brings me, then, to some of the issues that we see in some of those measures, specifically on pages 114 and 115 in the Measuring Up document. We see that literacy achievement fell last year by 4 per cent. We see that the PISA results . . .

The Chair: Is this question specifically on measuring aboriginal students within primary education?

Mr. Smith: Well, they would fall under students in Alberta and under the measurements that the department has.

The Chair: Is this about First Nations?

Mr. Smith: Are you going to be hard on me?

The Chair: I'm being tough today.

Mr. Smith: Okay.

The Chair: All right. I will put you in the queue for a new question. Actually, you are . . .

Mr. Smith: Am I next?

The Chair: . . . already quite high on the list.

Mr. Smith: Okay. Thank you very much.

The Chair: You are high on the list, but you're going to have to wait.

I just want to check: is Mr. Fraser still on the phone? I bet he's reading the newspaper. Okay. Well, if he is, if he wants to ask a question, he can just interrupt us.

All right. The next new question is from Member Loyola.

Loyola: Thank you, Mr. Chair. This question is to Dr. Amrhein. Thanks for being here, by the way. The report tracks healthy living, with a focus on well-being and prevention, and some of the examples in the report are focused on antismoking and anti binge drinking as campaigns. I know that right now we're all aware of the growing issues with illicit use of fentanyl across Canada, which is having tragic results. What is the department doing in terms of harm reduction to deal with this crisis?

Dr. Amrhein: It is a very hard set of issues. Fentanyl is part of a broader family of abused substances known as the opioids. The fentanyl challenge is particularly acute in southern Alberta. It's present in northern Alberta but not at the same level of intensity. If we talk about opioids in general and fentanyl in particular, there is a multiministerial working group, of which the next meeting happens to be Friday, and this group is assigned the responsibility – and I chair this group – to advise government and to implement a series of measures on harm reduction, the availability of naloxone. The minister has signed ministerial orders that expand the ability of pharmacies and registered nurses to make material available. The government has made the decision to cover the costs, and those discussions are under way through Alberta Blue Cross.

So there's a series of steps under way. We await the analysis of the most recent information from the office of the Chief Medical Examiner to be able to see whether the rate is increasing, stable, or, ideally, decreasing. Those analyses are under way. The data were just made available in the last week or so.

Long term is the prevention. The prevention conversations are being worked on at the same time we're working on the harm reduction, but right now, in all honesty, our very sharp focus is on immediate intervention, and in the case of fentanyl it is naloxone. There is a separate treatment program that is equivalent to methadone that will be used with fentanyl.

We also, as was covered in the newspapers this morning, have become very much aware of the appearance of yet another opioid substance, identified with the letter W. On Friday we'll be working through some of the implications of the appearance of these even more powerful opioid substances.

On the task force we have Justice, police, and intervention organizations. We have all of the First Nations and the Métis and the Inuit with us, so it's a very large and comprehensive committee.

Loyola: Okay. Thank you.

The Chair: Okay. We've had six government questions, three from the Official Opposition, one from the third party. I will very, very quickly allow one last question from Mr. Smith, as promised, to try and even up the numbers here, but I'll ask that both the question and the answer be very brief.

10:00

Mr. Smith: Okay. I guess my question would be to Mrs. Rosen, then, just with regard to the PISA results in literacy and math on 114 and 115. With literacy achievement falling in those categories, I guess, what are we going to do about it? I mean, obviously, the things that we've been doing over the last three or four years don't seem to be achieving the desired results that we want.

Mrs. Rosen: Just to clarify, Mr. Smith, in terms of the results on page 114 the target for language arts was not met, but it really hasn't changed in terms of achievement, 76.7 versus 76.5, so in language arts we're holding our own. There is some sliding with respect to math, and we are making considerable effort to improve with respect to math. There are a number of initiatives that we're undertaking, and I'd be pleased to provide information with respect to those at a later time.

Mr. Smith: Could you briefly tell the committee what those are?

Mrs. Rosen: In terms of math we are making some clarifications with respect to curriculum that actually outline the expectations. We're working hard with respect to problem-solving competencies and knowledge-based competencies in math because that's actually what PISA measures; it doesn't measure basic what I would call memorization of number facts. So we're actually increasing what I would call the competency-based approach to learning about math. There are a number of initiatives that we've put forward in that regard that I probably don't have time to describe at this time.

Mr. Smith: I would love to have the conversation with you at some point in time, okay?

Mrs. Rosen: Yes.

Mr. Smith: Thank you very much.

The Chair: Well, thank you very much.

We have unfortunately exceeded our time. I thank everyone for your patience. I've been tougher than usual, but I think it's been a pretty productive meeting.

We will now adjourn for 30 minutes, providing our guests from Treasury Board and Finance, who will continue with us for the rest of the day, with an opportunity to have a break.

For committee members: after a five-minute coffee break please join us in the Foothills Room for the next premeeting brief. We will all be back here in the Grassland Room for the next portion of the meeting at 10:30 sharp.

Thank you.

[The committee adjourned from 10:02 a.m. to 10:31 a.m.]

The Chair: Welcome back. We will now start the next portion of today's meeting, with Treasury Board and Finance, on Alberta's corporate tax administration system. Members should have a copy of the briefing documents prepared by committee research services and the office of the Auditor General on the topic.

Mr. Gilmour, if you have been joined by any additional colleagues at the table, please introduce them for the record, and feel free to proceed with your introductory comments.

Mr. Gilmour: Thank you, Mr. Chairman. With me at the table today, to my left, is Ian Ayton, who is our assistant deputy minister for tax and revenue agency, and Mark Parsons, who is the ADM of economics and fiscal policy.

Good morning, Mr. Chair and committee members. Thank you for the opportunity to be here to speak about the recommendations we received from the Auditor General in 2014 and 2015 in relation to the Alberta corporate tax administration system. I'll begin by giving you a brief overview of our administrative system, and then I'll address the Auditor General's recommendations specifically.

Treasury Board and Finance's tax and revenue administration division is responsible for the administration of Alberta's corporate tax regime; however, Alberta is able to rely on the federal government for the audit and enforcement of the taxable income calculation. This avoids duplication of effort where possible and is a factor in controlling provincial administration costs and reducing compliance cost to taxpayers.

This approach requires that Alberta parallel the federal rules for calculating income. However, in computing taxable income for any given tax year, Alberta businesses have the ability to claim different discretionary deductions for federal and provincial purposes. This ability to claim different discretionary deductions allows Alberta businesses to vary the amount of taxable income they report for federal and provincial purposes. This flexibility can be a benefit for Alberta businesses in years where they have federal tax credits that must be used. Small businesses are generally required to pay quarterly tax instalments federally. In Alberta Canadian-controlled private corporations with taxable income below \$500,000 are not required to make these tax instalments.

Administering Alberta's corporate tax regime provincially gives the province greater flexibility over tax policy decisions and the timing of their implementation as these decisions and timing are not dependent on federal approval or timing constraints.

It also allows the province to keep the interest in penalties from corporate taxes. The gross interest in penalties collected has averaged approximately \$105 million from the fiscal years 2008 and '09 to 2013, so over the last six or seven years. Considering this, Alberta has averaged on a net perspective about \$75 million per year between this time frame on that revenue from administering its own corporate tax system. This is net of bad debts and administrative expenditures of about \$30 million annually, which are comprised of an annual average of \$10 million for administration and approximately \$20 million for writeoffs.

I'll take a few moments now to discuss some of the recommendations in the October 2014 Auditor General's report. The report commented that while the department has adequate systems to collect corporate taxes, there were some areas identified

that needed improvement. The department has accepted all the recommendations in the report.

I'd like to highlight that the accounts receivable, which is the amount of corporate taxes owed as of the government's fiscal year end, is made up of two portions. One portion is amounts that are not under dispute, and the other portion is amounts that are under dispute. For amounts that are under dispute, as soon as a corporation files an objection against a tax assessment or a reassessment, no tax administration can take action to collect any outstanding amounts. We have, however, amended legislation to allow collection of 50 per cent of the assessed taxes for large corporations that object to their assessments. This change was implemented in May of 2013.

The department is committed to having all the report's recommendations related to the collection of corporate taxes in Alberta completed by December 31 of this year.

As for the October 2015 Auditor General's report, again the department has accepted the recommendations in the report related to unfiled corporate tax returns. As of October 1, 2015, we are now issuing default assessments, which was one of the actions identified in the Auditor General's report. The department is committed to completing the remaining actions set out in this report by June 30 of this year. We take the Auditor General's recommendations very seriously, and we are eager to work with his office to continue the follow-up of these recommendations.

Once again I would like to thank the committee for the opportunity to discuss this, and I look forward with my colleagues to taking your questions. Thank you.

The Chair: Thank you, Mr. Gilmour.

I'll now invite Mr. Saher, our Auditor General, to make an opening statement on behalf of his office.

Mr. Saher: Thank you, Mr. Chairman. In October 2014 we assessed whether the department has effective and efficient systems to collect outstanding corporate taxes in a timely manner because it becomes more difficult and expensive to collect accounts the longer they remain outstanding. We concluded that the department should update and maintain its tax collection policies and procedures, improve its program for training staff in using its policies and procedures, develop adequate performance measures to assess the timeliness and effectiveness of collections, publicly report on its collection activities, update its management information, periodically analyze the files to identify emerging issues, and develop strategies to deal with the backlog of files submitted for writeoff and low-value accounts. The deputy minister just talked about his department's accepting those recommendations and putting in place an action plan to deal with them.

Then, in October 2015, we followed up our work by looking at compliance systems for unfiled corporate income tax returns. With respect to unfiled corporate income tax returns we found – and these findings I'm just reading you from our October report, page 156 – that in our opinion

the TRA does not . . .

It says "does not" because it was written at that time; as the deputy has pointed out, something has since changed, but let me just read you these findings.

. . . have strategies to deal with outstanding tax returns – some are more than eight years in arrears. [The TRA does not] use default assessments to require corporations to file returns and pay any owed taxes. [The TRA does not] have comprehensive management reports that contain key information to oversee filing compliance activities, [and the TRA does not] monitor filing compliance officers' work sufficiently.

Those were our findings.

We made a recommendation to the department, and that recommendation, I believe, has been accepted, and the information submitted to you by the department has its action plan for dealing with that recommendation.

Thank you.

The Chair: Thank you, Mr. Saher.

We will now give an opportunity for members to ask questions, and we'll open up the speakers list. We'll begin with Mr. Loyola.

Loyola: Thank you, Mr. Chair. This is to Mr. Gilmour. In your opening statements you made references to objections of corporations, and my understanding is that a significant amount of outstanding taxes is under objection; namely, there is a disagreement between a taxpayer and the government about the amount of tax owing. Can you please walk the committee through the steps that are taken when there is an objection?

10:40

Mr. Gilmour: Yeah. Maybe what I'll do, Mr. Loyola, is start with some high-level thoughts around that just to give you the basis of it and then maybe ask Ian to take us through in more detail.

You're correct. Our accounts receivable are the two categories. Those in dispute, which basically means an objection is filed by an organization: we work with CRA on those. Those are about 70 per cent of the accounts receivable that are outstanding. In those situations a company files, and then it has access to different levels of courts, obviously, to dispute its filing. While it's in the court system, of course, no collection happens. We work in concert with CRA, so they're dealt with basically at the same time, and that process just unfolds as it goes.

The balance of the accounts receivable which are under the control of the department is the other 30 per cent, and those accounts receivable have been held fairly flat, a small growth over the last few years.

As far as the steps once it's in dispute, I'll maybe ask Ian just to add a little more.

Mr. Ayton: Absolutely. As Ray has indicated in his opening remarks, we work very closely with CRA. They take care of all of the auditing and reassessment of taxable income for the most part, so 99 per cent of the amounts that are under dispute is being handled by CRA on a go-forward basis through their objections, through their court system. They actually have tax court and appeals, and it can go right to the Supreme Court of Canada. For 99 per cent of those amounts under objection CRA is forwarding those through the court process, and we will duplicate the results of that once it's been established. That's when it becomes collectible.

As Ray also mentioned, we have amended our legislation similarly to the federal legislation to allow us to collect 50 per cent of an outstanding reassessment on large corporations, basically those \$15 million and over. We can collect 50 per cent of the amount under dispute by large corporations, and then the balance will be determined by the courts. Once it's established, then we take action to collect that other 50 per cent or resolve the amount outstanding.

Does that answer your question?

Loyola: Indeed, it does. Thank you.

Mr. Cyr: I've actually got a quick follow-up.

The Chair: A follow-up and then a new question?

Mr. Cyr: And then a new question, if that's fine.

The Chair: Okay.

Mr. Cyr: Are the default assessments under dispute?

Mr. Ayton: A default assessment can be under dispute. What happens with a default assessment is that we will take the best information that we have about that taxpayer that has not filed and basically tell them what they owe us by assessing that amount of income, so . . .

Mr. Cyr: Do you collect the whole amount or 50 per cent? I'm sorry to cut you off. I understand how the assessment part works. If you put out an assessment of \$4,000 for a company – I know that's small; we're using an example – are you collecting \$2,000 from that company, or are you going after the full \$4,000?

Mr. Ayton: If it's a large corporation and they have objected, we can collect \$2,000. If it's a small corporation and they have objected, we cannot go after any of that \$4,000.

Mr. Cyr: Okay. So for a small company that doesn't fall within this default assessment, are we aggressively collecting on that, or is it going into dispute? That's what I'm asking.

Mr. Ayton: It's the taxpayer's decision whether or not they want to object to that default assessment. If they do not object to it, then we will go after the \$4,000 for sure. It's only those amounts that are under objection that we cannot take any collection action against . . .

Mr. Cyr: Thank you.

Mr. Ayton: . . . while they're in the courts; that is, while it's still under objection. Once it's been established as a debt in the courts, then we go after it.

Mr. Cyr: So . . .

The Chair: Sorry. Is this another follow-up question, or is this a new question?

Mr. Cyr: This is a follow-up question on that, and I apologize, Mr. Chair.

A recent court case has come up about assessments and using care in how the assessments are done. Are we following the court case that is being pushed through right now with the CRA?

The Chair: Sorry. I would just ask that that be considered a new question. Are you referring to the Leroux-CRA case?

Mr. Cyr: I was.

The Chair: That case is concluded.

Mr. Cyr: Okay.

The Chair: That's fair game. I think that constitutes a new question, though. Do you want to ask that? You are on the list now to ask a new question if you want.

Mr. Cyr: No. That's not the question that I was going after.

The Chair: Okay.

Mr. Cyr: Sorry, Mr. Chair and to the committee.

The Chair: Yeah.

Mr. Cyr: Now, my . . .

The Chair: Sorry.

Sorry, Mr. Barnes, is it to this?

Mr. Barnes: Yeah. A follow-up to this.

The Chair: Okay. We'll do a follow-up, but then we'll go to Mr. Cyr for a new question.

Mr. Barnes: Thank you. Just for clarity: a big corporation objects, pays 50 per cent of their tax to the government of Alberta, then loses the ruling, pays the other 50 per cent plus interest, and Albertans receive that interest in full?

Mr. Ayton: That is correct. If they have paid us 50 per cent, they don't pay any interest on that amount because we have it, but the balance that they have not paid will be subject to interest until such amount is paid.

Mr. Barnes: Until it's decided?

Mr. Ayton: That is correct.

Mr. Barnes: Okay. Thank you.

Mr. Ayton: You're welcome.

The Chair: Okay. Mr. Cyr.

Mr. Cyr: Okay. My question is about collection of taxes. Now, how are we training the staff to collect taxes, and do we have the performance measures in place to be able to track if they're doing a good job or not at collecting these taxes?

Mr. Ayton: The Auditor General's remarks have been accepted. Their findings were that we were doing a great job in training collectors as they came into our organization but not as good a job on an ongoing basis. So immediately thereafter, that we received their findings, we have instituted ongoing technical training sessions. We meet with collectors across the GOA, across Canada, and with CRA to collect best practices with respect to collecting taxes. We share that with our collectors. Our collectors themselves will find that they are having better results using certain practices. We had those technical sessions on an ongoing basis immediately after the Auditor General provided those findings to us.

However, since that time we've also arrived at a training plan for every level of collector. We have different levels of collectors, and we've established a training plan for each one of those.

We also instituted a performance measure that will track the amount of time any given collector spends in training, whether that's in the technical session or formal training. We also have a target for each collector to be trained during a fiscal period. We've established a performance measure, and we are taking their comments very seriously in our ongoing training of collectors, for certain.

Mr. Cyr: One follow-up?

The Chair: Yup.

Mr. Cyr: Are these performance measures going to be public or are they going to be internal only, and if so, will you be able to make changes to the existing system once these performance measures are actually being followed, I guess?

Mr. Ayton: That's a very important point because there's no sense, in my opinion, of having performance measures without doing something about them. So if we find that a collector is not meeting

the hours established as a target, we will address that particular issue. We've established a number of new performance measures, again, to address the Auditor General's comments, some for external use and a lot for internal use. We cannot disclose a particular performance measure on any given collector; we wouldn't do that publicly. So some of them are internal, some of them are external, and some are from a strategic perspective; that is: "What collection activity is giving us the best results? What collection action might not be giving us good results? Then let's move our resources to that area."

We've established performance measures, and we're also looking at incorporating our new management information system to give us better information electronically towards some of those performance measures. Some of them we haven't established targets for yet, but we're in progress.

Mr. Cyr: Thank you.

Mr. Ayton: You're welcome.

The Chair: Mr. Barnes, was that a follow-up or a new question?

Mr. Barnes: New question, please.

The Chair: New question. Okay.

Next on our list is Mr. Dach.

Mr. Dach: Thank you, Mr. Chair. My question relates to improvements on tax collection. I think there's general agreement in the room that the vast majority of corporations pay their taxes on time and that we should expect all other companies to do so as well. Can the deputy minister outline some of the steps that have been made to improve the corporate tax collection system since the Auditor General's report was first made public?

10:50

Mr. Ayton: If I may, he said to.

No. We have taken every comment that the Auditor General had made in their findings and worked on them individually. We have done, as I mentioned earlier, a lot of work with respect to training our collectors on an ongoing basis.

To address them specifically, policies and procedures: we always had policies and procedures; however, they weren't well documented, so we took that opportunity not only to document them but to update them in accordance with our new management information system. At that time we also made sure, when we documented that policy and procedure, that we educated every one of our collectors in that new, or updated, policy and procedures.

Then we turned to our performance measures. We looked at our performance measures from three or four different levels: one being on a collector basis, on a team basis, on a division basis, and then, as was asked earlier, both internal performance measures and external performance measures. We feel that by incorporating every one of their recommendations, we will perform much better, efficient, and effective, managing our accounts receivable better, not just collecting money but managing our accounts receivable better.

Mr. Dach: Follow-up?

The Chair: Yeah. Mr. Dach and then another follow-up from Mr. Malkinson.

Mr. Dach: Have there been any trackable or noticeable improvements that you've seen so far as a result of these changes?

Mr. Ayton: We have in the fact that we are managing our accounts receivable better. The Auditor General also identified some areas where we had to do more work to manage our accounts receivable better, not just collect, so we've taken that quite seriously. We made it a priority. Our minister and deputy minister have made this a priority for us and provided us with additional funds for a number of FTEs, and we have gone out and done that.

So, yes. We are addressing the comments by the Auditor General and believe that will make us a better collector in the future.

Mr. Dach: Thank you.

Mr. Ayton: You're welcome.

The Chair: Mr. Malkinson.

Mr. Malkinson: Yeah. In your original comments you were talking about accepting the Auditor General's recommendation about procedures that were outdated and the need to keep them updated. You didn't mention – part of the recommendation out of the Auditor General's report was the need to keep those updated as new procedures come forward. I was just wondering if that was, just for clarification, part of your plan going forward and whether that's been implemented.

Mr. Ayton: Absolutely. We were somewhat remiss in that they did become outdated, and we've made a commitment that they will be reviewed on a regular basis, those policies and procedures. They are currently on our internal website, as to procedures that they should follow, which will make the updating of them easier on a regular basis.

The other part that's important is that the performance measures that we will have in place will enable us to examine what's working and what's not and then, after we've made those determinations by looking at the performance measures, make adjustments on a go-forward basis. That's a very important part of the performance measures that we've incorporated now.

Mr. Malkinson: Thank you.

The Chair: All right. We'll go to a new question from Mr. Barnes.

Mr. Barnes: Thank you. I'd like to ask Mr. Ayton or Mr. Gilmour to talk a bit more about the flexibility. In small-business experience I've seen first-hand where sometimes it's much easier to report to the Alberta government than it is to the federal government for taxation. Do you guys have any performance measures around what the flexibility that Alberta collecting its own corporate taxes may save small business or big business in terms of the cost of compliance in terms of the flexibility it allows business to go out and do what they need to do?

Mr. Ayton: The administrative burden is very important to us, and the government has highlighted that this is a very important point. We don't want to administer our own corporate tax if the administrative burden is such that it would be cumbersome for businesses out there, in particular on the small-business corporations, though, the private corporations. They do not have to even file with the province if they do not have taxable income over \$500,000. Sorry; they do not have to file if they do not have taxable income in the year. The \$500,000 describes a small-business reduction. So they don't even have to file for provincial purposes.

We're also working very hard for every corporation within Alberta to ensure that when they file federally, as is a requirement, they can push another button and file provincially. What I mean by that is that we have an electronic filing system whereby it follows

that because we follow the federal rules with respect to taxable income, it is just that simple that they can push another button electronically. Seventy-seven per cent of the returns we received in '14-15 were filed electronically. That's another important point.

A very important piece, though, of the provincial legislation for small business is the instalments. They feel that that prepayment of tax, if you will, is a real cumbersome tool for us to use to try and collect tax, and that, in fact, in Alberta is not in place, so they do not have to make instalments if they're a small-business corporation.

So those are a few of the things that we do for small businesses. Absolutely.

Mr. Barnes: Yeah. Thank you.

Mr. Ayton: Thank you.

The Chair: Thank you.

We'll go to Ms Renaud.

Ms Renaud: Thank you, Mr. Chair. Alberta is one of only two provinces to maintain its own tax collection system, as we heard, and there's been quite a bit of discussion that Alberta would be better off if the CRA collected corporate taxes on our behalf. At least on the face of it there could be a case made for that efficiency, but why do you think Alberta is better off collecting its own taxes?

Mr. Ayton: Well, as the ADM of our tax administration I might be a little biased. I just provide the facts, and the policy-makers make the decision to administer our own corporate tax. Those facts, as Mr. Gilmour stated in his opening remarks, are that because we're so closely integrated with CRA with respect to taxable income, we can keep our administration costs to a minimum. If they are going out and they are going to do all the audits and handle all the objections on taxable income, that means that we don't have to do that. That's a piece that they take care of.

However, in doing our own administration, we get to keep – through a tax collection agreement you would have to give up the interest and penalties associated with provincial tax. We get to keep that, but we also have to incur the administration costs and bad debts. We incur those costs. However, over the last six years our interest and penalties have been \$105 million on average, our bad debts have been about \$20 million, and our administration costs are estimated to be about \$10 million. So over the last six years net revenue to the province for administering its own corporate tax has been about \$75 million. We think that's a huge advantage.

Again, we do work very closely with CRA. With respect to the default assessments, those kinds of things, we actually parallel the information to see what they have on certain taxpayers.

Ms Renaud: Okay. I just have a quick follow-up for that. I'd just like to follow up with: you mentioned earlier some of the flexibility around policy changes. There was the ability to collect, I guess, the 50 per cent on the accounts receivable that were in question. Can you give us some other examples of flexibility?

Mr. Ayton: I'll give that to the policy guy.

Mr. Parsons: Okay. I don't have a name here. Mark Parsons, economics and fiscal policy. There is some policy flexibility for the Alberta government in that if it wanted to bring forward a change relatively quickly, say a new tax credit or a new measure, we could implement right away. With personal income tax, because it's administered by CRA, we are on CRA's schedule for, say, implementing a new credit of some sort. For the company there's

some flexibility on the discretionary use of deductions, capital cost allowance and things like that. They can sort of maximize those pools for tax purposes.

The other thing is that, really, for Alberta it gives us a seat at the table. With the federal government contemplating changes to the tax system now, by having our own income tax system – the federal government knows that, you know, often we do parallel with federal measures, and for the most part we do, but because we have our tax system, we can say: “Okay; we’re really at the table. We could proceed or we could not depending on what’s in Alberta’s best interest.”

Those are just some examples. You know, we have used that discretion in the past. For example, royalty deductions at one point were deductible for Alberta income tax purposes but not for federal. There is another allowance that was used for federal purposes. So that flexibility has been used in the past.

11:00

The Chair: We have a follow-up question from Mr. Cyr.

Mr. Cyr: Even if we were to hand over our tax collection to the CRA, the TRA would still exist in some form because there’s a lot more to it than collecting corporate taxes. What are all the functions of the TRA, just generally? We don’t have to go into specifics. I want to make sure people understand that just because we start collecting our taxes, it doesn’t mean we’re suddenly going to save all this money in administration.

Mr. Ayton: Thank you for the opportunity, and you’re right; we only have an hour left. I just want to make clear, though, that even in turning the collection of corporate taxes over to the CRA, they have the same legislative authorities as we do, so that wouldn’t impact the amount that they could collect or how they collect and all that kind of good stuff.

You’re quite correct that within tax and revenue we have 25 different programs that we administer on behalf of close to 20 ministries. All our commodity taxes such as fuel, tobacco, our tourism levy: those kinds of taxes are also collected through our organization.

Also, on the corporate side it’s a little misleading to expect that because you return it to the CRA, there isn’t some part that you would have to play on the corporate side. We administer our insurance tax through our corporate tax system, so there are efficiencies to be gained there. For those who aren’t aware, we collect 2 to 3 per cent and 3, 4 per cent on insurance companies’ premiums. That’s through our corporate tax system. So there are some efficiencies that we bring to our system.

We also administer PILOT, which is our payment in lieu of taxes for our electrical generation system. We administer that on behalf of the Ministry of Energy. So there are a lot of things that we would have to continue doing.

One of the big parts of being, as Mark has stated, at the table as an independent province doing its own corporate tax is that it’s very important to participate in the taxable income allocation across the provinces. We belong to what we refer to as an ARC committee, whereby provinces get together and suggest that, you know, taxable income belongs in Saskatchewan versus Alberta. Well, we have a seat at that table, so we can represent Alberta well at that table. That’s a very important part that we play in being an independent. Otherwise, if we were back with the CRA, the CRA would make a unilateral decision based on the law. So I believe there’s a lot of importance that we bring to the table beyond just returning to the CRA.

Does that answer your question?

Mr. Cyr: Absolutely.

Mr. Ayton: Because I can go on for hours.

Mr. Cyr: I would love that.

The Chair: We can’t do that because we have a lot of follow-up questions just on this topic. There seems to be a lot of interest. We have Mr. Hunter, Mr. Gotfried, and Mr. Westhead. I’ll remind that when we get into a long list of follow-up questions, we sometimes get off track, so I’ll ask everyone to keep it strictly on topic.

Mr. Hunter for a follow-up.

Mr. Hunter: Thank you, Mr. Chair. That \$16 million writeoff in 2014, if I remember correctly, doesn’t seem to be – obviously, if you have a \$75 million net profit or net gain on this, then that would make sense. My question is: with us being a resource province and this being a difficult year, foreseeably can you see this ratio causing us concern?

Mr. Ayton: I can only address that from an administrative perspective, and I’m going to turn it over to Mark here in a minute because he’s one of the economic forecast guys that do that kind of stuff, with our input. We have recognized that – we’re not oblivious to the newspapers and what’s happening in the economic world – and we have talked to our collectors on an ongoing basis as to how we might be able to mitigate some of those circumstances, absolutely, trying to address some of our collections earlier than later, those kinds of tactics. So we are trying to address that. We do take the economics into consideration.

As to projecting what our writeoffs might be the next year: that’s more Mark’s department, with our input. However, that \$75 million figure that we did put forth is over the last six years, and there have been some ups and downs within that last six years with respect to interest and penalties and with respect to the amounts that we have written off or provided for in our allowance.

With that, Mark would you like to . . .

Mr. Parsons: I think you answered most of it. Typically what happens during the economic cycle is that you would have, actually, sort of overpayment during the early stages and then more refunds because you didn’t generate as much taxable income as you originally thought. Then, you know, refunds go up, and then you do get an increase, just looking back, in some of the interest and penalties during the downturn.

In terms of forecasting that’s a tricky thing to do, but we do our best with the refunds and penalties during the cycle. This one is a little bit different because it hit suddenly, and there was a lot of momentum. Companies actually stayed profitable for quite a while during the downturn. Now we’re starting to see more of the effects, and that showed up in our last budget forecast, where we have a big drop in corporate profits. Then CIT collections actually get hit over more of a two-year period. There’s actually kind of a two-year impact. We saw that in 2009-2010, where it takes a while for it to catch up.

The Chair: A follow-up, Mr. Gotfried?

Mr. Gotfried: Thank you, Mr. Chair. There have been several mentions of the \$75 million, which I think sounds like a positive figure in terms of return with respect to the costs. I guess what I’d like to understand a little bit better is: based on typical CRA success with similar debt profiles, what is the net benefit to us of administering it? The \$75 million is the actual, but what would be the net benefit compared to us having the CRA administer the same processes against the same debt profile?

Mr. Ayton: I'll try to explain that, but if I'm not getting to answer your question, I'll ask for . . .

Mr. Gotfried: Maybe I'll just clarify. If it's \$75 million and that is our success rate, as it were, and if we turn it over to CRA and their success rate or ratios that they've had say that we would only have received \$45 million, I would say that the net benefit of administering is \$30 million. I don't know if you have any metric specifically on that, but I'm just interested in the net benefit to Alberta of administering our own through the TRA.

Mr. Ayton: Okay. Maybe I could go back and explain how I get to the \$75 million, and that might help. Through a tax collection agreement, if we agreed to go back to CRA, the agreement states that we'll pay all the amounts that are finalized, not under objection but finalized, to the province of Alberta. We'd get all of that amount outstanding. That's great. However, we're going to keep all the interest and penalties. Okay? What that means for Alberta would be that we wouldn't get the \$105 million that has been the average over the last six years. We wouldn't get that. But we wouldn't incur the \$10 million it costs us now to administer our own corporate tax. We would have been receiving the \$20 million that we wrote off on average over the last six years. We would have lost out on \$75 million.

Now, you're quite correct that if the interest and penalties were not \$105 million over the last six years, then maybe that \$75 million would have been more or less. Going back to the CRA, at this point in time we would lose that interest and penalties, but we wouldn't incur the \$10 million going forward. Our accounts receivable – and, again, I can only speak to this because Ontario did this a number of years ago, where they returned their corporate tax to the CRA. They still had to collect the amounts outstanding at the date that they went back. The CRA only administered on a go-forward basis. Also, in Ontario's case they did not have the same taxable income. They fooled around with that kind of stuff, a much bigger organization, all that kind of stuff. Their administration costs were huge, comparatively speaking, and that's why the integration with the CRA is so important, from our perspective, to keep those administration costs down.

I'm not sure if I answered your question, though.

11:10

Mr. Gotfried: It's not an easy answer, as you've pointed out, because there's a lot of conjecture to try and decide how much better off or worse off you might have been under that. I'm sure that there are many metrics that you look at constantly.

Mr. Ayton: Absolutely.

Mr. Gotfried: I mean, your results are positive and strong, and I think that's a positive for us. The what-ifs we may never know exactly if you were to turn the keys over, as it were.

Mr. Ayton: Absolutely.

Mr. Gotfried: Great. Thank you.

The Chair: I know people have actually been on top with our follow-ups. It's just such a broad, specific question that we're into.

Mr. Westhead, with one more follow-up. We're going to end the follow-ups on that list here, and then we're going to go to a new question.

Mr. Westhead: Thank you, Mr. Chair. Well, it seems like you're painting a pretty clear picture that TRA provides a net economic benefit to the province, you know, in terms of revenue returned, but there's something that hasn't been mentioned that I just wanted to

ask about, the number of jobs that this creates in our province. If we're administering our own corporate taxes here in the province rather than sort of hiving it off to Ottawa, is there a net employment benefit for people getting jobs in that department?

Mr. Ayton: I believe so. It would be up to the CRA whether or not they increase their staffing within the province of Alberta as a result of now administering the provincial tax in Alberta. Personally, I don't think that they would have to because CRA administers the federal tax within Alberta. They do the same number of audits, which, again, we talk to them about, in the province of Alberta as they do in other provinces on a per capita basis. In my opinion, we have a lot of advantages through the efficiency and the employment that we provide within our organization.

Mr. Westhead: Thank you.

The Chair: All right. That one was straying pretty close to a new question, though.

All right. We're going to go to a new question from Mr. Gotfried.

Mr. Gotfried: Great. Thank you, Mr. Chair. The Auditor General in his October 2014 report had suggested eight performance measures, and a few jumped out at me which I think are fairly standard and, I'm sure, very high on your list: the age of debt and the age of debt possibly at writeoff as well. Could you maybe just update us on where you are with implementation of those eight performance measures as indicated by the Auditor General so that we can hopefully measure those as we go forward in terms of performance against, I think, the 2017 audit?

Mr. Ayton: Right. We have, as I mentioned earlier, taken those recommendations and implemented them by using comparisons to the CRA and other tax jurisdictions and have come up with a whole bunch of different performance measures, some that are refined and in place today and others that we are still collecting information on and looking for a proper target. Again, some of those targets are somewhat elusive, so we're looking at historical information as to how we can establish the best target. If you would like me to mention some of the specifics, I can certainly do that.

Mr. Gotfried: In the interests of time, I guess that maybe I'm interested in: if there are eight, have you felt that you've made significant progress on five or six of those given that we've gone, you know, probably better than halfway through the time period where you'd be expected to meet those new guidelines?

Mr. Ayton: Absolutely, and in front of me here I have four pages of performance measures that we are considering, and they're at various stages of completion. Some of them that we can collect information on currently are in place. We know how many files a particular collector closes in a month, and we have a target because of the historical information that we do have. The days that it takes to close a file, those kinds of information: those are complete. However, for some of it we have set up the performance measure, and we're waiting for the implementation to our computer system by March 16 to make sure that the computer starts collecting this information so that we can provide that performance measure. So they're at various stages. Some are established; we know what we want to do, but we haven't established that target yet just because we don't have enough information.

So, yes, we've taken the comments seriously. We've looked at every aspect of those eight that were mentioned in the Auditor General's report and, in my opinion, taken it beyond that to address our performance measures and make sure that we're doing the right

thing. One of the things that was mentioned in that eight was: how do we know which action is producing the best results, for example, from a strategic perspective? We've started to track that information already with respect to some of the actions that we do take. Hopefully, that one will be in place, and we'll be able to react to it. That's the important part.

Mr. Gotfried: Okay. Thank you.

Mr. Ayton: You're welcome.

The Chair: We're going to a new question from Mr. Malkinson.

Mr. Malkinson: Thank you, Mr. Chair. On page 51 of the AG's October 2014 report, you know, one of the recommendations was that the TRA does not "consistently use risk assessments to prioritize their caseload" in terms of collections, and that was also something that Mr. Saher brought up in his opening comments. I'm wondering what steps you are planning on taking to address this in the future.

Mr. Ayton: What we have done is that based on historical information when we created our current system, we've added in factors that we've asked the computer to consider for every account; that is: have they failed to pay us in the past? Some of that information has now been incorporated into our management information system so that when an account hits, it runs through some of these algorithms, if you will, to assess the risk associated with that particular account. Then it spits it out, and that risk assessment will be identified to the collector. So, yes, we have done some of that risk assessment.

We also take quite seriously larger amounts because there are provisions under our legislation to allow us to go after a particular account more aggressively; it's called a jeopardy assessment. If we think that there is a possibility of flight, for example, of a particular corporation or their directors, we can assess under a jeopardy assessment and go after it without waiting the certain number of days that we're supposed to be waiting. So we do that kind of risk assessment, too.

We took the risk assessment based on our historical information and plunked that into our computer, which assigns it to the account, and when that account is assigned to a collector, they will be able to identify the risk associated with it. There is also a hierarchy given to our writeoffs. So we've taken that risk assessment to the nth degree with respect to all the work that we're doing within collections.

Mr. Malkinson: Okay. So you feel that these are satisfying the recommendations that are in the Auditor General's report with the computer risk assessment, the ability to do jeopardy assessments if, like you said, somebody is at risk of flight. So you're feeling confident in that.

Mr. Ayton: Absolutely. We are just waiting to finish off a few of the other adjustments, again, to the recommendations that the Auditor General has made, and then we're anxiously awaiting Phil's arrival to come and have a look at what we've done. Phil is the member from the Auditor General's that will be doing our follow-up.

Mr. Malkinson: All right. Thank you.

Mr. Ayton: We've already met with Phil, actually, to go over a few of the comments and say: "This is what we have planned. What do you think?" So we're doing it on an ongoing basis.

Mr. Malkinson: Thank you very much.

The Chair: We will go to Mr. Cyr for a new question.

Mr. Cyr: Thank you. Now, it was only after the Auditor General's report that we came up with that there were some major shortfalls or questions about how the department was being run. Are we being more proactive now that we are reactive? Are you looking at new ways of collecting taxes or ensuring that corporate returns are filed? Where are we with that?

Mr. Ayton: You're quite correct that the Auditor General identified a concern that we were not up to date in our allowance calculations and not up to date in our writeoffs because we were concentrating on just collecting money. Now I think that we are at a point where we're managing our accounts receivable properly.

What I mean by that is that, yes, we were looking at a lot of our performance measures. We were looking, as a matter of fact, at our default assessments at the time. We were doing a little bit of it, but when the Auditor General came in and said, "You should do this," and the minister and our deputy minister said, "This has to become your priority," we took it very seriously and are making great leaps, in my opinion, as to meeting those recommendations.

11:20

On a go-forward basis, I think I've mentioned a couple of times now, the performance measures that we have in place are going to do exactly that; that is, make sure that we are updating our policies and procedures on a regular basis to meet the demands of the economy at the time and to address the best way of collecting. That's very important to us. We are, as I mentioned earlier, also meeting across the government of Alberta with respect to best practices, across the provinces, and with CRA on a regular basis to not only look at their performance measures but at the way they are collecting their accounts to make sure that we're doing the best job we can.

The Chair: Is this a direct follow-up to that?

Mr. Cyr: It is. For filing returns, what are we doing to ensure that these new corporations who have never filed a piece of paper with the Alberta government will file their corporate tax returns? It's going to be hard to assess a company with no information, and a lot of these companies can go five, six, seven years before filing any paperwork. What are you doing to address that?

Mr. Ayton: Right. We collect information from our partners at Service Alberta, who administer the CORES information. CORES is the corporate registry information. We can go onto CORES and find out who has registered a new corporation. If we don't have any filings for them, that's why we can hunt them down. We also monitor information received from the CRA; that is, if they're on their corporation list. We have a corporation list, and if we find that they're not on our list but they're on the CRA list, we'll go after those particular corporations. There are a whole bunch of ways. I don't want to give out all my secrets – our secrets of administration, that is – but there are ways that we're employing to make sure that we do track down those new corporations along with the other corporations that are not filing. It's not just new corporations. We'll take action against those.

Again, as I mentioned earlier, there may be legitimate reasons why a corporation is not filing in Alberta. They may be a small corporation and don't have to file. We inquire as to why they have not filed in the first place. Once we've established that they should have been filing, then we'll go after them. We generate an

automatic letter according to our computer-generated system. We'll follow up with a demand letter for filing. Then we'll do a whole bunch of research as to if they're still in business, that kind of stuff, so that when we do a default assessment or we get a hold of them and they do comply – that is, they do file – we'll have a better opportunity of collecting that money. We don't want to just go out and default assess everybody and then not be able to collect. If a particular company has gone out of business and there are no assets or anything along those lines, why raise a million-dollar assessment if you're not going to get anything? We're looking at it seriously as to the end result.

The Chair: Thank you.
We'll go to Ms Miller.

Ms Miller: Thank you. You stated earlier that the Alberta government and CRA work closely together to collect unpaid corporate taxes. Are there any changes in law that could be made at the federal level that would make the job of tax collection easier, and how would you recommend advocating for those changes?

Mr. Ayton: Again, in conjunction with Mark's tax policy team we look at legislative changes that they're introducing federally. We talk at tables amongst the provinces as to how we can do this better, and we do bring forward ideas to try and make the collection of taxes easier. The latest and greatest adjustment, that Ray mentioned earlier, was the fact that now we can collect 50 per cent once it's under objection. We do look at the legislative and the policy pieces to make our jobs easier going into the future. To say that I have any bright ideas, we discuss them at the table; we listen to other provinces.

One thing that is interesting but is still being developed is the interprovincial tax collection. That's being discussed amongst the provinces. Those conversations take place all the time. Whether they reach legislation or policy is another thing, but we are examining. We're staying on top of all those because we do want to make it fundamentally easier for us to collect those taxes for all Albertans' benefit, for sure.

Ms Miller: Thank you.

The Chair: Thank you.
We're going to go now to Mr. Barnes for a new question.

Mr. Barnes: Thank you, Mr. Chair. It seems pretty clear that Alberta collecting our own corporate taxes is very effective; the \$75 million annually on behalf of Albertans, the flexibility from being more timely are pinpointing things toward our unique resource revenue. Has your department ever done a study looking at, maybe, other federal taxes we could look at collecting and see what the benefits would be of doing that, like Quebec does with personal taxes?

Mr. Ayton: That's a policy question. However, I will say, because I'm familiar with Quebec's system, that they're a huge organization, and they do corporate, personal, and all the taxes within their province, including HST, actually. That's a policy decision, so I have to defer.

Mr. Gilmour: Yeah. Good question. It's a situation that, I guess, to be very frank, we haven't analyzed in huge detail around the idea of exploring others. When you look at the personal income tax system, for example, the sheer magnitude is a piece. I mean, you've got millions of Albertans that file personal income tax compared to hundreds of thousands of small businesses, corporations, or in that

area. Obviously, if we were to look into those types of things – the other thing is that corporate income tax is a little bit different in nature in that it, of course, has deductions and legal reasons and a myriad of areas how, of course, corporations are established versus personal income tax, which is a lot more straightforward type of process.

I mean, is it something we can look at? Absolutely. We can explore it further, you know, but there are some, I guess, nuances there that we have to think through as we go forward on that, for sure.

Mr. Parsons: Yeah. I would just add, to raise a point on the numbers, that you're potentially increasing compliance costs for 4 million Albertans, you know, if they had to file two tax returns, in Alberta and the federal government.

The other thing is the complexity around corporate taxation. Ian spoke about just being at the table and helping to determine the share of income that's allocated to Alberta. That's a lot more straightforward for personal income tax purposes because it's based on residency, based on where you're a resident. For a corporation operating in multiple provinces, that issue is a lot more complex. So something that we're involved in is allocating that income between the provinces. That's very important, especially for a province like Alberta, which generates disproportionately high amounts, typically, of corporate income tax revenue.

Mr. Barnes: We do personally, too, though, don't we? Don't we pay higher per capita personal income taxes?

Mr. Parsons: That's right. Yeah. It's just that the allocation of that income is a little bit more straightforward at the personal level because, like I said, it's based on residency as opposed to companies operating in multiple jurisdictions.

Mr. Barnes: Thank you.
If I could . . .

The Chair: Sure.

Mr. Barnes: It's a new one.

The Chair: It's a new question? Okay. We'll put you on the list, then.

Mr. Barnes: Okay. Thank you.

The Chair: Okay. We'll go next to Mr. Westhead.

Mr. Westhead: Thank you. I just wanted to follow up on something Mr. Barnes touched on earlier, the small-business tax collection. You know, we often hear about red tape when it comes to small businesses, but you were telling us that that's not the case. I'm just wondering if you could expand a little bit more on that and if you could tell us a bit about an interjurisdictional comparison when it comes to small-business tax collection and how Alberta stacks up in that realm, especially in terms of the so-called red tape.

[Ms Sweet in the chair]

Mr. Ayton: Again, there is an administrative burden put on small corps just like large corps in that they have to duplicate the return that they give to the feds, absolutely, within Alberta. We've made it as easy as possible through our electronic filing.

11:30

We've also, as was said earlier, made it easier for them if they are not taxable not to file, so they don't have that burden, and also

not to incur the costs associated with instalments. Beyond that, a lot of the same rules federally exist here in Alberta. So they do have to file on time, they do have to pay their taxes by a certain date, and those kinds of things. Yeah. I would have to leave it at that.

Mr. Westhead: You wouldn't consider those things to be red tape. Filing on time and paying your taxes are something that people would expect to do, right?

Mr. Ayton: One thing we do participate in: CRA actually goes around to every province and conducts red-tape reduction meetings, and we make sure we attend those meetings. On a couple of occasions they have commented to us about improving our website, for example. And through the interaction with the different provinces and all that kind of good stuff it's now part of the small-business policy, which didn't come out of our ministry but was our ministry bringing it to other ministries, the one business number. The one business number is a consistent number right across Canada for businesses, any business, to deal with governments. That initiative is now in place, and hopefully that will facilitate some of the interactions with the government, which is red tape, right? We're working towards that end.

We also are working hard on our IT, our interactions with our taxpayers so that they don't have to call us for balances, that kind of thing. We are working hard to try and reduce the red tape, the administrative burden, within our own organization, for sure.

Mr. Westhead: Thank you.

The Acting Deputy Chair: Mr. Cyr, you had a follow-up.

Mr. Cyr: Instead of issuing a corporate access number, we would be issuing a CRA business number. Is this what you were saying before, so that I'm clear on how this is going to work?

[Mr. Fildebrandt in the chair]

Mr. Ayton: Right. The one business number is a consistent number used by those participating provinces from coast to coast. It's been out there for a while, and Alberta has just become an adopter. It's currently with Service Alberta. Service Alberta is our corporate registry, so instead of issuing a number out of Alberta, they would go and get that number from CRA, who maintains the corporate registry numbers for everybody in the country. That's how it would work. Then that number would be used by that corporation to deal with CRA, with us in Alberta by adopting ministries, and then they could go to other provinces and use that same number. So it's facilitating the administrative burden from a taxpayer perspective on the corporate side, on a business side to make that happen. But it has to happen through Service Alberta first.

Mr. Cyr: Will we still be issuing corporations out of Alberta with this new approach, or would this be Canada corporations?

Mr. Ayton: No, no. All it is is a 15-digit number.

Ms Chan: Nine.

Mr. Ayton: Nine-digit number. Sorry. Irene was the one that really brought this to the government of Alberta and made it work, attended a bunch of meetings with B.C., and all that kind of good stuff. We went around and sold it to our ministry here and then to Service Alberta, and then it was picked up by the small business initiative, who said: we're going to adopt it. It's a nine-digit number, and there are a few digits in there that we can use for our own purpose, to identify it as an Alberta corporation when they're

dealing with us. All the interaction from them using that number would happen behind the scenes. So they would file using that number, and we would hook it up to their number by using this black box, if you will. It would facilitate their interaction with governments right across Canada.

Mr. Cyr: So it would add to the length of incorporating a corporation in Alberta by adding this extra step?

Mr. Ayton: It wouldn't.

Mr. Cyr: I'm sorry. I don't . . .

Mr. Ayton: That's provincial legislation, and that's another piece about having to renew their corporations over and over in the five years that you're talking about, I believe. It wouldn't necessarily add life because that's provincial corporation legislation. We're only talking about the number that they would receive.

The huge advantage to the number is the fact that if I am a corporation and I move from A to B and I tell Alberta that my new address is B, now we tell everybody. You don't have to tell Canada or the province or another province, all that kind of good stuff. The information sharing on tombstone data is facilitated, so they don't have to come to us separately.

Irene just clarified that it's still a nine-digit number, and we would still have our Can. numbers, WCB would have their numbers, so that interaction would just be taxpayer facing.

The Chair: Our next new question is from Mr. Barnes.

Mr. Barnes: Thanks, Mr. Chair. Just some clarification, please. Mr. Gilmour mentioned that I think it was 70 per cent of the taxes not collected in a year is objections, and once the ruling is decided, it will be collected or not collected. So for \$20 million a year in debts that we have to write off, I'm guessing, then, that we have approximately \$60 million a year in taxes to Albertans that gets subjected and has to go through the process. I'm wondering if your department has performance measures in place, you know, to ensure that of those objections – is there a higher failure rate with objections, or are these from more successful companies that are objecting? Do we have ways to analyze that?

I'm also wondering: of the \$20 million per year that we're writing off, is part of that interest and penalties or is that all tax that was owed to Albertans? Do we have performance measures in place to track the increase or decline in that and the success of collecting it?

Mr. Ayton: I think there are a few questions in there.

Mr. Barnes: I do that.

Mr. Ayton: Let me say that our accounts receivable do reflect interest and penalties. So those amounts that are under objection and accumulating interest on them as they go through the courts are included in our accounts receivable balance. But I'll also say that when we write off that \$20 million on average over the last six years, it includes that interest, okay? So that whole amount is being written off. I hope that addresses your one question there.

Now, the amounts that are under objection. We have discussed this at length with CRA as to the success of once we do a reassessment and a taxpayer objects to it, the success through the courts. You could categorize it possibly by different types of objections and whether it's successful or not. Obviously, we believe in the reassessment that we issue. We think that we are correct. The success in the courts: you can't really account for it, in my opinion, because, again, if we didn't believe in that reassessment, we wouldn't issue it. Therefore, we believe we will be successful in the

courts 100 per cent of the time. Are we? No. But, again, in conjunction with CRA we have established that really we can't suggest that there's only going to be a 75 per cent success rate in the courts, and therefore we should only account for or allow for a greater amount that is in the courts or not.

We've discussed this at length with the Auditor General's office also when we set up our allowance on an annual basis as to those amounts under objection and those amounts not under objection. Anything over \$10 million we look at individually and make that assessment.

Does that answer your question?

Mr. Barnes: Yeah, it does. Thank you.

The Chair: Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chairman. Following the line of questioning here as well and with the state of the economy now, obviously, some of these risk profiles are changing with respect to projections on collections and the risk that's associated with that. It sounds to me like through economics analysis you're probably looking at that. Can you comment on what your projections are in terms of potential increased risks given the state of the economy and some of the businesses that are likely on the list of collection and the challenges that they're going through financially as well at this time?

Mr. Parsons: There's exceptional volatility in corporate income tax revenues, as you're aware, because that's one of the tax revenues that moves the most when the cycle changes. So, you know, you normally see corporate profits and then corporate income tax revenues fall off relatively quickly and more than the other resource revenues as well.

11:40

What we do is that we report corporate income tax revenues on a cash basis. Basically, what we do is monitor the net cash coming in, and that's netting out refunds and all that. We have a pretty good idea of where that's going this year, and then we forecast off that. Typically, what we find is, as I discussed earlier, that there is some overpayment early and then refunds that come later. When the downturn hits, it actually hurts corporate income tax revenues for a few years because you get loss carry-forwards, so companies, you know, start making money, they can carry forward those losses, and it affects the profitability down the road.

Although we expected economy-wide – and I'm speaking to budget forecasts from fall because I can't speak to anything else – corporate profits to fall 50 per cent, we actually were forecasting at the time only around a 20 per cent decrease in corporate income tax revenue, still significant, but that, even though profits were expected to come up the year after, the corporate income tax revenues would actually stay low the following years because of some of these dynamics I just talked about, with the deductions and the loss carry-forwards, and that actually wouldn't return to the '14-'15 levels over the whole forecast period.

Mr. Gotfried: Okay. Thank you.

Mr. Parsons: Hopefully, that answers your question.

Mr. Gotfried: As well as anyone can, I think, probably.

The Chair: Follow-up from Mr. Cyr.

Mr. Cyr: To go back to Mark.

Mr. Parsons: Yeah.

Mr. Cyr: We're expecting a 50 per cent decrease in profits?

Mr. Parsons: Economy-wide.

Mr. Cyr: Economy-wide. Or in Alberta?

Mr. Parsons: In 2015 in Alberta.

Mr. Cyr: But we're projecting increased corporate tax collection?

Mr. Parsons: No. Decreased.

Mr. Cyr: Okay.

Mr. Parsons: This is exactly what happened in 2009-2010. We didn't see corporate income tax revenues get hit until the next year because of that lag effect. We know that's the pattern, so that's what we have accounted for in the forecast. Yeah.

Mr. Cyr: Okay. So the forecast is showing a 50 per cent decrease in corporate taxes?

Mr. Parsons: In corporate profits. Profits, which is sort of – now I'm going to talk about the economy. You take the total amount of income in the province, the GDP, and kind of separate that into sort of a labour component and a corporate component. Corporate profits are a rough measure of the base, which we tax. Although that measure has fallen 50 per cent, we expect that impact to be spread out over the next few years instead of just in one year in terms of corporate income tax collections, right?

Mr. Cyr: We have \$5.56 billion of corporate taxes collected in the prior year. Are we expecting \$4 billion or \$3 billion?

Mr. Gilmour: We don't have the October budget in front of us, but I think we were 4 and a half billion. We were below \$5 billion. If you look at the October budget, it's got the corporate income tax shown over the next three years, and it will certainly decrease.

Mr. Parsons: It falls, and then it stays relatively flat.

Mr. Gilmour: Yeah. We built that in.

Mr. Parsons: Yeah.

Mr. Cyr: Now, is that including loss carry-backs?

Mr. Parsons: That's right. Corporate income tax is more on a cash basis, so it would include the fact that you can carry forward, back, and carry forward. Yeah.

The Chair: All right. Are there further direct follow-up questions to this? Mr. Cyr.

Mr. Cyr: I'm sorry. I would love to keep going, but I don't want to push my bounds.

The Chair: Okay.

Our speakers list is – actually, lucky for you, you are on the speakers list. You're coming up quite soon.

Mr. Loyola, followed by Mr. Cyr for any questions.

Loyola: Okay. Thank you, Mr. Chair. The Auditor General's report speaks to that your report highlights what the TRA collected in total and how much was in terms of collection actions, but it's not broken down into specifics. Has there been any assessment of which collection actions brings the highest returns?

Mr. Ayton: No. We haven't started with that performance measure. We are looking and, to be quite honest with you, I'm looking at that now as an internal performance measure because we have to be careful in the tax business about, you know, setting where we're going to look and where we're not going to look and what actions we're going to take and all that kind of good stuff because we do want to collect the money. So if we come out with a performance measure and say that our requirement to pay on banks is the best bang for the buck, then people are going to manipulate their bank accounts. To be honest with you, we are looking at that.

As a matter of fact, we did do one performance measure. We changed our letters, and it may have been before Phil paid us the visit in our collections area. We did have automatically generated collection letters, and we changed the wording, and as a result of changing that wording, we noticed a huge result in the number of phone calls that we would get from taxpayers wanting to settle or make payment arrangements and that kind of stuff. That was very successful, and we jumped on board and do that on a regular basis.

We hope to do that with other actions that we do take to show that they're good or bad or to spend more resources on those that are getting the most results. Making that public? No, I wouldn't be in favour of that.

The Chair: All right. A new question from Mr. Cyr.

Mr. Cyr: Now that we're going to a default assessment system, are we getting out the rights of the taxpayers, of corporations, to them so that they understand the rights that they've got, similar to what the CRA does with getting information out to their taxpayers? This is very important because this goes back to that original question I had about the Irvin Leroux case and the not doing of due diligence by the CRA.

Mr. Ayton: Okay. With respect to a default assessment we do not take them lightly, and that's why we had ceased doing them, actually, for quite a while, not with respect to the rights under the legislation. The Auditor General was quite correct that that legislation provided us with a tool that we were not employing, so we looked at it. We were looking at it, and we had stopped doing it for a while.

The way we're looking at it now is to try to get best results. What I mean by that is that we're looking at whether or not they have made instalments and have a credit balance with us, and therefore we should be issuing. We try to make contact with the actual taxpayer so that we know that they are operating; they just are remiss in meeting their obligation to file their tax returns. In those particular cases they seem fairly straightforward. We will prepare based on the information that they've supplied us. We'll bump that up a little to get their attention, absolutely, but then we will file it, and they will have the opportunity to correct that filing, and then we'll have an opportunity to either go out and verify that which is correct or not and pursue it from that basis.

We believe that the process that we now have in place after looking at all the information that we do receive, including the information with respect to – again, CRA calls it differently. They call it arbitrary assessments, and when they do an arbitrary assessment, we receive that information. We don't just force that through. We actually pull that information aside with an edit in our computer system to have a look at it, and then we'll make a decision as to whether or not we follow up with a default assessment of our own.

Mr. Cyr: Okay. So if we do a default assessment or arbitrary assessment, we're not actually following up and making sure that the taxpayer understands their rights within Alberta.

Mr. Ayton: The information that we will supply them with on a default assessment is basically information that they've seen before, and it basically says, "This is your income for this particular year, and this is the tax that you owe us, and if you want to make a payment, you can do so at any bank," and all that kind of good stuff. So it's information that any corporation, any business would be familiar with, and they also are made aware of the opportunity for them to object to that reassessment. Absolutely.

11:50

Mr. Cyr: When was the last year that we did default assessments?

Mr. Ayton: We started again in October 2015. Again, in October of 2015 we had reached the conclusion of our analysis and started issuing default assessments. To date we've issued, I think, 53 to 20 different corporations based on our analysis that they're still out there and they're still operating or that they have a credit balance with us, so let's do this default assessment. When we stopped before then, I couldn't tell you.

The Chair: Thank you very much.

I'll ask the indulgence of members. Because we have 10 minutes left and, I believe, no one on the speakers list, I will formally hand the chair to the deputy chair for a moment and sort of follow up on Mr. Cyr's question.

[Ms Sweet in the chair]

Mr. Fildebrandt: Mr. Cyr brought up the Irvin Leroux versus CRA case, and I believe that the recent ruling – it may have been the B.C. superior court – has profound effects on tax collection, potentially, in this country, at least for the CRA. The court ruled that there was a duty of care, and that was upheld in the appellate court. That was a case between Mr. Leroux and Canada Revenue Agency, but does that have any effect on your tax collection as a court case, and if so, what measures have you taken to begin to comply with the requirement of a duty of care to taxpayers?

Mr. Ayton: This is something that – I have not read the case, so without doing that, I'm reluctant to comment. However, the duty of care would be similar to that of CRA. So if they said that there's a new standard that the CRA has to meet when they reassess or assess taxpayers, then that may have an impact on us. But I would have to be familiar with the facts of the case, and I would certainly discuss it with CRA as to what they were doing as a result of that case also. It may be that they're appealing that result.

Mr. Fildebrandt: I believe that the case is concluded without appeal.

Mr. Ayton: Is that the Supreme Court of B.C.?

Mr. Fildebrandt: Yeah. I believe that they've exhausted their appeal.

Mr. Ayton: Okay. And they didn't get leave? Okay. Again, I can follow up with you if you'd like.

Mr. Fildebrandt: Would you be willing to provide the committee with any briefs that your department has on what measures you're taking to potentially comply with the court ruling?

Mr. Gilmour: Yes.

Mr. Fildebrandt: Yes? Thank you very much.

The Acting Deputy Chair: I believe that Mr. Gottfried has a follow-up.

Mr. Gotfried: Just a quick follow-up while we're talking about legal cases. I'm sure that one of your metrics or I'm hoping that one of your metrics would be the court success with your own tax lawyers in the jurisdiction here in terms of adjudicating cases which may be in dispute. I'm just wondering if you do have a performance measure that reflects that and, if not, whether you would consider introducing something of that sort.

Mr. Ayton: We do not have a performance measure with respect to our own. I'll refer back to the amounts under objection: 99 per cent of those will be handled by CRA; 1 per cent will be handled by us. But that 1 per cent is very important to us, too, and we do handle that through our objections and our appeal process, and we use the Department of Justice, which has two very good tax litigators on staff. However, we make a decision at every step as to the possibility of a win. We don't pursue these cases if we think that we're wrong or anything along those lines.

To actually say that success through the court system should be a performance measure: I would suggest not, because we make those decisions on an individual-case basis as we're going to the courts. Again, on several occasions I have discussed those with Ray, and we've looked at all the facts and made a decision to go forward or not. I remember a previous case that we were pursuing, and because of the change in legislation we decided not to pursue it in the courts. So those decisions are made on an individual basis. Then, to suggest that a performance measure based on the results coming out of court may influence our decisions in the future: I would be kind of wary, to be honest with you; I don't think I would go there. We do certainly take into consideration decisions, jurisprudence. Absolutely.

Mr. Gotfried: Good. That answers my question.

[Mr. Fildebrandt in the chair]

The Chair: All right. We are about four to five minutes from our scheduled time to adjourn. Are there any other questions?

If there are none, then I don't believe there would be an objection to lunch.

We have now concluded this part of the meeting. We will reconvene here in the Grassland Room at 1:30 p.m. for the meeting on the Auditor General's special duty report. Just for committee members, the premeeting brief will take place in the Foothills Room at 1.

Lunch is now served in the Canadian Shield Room, and I'll invite our guests from Treasury Board and Finance to join us. Thank you.

[The committee adjourned from 11:56 a.m. to 1:30 p.m.]

The Chair: Welcome back. We'll now start the last portion of today's meeting, focused on the Auditor General's special duty report on the expenses of the office of Premier Redford and Alberta's air transportation services program of August 2014. Members should have a copy of the briefing documents prepared by the committee research services and the office of the Auditor General on the topic.

Since we have new guests from Executive Council and Alberta Infrastructure in addition to Alberta Treasury Board and Finance, I'll ask our guests sitting at the table to please introduce themselves for the record, beginning on my right.

Ms McCann: Faye McCann, Alberta Infrastructure.

Mr. Day: Barry Day, Deputy Minister of Alberta Infrastructure.

Ms Fernandez: Diem Fernandez, Treasury Board and Finance.

Mr. Gilmour: Ray Gilmour, Treasury Board and Finance.

Ms Nelson: Marcia Nelson, Executive Council.

Ms Hibbert: Jennifer Hibbert, Executive Council.

The Chair: Thank you and welcome to the Public Accounts Committee.

We'll go around the table again for members, beginning to my right, if the deputy chair can introduce herself.

Ms Sweet: Heather Sweet, MLA for Edmonton-Manning.

Ms Goehring: Good afternoon. Nicole Goehring, MLA for Edmonton-Castle Downs.

Loyola: Rod Loyola, MLA for Edmonton-Ellerslie.

Dr. Turner: Bob Turner, MLA, Edmonton-Whitemud.

Mr. Dach: Good afternoon. Lorne Dach, MLA, Edmonton-McClung.

Ms Renaud: Marie Renaud, MLA, St. Albert.

Ms Miller: Barb Miller, MLA, Red Deer-South.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

Mr. Westhead: Cameron Westhead, MLA for Banff-Cochrane.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Saher: Merwan Saher, Auditor General.

Mr. Ireland: Brad Ireland, Assistant Auditor General.

Mr. Barnes: Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. Nixon: Jason Nixon, MLA for Rimbey-Rocky Mountain House-Sundre.

Mr. Hunter: Grant Hunter, MLA, Cardston-Taber-Warner.

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research services.

Mrs. Dacyshyn: Hello. Corinne Dacyshyn, committee clerk.

The Chair: And I forgot myself. Derek Fildebrandt, Strathmore-Brooks.

All right. Members of the Standing Committee on Public Accounts have already discussed the proposal for time allotment. Are there any questions about how that will proceed? All right.

Would a member like to move that

the Standing Committee on Public Accounts adopt the following time allotment for the three-hour special duty report meeting. For the first two hours the rotation would be the Official Opposition and government members for 25-minute blocks, followed by the third party for 10 minutes. In the third hour the rotation would be the Official Opposition, government members, the third party, the Alberta Party, the Liberal Party, if any, for 10-minute blocks, then five-minute blocks for the same rotation until the time is exhausted, with the Alberta Party and Liberal time becoming part of the five-minute blocks if there are no members of those parties wishing to speak.

Would someone so move?

Ms Sweet: I'll move the motion.

The Chair: Any discussion? All in favour? All opposed? Carried. Thank you.

I'll start by asking Mr. Gilmour to please make an opening statement of no more than five minutes on behalf of Alberta Treasury Board and Finance. Then the same length of time will be offered to Executive Council and Alberta Infrastructure for their respective comments. We will then open for questions from the committee members.

Mr. Gilmour.

Mr. Gilmour: Thank you, Mr. Chairman. Thank you and good afternoon. I appreciate the opportunity to be here again. Today I will be presenting the changes made to the travel, meal, and hospitality expense policy, which was approved subsequent to the release of the Auditor General's report of August 2014 on the expenses of the office of Premier Redford and Alberta's air transportation services program.

Changes were made to the expenses policy to address one of the recommendations in the advice provided in the special duty report. In the report the Auditor General recommended that Treasury Board establish a process to provide oversight through monitoring of the office of the Premier's expenses and to consider what type of oversight should be used for the expenses of ministers' offices. To address this recommendation, a new section on oversight of the Premier's, ministers', and associate ministers' expenses has been included in the policy. As part of the oversight reporting commitment a report package has been developed for Treasury Board to use.

There were five other recommendations in the report, relating to the air transportation services program. These recommendations, of course, are no longer relevant as the program has been discontinued. In the report the Auditor General also provided advice on various sections of the policy such as air travel and meal expenses. While the Auditor General had no significant issues with the policy itself, there were comments regarding the review and approval of expenses and the lack of supporting documentation.

The following key changes were made to the policy to address the Auditor General's advice. First, in his report the Auditor General suggested that the principles section be articulated at the beginning of the document as they are a key component of the policy. Accordingly, this has been done.

Second, the Auditor General suggested that economy class should be used unless the travel is outside of North America and there is an identified business need or an identified personal health, safety, or security requirement that exists. The updated policy requires economy class to be used, and an upgrade to business class may only be approved if a medical condition necessitates or for a demonstrated business reason. Business class must also be preapproved.

Third, meal allowances for travel within Canada will remain the same. However, as suggested by the Auditor General, a separate meal allowance will be provided for travel outside of Canada based on the federal government rates. The Auditor General suggested that the policy should articulate that the allowance model is the preferred model and that the use of standing offers is the government's preferred approach. These items have also been added to the policy.

Finally, additional requirements have been added throughout the policy to enhance the approval and monitoring of expenses. For example, a standardized travel authorization form and related procedures for out-of-province and out-of-country travel have been developed, and all departments will be required to use this form.

By making these changes to the policy, the Auditor General's recommendations and advice have been addressed, and as a result an enhanced framework will be in place for effective and efficient use of public resources.

Thank you again for the opportunity to provide this update, and I would be pleased to answer any questions.

The Chair: Thank you, Mr. Gilmour.

Ms Nelson, would you like to speak for no more than five minutes on behalf of Executive Council.

Ms Nelson: Thank you, Mr. Chairman. I'm pleased to have the opportunity to appear before the committee today. My remarks will focus on the steps that Executive Council has taken as a result of the recommendations of the Auditor General in the August 2014 special duty report and other issues related to our ministry. My colleague the Deputy Minister of Treasury Board and Finance has outlined the changes to government-wide policies, directives, and reporting processes, and I will provide some detail on the work that's been done by Executive Council to ensure our adherence to and compliance with those policies.

Since last summer we've implemented internal processes to ensure that the expenses for the Premier and her staff are in compliance with all related directives and policies. Staff in our corporate services office have been working closely with staff in the Premier's office to ensure they are aware of and in compliance with all of those requirements, and that work includes completing detailed reviews of all expenses.

With the recent changes to the travel, meal, and hospitality expense policy we will be continuing this work to ensure our processes continue to meet the requirements of the policy. We're also commencing work on training and information packages that will ensure all staff are aware of and understand the new policy and are clear about what their obligations are. We will continue to collaborate with colleagues in Treasury Board and Finance to ensure we have the appropriate review and approval processes in place. We support the changes to the policy and will ensure that the new section on the oversight for the Premier's, ministers', and associate ministers' expenses is implemented.

With respect to other outstanding office of the Auditor General recommendations, we had been asked to provide some written updates to this committee on those outstanding recommendations. I can report that we have made significant progress on all those issues. There are three recommendations related to public agency CEO compensation, evaluation, and hiring practices that were put forward by the OAG in 2008 and 2009. Presently work is under way on a review of Alberta's public agencies, including a review of governance practices and compensation of agency CEOs, presidents, and top executives. As was announced by the President of Treasury Board in November 2015, the review will be composed of three phases. This review, combined with the new legislation to expand the sunshine list, will help ensure that Albertans understand and have complete access to information on how their money is being spent in these agencies.

As part of this review ministers will be reviewing the organizations that are accountable to their departments, considering their role, mandate, board membership, and governance practices. We have secured an external consultant that will advise government on rationalizing and standardizing the compensation levels related to those agencies, boards, and commissions.

1:40

As I mentioned, the review is being completed in three phases. The first phase covers the 136 public agencies that are currently

subject to the Alberta Public Agencies Governance Act, otherwise known as APAGA, and that review is expected to be completed by spring of this year. The second phase will cover 141 agencies that aren't governed under the act, and this phase we expect to conclude this summer. Finally, the final review will cover the boards of governors of all the postsecondary institutions, and we anticipate that review being complete by fall of this year. This work will inform government practices and will allow ministers to provide an appropriate level of guidance to the ABCs under their jurisdictions.

Progress has also been made by Service Alberta on the recommendation requiring that all departments meet minimum information management/information technology security requirements as set out in the government of Alberta IM/IT security framework, monitor that they are compliant with directives set under this framework, and report the status of compliance to Service Alberta.

Progress has been made on the recommendation that Service Alberta report major security risks and noncompliance issues to the deputy minister IM/IT committee as well.

As mentioned in the update to this committee, internal audit has been engaged and has assessed the level of compliance of 16 ministries with this framework to date. In order to further improve compliance, the corporate information security officer has worked with and is continuing to work with departments to develop a plan that will make it easier for departments to understand what must be done to be compliant with the controls in place.

I'd be happy to answer any questions the committee may have in relation to Executive Council.

The Chair: Thank you, Ms Nelson.

I'll now invite Mr. Day to provide opening remarks of not more than five minutes on behalf of Alberta Infrastructure.

Mr. Day: Thank you, Mr. Chairman, and good afternoon. In addition to Faye McCann, we have other staff with us this afternoon who may assist in answering some questions.

Alberta Infrastructure works with other ministries and stakeholders to provide the infrastructure needed to support delivery of government programs and for maintaining and operating that infrastructure. In 2014 the Auditor General conducted a process review regarding the 11th floor of the Federal building. The objective of the review was to determine if Infrastructure followed its processes for approving changes to the 11th floor. Review findings were released in the Auditor General's special duty report, dated August 2014. The Ministry of Infrastructure did not receive any recommendations as a result of this review.

That concludes my remarks, Mr. Chairman. I will be happy to answer any questions from the committee.

The Chair: Thank you, Mr. Day.

Mr. Saher of the office of the Auditor General, do you have any comments?

Mr. Saher: Yes. Thank you, Mr. Chairman. In March 2014 the office of the Auditor General was asked to perform a special duty audit. We accepted the request. Specifically, our objectives were, one, to review the government of Alberta's travel, meal, and hospitality expense and disclosure policies and provide advice on whether the policies provided a framework for the most effective and efficient use and disclosure of public resources; second, to assess whether the then Premier and the office of the Premier's employees complied with such policies; and thirdly, to assess if the Department of Treasury Board and Finance had adequate processes to assess the air transportation services program to ensure the

program was meeting its objectives. We also decided to examine the Edmonton Federal building redevelopment plan and, specifically, the development of the 11th floor. Our report was published in August 2014.

The office concluded that the then Premier and the office of the Premier's employees used public resources inappropriately. They consistently failed to demonstrate in the documents we examined that their travel expenses were necessary and a reasonable and appropriate use of public resources. The Premier used public aircraft for personal and partisan purposes. The Premier was involved in a plan to convert public space in a public building into personal living space. The Department of Treasury Board and Finance had not explained to Albertans why it believed the extra cost over alternatives to owning a fleet of aircraft was judged to be worth while. In our opinion, no public servant should be excused from vigilant oversight of their compliance with policies and processes designed both to protect the public interest and themselves from bad judgment.

The report was an audit of the expenses of the then Premier and the Premier's office. It would be wrong for anyone to extrapolate our findings and conclusions to the public service of Alberta as a whole. Subsequent to our report the government disposed of its fleet of aircraft. That left outstanding, from our point of view, our recommendation that Treasury Board oversee the expenses of ministers and their offices, including the Premier. The Deputy Minister of Treasury Board has explained to you how the government has responded to that recommendation.

In my opinion, I believe the PAC today should be attempting to satisfy itself that necessary changes have been made to manage the risk of inappropriate use of public resources. Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Saher.

As we move into questions from committee members now, I will relinquish the chair to the deputy chair for the next portion of the meeting since I have questions to ask, myself.

[Ms Sweet in the chair]

The Acting Deputy Chair: Thank you very much, and good afternoon, everyone. It's my pleasure to chair this portion of the meeting.

We will be starting with the Official Opposition for their first 25 minutes. The first 15 minutes will be with Mr. Fildebrandt, and the last 10 minutes will be with Mr. Barnes.

Mr. Fildebrandt, please go ahead.

Mr. Fildebrandt: Thank you, Madam Chair. Thank you for this opportunity to speak today to the Public Accounts Committee. I've been deeply concerned about the perks of those in power and the belief that they are entitled, too.

I think that we all owe a debt of gratitude to the work done by the office of the Auditor General in regard to the special duty report before us today. That was work that needed to be done because the government of Alberta could not keep itself in check at the time. The most important finding made by the office of the Auditor General was the toxic and corrosive power of the former Premier's "aura of power." The aura of power proved to be so powerful that everyone, from the cabinet level through, potentially, portions of the public service on down, looked the other way while extravagant expenses were paid, luxurious penthouse suites were constructed in secret, and an entire government fleet, which had begun as an emergency service to fight forest fires, was abused for partisan purposes.

The Acting Deputy Chair: Mr. Fildebrandt, do you have a question?

Mr. Fildebrandt: I do.

The Acting Deputy Chair: Okay.

Mr. Fildebrandt: I'm deeply concerned about the ability of officials in the government to say no. I'll begin my questions.

The Acting Deputy Chair: Thank you.

Mr. Fildebrandt: I would like to begin with the most important finding, I believe, in the Auditor General's report.

The answer is the aura of power around Premier Redford and her office and the perception that the influence of the office should not be questioned. We observed a tendency to work around or ignore rules in order to fulfill requests coming from the premier's office in ways that avoided leaving the premier with personal responsibility for decisions.

That's from page 2 of the special duty report.

First off, I would like to know when the "aura of power" first inserted itself into the Premier's office and began to intimidate other ministries into a state of noncompliance with government policy. I will put that question first to Executive Council.

Ms Nelson: I am unable to speak to the substance of your question because I was not in Executive Council at the time that you're referring to.

Mr. Fildebrandt: What department were you in at the time?

Ms Nelson: I've been in several departments.

Mr. Fildebrandt: Okay. At the time of the former Premier coming to office, were you a member of the Department of Infrastructure?

Ms Nelson: I'm here today to speak to the questions that arise for Executive Council out of the special duty report from the Auditor General for 2014.

Mr. Fildebrandt: Very well. Is there a witness before us who can speak to the question? When did they find, in their view, speaking for a department, that the aura of power of the Premier's office first inserted itself into other departments, be it Treasury Board and Finance or Infrastructure or other departments?

The Acting Deputy Chair: Mr. Fildebrandt, I'm just going to caution you on the line of questioning. We're sticking to the report and not making assumptions and putting our public servants on the spot to have to address certain situations.

Mr. Fildebrandt: I'm sorry. I believe the report was clear that there was an "aura of power" that inserted itself into other offices and that undue influence from the Premier's office was felt in other departments. The report was very clear on that. I'm asking witnesses before us today when they feel that influence first became apparent.

The Acting Deputy Chair: You're asking for personal opinion, and I would refrain from trying to put public servants on the spot to create personal opinions.

Mr. Fildebrandt: Who can answer the question?

1:50

The Acting Deputy Chair: Mr. Fildebrandt, I will rule you out of order if you continue with this line of questioning. Please redirect yourself onto the next line of questions.

Mr. Fildebrandt: I would like to know how the Premier's office at the time made it clear that it should not be questioned. Were there penalties for challenging authority? Were the people punished for speaking up or wanting to blow the whistle? What methods would be used by the Premier's office to maintain that power? I'll put it first to Executive Council.

Ms Nelson: I can answer that measures have been put into place at Executive Council with respect to internal processes to ensure compliance with the GOA-wide policies. We've done a number of things, I think. Very importantly, we've developed an approval matrix for travel and related expenses that makes it clear to all staff what the approval is that is required prior to commencing travel.

Mr. Fildebrandt: Sorry. No. That's not my question. My question was – I would like to know how the Premier's office at the time was able to make directives to other departments that it did not have the authority to make. Were there penalties for challenging authority from the Premier's office?

Ms Nelson: As I said, I'm here to answer questions in relation to the recommendations made by the Auditor General in the special duty report for August 2014.

Mr. Fildebrandt: Yes. And this is directly related to the report. The report says very clearly that there was an aura of power emanating from the Premier's office and that people in departments felt that they could not question the political staff speaking on behalf of the Premier. So my question was: were there penalties for people who wanted to challenge authority coming from that office? That is clearly related to this report.

Ms Nelson: All I can say, as I've said, is that I'm here to answer questions related to the recommendations made by the Auditor General out of the special duty report.

Mr. Fildebrandt: Yes. And this is clearly a part of it. The Auditor General clearly highlighted this as a very serious issue, that there was no check on the office of the Premier, that processes were circumvented, that political officials in the Premier's office could tell officials in other departments what to do, circumventing proper channels of authority. That is what I'm asking about.

The Acting Deputy Chair: Again, I think we need to focus on the questions specific to the Auditor General's report. You're asking around assumptions about staffing and how our public servants would be able to interact within their office space. This isn't an opportunity to bully our public servants . . .

Mr. Fildebrandt: I don't believe that's happening.

The Acting Deputy Chair: . . . so we need to be making sure that we're focusing on the Auditor General's report.

Mr. Fildebrandt: I think that page 2 of the special duty report makes clear that this is what happened. This is a clear concern highlighted by the Auditor General, and I believe that Albertans and taxpayers are owed an answer for how proper channels of authority were not properly obeyed. How is it possible – the Auditor General made it crystal clear that political authorities emanating from the Premier's office told public servants what to do where they did not have the authority to do it. It's a simple question. You could say, "No, it didn't happen," or you could say, "Yes, it did happen" and how it happened. Were there penalties for challenging authority from the Premier's office?

The Acting Deputy Chair: Mr. Fildebrandt, I'm ruling you out of order. Please continue onto your next set of questions. This line of questioning is no longer valid.

Mr. Fildebrandt: An additional concern I've had is that the former Deputy Minister of Infrastructure in her current role is the ADM of Executive Council. Executive Council provides leadership to other ministries in the government of Alberta. The ADM has a senior role in Executive Council. The ADM was a top civil servant at Infrastructure while the sky palace was constructed as well as during the controversy about which minister cancelled the project. My question is: what message does it send to the employees of the public service when someone who couldn't challenge elected officials on violations of policy is promoted to an even more senior role within the government? That is Ms Nelson.

The Acting Deputy Chair: Mr. Fildebrandt, can you please focus on the Auditor General's reports? If there are specific individuals who are listed in the Auditor General's report that you would like to discuss, we can go there. We are not picking on public servants. They were not listed in the report; therefore, it's not valid to discuss them in this context. Please move on with different forms of questioning.

Mr. Fildebrandt: Is the chair ruling that the issue of the aura of power and power of the Premier's office are not valid topics for discussion under today's report?

The Acting Deputy Chair: The staff that you are trying to name are not a valid topic of discussion. Individuals who are employed by the Premier's office in this current context are not part of this discussion. You can talk about what is existing in the Auditor General's reports but not about specific bureaucrats.

Mr. Fildebrandt: All right. What assurances can Executive Council provide Albertans that they will be able to say no to a Premier or Premier's office asking to do things that they don't have authority to do when they have not proven themselves able to say no in the past?

Ms Nelson: I'd be happy to speak to the changes that Executive Council has brought into practice as a result of the Auditor General's report. As I mentioned, we have developed a very specific approval matrix for travel and other types of expenses that makes it clear to staff what approval is required prior to commencing travel or undertaking activities that have expenses related to them, and this does include approvals that relate to the Premier herself. We have done extensive work to educate staff in the Premier's office on these existing policies and processes so that it is clear how officials need to conduct themselves.

We have enhanced generally the monitoring and review of the travel and expense processes across the ministry. Much of that oversight work has been done by our staff in corporate services, and our staff work directly with staff in the Premier's office to do that. I have a series of activities that I could name for you in terms of what the matrix looks like, what activities we have undertaken in terms of education and training, and what specifically we do in terms of monitoring that process.

Mr. Fildebrandt: Thank you very much. I certainly commend the department for improved expense policies following from the Auditor General's recommendation, but my question was also geared to what happened, very clearly named in this report: what about circumventing existing policies? The report very clearly states that there were existing policies and procedures that were

clearly circumvented. What assurances do Albertans have that we can stop that kind of circumvention of existing policies and processes from happening again, when we know it happened?

Ms Nelson: I think the most important thing in terms of ensuring policy compliance is, first of all, ensuring that all of your staff are aware of what the policy is; that you've provided appropriate resources, whether written or training or coaching; and that we do follow-up monitoring on how that information and that training has worked. All of those pieces are the measures that we have in place now in order to provide the kind of assurance, I think, that you're asking for.

Mr. Fildebrandt: Beyond educating public servants to know what is appropriate or not – sometimes this can become more muddled when the Premier's office or someone from the Premier's office orders public servants to do something that might be grey. They might know that it might not be appropriate, perhaps. What mechanisms do we have in place to ensure that political staff from the Premier's office or the Premier him- or herself cannot order department officials to do something that is inappropriate? We had policies and procedures before to ensure that, and they were not followed.

Ms Nelson: Well, I can speak to, you know, the code of conduct that exists for public servants. I believe that with the current government there's a code of conduct that's been established for government members, cabinet ministers. I think adherence to those codes would allow for the assurance that you're looking for.

Mr. Fildebrandt: Thank you.

To the Deputy Minister of Treasury Board and Finance: I have some questions about the former Premier's use of the air fleet. It was the duty and responsibility of the Minister of Finance and President of Treasury Board to ensure that your ministry's funds and assets were used in accordance with ministry policy. The evidence clearly shows that the former Premier's use of the air fleet did not meet acceptable standards. My first question is: the former Premier used the air fleet more than 50 times for personal use until her resignation, as seen on page 28 of the report. You were appointed deputy minister in September 2013. Were you ever briefed on the former Premier's personal use of the aircraft when you took your position in September 2013 or after?

Mr. Gilmour: Again, when you look at the activity, I mean, all of the flights that were adhered to over the years or that time in general were all made public. There was a process where ministers were approving flights and moving forward. Was I briefed in September? No. As far as that process went, it was all made public. We have followed up since, as mentioned by Merwan, the government has moved away from the planes and sold them, and we've updated the expense directive accordingly.

2:00

Mr. Fildebrandt: Were you ever made aware of the Premier's personal or partisan use of airplanes before her resignation?

Mr. Gilmour: I didn't monitor the plane activity personally. No.

Mr. Fildebrandt: You were never made aware?

Mr. Gilmour: I didn't monitor the plane activity.

Mr. Fildebrandt: Okay. I'll yield the rest of my time to Mr. Barnes.

The Acting Deputy Chair: Mr. Barnes.

Mr. Barnes: Okay. Thank you, Madam Chair, and thank you, all, for the work you do on behalf of Albertans. I'd like to start by asking Mr. Gilmour and Mr. Day as it pertains to the 11th floor of the Federal building and the lack of stewardship of hard-earned taxpayer dollars. To me that's the main point. I believe you said that the Auditor General didn't make any recommendations to the Infrastructure department, and I want to talk to you about what you think your recommendation should be.

When I look back on this, it's a situation where, you know, the approval process of the changes was circumvented. Even when a second minister possibly said to stop it, it looks like construction of the residential part of the palace continued. I walked through there yesterday, and I believe that, other than the showers, it has continued. Dean Bennett of the *Edmonton Journal* described it this way: "a frankensuite," "a design mishmash." "Those (sky palace) bedrooms are beautiful bedrooms, but not the best meeting spaces."

So not only did Alberta Infrastructure circumvent their process, but they have spent millions of dollars on totally unusable space. When I look, sir, that your department has a budget of \$1.1 billion . . .

The Acting Deputy Chair: Mr. Barnes, do you have a question?

Mr. Barnes: What can you do to assure me that these processes don't break down in the expenditure of the rest of this money?

Mr. Day: The Department of Infrastructure has policies and processes in place around the spending of both capital and operating dollars. To the best of my knowledge in my time at Infrastructure, those processes and policies are being followed.

Mr. Barnes: Why can't your department say what it cost to make it a residential suite rather than this office suite that was planned? That doesn't sound like good oversight to me, sir.

Mr. Day: Those costs were released publicly. I don't have the date, but I do have the costs, which I can share with the committee. The full construction cost for the 11th floor totalled \$2.7 million. That included \$750,000 for all interior fit-up work, including structural work; the removal of the existing roof and construction of a new, green roof; connections to electrical, environmental, and mechanical services; the addition of a stairwell access; addition of a new elevator system connecting floors 7, 8, 9, 10, and 11. Specifically, the costs that are associated with the changes to the 11th floor, the total costs, are \$239,500. Again, released publicly. Design fees are \$138,500 of that total. The balance is about \$101,000, and \$52,000 of that was to upgrade finishes throughout the 11th floor, \$12,000 to build dividing walls, including doors. Washroom upgrades, including the deletion of the showers, was \$9,000; dressing room and closet millwork, \$20,000; kitchen cabinets, \$4,000; and doors and millwork, \$4,000. Again, all released publicly.

Mr. Barnes: Okay. Thank you. I understand that the PCs, when they were in government, never stepped foot in the sky palace. Cheryl Oates from the NDP has been quoted as saying that the NDP caucus doesn't plan to either. Is the taxpayer going to get any value from this \$2.7 million?

Mr. Day: The room on the 11th floor is configured as meeting space. There are meeting tables and meeting chairs. The use of the room: I cannot comment on that.

Mr. Barnes: Okay. Have you reviewed what happened here, the process where one minister claimed he cancelled it although construction continued for two years after? Then on May 5, 2014, a second Infrastructure minister claimed that he cancelled it, but cancelling it appears to be just to building it as a residential suite and putting in office furniture. Have you reviewed how the Premier's office and staff from the Premier's office were able to go in there and make these changes without proper oversight and how we can ensure that this doesn't happen again? What are your recommendations?

Mr. Day: I think that those findings were articulated very clearly in the special duty report of the Auditor General in terms of the actions of the then Premier's office as well as the actions of the department. As I've said earlier, we've got processes and policies in place to ensure that tax dollars are expended wisely; to the best of my knowledge, in Infrastructure we're following those processes and policies.

Mr. Barnes: Okay. Thank you.

At Public Accounts on May 29, 2014, when I was questioning Ms Nelson at that point in time, I asked her which minister approved that design work. The answer was: "What would I say? Ministers don't tend to look at the designs of detailed building work as we go." It seems like the Premier or the Premier's secretary had authority to approve the design. Then does the minister actually have the authority to cancel the project? Don't you as deputy minister have a say in that? Can you explain what happened initially, and does the minister have the ability to cancel a project?

Mr. Day: Again, I can't comment on what happened other than what's in the special duty report from the Auditor General. In terms of the ability to cancel projects, that would require a Treasury Board decision today.

Mr. Barnes: So at that point in time was that the policy?

Mr. Day: I was not in Infrastructure at that time. I don't know what the policy might have been.

The Acting Deputy Chair: Mr. Barnes, I'm just going to interject for a minute because I am a little concerned about the line of questioning and the direction that the committee and some of the members are choosing to go in. We've received a report and special duty report specific to expenditures that happened under the past government, with recommendations to move forward. I would highly encourage that the tone of the meeting be how we move forward and what we can do to make the changes instead of trying to hold members that are not part of that elected body accountable for things that they can't speak to. You are trying to hold staff accountable, and for a variety of different reasons they shouldn't have to defend themselves sitting in this committee.

Mr. Barnes: Are you suggesting, Ms Sweet, that there's no value in analyzing what happened in the past?

The Acting Deputy Chair: I think that there's a way that you can analyze the past based on what the special report indicated, but holding the bureaucrats to account as individuals is not appropriate, nor would you do that with an elected official.

Mr. Barnes: Would it be fair for me to ask the Minister of Infrastructure what he thinks could be gained and learned from what happened here?

The Acting Deputy Chair: And he has responded, basing it on the recommendations in the special report. He's responded in that indication twice already. So I would encourage you to move on to something else.

Mr. Barnes: Okay. Let's talk then, sir, about oversight and processes on other projects: schools, hospitals, whatever. During my short time as Infrastructure critic it was constantly brought to my attention that per capita Alberta spends double what Ontario and B.C. spend on infrastructure. We can debate what the principal differences are, but it appears to be a fact. Are you confident – I need you to explain a little bit more about your oversight procedures on other projects.

Mr. Day: Sure. Again, as I've indicated, I believe that Infrastructure has very strong financial controls in place for oversight on both our operating and capital budgets. I'll ask our senior financial officer to explain what some of those are.

Ms McCann: For any expenditure, whether it's operating or capital, there is a budget in place. We have a system of expenditure officers who have the authority to spend those budgets and then are accountable for those budgets as they are spent. Those expenditure officers have to sign off, and they have certain responsibilities that are legislated and also that are overseen by our Finance department. We have accounting officers who actually review and make sure that all of the processes are in place. So the oversight and monitoring process and the controls around those expenditures are closely monitored.

2:10

Mr. Barnes: Okay. Ms McCann, can you tell me, please, now about the process if a change order was in place? How would it get approved? How would it get followed through? How would the oversight at the end be to ensure that fair value was received?

Ms McCann: Well, there are capital budgets in place that are approved by Treasury Board, and the program areas have responsibility to manage within those capital budgets, within the approvals that they have within the ministry. So there's reporting against those capital projects. [A timer sounded] I'm sorry. Can I continue, finish the response?

The Acting Deputy Chair: Yeah, you're good. You can finish.

Ms McCann: Within that approved capital budget there could be a contingency because there can be unexpected situations arising during construction. So a contingency could be accessed through a change order. We have expenditure guidelines or expenditure authority limits that would speak to what authorities or what law can approve a change order.

Mr. Barnes: Okay. Thank you.

The Acting Deputy Chair: Thank you very much.

We will now move into the next 25 minutes with the government caucus. I would just ask that as members rotate through, they identify who will be taking the next turn, please.

Mr. Malkinson.

Mr. Malkinson: Thank you very much. I'll start off the questioning. This question is for the Auditor General. The special report on page 27 identifies three specific instances where government aircraft was used for the sole purpose of raising money and building organizational capacity for the Progressive Conservative Party of Alberta. Specifically, on October 25, 2012,

12 PC political operatives, including then Premier Redford, the current Member for Grande Prairie-Wapiti, the former Member for Red Deer-South, the former member for my riding of Calgary-Currie, the former Member for Spruce Grove-St. Albert, and the former Member for Edmonton-Rutherford, all of whom were ministers at the time, as well as other MLAs and PC political staff flew to Grande Prairie for a party fundraiser on the taxpayers' dime. I'm wondering: why did the report focus exclusively on the PC Premier and not on all senior PC government officials who in the three cases identified all broke the rules as well?

Mr. Saher: I'm not sure how to answer that question. I think the report was clear as to who was on the plane. You're characterizing it as focusing on certain individuals. If that's the impression you've got, all I can say is that that's the way in which it was written. I don't think there was any desire to – clearly, the whole report turned out to be a report on the activities of the former Premier. So if the focus was there, that's what the report was.

Mr. Malkinson: Okay. Thank you.

The Acting Deputy Chair: Ms Renaud.

Ms Renaud: Thank you very much. I need to talk a little bit about the repayment of the partisan flights, some of them. In March 2014 in a piece in the *Huffington Post* the former spokesperson for the Canadian Taxpayers Federation and current Member for Strathmore-Brooks called on the PC leader to reimburse taxpayers for some of the travel expenses. After the AG's report was released, the PC Party president announced that the party would repay taxpayers \$6,500 to cover the cost of flights taken by multiple PC officials to partisan events. Did the PC Party actually repay the money? The question is to Mr. Gilmour or, if you're unable to answer, perhaps to the Auditor General.

Mr. Gilmour: I believe they did. I would have to check the records to verify that a hundred per cent, but I believe it was done.

Ms Renaud: Okay. Just to follow up, given that on one flight alone there were 12 senior PC officials, was \$6,500 the correct amount of money to repay? How was that figure determined? How much would it cost in the private sector to charter a flight for 12 people over four different segments, from Edmonton to Grande Prairie to Calgary to Edmonton?

Mr. Gilmour: As we looked at the costs – and this information was made public every year with all the flights that were shown – we have a breakdown of the budget and how the costs were allocated per individual on the flight. I can't speak to that specific flight off the top, but we can certainly provide that information on the allocable cost and how that was broken down.

Ms Renaud: Okay. Thank you, Mr. Gilmour.

The Acting Deputy Chair: Member Loyola.

Loyola: Thank you. This is to you, sir, Mr. Auditor General. Following up on the question from the Member for Calgary-Currie, my colleague, the flight manifest clearly highlights that using government aircraft for exclusively partisan activity was not just a problem for the PC Premier but, rather, a problem for the PC Party. We know that the then minister and now current Member for Grande Prairie-Wapiti, the former Member for Red Deer-South, the former Member for Calgary-Currie, the former Member for Spruce Grove-St. Albert, and the former Member for Edmonton-Rutherford, all of whom were also ministers at the time, along with

the other MLAs and senior PC political staff were on the flights for October 25 to the northern Alberta leader's dinner. I wonder if you, Mr. Auditor General, investigated whether any other PC officials used government aircraft for exclusively partisan purposes, and if so, why not?

Mr. Saher: I think the way that I would answer that is that the details that we have set out on page 27 are the findings from the investigative work that we did do. To the best of my knowledge – and I'll have my colleague Brad Ireland confirm this – we did not set out to do a full investigation over an extended period of time on whether or not government planes were used or on the extent to which over a fixed period of time there was definitive evidence of partisan use of planes. From my point of view, we were looking in at the activities of a particular individual. In reporting what we have, we made it clear that the systems and processes in place were insufficient to prevent partisan use, and in my opinion all that it was necessary for the audit office to do was to demonstrate that the systems had in effect broken down.

Loyola: But it did become evident, when you were looking into it, that there were others within the party that were using the fleet, using the airplane?

Mr. Saher: I think what became evident and is clear from the report and your questioning is that there was a pattern of behaviour, and I think that from my point of view as the Auditor General it was important to indicate that this behaviour could be tolerated within the existing system or, put another way, that the existing system didn't have the capacity to identify it and call a halt, if you will. Extending our investigation to identify every case in which this could have happened, in my opinion, was not going to be a good use of the resources of the audit office.

Loyola: Okay. Thank you very much.

The Acting Deputy Chair: Mr. Malkinson.

Mr. Malkinson: Thank you, Chair. Just following up, Mr. Saher, on what you were saying before, that you were looking to report about the systems and that they weren't necessarily able to identify every partisan activity that the planes could be used for, I was wondering: just for the public record could you explain why it would be inappropriate to use government aircraft exclusively for partisan events?

Mr. Saher: Yes. I think that's quite simple. Public assets are to be used for the benefit of Albertans. Partisan use is use for a political purpose, and I think it's generally accepted that partisan use of public assets is inappropriate. I can't give you chapter and verse of where exactly that's written down. I just take that to be a fundamental truth that I think most Albertans would accept and that most people accept.

2:20

I mean, at the time there was discussion with departmental officials on what would happen if a plane was in fact used for public purposes and partisan purposes. Would it be possible to allocate the costs? Well, in any situation accountants can come up with formulas to allocate costs, but our sense at that time was, you know, that the partisan use would have to be minor in relation to the primary use. Efficiency, just common sense, might dictate that A is in a particular place on public business and that having gotten to that place, it might make sense to engage in some partisan activity. From a practical point of view, we engaged in those discussions. If the fleet had continued in existence, we had made recommendations

which were designed to ensure that systems were established, put in place to deal with situations of that nature, but given that the fleet doesn't exist anymore, I think it's moot. I haven't spent any more time thinking about it.

Mr. Malkinson: All right. Thank you very much.

The Acting Deputy Chair: Mr. Dach.

Mr. Dach: Thank you, Madam Chair. To the Auditor General I direct my question. Sir, recently in your comments you noticed and remarked that there was a pattern of behaviour within the previous government that showed an abuse of public tax dollars. In the course of your audit you interviewed the then Minister of Infrastructure, now the current Member for Grande Prairie-Wapiti, regarding the development of the Premier's suite, now known commonly as the sky palace. I'd like to ask the Auditor General: did the former minister exercise appropriate oversight of his department as the Premier sought the development of the space?

Mr. Saher: On page 44 of my office's special duty report we set out the facts in the belief that simply chronicling exactly what happened, who did what and when, was the best that my office could do. I've not sought to look into this chronicle of events and then translate that into judgments on the behaviours of the individuals involved. I think that the job of an audit office is to make clear what happened, and it's the job of the Public Accounts Committee, parliamentarians, and the public to look in and form their conclusions.

In relation to your question, I don't have a view on whether or not the behaviours of the particular minister that you're referring to were good or bad. I can simply tell you his connection to the events that have been referred to as the building of the sky palace.

Mr. Dach: A quick follow-up. It is your view, though, that public servants who, if they should see wrongdoing, would . . .

The Acting Deputy Chair: Mr. Dach, just as I commented to the Official Opposition, if we could refrain from that and move on to a different question, please.

Mr. Dach: Fine. I'll cede to the next questioner.

Ms Miller: My question is for Infrastructure. Why did the Department of Infrastructure, which reported to and was accountable to the former minister, accept revisions to the Federal building when the only authorization was by a junior political staffer in the Premier's office who attached their signature to the floor plans?

Mr. Day: Again, I refer to the special duty report of the Auditor General, page 43, the second-last paragraph on the page, the last sentence in that paragraph: "The department told us [the Auditor General] that it viewed the Premier as the authorized decision maker for the 11th floor user group."

Ms Miller: Thank you.

I've got a follow-up. On page 44 of the report the Auditor General notes that the department confirmed with the former minister's office that the plans signed by the junior staffer were sufficient to proceed. Did this process follow proper procedure? If not, was the minister providing sufficient oversight of his office?

Mr. Day: I can't comment on the procedures that were in place at the time. Certainly, the procedures that are in place today would bring that into question.

Ms Miller: Thank you.

The Acting Deputy Chair: Dr. Turner.

Dr. Turner: Thank you, Madam Chair. In the report the Auditor General notes that the biggest risk in management of the government's aircraft fleet is the risk of personal and partisan use. To the Auditor General: were there any systems whatsoever to manage the exclusive partisan use of the aircraft by the PC leader or by the senior PC Party members?

Mr. Saher: Well, I think that you can judge the quality of the system by the results that are a by-product of the system. I mean, I'm not trying to be facetious. The only way that I can really go at it is to look at the results and conclude that the appropriate systems were not in place. As we had anticipated that there was every likelihood that the air transportation services program would continue, we had crafted a series of recommendations which were designed to put in place a solid, robust system going forward.

Dr. Turner: Thank you.

As a follow-up – it may engender the same answer, but I do want to ask – were there any systems in place whatsoever to manage the risk of exclusive partisan use of the government aircraft fleet by the then minister and now current Member for Grande Prairie-Wapiti, the former Member for Red Deer-South, the former Member for Calgary-Currie, the former Member for Spruce Grove-St. Albert, and the former Member for Edmonton-Rutherford, all of whom were ministers at the time? I ask because these ministers were on the flight to the PC leader's big fundraiser in October 2012, and this was explicitly identified by the Auditor General as having nothing to do with government business.

Mr. Saher: Yes. You anticipated right. The only answer I can give you is that, clearly, systems that should have been in place to prevent such use of a public asset were not in place.

Dr. Turner: Thank you.

The Acting Deputy Chair: Mr. Westhead.

Mr. Westhead: Thank you, Chair. I want to sort of ask a question that relates to the repayment cost, the \$6,500. In the Auditor General's report on page 40 he specifically notes that Treasury Board and Finance doesn't publicly report its flight costs and the methodology used to cost the services it provides. I also note that in the wake of the report the PC Party president, you know, talked about repaying the \$6,500 because the PC leader, the ministers, and PC political staff used the government aircraft for the partisan purposes that we've been talking about. My question is: given that Treasury Board and Finance doesn't publicly report the flight costs, how would the PC Party president have known the cost for these flights if they weren't publicly accessible?

Mr. Gilmour: That's as I mentioned before. What we did report is that we reported the total costs of the activities. We reported every flight that was out and the number of people on the flights. But as far as this particular incident, I'll have to get back to you. I don't have the information off the top of my head.

Mr. Westhead: That's it.

The Acting Deputy Chair: Any other government members? No? Okay.

Then we will move on to Mr. Gotfried.

Mr. Gotfried: Thank you, Madam Chair. If you'll indulge me for a second, I'd first like to just note that the Progressive Conservative caucus agrees with, supports, and accepts the Auditor General's findings and recommendations on these issues. Furthermore, the behaviour of the former Premier does not reflect the values of myself or my caucus or Progressive Conservatives across the province of Alberta.

2:30

I'd like to just get into some more forward-looking questions, I think, with respect to our presenters today with respect to some of the policies that are being changed to protect Albertans going forward. My first question relates to, you know, what I believe are the all-important initiatives, extracting value from the all-important regional, national, and international trade and investment outreach and relationship-building initiatives, which relate very much to some important issues for Albertans; namely, access to markets and international industrial and economic development issues. I think we all recognize that there are some opportunities to utilize our international offices better, to reduce travel, utilizing staff on those ends and possibly engaging in more teleconferencing as well. But I wonder what we can do going forward to ensure that we don't handicap some of the initiatives and the outreach initiatives that are undertaken by government while still ensuring that we have frugal stewardship of hard-earned taxpayer dollars.

Mr. Gilmour: Thank you, sir. I mean, I guess, on that, as I mentioned in my opening comments, we have a travel, meal, and hospitality expense policy that was in place and continues to be in place and has been enhanced following this report that came out from the Auditor General. Whenever there is travel, I think it's pretty clear in the policy now as to the process as far as getting your travel approved, as far as expenditures that are allowable when you're on these trips. Actually, with missions and activities that are done anywhere internationally, those are all publicly reported now, with everybody playing a role in that. You've also got – of course, all that information comes out regularly from all the ministers and associate ministers and deputies when there is any travel. You know, where it's required and where that happens, I think you've got a pretty good process in place, that reports everything publicly and is very transparent as to what the costs are and where they go.

Mr. Gotfried: Excellent. It sounds like we're well protected in the changes that have been made to the policies.

In terms of some of the issues that were addressed in the report and, I think, have also been addressed in terms of changes, there was reference to government contracts, both federal and otherwise, that relate to hotel rental cars and those sorts of opportunities, that are commonly used during any kind of regional, national, or international travel. There were references to the updating of those. Are those being monitored on a regular basis with those other organizations in terms of government rates, hotel rates, and contracts to ensure that we are getting the best value for Albertans?

Mr. Gilmour: Again, on that, I mean, we've built it right into the policy now, of course. Service Alberta had that before, but now it's built into the policy that for any accommodation or vehicle it's preferred that you use these types of places when you do that. Again, that's all reported publicly on a regular basis, so as anything comes out, people will be able to see ministers or ministers' staff or different individuals, where they're spending or where they're staying or how they're allocating their [inaudible].

Mr. Gotfried: Are those just guidelines and recommendations, or is there some way to maybe not enforce – “enforce” might be too

strong a word – but to strongly encourage that those best values are utilized where possible?

Mr. Gilmour: When the new policy came into place in the fall, it was followed up on a couple of measures. I've sent a letter around to all of the deputies and all of the ministers to make them aware of the changes. There is training that is being set up and established with all the ministers' offices, all the deputies' offices, and the rest of the bureaucracy as far as the process, the forms to be used and in what manner. That's all proceeding as we move forward.

Of course, we've also established, as I mentioned at the front, a standardized travel authorization form that's going to be used around the government for that. Now, on that front, I mean, departments are encouraged for any travel, if there's an opportunity to save at somewhere cheaper, to explore that and to move forward. I think those are the steps in place. Those will help us move forward as we go.

Mr. Gotfried: Okay. I guess, sort of on that similar line: I'm not familiar with what the current policies are, whether there is a travel management company which is operating on behalf of all departments or whether that's left to individual departments or even ministers and individuals. Is that in place, has that been looked at, or is it felt that some latitude and independence has served the public well?

Mr. Gilmour: Traditionally it has been left – some provinces have a centralized process; others don't. At the current state Alberta does not. Individuals are allowed to find whatever travel they look for. We have had meetings with centralized groups to try to get a better feel for how it's worked – what are the pros and cons in other provinces? – and moving forward, nothing has changed to date, but some of those discussions have certainly happened.

Mr. Gotfried: Full disclosure: I spent about 20 years in the travel and airline business, so I have a little bit of knowledge about this, and I know that it is in some respects easier to enforce policy, again, or to at least adhere to policy where you've got travel management groups that are basically contracted to uphold those as well. Just a comment in that regard.

In looking at some of the policies – I know that there were some comments and changes in policies with respect to economy versus other classes of travel. There's, I think, a little bit of confusion out there because economy-class travel does not actually dictate the kind of ticket that you purchase. Typically the least expensive economy tickets would be excursion fares with some restrictions involved whereas a full economy fare is not a whole lot different than a business-class fare. This policy does not specify that, and it hence can be open for additional costs to be incurred by the public purse, which would not necessarily have to be done. Again, you don't want to buy the most restrictive ticket, but in most cases semirestrictive tickets allow for changes at modest cost.

I just wonder if that's been looked at by your department, not just what the surface of the rule is but what the actual fact is in terms of ensuring that the most cost-effective methods are utilized by individuals. Again, I think your policy does specify where there may be business or medical reasons in terms of maybe somebody's flying somewhere for 14 hours and has to do some business and turn around and come back, and it is required for whatever reasons that that be looked at. But I just wanted to know if you've looked at that. There have been abuses at the federal level with that in the past. A blind eye was turned for many, many years in terms of full economy fares versus maybe the least expensive or even sort of a middle-ground excursion fare, and I just wondered if that had been looked at by your department.

Mr. Gilmour: I mean, I guess, as we define economy, it would certainly be under the impression of what the regular person would view as an economy fare, as a regular fare on a plane. When we changed the policy and moved forward, what we did is that we put the purpose and principles in the front end of the policy, just cited a couple of the principles about how taxpayers' dollars are to be used prudently and responsibly, with a focus on accountability and transparency and also, you know, expenses that are necessary and economical with due regard to health, safety, and security, so those measures. I mean, we've outlined – as you noticed in the policy, if you've had a chance to look at it, there are half a dozen to a dozen key principles that are laid out at the outset with the idea that all flights would be economy other than for the preapproved situations.

As far as the other piece you mentioned, I mean, it's a piece we can certainly explore further and look at, but right now, clearly, the impression was or the indication is that it would be economy fare, which would be what people would assume to be economy.

Mr. Gotfried: Okay. A lot has been talked about with the fleet, which is now a moot point, as I think was mentioned by the Auditor General. I guess my comments or concerns going forward are that now we are probably in a situation as a government to occasionally have to access charter services to achieve some of the same results, particularly for outlying communities that do not have regularly scheduled air service, where business must be done, priorities are in place, and places must be visited on a timely basis or in emergencies, et cetera. Can you maybe tell us how some of the learnings from the fleet experiences have now translated over into government policy with respect to charters and other types of transportation?

Mr. Gilmour: Yeah. Good question. In the event that commercial flights are not feasible, a request to use a charter flight can certainly still be made. Charter services are provided to government by air charter companies that are placed on a standing offer list. Working together with staff in our air charter service, a department would request a flight and get a cost estimate. The request then goes to the office of the Premier for approval. Once approved, Service Alberta is brought into the process to assist with finalizing the details and selecting the appropriate vendor. At the end of each month a report is produced and posted online containing all the details of the charter flights that have occurred over that past month, including the date of the flight, the charter company that was used, the departure and destination points and times, the purpose of the trip, and the persons aboard.

The Acting Deputy Chair: Thank you very much.

We will now return to the Official Opposition. Mr. Barnes, you're going first for 10 minutes.

2:40

Mr. Barnes: Thank you, Madam Chair. Just to be clear, my intentions are to, you know, strive for maximum value for the taxpayer, and with the case of the 11th floor, obviously there were processes in place that were broken, were circumvented, and I believe that understanding better what happened will get the taxpayer more value in the future.

I want to talk about page 4 of the Auditor General's special duty report. Just slightly beneath the bottom half he talks about the responsibility.

Improved oversight of travel, meals and hospitality spending by this office needs to occur at two levels:

- The most senior officials in government, deputy ministers, are responsible for making and controlling disbursements within departments. This responsibility

includes designing systems to ensure expenditures of public money are reasonable and appropriate and ensuring established processes are followed. Vigilance includes questioning or challenging spending decisions made by the premier and the government ministers. Those discussions may be difficult but they are necessary.

- Elected government members can also do more.

I'd like to ask the Auditor General: I presume that this was a case prior to 2012-2014, when the sky palace was being built?

Mr. Saher: I think we were writing there of how things should be every day, in the past and the future.

Mr. Barnes: Thank you, sir, and in four years I've seen your actions speak to that clearly.

On page 2, again in the special duty report, you've written, "No public servant, not even a premier, should be excused from vigilant oversight of their compliance with policies and processes designed both to protect the public interest and themselves from bad judgment." When it comes to the 11th floor of the Federal building and circumvention of the appeal process, do you have any thoughts on who public servants could've turned to, who could've ensured that this was more transparent and orderly?

Mr. Saher: So your question is: were there mechanisms that existed that would have allowed public servants who felt that they were obliged to do things that they didn't think were right – you know, what systems, processes are there?

Mr. Barnes: Yeah. That's part of it. Some of your work has uncovered that, you know, the Premier's assistant came down and signed the floor plan and the changes, and because there was a belief that the Premier and the Premier's assistant had authority to do that, the scope of the work was changed. Any thoughts on why that wasn't questioned?

Mr. Saher: No. I can only tell you – and the facts are in the report. I mean, as I keep coming back to that particular sky palace, we felt that all that we could do would be to chronicle the facts. You know, as Auditor I certainly don't have, my colleagues don't have – it's not in our toolset to, you know, carry out interviews as to: can you explain exactly why you did this? I mean, to the extent that there were explanations why, they're chronicled. The only conclusions that I could come to, stepping back and looking at the whole, were the conclusions that we made on page 2, that in effect there was a situation in which the desires of the Premier of the day essentially were carried out.

Mr. Barnes: That was against process, right?

Mr. Saher: Yes. Processes were, in effect, not followed to allow that to happen.

Mr. Barnes: Okay. Thank you, sir.

I'm concerned about the middle of page 44 and what you discovered on November 2012. Under your notes:

The main change between the November floor plan and the June floor plan was a revision to remove the bedroom furniture from the suite and replace it with meeting room furniture. We were told . . .

I presume that "we" means your department.

. . . by the architectural firm that this change was done as a security measure so that it would not become widely known that this was residential space for the premier.

Looks like cover-up to me. For security reasons, for media reasons, for political reasons: in your work on this did you discover any cover-up? Did you discover anything that was less than transparent?

Mr. Saher: We discovered exactly what is written there. My brief to my colleagues was: go out and do your best to find out exactly what happened, the order in which things happened, and to the extent that you can be provided with an explanation as to why, find that out, and we'll put it down. That's, I think, as far as we believed that we could go. We were definitely told that by the architectural firm. That's why that fact is there. If you believe – you're entitled to read this and speculate. In the end the only people who really would know exactly what the situation was were the people involved in this series of events.

Mr. Barnes: Thank you, sir.

Again, it's still a question as to what systems failed, so I would like to first of all ask Ms Nelson if she's willing to comment on which systems she thinks failed with the circumvention of the approval process in converting this suite from office to residential at the wasted cost of \$2.7 million.

Ms Nelson: All I can say is that I'm here today to speak to recommendations in relation to Executive Council.

Mr. Barnes: Thank you.

Mr. Gilmour, will you answer the question for me, please?

Mr. Gilmour: I'd have to say also that I'm here to speak to the Treasury Board issues.

Mr. Barnes: Okay. Thank you.

Mr. Day, do you have any thoughts now in your current position as to, reflecting back on this, how the processes appeared to be in place but they were just missed, ignored, not conveyed to people? What do you think happened, and what can we do to make sure your new processes are listened to?

Mr. Day: Again, I'm not going to speculate on what may or may not have happened at the time as, you know, again, I was not involved in this project at the time. I have said that the processes and procedures we have in place today, I think, are robust and, as explained by Ms McCann, fairly rigorous in terms of oversight of financial expenditures.

Mr. Barnes: I hope you're right, sir.

I don't think you answered my question last time when I asked: can the Minister of Infrastructure cancel a project? Is he the only one who can do that?

Mr. Day: My response was that I believe that today cancellation of a project would, I believe, be a Treasury Board decision.

Mr. Barnes: Okay. And you told me you were unsure what the 11th floor of the Federal building should be used for. You said that you didn't know. I'm sorry. I thought it was Alberta Infrastructure that was in charge of the use of current government-owned properties. So if it's not Infrastructure that decides what the 11th floor might be good for, who would decide that?

Mr. Day: Infrastructure's role is to fit the floor up to the level of the client department. In this case the client department is Executive Council for the 11th floor, so the meeting rooms were furnished to the requirements of Executive Council in terms of the furniture that was provided.

Mr. Barnes: Okay. Thank you, sir.

Ms Nelson, what should we use it for?

Ms Nelson: As Barry mentioned, the 11th floor rooms are fitted up to be meeting rooms, and you can see that some of them are boardroom style, some of them are more open space, and that's the intended purpose for those rooms.

Mr. Barnes: Who's the user going to be?

Ms Nelson: I don't know that we've engaged in a complete conversation with the Premier and her staff about who the users would be. We could anticipate that it would be public servants because the entire building is accessible to public servants. It could be nonprofit groups, it could be the broader public, but we have not had a conclusive discussion with the Premier's office about that.

Mr. Barnes: Okay. Do we have any information on the current overall use of this building now? How often is this room used? How often are the other meeting rooms used? Are we short of space?

2:50

Mr. Day: I can't comment on that, Mr. Barnes. I can tell you that the floors that are being used by government staff, by the Alberta public service, are to the best of my knowledge fully utilized as are the MLA floors. Beyond that, I can't comment on how often meeting rooms are being used.

Mr. Barnes: Okay. Thank you, all.

Derek.

Mr. Fildebrandt: Thank you, Mr. Barnes.

I'll continue with the rest of our allotment of time here. I will quote from the report. Mr. Barnes has already noted this. "No public servant, not even a premier, should be excused from vigilant oversight of their compliance with policies and processes designed to protect . . . public interest and themselves from . . . judgment." It's very clear that officials involved in this are all subject to questioning and accountability. I think questions involving senior officials in the public service are entirely within order and are entirely within the spirit of the report in which we are dealing.

I'll resume some of my questions now with Treasury Board and Finance. At any point did you or the deputy minister at the time discuss the misuse of aircraft with the former Minister of Finance of the day?

Mr. Gilmour: On the aircraft activity, a lot of this, as I mentioned before – approval authority for aircraft was granted to senior bureaucrats and also to ministers' offices that it would go through. So I did not have any discussions ahead of when the report came out and was certainly more aware of it afterwards.

Mr. Fildebrandt: To the Auditor General: in your findings was anyone but the Premier aware of the inappropriate use of the air fleet?

Mr. Saher: I'm hesitating because I really should be answering that question based on this report. The report, I think, sets out the processes that were in play. All I can tell you is that I go back to my earlier answer, that the systems and practices that were in play resulted in or at least allowed what we concluded was inappropriate use of planes. I can't tell you exactly who knew. I can't tell you whether they behaved properly or improperly. All I can tell you and my purpose in preparing this report was to tell Albertans that something was wrong, and here are the results of systems and practices that are not designed in their best interests.

Mr. Fildebrandt: In the investigation that you conducted, is it in your opinion that someone other than the Premier must have been aware of the Premier's actions?

Mr. Saher: Well, yes. I mean, just from a simple logical point of view, you know, if a plane was flying from Edmonton to Calgary with only the Premier on board and a close associate, then it would be obvious to anyone observing that situation that the plane was being used solely by the Premier and her associates. Whether or not that translated into a clear indication, "Gosh, this is wrong; I need to do something about it," I can't tell you that.

Mr. Fildebrandt: Thank you.

To Treasury Board: was anyone within the Department of Treasury Board and Finance aware of the Premier's misuse of the planes?

Mr. Gilmour: Not to my knowledge.

Mr. Fildebrandt: Nobody in the department responsible for . . .

Mr. Gilmour: I'm not going to assume. Somebody, maybe, to my knowledge at this point in time.

Mr. Fildebrandt: So you're not aware of anybody within the department responsible for the planes . . .

Mr. Gilmour: There might have been, sir. I'm not going to make an assumption. To my knowledge at this point in time, if there was, again, I'm not going to assume it.

Mr. Fildebrandt: The Auditor General found that there was partisan use of the aircraft by the former Premier and her cabinet colleagues at least eight times, on page 27. To Treasury Board: did the former minister of the time ever express any concern about the partisan use of aircraft before the Premier's resignation?

Mr. Gilmour: I didn't have those discussions, and you'd have to ask him.

Mr. Fildebrandt: We would have to ask the former minister?

Mr. Gilmour: I didn't have any discussions with him on that.

Mr. Fildebrandt: Was the former minister aware of the practice of using the air fleet for partisan or personal purposes in any way?

Mr. Gilmour: Again, I wasn't aware.

Mr. Fildebrandt: Did the former minister do anything about the partisan use of the air fleet by the Premier, his caucus colleagues, or cabinet colleagues?

Mr. Gilmour: I wasn't aware.

Mr. Fildebrandt: Given that it's been found that the former Premier used public assets for her personal use, I have a few financial questions. As far as monies she paid back, according to page 31 of the special duty report, the former Premier paid back \$3,156 for the personal use of the air fleet and \$44,254 for the trip to South Africa. The costs paid back were calculated using air transportation services variable costs on page 31 of the report. My question and concern is: shouldn't the fixed costs be included as well? That is to say that in the private sector you add up the fixed and variable costs to your total costs and are charged based on that. What would the cost of the former Premier's trips be if the fixed costs were included as well as the variable costs?

Mr. Gilmour: I'm not in a position – I don't have those facts in front of me right now.

Mr. Fildebrandt: Is your department aware of how much that would be?

Mr. Gilmour: I'll have to check and see.

Mr. Fildebrandt: So you're not aware if the department has any idea of how much it would cost?

Mr. Gilmour: Well, you have your fixed costs . . .

Mr. Fildebrandt: Fixed and variable I'm talking about.

Mr. Gilmour: Yeah, I know. But this terminology or how this came up with the costs: I'll have to check. I don't have it off the top of my head.

Mr. Fildebrandt: All right. Well, we have filed a freedom of information request for that information with your department.

Mr. Gilmour: Okay.

Mr. Fildebrandt: Variable costs break down to \$3.86 per mile. The fixed costs are \$13.17 per mile, significantly higher, therefore meaning that based on private-sector practices the former Premier has certainly not paid back the costs. Is there any intention or plan from the department to recoup the actual full costs on both a fixed and variable basis?

Mr. Gilmour: We haven't discussed this issue since this time, so I can't really tell you because it hasn't been a point – it was dealt with at this time, and I haven't had further discussions on it.

Mr. Fildebrandt: What the Auditor General referred to as the aura of power was created as a result of the bureaucracy working around approved policies and procedures. What confidence can Executive Council provide to the committee that the policy workarounds identified by the Auditor General in his report are no longer occurring? The Auditor General has said that all public servants need to be held accountable. Was anyone involved in the workarounds outside of the Premier's office held to account? I'll put that to Ms Nelson.

Ms Nelson: The question I can answer is with respect to what level of assurance that we can provide that staff are adhering to the policies and procedures that Treasury Board and Finance has established. I've spoken to that to the committee to this point. I've also spoken to the fact that a code of conduct exists for public servants. A code of conduct exists for ministerial staff, for staff in the Premier's office, for ministers, that speaks to ensuring that they are adhering to the policies and procedures that have been laid out for them and, again, doing the training and the follow-up in the education with that.

Mr. Fildebrandt: Was that code of conduct in place at the time that these pieces took place?

Ms Nelson: As I understand it, the code of conduct that I'm referring to here was put into place December 19, 2014. So it would not have been in place at the time these events occurred.

Mr. Fildebrandt: Okay. That is about on that side, but the Auditor General made clear in the report that there needs to be rigorous questioning and accountability of officials involved, both at a political level and at senior levels of the public service. My question

still stands on the table. What has happened within Executive Council to ensure that officials involved in workarounds of established policies and procedures have been held accountable?

3:00

Ms Nelson: Again, what I would point to is that Executive Council has undertaken a significant effort to ensure that we are compliant with the policies that government has established through the Treasury Board directive.

Mr. Fildebrandt: That is not my question. I'm asking the question: what has been done to hold officials accountable within the department who have worked around policies and procedures that were in place? That is the question, very clearly, on the table.

Ms Nelson: I guess all I can say is that I'm not aware that there are any officials from that time, from 2012, that remain in those offices today given the change of government that we've had in the Premier's office, and the policies and procedures that are set out from Treasury Board are being adhered to by all the public servants that . . .

Mr. Fildebrandt: I understand that the Premier's office staff has obviously changed, but within Executive Council and senior levels of other departments within the government the level of change has obviously not been as significant. You say that you're not aware of anyone within these departments who was involved with workarounds of existing policies and procedures, that nobody was involved in workarounds of existing policies and procedures on the public service level.

Ms Nelson: I think what I said was that I'm not aware of any staff from the Premier's office time that are there currently because, of course, there's been the change in government.

Mr. Fildebrandt: I'm not asking about the Premier's office; I'm asking about Executive Council.

Ms Nelson: Well, Executive Council does incorporate the Premier's office.

Mr. Fildebrandt: Yes, but I'm asking about within the public service. Within the public service is there anyone who was involved in workarounds of policies and procedures, who was there at the time of the abuses, involved with those abuses, who is still there, or if they are not, were they held to account?

Ms Nelson: I think that if I would turn back to the findings of the special report from the Auditor General from 2014, to my knowledge he did not identify that there were public servants that were acting outside in the way that you have described, and I am not aware of any instances of that nature.

Mr. Fildebrandt: I think the report is crystal clear, that political officials in the Premier's office were directing public servants in Executive Council or in Infrastructure what to do, circumventing policies and procedures. The report is crystal clear on that. I don't believe that that is a matter that's up for debate before this committee. Clearly, some public servants were engaging in practices that broke policies and procedures. They are people. They were there. My question, and I'll ask it again: are they still there, or if not, were they held to account?

Ms Nelson: I guess that, for my part, I look at the Auditor General's report – and I think the Auditor General made this point himself this afternoon – at the bottom: “This was an audit of the expenses of

Premier Redford and her office. It would be wrong for anyone to extrapolate our findings and conclusions to the public service of Alberta as a whole.”

Mr. Fildebrandt: Yes, as a whole, but individual places within the public service are clearly connected with what happened. What happened did not happen in a silo. The Premier’s office did not physically go to the 11th floor of the building we’re in and start putting up curtains. Clearly, there were people within the public service complying with the orders they were given when they were being given orders from people who had no authority to give those orders. I’m asking a clear question, and I want a clear answer. Were there people within Executive Council or Infrastructure who complied with political orders from people who had no authority to give those orders? Were they there, and if they’re no longer there, were they held to account?

Ms Nelson: I think I’ve given my answer.

Mr. Fildebrandt: I don’t believe you have. This is the Public Accounts Committee, and we are charged with getting to the bottom of how public monies have been spent and investigating based on the findings of the Auditor General. The Auditor General’s findings are clear, and clearly something has happened here. You’re here to testify as to how that happened and to answer questions, and you’re not answering the question.

The Acting Deputy Chair: We are here, just to clarify, to talk about public accounts. We are not, however, here to talk about HR issues, so I think we need to be very cautious that we’re not moving into human resource concerns and whether or not people have been terminated or dismissed based on actions within their employment. I would encourage us to stay away from that line of questioning.

We will now move into the government questions.

Mr. Westhead: I just had a follow-up for the Department of Infrastructure regarding the floor plans and, specifically, November 6, 2012. My question is: did the former Infrastructure minister’s office confirm with the department that the November 6, 2012, floor plan was approved?

Mr. Day: I don’t believe we have the answer to that question. Again, I can only speak to what is in the special duty report, and the timeline in the report shows that the department received confirmation from Minister Drysdale’s office that the floor plan signed off by the Premier’s office had been approved.

Mr. Westhead: Thank you.

The Acting Deputy Chair: Ms Renaud.

Ms Renaud: Thank you. A follow-up to that question a little bit, I guess. To Mr. Gilmour or Mr. Day – I’m not sure who would like to answer – on page 44, if you look at the timeline by the Auditor General, which is quite wonderful, it appears that even though the usage of the 11th floor changed from a residential space to a meeting space, there were no significant differences between the tender documents and the floor plan that was approved by the previous minister, now the Member for Grande Prairie-Wapiti. Is that correct?

Mr. Day: Yes. There were no significant changes from the floor plan that was approved, and the reason for that was so that no further expense would be incurred. The one thing that was removed from the floor plan or from the design was the construction of the showers.

Ms Renaud: Okay. Thank you, Mr. Day.

The Acting Deputy Chair: Mr. Malkinson.

Mr. Malkinson: Thank you, Chair. I was just wondering if this question might be best directed at Ms McCann. Are you aware if at any point the former minister ever asked for a review of the floor plans of the 11th floor once the end use of the space was changed from residential to meeting rooms?

Mr. Day: Not that we’re aware of.

The Acting Deputy Chair: Any other questions from government caucus? No?

All right. We’ll move on to Mr. Gotfried, please.

Mr. Gotfried: Thank you, Madam Chair. First, I’d like to thank the Auditor General for his very objective work and review in this regard and also thank all of you for your hard work in ensuring that the best interests of Albertans are protected going forward. I’d like to note that.

I’d also like to believe that we’ve all learned from this experience and that we’ll now learn from the past and focus on the future. I think we all know, and probably the Progressive Conservative Party more than anyone, that we paid the price for some decisions and bad decisions of some of our former members and leaders. More importantly, we’ve learned to listen, to respond, and to act and reflect the values expected of us by all Albertans while rebuilding the trust, I think ourselves, expected by all political parties, elected officials, and, as importantly, public servants. I guess part of that is, of course, in exercising and adhering to the new guidelines that you’ve developed. I think that that’s laudable, and I think that’s something that we should be focusing on and, hopefully, moving forward with.

I’ve got a few questions with respect to some of the new guidelines and how they’ll be applied and how we can ensure that they’re not only enacted and adhered to within the public service directly but also that these inclusions will be moved into the boards and agencies associated with government as well. I’d just like to get your comments with respect to how these guidelines are or, hopefully, will be in the future moved over into boards and agencies and other related organizations.

Mr. Gilmour: Clearly, as this policy applies across the government, we have different ABCs that do have their own policies. It was mentioned earlier that there’s an ABC review going on right now exploring the different things from a different perspective, but at the same time policies are certainly shared. Every ABC has a mandate with their minister, and in those mandates it’s clear that they’re expected to follow transparent policies as well on travel and those features. As that continues, the review continues, and as that continues, with communication and different pieces, we expect that it will certainly, you know, help the transparency in that regard as well.

3:10

Mr. Gotfried: Okay. I guess my follow-up question to that is directed both to yourselves and perhaps the Auditor General. Auditor General, excuse me; I’m just not certain about your jurisdiction over the ABCs as well. If you do have jurisdiction over that, would your recommendation be to extend those policies to the ABCs, and if that were so and if the jurisdictions are in place, would it also be the recommendation of Treasury Board and Finance and Executive Council and other departments to perhaps do a little more than just suggest that those be moved into the ABCs as well?

Mr. Gilmour: Do you want me to go first, or do you want the Auditor General to go first?

Mr. Saher: Why don't you go first, Ray.

Mr. Gilmour: No. You go.

Mr. Saher: Okay. I think what we have now is a good set of policies, procedures, prefaced with the principles. In my opinion, it's adequate for ministers to signal to the agencies, boards, and commissions under their oversight what the expectations are: to supply the government, these are the policies and practices we use. I imagine that the message conveyed is: we expect that you will conduct yourself in the same way to achieve the same end, which is sound use of public money.

It's not for me to comment on whether or not I think it best that it be done by dictate, "You will do this," or whether or not – well, I'll express an opinion. In my opinion, it's sufficient for those who have an oversight role to signal what they expect and to allow the agency to react and in some cases put in place practices that are appropriate to their circumstances but guided by a fundamental set of principles. Those are set out in the report, and I think that the Department of Treasury Board and Finance, in updating its policies, has ensured that the rules, if you will, the processes, are all designed to achieve the principle, which is that if there is a good business case to spend Albertans' money in order to achieve a government goal, a business objective, money should be spent. There should be an explanation of why it's being spent, and those spending it should do it in the most economical way.

I think that if that became the – I don't want to suggest that it needs to become the way that the public service does business because I have no sense that that isn't the way that it's done, but I think that the lesson learned here is that it's clearly articulated that that is the expectation that applies to everyone. I think that that's the important lesson that members of the public service should absorb, take into the way that they think, the way that they behave.

Mr. Gotfried: Great. Thank you.

Mr. Gilmour: Not a lot to add beyond that. I mean, obviously, our ABCs have their boards of directors as well, and as I mentioned before, I think the Auditor reinforced my comments around the oversight role of the ministers through the mandate documents and that as we go forward.

Mr. Gotfried: Okay. I'll hold out hope that those policies and guidelines make their way to the ABCs as well.

There was also within the report and in some of the changes in guidelines some focus on the importance of travel reports from individuals after trips to ensure that they not only were justified prior to but also reported appropriately upon return. I know that there'll be some circumstances whereby there may be some commercial confidentiality involved, depending on who they're travelling with, if there's an investment opportunity or a trade opportunity that may be of a commercial nature. What's your sense of how that can still be protected within the structure of having appropriate and reasonably robust reports on the objectives or intent of travel?

Mr. Gilmour: I guess, as you say that, of course, that effective back on March 1, 2015, for all international travel expenditures, including incremental costs, it was declared that that would be treated as a mission report, so it would include the individuals involved, the purpose of the mission, who was involved. Again, as I mentioned earlier, between this type of reporting and the

additional reporting that's made public on a regular basis from elected officials, hopefully you would be able to see and get that type of transparency that would show you, you know, the purpose of the travel, who was involved. Again, if there is a certain circumstance for a security reason, I mean, you know, I'm not going to say that's not there, but I'm not aware. You'd have to ask somebody else who would understand that better than I.

Mr. Gotfried: I'm thinking of an investment or transaction that would be controlled by other authorities as well, where there may be some securities issues involved as well.

I think that's fine for me, Madam Chair.

Thank you very much for your hard work and for your candid answers today as well. Thank you.

The Acting Deputy Chair: Thank you very much.

With the consensus of the committee I would just like to take a 10-minute break as we've gone through two rotations. Is the committee in agreement? Those against? We will return at 3:26, please, and I'll start right on time.

[The committee adjourned from 3:16 p.m. to 3:26 p.m.]

The Acting Deputy Chair: All right. We'll bring the meeting back to order, please.

We're going to be starting our 10-minute rotations, again starting with the Official Opposition. Mr. Fildebrandt, I believe you're going to lead.

Mr. Fildebrandt: Thank you, Madam Chair. The Auditor General, in answer to one of my questions before the break, stated that, logically, someone beyond the Premier must have known about various abuses identified within the report. Be it converting space on the 11th floor of this building into personal space, so on the Infrastructure side, clearly, other people must have been aware of abuses of expenses, and clearly people must have been aware of the abuse of air fleets.

In particular, the Auditor General identified that if there were what have commonly become known as fakes on a plane, if there were faked flight manifests – the Premier was flying by herself or with a very small number of people on a nearly empty plane, but all of the seats were filled – obviously someone would clue into that. It would be hard to be around the Premier or the Premier's circle or her staff in any way and not be aware of that. Alberta Treasury Board is solely responsible for those flights. So my question is following from that. Was anyone in Treasury Board aware of the issues around flight manifests?

Mr. Gilmour: Again, I guess I'm not going to assume who was and who wasn't. All the flight manifests, as I've mentioned before, were made public. I don't have anything new to add, sir, from your earlier questions.

Mr. Fildebrandt: Yes, sure, the flight manifests were made public, but they were, perhaps, even fraudulent. They were not correct. People weren't getting on planes. Did anybody at Treasury Board flag this? You know, Air Canada overbooks flights because a few people might not show up. Well, when you're booking your whole plane and almost nobody shows up except for the Premier and a few staff or family, if that's a chronic occurrence, clearly, somebody must have seen that. This is over a two-and-a-half, three-year period of time. The Auditor General has identified multiple instances where this happened. Was anybody in Treasury Board aware that flights were fully booked but people weren't showing up for them on a chronic basis like this?

Mr. Gilmour: Again you're asking me to make an assumption that I can't make right now.

Mr. Fildebrandt: So at no time did anyone in Treasury Board put up a red flag. No one within Treasury Board at any time put up a red flag and said: hey, I think something's up with the flight manifests here.

Mr. Gilmour: Again, as I've said before, the manifests were made public. Different ministers and senior officials have approval authority on that. I can't assume – sir, I'm not going to make assumptions on what I know right now.

Mr. Fildebrandt: You won't make assumptions on what you know, but I'll repeat: you're not aware of anybody within the entire department who was aware of issues surrounding flight manifests during that Premier's tenure.

Mr. Gilmour: Again, I . . .

Mr. Fildebrandt: Well, I find that rather difficult to believe. The Auditor General makes it clear that obviously other people must have known, and I believe that it would probably be more than just the pilot, who finds a rather light load when he flies the Premier.

All right. The responsibility for the flight, for the air fleet, rests solely with the President of Treasury Board and Minister of Finance under the rules at that time. Is it your belief that the former President of Treasury Board is responsible for what occurred at that time?

Mr. Gilmour: Again, you're making me make an assumption. I can't speak on his behalf.

Mr. Fildebrandt: I'm talking about clear lines of responsibility, about who's responsible for different items. Who was responsible for the oversight of those planes?

Mr. Gilmour: Again, all the ministers had approval authority for flights, as did senior officials, and that did go through our minister's office. But I'm not going to make assumptions or speculation in answering the question you made because I don't know.

Mr. Fildebrandt: But who was responsible for signing off on those flights?

Mr. Gilmour: Individual ministers and senior officials have the authority to approve flights.

Mr. Fildebrandt: So the minister was responsible.

Mr. Gilmour: All the ministers.

Mr. Fildebrandt: Was the minister aware of what was happening, to your knowledge?

Mr. Gilmour: I can't speculate. I don't know.

Mr. Fildebrandt: You won't say. Okay.

Let's turn back to expenses for a bit. Very clearly, the report identifies a very large sum of expenses that were not appropriately filed, not just that the right processes weren't in place. I understand that the government has made strides to comply with the Auditor General's recommendations on new and improved processes. That's not what my question is about. It's about why policies at that time were not followed. For Treasury Board: at any time was the issue of the appropriateness of the Premier's expenses raised in terms of complying with the policies that existed at that time?

Mr. Gilmour: I wasn't aware of that during my time in there. No.

Mr. Fildebrandt: Was there ever any kind of note or brief prepared in your department that discussed the issue of the appropriateness of the Premier's expenses?

Mr. Gilmour: I'm not aware. At this point I'm not aware.

Mr. Fildebrandt: For Infrastructure: under the new system and the old system – this is a two-part question – does a minister have the authority to cancel an infrastructure project? I understand it could be Treasury Board involved. Under the new system and the old system – I'm looking for a yes or no answer – does the minister have an ability to cancel a project?

Mr. Day: Under the new system, as I've stated, I believe, my understanding is that that decision would be taken to Treasury Board.

Mr. Fildebrandt: So only Treasury Board could cancel a project?

Mr. Day: That's not what I said. What I said was that that decision would be taken to Treasury Board.

Mr. Fildebrandt: Okay. Whose authority would it be at the end of the day?

Mr. Day: Pardon me?

Mr. Fildebrandt: Whose authority would it be, at the end of the day, to cancel a project?

Mr. Day: I believe Treasury Board would have the ability to make that decision.

Mr. Fildebrandt: Does anyone else have the ability?

Mr. Day: I'm not aware.

Mr. Fildebrandt: So it is Treasury Board under the new system. When was that system put in place?

Mr. Day: That system is in place with the new government.

Mr. Fildebrandt: With the new government. So at the time of, let's say, the 2011 to 2012 calendar years did the Minister of Infrastructure have the ability to cancel an infrastructure project?

Mr. Day: I can't comment on that.

Mr. Fildebrandt: How come?

Mr. Day: I was in a different department.

3:35

Mr. Fildebrandt: Okay. But you're speaking for your department, and I'm asking a procedural question: if the minister of the day had the authority to cancel projects.

Mr. Day: I don't know.

Mr. Fildebrandt: Would you be willing to provide the committee with that information?

Mr. Day: I will look to obtain that information, yes.

Mr. Fildebrandt: So we have a commitment from you that you will provide the committee with written notice of if the Minister of

Infrastructure had the authority to cancel an infrastructure project between the calendar years 2011 and 2014?

Mr. Day: I will do what I can to obtain that information.

Mr. Fildebrandt: Thank you. We'll be following up with you for it.

On page 4 of the report the Auditor General stated:

We found expenses were incurred on behalf of Premier Redford by others who travelled with her or made travel arrangements on her behalf. The existing system does not require a premier to certify that public money spent on the premier's behalf supported government business objectives, was a reasonable use of public resources and complied with government policies.

A few sentences down from there it says:

Throughout the audit it was difficult to find clear documentation of the rationale for travel decisions that were made because of the number of departments and individuals involved in the process.

This is a forward-looking question. Can we be confident today that the disclosure of their reported expenses by senior public officials, be it the Premier, a minister, a deputy minister, et cetera, is all of their expenses and that, for instance, an assistant to a minister would not bill for them and therefore spread out how large their expenses appear to be?

Mr. Gilmour: To my understanding, as was mentioned earlier, there's certainly an approval process for expenditures out of the Premier's office and Executive Council and for all the ministers. That information is all made public. So my understanding is yes.

Mr. Fildebrandt: So it is consolidated now. If an assistant to a minister books a flight for that minister, it is a matter of policy that that will always appear as an expense for that minister and not for that assistant?

Mr. Gilmour: That's my understanding.

Mr. Fildebrandt: Very good.

The Acting Deputy Chair: All right.

Moving on now to government caucus, you have 10 minutes. Any questions? Mr. Westhead.

Mr. Westhead: Thank you. I appreciate the careful work of the Auditor General in creating this report. It's impossible to read the report and not clearly see that it was political decisions by the previous government, its Premier and the ministries, that led directly to the abuse of public money, and the public trust decreased as a result. My question is to the Auditor General. You know, after we've examined this report, can you give us some lessons that we should learn from this?

Mr. Saher: I think the biggest lesson would be that any member of the public service – it doesn't really matter what your rank or place is – has a fundamental duty to do something about anything that you believe is not correct. You should not – and there is no expectation – follow through and do things that you don't believe are the right thing to do. I think that's the biggest lesson. I think there are ways in which one can deal with being in a situation of that nature. There are colleagues. There are perhaps individuals in other ministries, other departments that you can consult for advice. There are two officers of the Legislature who exist and could play a useful part in this.

To the best of my knowledge, before being asked to perform this work by the former Premier, we had no indication in our office that there were problems that needed to be looked at. No one had left

brown paper envelopes or written to us in any way asking us to look at anything. Arguably, with hindsight, that could be viewed as strange.

I think, in relation to your question, one lesson is that no public servant should ever allow themselves to be put into a position where they just feel: what I'm doing is not right, and I must do it because I'm in some sort of hierarchy, and my job is at risk if I do anything other than, essentially, what I'm being forced into doing. I think that's an important lesson. I think that to the extent that a government can build the processes and systems that, in effect, protect individuals, those who sign and approve the expenses of others as part of the process should – all you have is your signature, in the end. Don't sign if you don't believe it's right, and if it doesn't have the signature, it shouldn't proceed through the chain. It shouldn't get paid. Yes, I suppose some might argue: well, this would be career suicide. I don't see it as career suicide. Good control systems are designed to protect individuals, designed to encourage people to do the right thing. So I think that's the lesson from all of this.

I think I'll just leave it at that.

Mr. Westhead: Thank you.

The Acting Deputy Chair: Thank you very much.

Any other questions from the government caucus? No? Okay.

Moving on to Mr. Gotfried, you have 10 minutes as well.

Mr. Gotfried: Great. Thank you. I'll keep it fairly brief.

I just wanted to point out that as I considered public service myself, I thought about why I was here, and I felt that I was here not in spite of some of the things that we're learning about today but because of them, to try and make it better for Albertans. I feel that I'm here to fiercely defend, really, what I think are the hard-earned tax dollars of all Albertans, Alberta taxpayers. I think it's a good reminder to all of us that there's no such thing as government money. It's the people and businesses of Alberta that provide us the funds to do what we do.

I guess just a question, probably to Mr. Gilmour, but certainly it can be corroborated by anybody else. The changes being made, certainly as recommended by the Auditor General, and now part of the guidelines and also the adherence practices and processes that have been put in place: do you think that those will help to create a new culture of frugal stewardship across all offices and ministries that will put in place that new culture of frugal stewardship of the public purse going forward and more transparent expenditure of dollars?

Mr. Gilmour: Obviously, the answer is yes, but I would frame it as: this new policy is an enhancement to the culture that is there, and it will continue to do that. When we took in the recommendations from the Auditor General for the policy, we certainly made some adjustments, but we didn't redraft the policy. I mean, the policy was there. It has enhancements now, and those enhancements will continue to move forward and improve on the transparency, just like other enhancements that have happened over the last number of years around the transparency and the spending of government dollars.

Mr. Gotfried: Okay. I guess my only other question – and I think the Auditor General may have really answered it in some respects already – is that there seems to be, obviously in this circumstance, some reluctance for people to come forward and do the right thing, as it were. I'm hoping, again, that the encouragement or the embedding of that in the organizational culture, that not only is it okay to come forward but that it's the right thing to do to come

forward, is also going to be exercised not only in policy but in practice. I'm not necessarily seeking a comment, although I'd welcome it, but just any comments on what we can do perhaps going forward, again focusing on the future, to enhance that transparency in the culture that will allow us to avoid anything like this ever again in the future under any government.

3:45

Mr. Gilmour: I guess to comment, I think a lot of the steps that have been implemented line up with that way of thinking. I want to be careful that, you know, as we look forward, there's always been a focus on transparency in moving forward, and this is an enhancement to that. You've seen other things over the last few years, with the whistle-blower act that's come in. You've seen enhanced policies. I think as society changes and as things continue to develop, you're going to see continuous change at all times in these areas, and it's only for the better as we go forward.

Mr. Gotfried: Great. That's all my questions, Madam Chair. Thank you.

The Acting Deputy Chair: Thank you so much.

Mr. Fildebrandt has finished with his questions, so I'm going to relinquish the chair, and we'll switch.

Mr. Fildebrandt: Thank you.

[Mr. Fildebrandt in the chair]

The Chair: My thanks to the deputy chair for stepping in during this meeting. Questions now proceed to – I was third, so we'll go back to the Official Opposition.

Mr. Cyr: Chair, is that fine?

The Chair: Yeah.

Mr. Cyr: Thank you. This has been a long day for each one of you, I'm sure. One of the questions that I have is to each one of the Executive Council, the Treasury Board, and Infrastructure. Do you feel that the PA committee today have gotten all the answers that they needed to get out of this moving forward so that this doesn't ever happen again?

Ms Nelson: Okay. I'll start. I think that the final comments that the Auditor General made about the importance of internal control frameworks are essential. In every organization I've worked in, ensuring that people know what the rules are, that they're well trained in them, that you review that constantly, that there's a culture of accountability I think is incredibly important, and I think having the committee ask questions and, you know, pursue that accountability is very important. So those are my views.

Mr. Gilmour: To add to that, I would certainly concur. I guess from my perspective around the policy, hopefully there's a much better understanding of the changes that happen to the policy, how that's going to impact the organization moving forward. I think there's also a practice put into place and changes that have happened that will continue to evolve and move forward, and it will be a continuous involvement at all times, as I mentioned earlier.

Mr. Day: I agree with the comments and have nothing to add.

Mr. Cyr: Okay. Now, this is to Infrastructure. Can the minister, under the new rules, approve a project?

Mr. Day: The capital plan is approved by Treasury Board and by cabinet. The capital plan includes all of the projects that will be moving forward.

Mr. Cyr: I'm just trying to understand the process, then. So you would bring it, as the deputy minister, forward to the minister. The minister would go to the Treasury Board, present what he wants as a capital plan, and then the board would approve his plan. Is that kind of what I'm . . .

Mr. Day: Infrastructure's role is to co-ordinate capital requests from across government, and the minister takes that package to Treasury Board for consideration, and then Treasury Board's recommendations are taken to cabinet.

Mr. Cyr: How involved is the minister under the new plan with moving these projects forward?

Mr. Day: Again, in his role as Minister of Infrastructure he's responsible to assemble all of the requests from across government, and as you're all aware, he's asked all MLAs to provide input into capital priorities. Again, he will take those to Treasury Board for discussion and consideration, and out of that a recommendation will go to cabinet.

Mr. Cyr: Okay. Now, is it the same process for cancelling a project, then? I know I keep harping because I'm just trying to understand. He would get information from you saying that this project probably isn't going in the direction that you'd hope, and then he would take this to the Treasury Board, the Treasury Board would take it to the executive?

Mr. Day: If I could add to my earlier comments, I don't recall a project being cancelled. The process that I would use would be what you described, through the minister, or it could come from another department who, you know – if there's a project in progress somewhere where some conditions have changed or some program delivery has changed and that project is no longer needed, I would funnel that through the minister to Treasury Board for a decision.

Mr. Cyr: Are you finding the new process to be burdensome?

Mr. Day: No.

Mr. Cyr: No? Okay. Is this quite a bit different from the old process?

Mr. Day: In terms of assembling the capital plan, no. We've always gotten requests in from departments, taken it through, you know, the minister to Treasury Board in terms of the decision-making process.

Mr. Cyr: Sorry. Am I out of time?

The Chair: It's a five minute rotation. Finish your answer, and then we'll go to the next speaker on the list.

Mr. Day: Sorry. I answered the question.

The Chair: Thank you.

We'll go to the government caucus. I do believe it's not the intention to run out the clock, so if members don't have questions, we'll go around until we exhaust the questions we have.

The third party.

The Official Opposition. Mr. Hunter.

Mr. Hunter: Thank you, Mr. Chair. It has been wonderful to be able to listen and try to get to the bottom of some of the issues. I appreciated what Member Gotfried said about us being stewards of the public purse, and I know you feel the same way in your jobs. I believe that governments have to have the checks and balances so that the money is spent properly. I guess my question is: would you say that the problem was in the lack of robustness in whistle-blowing legislation or whistle-blowing procedures, or was it in other areas?

Mr. Gilmour: I was the one that mentioned that. No. I mean, every department I've worked in, that's never been an issue. Now, maybe that legislation helped moving forward, again, one of those continuous advancements as you go forward, but even before that legislation was in, there were certainly – I can't speak for everybody – incidents where people reported and that. So I wouldn't say that that was the caveat that made a drastic change, but it certainly was an enhancement.

Mr. Hunter: We're going to be talking about whistle-blowing and making it stronger. You say that that actually wouldn't help; it was already in place before. What was the problem, then, in your mind?

Mr. Gilmour: I mean, again, I'm not going to speculate on the different areas. We saw the report that came from the Auditor General. We saw the findings. Obviously, there have been improvements. Beyond what's already been said in his report, I'm not going to speculate any further.

Mr. Hunter: The only thing we have as a committee is what happened in the past, yet unfortunately, Mr. Gilmour, I have listened and I haven't heard a lot of information coming forward. How can we as a committee do our job, which is to make sure that these things don't happen again and that we understand the process so that it can stop?

Mr. Gilmour: I guess, from my perspective, that's the reason, you know, we have an Auditor General that does a full analysis of the government on a regular basis, does special duty reports. We've been able to explain today the enhancements to the policies that have come as a result of these findings. We've also been able to discuss changes that the new government has made around the processes that they use. Hopefully, you have a much better feeling as to the changes that have been made and how we can advance further. We work closely with the Auditor General's office. I mean, they will continue to be reviewing all of our financials on a regular basis, and we will continue due diligence within the public service as well.

3:55

Mr. Hunter: Thank you.

The Chair: Are there any other questions from the Official Opposition?

Mr. Cyr: I would like to continue with Alberta Infrastructure. Is there an amount that the deputy minister or assistant deputy minister can approve or cancel that doesn't go to the minister?

Mr. Day: Within the department there are expenditure authorities that allow changes within a project. For projects themselves, whether they're part of a larger program spend like, for example, highway rehabilitation, once Treasury Board approves a program, the smaller projects within that are decided within the department. The approval to increases in total project cost within the approved budget up to \$500,000 is with the deputy minister.

Mr. Cyr: Okay. So the sky palace, or the 11th floor: that being \$2.7 million was above your approval amount if you were in that seat at the time?

Mr. Day: Maybe to clarify on the cost. The \$2.7 million was the total cost that was built into the overall contract for the Federal building for the 11th floor. The changes that were requested by the former Premier totalled \$239,500.

Mr. Cyr: So you could have approved that project without going to a minister.

Mr. Day: That would not have been a project; that would have been a change order within a contract.

Mr. Cyr: Okay. But a deputy minister could have approved that.

Mr. Day: That approval authority – as long as it's within the total project cost or the total project budget that has been approved by Treasury Board, it can be approved within the departmental expenditure authorities.

Mr. Cyr: Has there been new policy put in place for deputy ministers as well as ministers?

Mr. Day: I don't understand the question.

Mr. Cyr: We found that the Premier had possibly abused her position. Do we have controls in place to avoid this at the deputy minister position or the assistant deputy minister position at that \$500,000 limit?

Mr. Day: The expenditure authority limits are approved within the Department of Infrastructure.

Mr. Cyr: So . . .

Mr. Day: And they do – sorry – incorporate the new expenditure policies.

Mr. Cyr: Great. That was actually my next question, so you kind of hit that one.

I'm going to go with a different line here. When an incident does happen within our civil service – specifically, using the sky palace or the plane passenger lists – do each one of you feel it's appropriate that nobody is held accountable for this at the civil service level? I'm not asking specifically for people, but do you think it's appropriate that no civil servants are being held to account for this breach?

Ms Nelson: I can speak to that one. As I said in my remarks, when you look at the Auditor General's report, I think he makes it clear this was about the activities of the Premier's office and her staff and that it would be unwise to extrapolate further. We've taken his recommendations that have come forward from the report and with great enthusiasm and alacrity have made the changes that he's suggested because government agrees with the findings of his report. I think staff are taking those directions very seriously with the new policy being implemented assiduously.

Mr. Cyr: From your answer can I extrapolate that you feel it's reasonable that no civil servants were held to account on this?

Ms Nelson: I think I've given my answer.

Mr. Cyr: Thank you. I respect that.
Do you have any further answers?

Mr. Gilmour: No. I have nothing more to add.

Mr. Day: Nothing more to add.

Mr. Cyr: Okay. Nothing to add.

The Chair: Thank you, Mr. Cyr.
Next on our list is Dr. Turner.

Dr. Turner: Thanks, Mr. Chair. I really want to get further discussion on the topic of, basically, the abuse by the previous government of public assets that has led to the mistrust of the general public. It's clear when you read the report that the former Progressive Conservative leader, the PC ministers, PC MLAs, and PC political staff all used public resources to advance the financial and organizational interests of the PC Party. To the Auditor General: do you agree with that general statement, and why is that inappropriate?

Mr. Saher: Well, very simply, public assets should not be used for private or partisan purposes. I mean, that's straightforward. You have said, Dr. Turner, that from reading the report it's clear that abuses took place, and I think that the fallout from that is patently clear. Albertans have in some way spoken about what they thought about that situation. I think that's how democratic processes work.

My job was to look at the facts, the situation, the documents, the explanations and do our best to chronicle those but, importantly, try to guide people towards lessons that should be learned. I think that today it's clear from the responses from the public service that lessons have been learned and systems have been tweaked, improved. I think one of the most important and symbolic changes is, you know, the government's acceptance that the Treasury Board has a role and should be involved in that ultimate oversight of the expenses of the Premier of the province. That's a very powerful message, in my opinion, that says that no Premier is above the rules and that on behalf of Albertans others who are involved in the system will exercise oversight to ensure that the rules are not broken at that level. To me that's very, very important.

I also would like to just end with one comment. At the time of the release of this report some of the lines of questioning today were put to me: "Tell me who failed." The implication was, you know, "Which public servants should be identified, and who should be fired?" My comment then was, "Yes, of course we have some knowledge through our work as to who was involved." If we take the phantom passengers, I mean, it's possible to see which public servants were involved in those processes. My point was that I don't think, I don't believe that it was right for me to scapegoat anyone. I think that it was after a lot of consideration that the words in the overall conclusion of my office's report were that, like it or not, there was this systemic belief that the influence of the Premier and her office should not be questioned. That's what it was.

Thank you.

The Chair: There is a question from Mr. Barnes. Are there going to be any others following that? Okay. There will be a few, Mr. Gotfried and Mr. Cyr.

4:05

Mr. Barnes: Thank you, Mr. Chair.

The Chair: Sorry. Was I cutting into Dr. Turner's time?

Dr. Turner: I still have some time?

The Chair: Ten seconds.

Dr. Turner: I'm going to use the word "entitlement." It seems to me that the previous government had this sense of entitlement. Would Mr. Saher agree?

Mr. Saher: I'd like to sort of bring, if you don't mind, in answering your question, this session and what it's driving at to this morning's session, which was a session looking at the public accounts of the province, the consolidated financial statements, and Measuring Up. In the end it's really all to do with results achieved. I'm not condoning misspending in an attempt to achieve a result. In the end the real focus, from Albertans' point of view, should be: is the government of the day achieving the results that it committed to in its strategic plans? That's really where, I think, there's a risk that focus can shift from what's truly important – plans, strategies, results, desired results – to thinking about inputs and recording costs spent without a clear linkage to results being achieved.

As far as I'm concerned, I think the situation that prevailed came to light. It was looked at. I believe that lessons have been learned. Will this ever happen again? I wouldn't speculate on anything like that, but I think I can tell you that the systems are that much better. I think there will have been lessons for members of the public service as a whole. I repeat what I said earlier. I don't believe any public servant should ever feel that he or she is obliged to perform some action that he/she thinks is wrong. There are places, systems, practices that can be used to deal with that. That would be my biggest lesson. My encouragement to members of the public service is: don't ever get yourself into a position where you do something that you don't think is right. There are ways of dealing with it.

Dr. Turner: Thank you.

The Chair: Valuable advice.

We still have a speakers list here. Mr. Barnes and Mr. Cyr, do you still have questions?

Mr. Barnes: I do. Thank you, Mr. Chair. Just a last thought, last question. You know, what happened with the flights and the 11th floor, whether it was interference from the Premier's office, the aura of power, as the Auditor General talked about earlier, or good public servants being concerned about career-limiting situations: all those are terrible things and terrible reasons why people couldn't or didn't come forward to do the right thing, but I can't help but wonder if it was worse. Do any of the eight people up front know about any instances of bullying or intimidation? So the Premier's office, so – these things happened? Does anyone know of any intimidation or bullying with respect to the 11th floor or the abuse of the airplanes?

Ms Nelson: No.

Mr. Gilmour: No.

Mr. Barnes: Okay. Thank you.

The Chair: Thank you, Mr. Barnes.
Mr. Cyr.

Mr. Cyr: Thank you. I'd like to thank you guys again for coming today.

My question is for the Auditor General. Actually, there are two questions to this. What does the Auditor General feel is the PAC's responsibility for the Alberta government? The next question is: does the Auditor General feel that we got the answers that we needed today?

Mr. Saher: I think that all the members of the committee have approached the content of the special duty report in different ways, but it's my feeling that as a committee, as a whole you have received assurances through your discussions with the senior members of the public service sitting here that where changes needed to be made to policies and procedures, those have been made. I think you have received a sense that, you know – well, we all know that Alberta is under new management, if I can put it that way. I think that, yes, I mean, ultimately – my advice to you earlier was that you concentrate on process, not personalities, and concentrate on lessons learned. My sense is that, taking everything, all questioning as a whole, that has been what you've achieved.

Mr. Cyr: Thank you, Auditor General. Again, I want to thank everybody.

This will be my last question. I'm sure you're probably happy to hear that.

The Chair: Okay. There was a general all-party agreement that we're going to try and finish this a little bit early. The last question to Mr. Hunter.

Do you need to be in?

Mr. Gotfried: I think I said so to you earlier.

The Chair: Okay. If there is agreement, we will make this the last question with Mr. Hunter. Is there consensus? Okay.

Mr. Hunter: I guess one of the concerns I have is that as illuminating as this has been, on May 5 the organization that the people cast their judgment on was voted out, and that was a consequence of mismanagement of public resources, and that's the proper thing to do. My question and concern are that I don't think that that fully placates the concerns of Albertans. I'm not sure whether or not they would place the blame a hundred per cent on those politicians that did that. If there was a bureaucratic element that was involved, then they may feel that they were cheated. This was the opportunity for them in public to be able to find out whether or not there were people who were involved and whether or not they have received the consequences for their actions. I don't feel that that has come forward. I hope that there might be a different way of being able to find this out in the future, but I don't think that Albertans will feel like they were able to receive their fair due in this situation.

I guess the last question that I would like to ask is: do you feel Albertans have been fairly treated in receiving an answer to both the sky palace and the flights?

Mr. Gilmour: I guess I have to go back, sir. What Albertans got to see was a report done by the Auditor General, and they got to see a lot of the follow-up and the enhancements that have been put in place since that report. Again, I'm not going to speculate if there are people involved or if something didn't – I mean, there have been a lot of enhancements in the process, and I just have to reiterate, you know, that it's identified in his report that there are no findings or conclusions that would lead one to believe that there's more in the public service. I guess that's how I'd answer that question.

Mr. Hunter: Thank you.

The Chair: All right. Thank you very much.

Well, I think I can summarize today's findings as: mistakes were made.

Mr. Gotfried: Mr. Chair.

The Chair: Yeah.

Mr. Gotfried: Am I not on the speakers list here?

The Chair: Oh. You're still on the speakers list?

Mr. Gotfried: Yeah. I've tried twice to signal that to you.

The Chair: Okay. My apologies, Mr. Gotfried. That will be our final speaker.

4:15

Mr. Gotfried: Thank you. I just wanted to reiterate that the Progressive Conservative caucus agrees with, supports, and accepts not only the Auditor General's report, findings, and recommendations on this issue but also the messages sent to us by Albertans, that the behaviour undertaken by certain individuals is not acceptable, which is sad in my mind because I think that a lot of good work was overshadowed by such behaviour and occurrences.

I guess my only question here today is to ask for indulgence in accepting an apology from the PC caucus for those issues that arose, that I think we've learned from thanks to the signals sent by Albertans and learnings and reports of the Auditor General. That's my only question today: to ask for your indulgence and also your commitment to ensuring that this cannot happen again in the future, through oversight policies and principles and guidelines and, I think, the ever-vigilant oversight of the Auditor General.

Thank you.

The Chair: I think this has been very therapeutic.

I'd like to thank our guests for attending today's meetings on behalf of all committee members. Some of you dedicated your entire day to be here, not to mention the significant preparation involved. Some of you faced very tough questions, and I appreciate your doing your best to answer them. I trust that you understand the important role of the committee. We have, I believe, held a very productive discussions today.

I also today especially want to thank the staff, who have done incredible work to make such a long day of Public Accounts successful, in particular Corinne and Philip but also so much of the ancillary staff, operating microphones and security. I think members should really give them a hand for the incredible work they did today.

Is there any other business that members wish to raise?

Excellent. As you're aware, we will meet again tomorrow, February 4, starting at 8 a.m. with a premeeting brief.

Are there additional items members want to discuss?

If not, I will call for a motion to adjourn. Mr. Loyola. Any discussion? All in favour? Opposed? Meeting adjourned.

[The committee adjourned at 4:17 p.m.]

