

[Chairman: Dr. Carter]

[2:08 p.m.]

MR. CHAIRMAN: We'll commence with item 3 on the agenda I have, which is approval of the minutes of May 21 and 27, so we can have that out of the way. Then perhaps John will be with us very soon. What is your pleasure with regard to the minutes circulated for Tuesday, May 21? It takes us back a while in time. Attached to that was the budget estimates for the Auditor General Search Committee, the advertising approach in appendix 2, the ad in appendix 3, and the position profile, draft 1, in appendix 4. Hearing the lack of a forest of comments and questions, would somebody move the approval of the minutes of May 21, please?

MR. HIEBERT: I so move.

MR. CHAIRMAN: Thank you. I'll fool Louise and not ask for a seconder. All those in favour of the motion, please signify. Carried unanimously.

With respect to May 27, when we did additional work on the position profile, the ad, and the advertising approach... Do I recognize Mr. Gurnett? Yes, I do. All those in favour of the motion to adopt the minutes of the 27th, please signify. Carried unanimously. Thank you.

We had determined earlier on that we would like to sit at the feet of wisdom and listen to one who has been there, as Solomon in all his glory, for a long time. Mr. Rogers, thank you for coming to be with us. In actual fact, if you'd like to lead us through some general comments with respect to the position, at the tail end of that, after we've had some questions and answers, we'll go in camera with respect to the other issue you raised with me earlier. The floor is yours.

MR. ROGERS: Thank you, Mr. Chairman. After that sort of introduction, I kind of choke and be silent. This is background so that everyone is aware of where I'm coming from and came from. I joined the office on October 1, 1948. I became a chartered accountant as a result of articles I served within the office, although I had served articles in the U.K. prior to the war. I subsequently was an auditor in the field, and then I became a supervisor reviewing auditing papers in the '50s.

In '59 I was asked to create a data centre because the routine prescribed by legislation was that all cheques be produced in the office of the Provincial Auditor. Consequently, when it came time to go to computers because the growth of the province was causing a lot of problems, there was no question but that it would be in the office of the Provincial Auditor. I ran that data centre for 13 years.

I was promoted to Provincial Auditor upon the retirement of C.K. Huckvale, who had been Provincial Auditor for 30 years. I was acting, January 1, 1973, and appointed Provincial Auditor, I believe, in February 1974. When the legislation was passed in the fall of 1977 creating the post of Auditor General, which is very similar in duties to the Provincial Auditor, I was made Auditor General. That was dated April 1, 1978, and I have served since. That is by way of background.

In 1973-74, the Auditor General in Ottawa, Jim Macdonell, created an independent committee to advise on what a legislative auditor should be and issued the famous report of the Independent Committee on the Office of the Auditor General of Canada. That has served as a useful tool, not only at the federal level but, I would say, in all the provinces. It was with that book in hand that I, at the request of the then Provincial Treasurer, came up with the first drafts of the Auditor General Act. So I'm speaking from a fair amount of experience.

The approach was based on the fact that if you had an adversarial position between the Auditor and the government of the day and/or between the Auditor and the Legislative Assembly or Parliament, the experience we had before us, mainly at the federal level, showed that it was entirely a counterproductive exercise. The departments, instead of putting their energies into rectifying situations pointed out by the Auditor, tended to spend all their energies justifying the unjustifiable. The only reason I mention that is simply that that was what was in mind when the Act was produced.

The Act has one or two features that are fairly unique, although less unique as time goes by because of other legislation picking up the same thoughts. One is that it instructs the Auditor to carry out what is called an attest audit. That is what is usually understood in the private sector as being an audit. It's the auditor's opinion on a set of financial

statements that they fairly present in accordance with an appropriate disclosed basis of accounting. That is usually the framework of what is called an audit as understood in the private sector and to some extent in the public sector. That was covered by section 18 of the Act.

That Act went on to instruct the Auditor that he'd have to cover other things. Those are enumerated in section 19. If I may, I'd like to go through it very briefly, because this is the key to what you're looking for the person to do. I assume that because of the training, most chartered accountants in any event have a background of auditing financial statements. So the requirements under section 18 should not be a problem, although there is a problem indeed with that section that I would like to discuss with the Standing Committee on Legislative Offices at another time.

Section 19 says that the Auditor shall report

- (a) on the work of his office, and
- (b) on whether, in carrying on the work of his office, he received all the information, reports and explanations he required.

That's straightforward.

A report . . . under subsection (1) shall include the results of his examinations of the organizations of which he is the auditor, giving details of any reservation of opinion made in an audit report, and shall call attention to every case in which he has observed that

- (a) collections of public money
 - (i) have not been effected as required under the various Acts and regulations [et cetera].

In other words, the same sort of thing for disbursements. So it is telling the Auditor that he shall call attention to every case in which he has observed that collections or disbursements of public money have not complied with the authorities that govern them.

This is a problem. This is not unique; it is in a number of different Acts. The problem arises that in asking the Auditor to report every case he has observed, no statement is being made as to the extent of his looking. That is interpreted in different ways by different jurisdictions. In some jurisdictions the amount of looking is small. In our case we have made it a policy right from day one that if we were called upon to call attention to every case in which he has observed that, there's a presumption that you

look in every case. In other words, in every transaction that comes under your notice in the course of discharging your responsibilities, you look to see that these various points have been adhered to.

The unique sections are in (d) and (e) of 19(2). As I say, (a) and (b) cover compliance; (c) covers "assets acquired, administered or otherwise held have not been adequately safeguarded or accounted for." Those are fairly standard; (d) and (e) are quite unique in that this is the approach to comprehensive auditing that we developed. Comprehensive auditing at the federal level and in certain of the provincial jurisdictions is based on the Auditor's assessment of whether management paid due regard to economy and efficiency and whether or not they had appropriate procedures for measuring effectiveness.

We took a different approach, one that is now being followed by other jurisdictions; that is, we said it is not right to have the Auditor making subjective judgments on management's decisions after the fact. It's always easy to be a Monday morning quarterback. Consequently, the thrust that was already developing in our office, which I felt very strongly about, was that really the Auditor's job is to see that the appropriate systems are in place that should lead to due regard to efficiency and economy. Therefore, the whole approach of our office has been systems oriented, as you're well aware from my reports.

It reads that he call attention to every case where he has observed that

- (d) accounting systems and management control systems, including those systems designed to ensure economy and efficiency, that relate to revenue, disbursements, the preservation or use of assets or the determination of liabilities were not in existence, [or if they were in existence] were inadequate or [even if adequate systems were in place] had not been complied with.

That is the reporting mandate of our office, and that

- (e) when appropriate and reasonable procedures could have been used to measure and report on the effectiveness of programs, those procedures were either not established or not being complied with.

We point that out.

And then, he shall call attention to any other case that he considers should be brought to the notice of the Assembly.

I think that is the key to the independence of an Auditor, that he has a mandate that is without limit, that he can bring any matter to the notice of the Assembly, under instructions from the Legislative Assembly.

I recall that when this Act was being discussed in Bill form, the Provincial Treasurer said, did I realize that, in effect, by this legislation the Auditor was being set up on a pedestal to criticize the government and in effect, under certain circumstances, could be responsible for the fall of a government if his report came out just at election time? There was quite a bit of discussion as to whether or not the mandate should be wide open. The consensus was that if you have an Auditor, you can't put a fence around what he can audit.

The wording of 19(2) says "a report of the Auditor General under subsection (1) shall include the results of his examinations." Because of those final words, it doesn't say that he can't talk about anything he likes in his report. The mandate does not limit but rather gives examples, in effect, of what he can do. Therefore, there is a great deal of personal responsibility placed on the Auditor, and there is no one to say him nay as to what he shall include in his report. That is why you get a great deal of variation from jurisdiction to jurisdiction in the reporting by auditors general.

I point out that in our particular situation, 19(5) is a very important section. It says:

The Auditor General need not report on deficiencies in systems and procedures otherwise subject to report under subsection (2)(d) or (e) [those are the two I just referred to] which, in his opinion, have been or are being rectified.

That has turned out to be the most powerful provision in this mandate. What it means is that when we draw the attention of public servants -- and it usually is not a matter of government policy that we're criticizing but the way public servants have interpreted and are administering policy -- if the problems are rectified immediately, because of this particular subsection it means that the taxpayer, in effect, is protected in that systems that have weaknesses or are deficient are rectified at the earliest possible moment, not

after that long, protracted time when the taxpayer is at risk, if you will, when you had this confrontation situation I referred to earlier.

All the people I audit, and that includes not only the departments but all provincial agencies, are aware of the fact that I have that discretion. That discretion has turned out to be a very useful leverage for the Auditor.

MR. CHAIRMAN: Is that fairly unique in Auditor General legislation?

MR. ROGERS: Yes, it is. I based it on the fact that in the private sector, the auditor reports to management. Although he is the shareholders' auditor, he reports to management. Only in extremis, as a last resort, does he actually report to the shareholders at the annual general meeting. Obviously, to follow that exactly wouldn't be appropriate. So I felt it was wise to come somewhere in between that situation and the situation where the Auditor reports a \$5 deficiency in an [inaudible] cash account.

If you feel that the objective is to try to be a part of a mechanism that produces the most effective administration of financial affairs, it has turned out to be very successful. It is being followed, I might add, by a number of the auditors who do not have this in their legislation but, as a result of our annual meeting and the knowledge we have of each other's offices and operations, are now doing this by doing what I do.

I have a rule of thumb of one year. It is not to say that things won't get reported if serious situations persist. It is simply an opportunity to rectify situations. It's really a timing difference rather than a reporting difference. It means that I don't report in the first year we discover a problem. The opportunity is given to management then to cure it. Obviously, they cannot cure it by the time of the release of my next report, because that may only be several months away. So there is a rule of thumb of giving one year.

We go back the next summer and determine whether or not they are really tackling the problem in a serious way. It's not enough just to have management's assurances, because they always assure you they're going to cure the problem. Really, what you have to look for is management doing something about it. Sometimes it's not possible to clean up a

situation entirely in 12 months. We assess the position at that time and decide whether or not it should go in the following report. So there's very often a year's delay before we actually report something. That does not hold good if there's any loss of taxpayers' money, any loss of funds as a result of the systems deficiencies we locate. Then it's simply reported regardless of 19(5), which only allows discretion to the Auditor.

What we're talking about is not reporting those problems where there is a risk but where that risk does not seem to have led to any loss. If there is a loss, it gets reported immediately. If there is only a risk defined, there is the opportunity to rectify the system, then a reappraisal, and then I'd would report or not at that time.

There is another section, 25:

In a report made under this or any other Act the Auditor General need not report on matters that are, in his opinion, immaterial or insignificant.

That is another matter where the Auditor's judgment is called into effect. What is material and what is significant is always a problem, because you can't relate it just to money. Very often you have to relate it to the sensitivity of the subject. I think you've seen in the report items that by strict accounting or auditing terms would not be material, simply because there has been a loss. A loss of \$5,000 or even a few hundred dollars, if it is negligence, is a matter of significance. Consequently, that is one that is used very judiciously. I make sure of it.

I would point to another section, 28, when you're looking for a person. The Auditor General is called upon to report to

the appropriate officers or employees of a department, Provincial agency, or Crown-controlled organization of any matter discovered in his examinations that, in the opinion of the Auditor General, is material to the operation of the department, Provincial agency, or Crown-controlled organization, and shall as soon as practicable advise the Treasurer of any of those matters that, in the opinion of the Auditor General, are material to the exercise or performance of the Treasurer's powers and duties.

This was added because as Provincial Auditor I did not have a public reporting function. All

reports were directed to management. That's where we were from 1905 to 1978. I was getting truly tired of reporting the same things every year and no action being taken. The only weapon an Auditor has is the use of the English language, and I was using some fairly strong words.

I remember I described one provincial agency's records as being a shambles. That got into the hands of people in the private sector who were on the board, who immediately reacted. That caused quite a problem. I used some other words of similar ilk, and it created an impression that was highly unfavourable to the agency concerned. So I was called in before the Provincial Treasurer, Merv Leitch at the time, and asked, "Do you have to use language like this?" I said: "Yes, I do, because I'm tired of being ignored. The only thing I can do is to make it as forceful as possible."

That meeting led immediately to a discussion as to what the alternatives were. The suggestion I made was that I'd be quite happy if the government would take my reports seriously. The arrangement we hit on was that copies of every management letter would go to the secretary of the Treasury Board. Chip Collins has had addressed to him a copy of every management letter from that day forward.

That led to a further development in the system; that is, departments are now aware that not only the problems they've created but also their responses become known to a central agency. That has led to a real sharpening of controls and the way in which financial affairs are administered.

I'm telling you all this not to try to make a case for my history but to give you an idea of the way in which the Auditor fits into the overall machinery, if you will, of administering financial affairs and administration generally, and his relationship with the government as well as the Legislative Assembly. I have a really mixed relationship with many parties. I'm also very conscious of the fact that the provincial agency is my client in effect, using private-sector powers. But under this legislation I have other responsibilities: to the government under 28 and to the Legislative Assembly under 18 and 19.

Under section 29, because this government is very, very weak on internal audit — and I mention this to explain some obvious

differences in the size of our audit establishment and that of larger provinces. In Ontario, for instance, you will find that each department itself has a very large internal audit organization. While I have been trying to foster the idea of internal audit here, because I believe it is an essential internal control, it is still a very small operation compared with a number of other provinces. Consequently, in Ontario we see very strong, large, internal audit operations within each department. Therefore, the Provincial Auditor, as he is called — he has a similar mandate — relies very largely on their work.

The way we go is perhaps the most cost-effective overall because we have the opportunity of comparing one department with another, because our people go from department to department. I think you get a better use of resources, but that is another matter for another time. But it does mean that we are pretty well in the position of giving advice to the people we audit relating to the organization, systems, and proposed course of action of the department, provincial agency, or Crown-controlled or other organization or body. That's under section 29.

That creates another problem: one thing the Auditor must not do is get involved in policy. An Auditor is only involved in the administration of policy. Policy is a matter for the government of the day, and woe to any Auditor who gets involved in policy matters. But the administration of policy is politically neutral, and that is a subject on which we are professionally competent to give advice, and we do.

I have sort of ranged, but I think I've really covered what it is you're looking for in a person: the ability to wear these different hats, if you will, and not go overboard in any one of those areas. I think your main difficulty is going to be getting someone from the private sector. This is not a ploy but just a matter of observation of fact. I've observed that those people — and I have really known of only two; one was Jim Macdonell, who was appointed a few months later in the same year I was appointed, and his successor, Ken Dye. Those are the only two auditors in the whole of that time who came from the private sector. In both instances, while they were extremely capable men, they had problems adjusting and adapting to the public-sector environment, which is quite

different from that of the private sector — not just for the reasons I've cited here, which are really extensions in what is normally understood by auditing, but the understanding of the environment and the way in which the public sector works. I think it would be difficult to replace years of experience living in that environment. Anyone who comes in from the private sector would find that rather difficult — not impossible, because it has been done. I think it does lead to some problems, which I don't want to go into now, but I have observed problems in that area.

I'm tired of talking. Can I have some questions, please?

MR. MILLER: Thanks, Mr. Rogers. David asked to be excused for a few moments. He will be back directly. John, we're glad you're able to join us. I should point out that there was very little done before you got here. We went over and approved the minutes of [May] 21 and 27. Then we had Mr. Rogers outline what you might call his career up to this point. Certainly he has given us some food for thought. I'm wondering if anyone has any questions they might like to ask Mr. Rogers at this time.

MR. THOMPSON: I have a couple. I'll just get on your speaking list.

MR. MILLER: Go ahead.

MR. THOMPSON: Thank you, Mr. Chairman. Bill, in many cases it is obviously a matter of interpretation that you're looking at, and people look at it differently. When there is a matter of difference of interpretation of legislation or a regulation, do you feel it is the Auditor General's responsibility to bring that to the government's attention? If you do, how do you go about that? Do you bring it to Leg. Offices, or do you take it directly to cabinet? Just how is that handled?

MR. ROGERS: It's usually through the department or provincial agency to which that legislation applies.

[Mr. O'Brien entered the room]

MR. O'BRIEN: Were you ready for me yet? I was asked to be here at a quarter to three.

MRS. EMPSON: We're running a little behind schedule.

MR. O'BRIEN: I'll just wait then, if I may.

MR. MILLER: Sure. We'll just be a few moments. I wasn't sure whether he was to sit in on this or not, Louise. Were you aware?

MRS. EMPSON: It depends on Mr. Rogers.

MR. MILLER: Mr. Rogers, would you feel comfortable with . . .

MR. ROGERS: Absolutely. I have no problem. We have no secrets from each other.

MR. THOMPSON: One other question and then I'm through. Towards the end, you mentioned that you thought that departmental internal auditing was somewhat weak. After your years of experience, would you prefer to have a small Auditor General's administration, a few people, and strong departmental auditing, or would you prefer to have it the way it is now, where you have a more or less independent audit done with a bigger administration in your area? Basically, you can't have it both ways. If all you're going to do is more or less rubber-stamp what is done and do it in good conscience, then obviously you don't need a very big department yourself.

MR. ROGERS: I think there are phases where an internal audit group -- I'm not talking about a large internal audit group -- can be helpful to management and be a part of control. We are not there all the year round. But I think you have to hit a nice compromise. Because we are where we are, I think we should come from that direction of having enough internal audit in the departments to be useful to the management of that department -- preferably one that is competent and working in accordance with standards so that we are in a position to rely on their work. That certainly could help cut down our establishment. I'm all in favour of that, but not going to the other extreme that they have in some of the other jurisdictions.

MR. THOMPSON: Thank you.

MR. MILLER: Al, do you have a question?

MR. HIEBERT: When we're actually

interviewing prospective candidates, what would be the best approach for us as a committee to take to feel the prospective candidate out on such matters as the Auditor staying within certain parameters versus policy and so on? What would be some approaches we could use, rather than getting a blanket answer to it, so that we could sort out where the person is coming from as to his or her views?

MR. ROGERS: I find that very difficult. I've tried to put myself in your place, and what sort of questions would you ask. It is very difficult. I think you have to ask them to give you a description of their view of the role of the Auditor in the public sector. What you're going to run into -- and I'm speaking very frankly. If you get people applying who are fairly senior in private-sector firms, it is not unlikely that their theoretical and practical knowledge of auditing may be somewhat less than desired. This is because in the private sector the more senior people tend to have as their priority and objective the developing of business: accounts and so on and so forth. It's understandable, because they have technical partners who keep up on the standards and the development of standards. They have EDP people and so on. Their job is simply to develop new business and keep the clients satisfied. I'm not denigrating that. That's the way they operate, and that's what they're there for. That's where the results really show: building up the business.

But if you do have fairly senior people -- and this is my own observation -- they tend to be very weak in those areas where I think you need some strengths. You can liken an Auditor General to a one-man practice, with a lot of help. It is a very personal thing, that you're appointing an individual to do audits. While he builds up an organization to help him, it is still very much -- my own experience is that I'm involved in the nuts and bolts to fairly low levels, if you will. I don't just sit there issuing edicts, so to speak. I don't think you could successfully run an operation that way.

I get involved, when necessary, in decisions of a technical nature revolving around any individual audit that happens to prove troublesome at a given time. I think any Auditor General has to do that because that's where the buck stops -- at that desk -- because of the nature of the appointment. The

Legislative Assembly is appointing an individual. While he can have an organization to assist him, that's the key: it is still an individual.

What you're looking for, I think, is an individual that has a combination of all the various knowledge and skills. How I came to have them, if indeed I do, I don't know. It's a mystery to me. I think you have to have the ability to be persuasive, to persuade people, to advocate, and yet also to have the technical skills. We live in an extremely EDP-oriented environment, and I don't think you could exist in that environment unless you have a good understanding of EDP systems. What I'm saying is that it's asking a lot.

MR. HIEBERT: I'm hearing a number of things. You're saying that there certainly has to be a sensitivity towards other kinds of functions and roles besides the audit function. You also indicated the private sector versus the experience in, let's say, a department such as an Auditor General's department. What other experiences could one look for in prospective candidates that would have a significant relationship to the kinds of sensitivities you're referring to and yet are outside public office?

MR. ROGERS: I have a pet feeling that what you're really not looking for is someone who -- I don't quite know how to say this -- has an ego that has to be fed all the time. Because of the position you're in, if you have someone like that -- I don't know; it's a matter of balance.

MR. HIEBERT: I understand what you're saying.

MR. ROGERS: That can lead to a lot of trouble. We know situations in the past where that has led to a lot of trouble. Yet you have to have someone who is absolutely sure of himself or else he would get eaten alive in the environment.

So it's a question of balance, I'm afraid. That's all I can say. I can't really add any words of wisdom beyond that.

MR. HIEBERT: I appreciate that.

MR. CHAIRMAN: Mr. Rogers, you previously said to me that you would like to have a few minutes to speak in camera. Perhaps, with due apology to Mr. O'Brien as well as our technical

operator, they might withdraw for 10 minutes. It's your request, so who would you feel comfortable with?

MR. ROGERS: Mr. O'Brien is fully familiar with the individuals concerned, and he may be able to give his perspective.

MR. CHAIRMAN: Okay. And you're happy enough with Personnel Administration and all?

MR. ROGERS: Oh, sure. No problem.

MR. MILLER: Mr. Chairman, I should mention that Mr. O'Brien came in when you were absent. I don't know if he has met all the people around the table.

MR. CHAIRMAN: Good luck.

MR. O'BRIEN: I think I know all of you except for Mr. Gurnett and Mr. Thompson.

MR. CHAIRMAN: You've met Terri?

MR. O'BRIEN: Yes.

MR. CHAIRMAN: And Grant Nicol?

MR. O'BRIEN: I know Grant.

MR. ROGERS: Notice the way people say "I know Grant."

MR. CHAIRMAN: If we might now formally go in camera, please.

[The committee met in camera from 2:56 to 3:03 p.m.]

MR. CHAIRMAN: Again, Bill and/or Doug, thank you for coming and for the help you've so freely given through Terri and other members of Personnel Administration with respect to the development and refinement of the position profile. You know how much each one of us as members of the Legislature value you and appreciate your coming to be with us this afternoon. Rest assured that we'll be back in conversation with you.

MR. ROGERS: Thank you, Mr. Chairman.

MR. CHAIRMAN: We might have a three-

minute break so you can reach for a juice, coffee, or some more calories.

[The committee recessed from 3:04 to 3:09 p.m.]

MR. CHAIRMAN: Thank you for coming, especially on such short notice. You only found out when you hit the office today, I gather.

Briefly, what we're doing with the committee today is that we want to have some additional information and feedback from the Auditor General's office itself and from Treasury as to what kind of things you're looking for in an Auditor General, what you'd be happier living with, but in no means asking for any compromise in standards or anything like that, but the kind of flexibility. Do we really want to be headed towards comprehensive auditing? Do we really want to have a confrontational style of Auditor General? How does it all sort of fit together? If you wouldn't mind sharing along those lines and any other observations you might like to give us, we would really appreciate it.

MR. O'BRIEN: Thank you very much, Mr. Chairman. Presumably the committee will give due weight to the source of the observations. Treasury probably isn't completely objective about the Auditor General.

It does seem important to us that, if possible — it seems to us that in the private sector, auditors are being paid by the shareholders in the company and in the final analysis are looked to not only to give the statutory, formal assurances but to help the company get the job done. Certainly our experience with Bill Rogers has been that he is very much interested in contributing to improved public administration in the provincial government. I think that is his basic motivation. He approaches things from that way.

An auditor's job is not exactly to be the leader of a cheer group for management. I don't think Bill Rogers has been. On the other hand, he is looking to improve public administration and not to win some newspaper headline battle with a Member of the Legislative Assembly, a deputy minister, or anyone else. It seems to me that a lot of money is spent on auditing. There are a lot of hidden costs if it becomes a total confrontation. Clearly there are different perspectives. He's

working for the Legislative Assembly and we're working for Executive Council, and so on, but we all ought to be able to work in the public interest.

As we see it, in some other jurisdictions, particularly the federal one in later years, there's a lot of unproductive activity that tends to start happening. If you get an Auditor that managers feel is out to crucify them — and when an Auditor General makes a pronouncement, it's pretty close to from on high. Auditors are given complete independence and are given a lot of credibility by society generally and certainly by the media. So if management feels that the Auditor is simply out to score points, as it were, they start taking defensive action that isn't efficient and productive.

The big cost in auditing is not the budget of the Auditor General's office, although that is large. For every hour an auditor spends in a department, there are probably going to be five or six hours of management and staff time in that department. Then if you get into these sorts of confrontations, it gets even more ridiculous. The federal government at one stage, in reacting to some of Jim Macdonell's recommendations, created 75 positions at the SX-I level to do program evaluation in Ottawa. The Auditor General has now gone back and done an evaluation of the evaluation, and he says, "Well, on balance it wasn't too bad."

I think most people in Treasury Board and in the departments would feel that that hasn't made a major contribution to public administration in Ottawa. You can imagine: 75 SX-level jobs; it's like \$70,000 and up. For each one of those jobs — you can't have a person at that level without a suitable little support staff. I don't think that was done on a very carefully considered basis. It was done because it was a relatively easy way of dealing with the kinds of observations the Auditor General was making.

I don't know what the answer is to avoid it. To a degree, there seems to be some natural inclination to move towards confrontation. That's inevitable to some degree, but so far in Alberta I think we've managed, on both sides, to deal with it reasonably objectively. I think the Auditor General has made objective, honest observations that he feels are important and not that he feels will simply grab a headline or something. And by and large, management —

certainly in Treasury and, I think, generally in all departments -- has tried very honestly to look at that recommendation and deal with it. His last report gave a little bit of a report card on how it has gone since his first report, on the 1978-79 year. Most of his recommendations, as a result, have been responded to.

My impression is that in many jurisdictions it has become a bureaucratic game and something of a bureaucratic nightmare, where automatically management reacts negatively to the Auditor General's recommendation and also, in many cases, the Auditor General automatically takes the view that any idea that management has couldn't possibly be useful. Not much is happening. Those recommendations are churning out, and nobody is doing anything except battling one another. It doesn't seem to me that that is what the taxpayer is looking for in an Auditor General.

My basic thought would be that we ought to seek a continuation of an environment where the audit is serious and is about administration. I guess this is well beyond my sphere of competence, but it seems to me that when auditors start arguing about basic public policy, that isn't productive. That's what you fellows are paid to debate. In the first place, it doesn't seem to me that auditors' training particularly equips them to deal with public policy. That isn't their bag. They are experts on generally accepted auditing standards and accounting principles and that kind of thing. If one can have the whole audit environment as one that is looking reasonably dispassionately at the administrative issues, the financial control issues, financial management, things like pension liabilities, it is going to serve the whole process much more effectively than some of the things that seem to have happened that pit it on a nose-to-nose basis and end up with reasonably unproductive debates going on about issues that don't have to do with administration.

MR. CHAIRMAN: Do you find that Treasury has to become, to the other departments, something similar to what the Auditor General is to Treasury, in the sense that you have to do more inter-relationship with the internal audit of, say, Social Services, Hospitals, or whatever, to make sure they are indeed carrying out the proper procedures, so that when the Auditor General does come into a department, at least you in Treasury, who have developed controls on

behalf of the government, become yet another check and balance?

MR. O'BRIEN: Certainly, we're heavily involved in prescribing all of these good motherhood financial controls, procedures, guidelines, and all those things. We, of course, play a significant role in the whole expenditure control process in ensuring, to the extent we can, that expenditures are in accordance with the Financial Administration Act and other legislation and appropriations and that kind of thing.

We certainly consult regularly with departments on their internal audit functions. We go in periodically and review their whole area of financial administration in a fairly broad-brush sense, in terms of their appointments of accounting officers and their internal audit function. We've helped some departments try to organize the planning of their internal audit function.

In many respects we have relied upon the Auditor General to actually audit that activity in departments. A lot of what we do is follow up with departments on the Auditor General's recommendations. We monitor all of that and try to ensure that departments either agree with the Auditor and get on with it or disagree with him and tell him that they disagree with him and try to get it sorted out, but not simply ignore it. One of the things again that has been a big problem in some other jurisdictions -- and auditors then get very frustrated and start using very inflammatory language, and things start to deteriorate. We've tried to ensure that there is a fairly early response.

I guess there's an element of that relationship between Treasury and the other departments, but we've largely tried to stay away from a duplication of the Auditor's audit activity. In large measure we rely on his reports, and of course, he not only has his report to the Assembly but much more extensive management reports that we try to follow up with, dealing with whether or not two people are opening the mail and that kind of thing.

MR. MILLER: Two points, Mr. Chairman. First of all, when you and I attended the auditor generals' conference they held in Ottawa, where they had auditors general from the federal government and all the provincial governments

-- certainly the auditors general in other provinces are making a strong movement towards not only doing the auditing but also getting in deeper than that and making recommendations, plus even going so far as challenging some of the policies of the various governments. We feel our auditors, Mr. Rogers and the people that are presently on staff, are resisting that approach and trying to stick, as we want it actually, to the basis of auditing and reporting thereon as to the spending and collecting of public moneys.

One of the other things I've always felt is that auditors generally tend to always emphasize the negative aspects. If there is something wrong, they'll ferret it out and make a big issue of it. You could be 99 percent right, and that's given no notice whatsoever, but the 1 percent error is highlighted. I've always been of the opinion that a true audit should at least give some recognition to the things that are being done right.

Would you concur in that, or do you think we should leave them as is and just pick out the bad spots?

MR. O'BRIEN: I guess, on that point, we complain about that all the time too. We had 9,999,000 right and the 1,000 was wrong.

Realistically, if you ask an auditor to say what's going right, from my point of view as a manager, I suspect that it might be less pleasant for us than just having him say what's wrong. You're really asking the auditor to become a scorekeeper, a judge and jury on the overall thing. As I overheard Bill saying earlier, it really comes down to one man's opinion. It's not a democratic sort of operation where there are 50 people deciding whether something is a good or bad idea; it's one. To ask one man to go into our highways department and say whether they're doing a good or bad job it seems to me would really give that person unreasonable power in a democratic kind of operation.

While it's tiresome that the Auditor only points out the problems that went wrong, I wonder whether, in terms of the whole nature of the system, it isn't better to leave it at that and take our lumps, recognizing... Bill has tried in some of his reports to give it a little bit of balance by saying at the beginning that it's a report by exception, that the overall was satisfactory, and he's just going to deal with the areas of concern. That doesn't have any zing to

it like overpayments to a hospital or something. I think it's difficult. I'm inclined to think auditors are trained to find the holes in the financial system and not to report on whether you're doing a good or bad job in total. I think it would probably be dangerous, because I'm not sure that anybody is qualified, on a one-person basis, to give a scorecard and say you did a good job.

On the other point about the comprehensive auditing, I certainly share your views. Many jurisdictions are going further on that. The wording of their legislation tends to be very much the same, but it's how the Auditor interprets his role. I guess the federal is one that is somewhat different, because the federal says the Auditor may measure the economy and efficiency of the program. We have the federal Auditor General saying federal civil servants are 63.8 percent efficient or something, which is kind of a meaningless statement to me, an outrageous one, I think. I just don't understand the methodology. I've talked to some of those people, and I still don't understand how you can make that kind of statement. He has that mandate, where Bill's mandate is to comment where he doesn't think management is doing a good enough job of ensuring economy and efficiency. I think that's much more sensible. Within that, there is a lot of room for interpretation.

I feel we do have reasonably strong and effective audits and a reasonably solid financial system in Alberta. I think part of the reason for that is that our Auditor is zeroing in on the financial systems and financial issues and not trying to talk about social policy, how to run the Canadian economy, or whether our budgetary surplus is too large or too small. He's dealing with those issues. What's wrong with this notion of comprehensive auditing is that I don't think it can be done.

AN HON. MEMBER: Incapable.

MR. O'BRIEN: No. To hire a technician to determine whether or not programs are effective doesn't seem useful to me. What it does is distract from what ought to be going on, which is being concerned about efficient administration.

It seems to me that by definition it should be policymakers, people who have some accountability to the public, who decide

whether a program is effective, because generally it has to come down to a value judgment. There is no paucity of information about government programs. The question is what to make of it all and what judgment we make about it. I just don't think it's an effective use of auditors' time.

What it also does and what policymakers have to think about is if the Auditor is going to start talking about whether the policy is good or bad or whether the program is effective or ineffective — I can't see where the line gets drawn there — then that means you're also beginning to bring the public service into that whole issue. The end result is that you're bureaucratizing things more. It's a fundamental difference of view, but Jim Macdonell says we're going to get Parliament back in control of the government of Canada and then proceeds to hire 50,000 experts, every consultant in Canada, and every department turn right around. I've talked to consultants who were hired by a deputy minister, and their job description was "get the Auditor off our back."

We have all these consultants and bureaucrats arguing about federal dairy subsidies in Quebec. I don't understand how that is returning or getting Parliament in control of the government of Canada. When the Auditor gets into it, he brings the bureaucrats into it too.

MR. CHAIRMAN: Jim, do you have any questions or concerns?

MR. GURNETT: I'm getting a good sense of the position from listening.

MR. CHAIRMAN: John?

MR. THOMPSON: I'm somewhat confused. I listened to Bill, and he was talking about the Auditor's role in private affairs. I don't think any private company has what you would call an Auditor General. They have auditors, but they certainly don't have their auditor use the role that the Auditor General plays in government. The company hires the fellow, and he's got somewhat — I understand an Auditor General is somewhat independent of government and is supposed to be a little more objective than what I figure an auditor of a company would be, yet Bill seems to try to tie them in together. I think they're just two different roles.

This is where I have a certain amount of confusion between the role of the Auditor General — I'm not talking about the provincial auditor faction of it. That's number-crunching out there and everybody does it, but I do have a little trouble with the Auditor General's role. Bud, you were in Quebec. I hope that we don't get that St. George complex where they've got to slay the dragon every day of the week.

That is an area I would have trouble with in this search committee, being able to evaluate where the fellow is coming from and how he feels. That's really what we're here for today, to try to get some kind of feeling so we can assess people's attitudes and that. If we just talk about auditing — the Auditor General is a little bit more than an auditor or a provincial auditor. He is supposed to give us some direction but keep it within reason. I have trouble that way, Mr. Chairman. I'm not asking a question. I'm just making a statement here.

MR. CHAIRMAN: Thank you for coming. It's helpful for us to get some kind of a handle on the relationship between the Auditor General and Treasury. I hope that if we have some more questions as we go along in the next number of months that you won't mind too much if I pick up the phone and . . .

MR. O'BRIEN: No, I'd be very pleased.

MR. CHAIRMAN: . . .call or the vice-chairman and I come over and have a cup of coffee with you.

MR. O'BRIEN: That would be just fine.

I might just comment before I leave, Mr. Chairman, that one very important point I should have made here is that on both sides we have tried largely to operate on the basis of no surprises. The Auditor General doesn't come out of the clear blue sky and hit us with "The Legislature has lost control over the provincial budget" or something. We don't develop totally new accounting policies or something and present them to the Auditor as a *fait accompli*.

There has been a good working relationship, and we don't, by any means, always agree. We've operated on a very open basis. I think it has benefitted the Auditor General, the government, and ultimately the Legislature that there is an effective day-to-day kind of communication. I gather there are other

jurisdictions where both Auditor and Treasury Board or Treasury staff will deliberately try to -- "We'll get him; we'll sneak one up on him and get him in the dark of night" kind of thing. There's an absolute lack of communication.

I think that is one place where, certainly in the private sector, an auditor would always work with management. He would not come out with a major qualification on their audit report or something without discussing it with management. Normally management wouldn't go into a very large business decision without consulting not only their lawyers but usually their auditors as well. If one can have that openness in the whole situation, I think it helps have both effective auditing and effective financial management.

MR. CHAIRMAN: Efficiency through communication. Sure.

MR. O'BRIEN: Thank you very much.

MR. CHAIRMAN: Thank you again, especially with having it dropped on you this morning.

Two or three other quick items. First off, how many applications have we had so far, Louise?

MRS. EMPSON: Ten altogether.

MR. CHAIRMAN: That's interesting. They're running a pool on the other side among the secretaries. The lack of response is very interesting. We're way below even the lowest estimate. However, who knows? It's early. But it's been out there two weeks.

I think that takes us on to the other item, which is discussion with regard to a second round of advertising for the position. Terri, do you or Grant have some comments on that?

MISS PREVISICH: Just before that, I spoke to Baker Lovick this morning, and the advertisement went into the Alberta Report on June 17 and will be advertised in this month's issues of the three magazines we identified, the CIA, CGA, and RIA magazines. So there will probably be a readership that hasn't yet been reached on this.

We have a closing date of August 15 on this competition. There is time to run another round of advertising. Whether we would want it to be across the country again or limit it to

some of the media we identified in that first round . . .

MR. CHAIRMAN: It's out of the trade journals in July where some applications may flow. Generally speaking, my own observation is that it's actually the Globe and Mail that gets the most coverage. Do you remember what the cost is to run it twice? They gave us Thursday and Saturday for one price or something.

MISS PREVISICH: They do give us that special. I think I forwarded that information to Louise.

MR. CHAIRMAN: Well, we already have it in place to do with those extras or into the magazines. That's in right now for July 2. On our last committee it looks like we were about \$25,000 under budget, so we should have some room to move on this one, too.

MR. HIEBERT: Insofar as the advertising, I think we're dealing somewhat differently than in the other two searches. I have my own feeling about things, and certainly what Bill Rogers shared with us today is consistent with what I know. I suggest that we look at targeted advertising from here on in, being very, very scrutinizing as to how much we do and where we do it. On the last go-round we took an incumbent, and I think by force-feeding the advertising, you might be setting something out there that we may not want. Consequently, I suggest that we look at a few targets and hold it.

MR. MILLER: I agree with Al. I think there's no use putting an expectation out there that might not be there. If we select a few of these, like the Globe and Mail and an issue of the Edmonton paper or the Calgary paper . . . But to be more selective -- I don't think there's any use in putting another ad in the Lloydminster Times, for example. It's been out there once, and nobody in the readership in that area would be that interested in this position. We've covered the area now. I think we can start on targeting.

MR. CHAIRMAN: You're comfortable?

MR. GURNETT: I tend to think that makes good sense as well. It would seem to me that

the shortage of applications is in some ways a reflection of an understanding among people that most of them eliminate themselves. As such, we're not going to create applications by the numbers of advertisements.

MR. CHAIRMAN: Al, was I hearing something slightly different from you, saying don't bother with the Globe and Mail again? We put it out there, and now that we got that in the trade journals, that is all right?

MR. HIEBERT: If we do any advertising, let's do it a limited amount only. I didn't suggest what we should do, but I'm tending to say let's back off.

MISS PREVISICH: First of all, to follow up on what Mr. Hiebert has said, we typically have found that our harder-to-recruit positions don't respond with any greater frequency if we advertise a second or third time around. I think your points about targeting or direct advertising are well taken.

From our experience, the Globe and Mail probably has the broadest professional readership. In that regard, if we were to pick any paper that gave us broad coverage, that would probably be the one.

MR. NICOL: I would certainly agree with that, David. I think the Globe and Mail gives you readership right across Canada. If you wanted to go one more time, that probably would be the place to go.

We've already hit the Edmonton and Calgary papers. I don't know whether you want to advertise in there again. I wouldn't think so if you've advertised once.

MR. CHAIRMAN: There again, it's the Globe and Mail that a lot of those people read first thing in the morning. It gets us into the Calgary/Edmonton area.

MR. THOMPSON: Mr. Chairman, the only thing I have against that is if we just go to the Globe and Mail, we may be accused of . . . We've been there once. If we go there one more time, I honestly think for the difference, we should make it once more in Calgary and Edmonton too, so that we can't be accused of searching beyond our borders unduly.

MR. HIEBERT: I would concur in that.

MR. THOMPSON: It isn't a real big item, but just the same, I don't think we need anybody pointing fingers at us.

MR. CHAIRMAN: Okay, I'll take it as your motion that we'll go once more in the Globe and Mail together with the Journal and the Herald.

MR. MILLER: What about the Alberta Report? Is it read by these people or not?

MR. NICOL: I don't think it's a big one, if I could just say that. I don't think it's a heavy one in terms of reaching the kind of audience you're looking at.

MISS PREVISICH: Not in this group. I don't think we'd gain anything by going to the Alberta Report again.

MR. CHAIRMAN: The Globe and Mail, the Herald, and the Journal. Roughly what date do you want to run it? The sooner, the quicker?

MISS PREVISICH: The second week of July; probably aim for July 15.

MR. CHAIRMAN: Okay, mid-July.

Motion of Mr. Thompson. All those in favour? Carried unanimously. Thank you. If you'll pick up with Baker Lovick about running that again, please.

With respect to the date of the next meeting, at the call of the Chair, probably not until about the first week of August. In that regard, could I hear what your holidays are, when you know you're not going to be around at all? Mr. Hiebert, let's start with you.

MR. HIEBERT: August 13.

MR. CHAIRMAN: You're not back until the 13th

MR. GURNETT: For my purposes, the best day would be a day that the Heritage Trust Fund is meeting as well. Then I'd have to be here in connection with that, so as per their schedule, I'd be happy.

MR. CHAIRMAN: John, are you on Heritage?

MR. THOMPSON: Yes. I'll buy that one.

MR. CHAIRMAN: What's been the general pattern of Heritage as to time of day that they meet?

MR. GURNETT: Ten until noon and some days two to four as well.

MRS. EMPSON: It's pretty heavy in August as well. Normally, they've been in September with the heaviest meetings, but this year the heavy meetings are in August. I can get the dates from that.

MR. CHAIRMAN: Okay. Let me ask a question of you, then. When are you away?

MRS. EMPSON: Starting this Friday, returning July 29.

MR. CHAIRMAN: Bud, around July and away August.

MR. MILLER: No, I'm just going to flip flop around and take a day here or three days there sort of thing.

MR. CHAIRMAN: The question about August dates, which relates back to you as well as to Terri and Grant, if we were to meet at 4 o'clock in the afternoon and go through until 6, is that all right with overtime and hours of operation?

MISS PREVISICH: That's fine with me. I'm going to be away from August 9 to 20.

MR. NICOL: I'll be on staff the whole period, David.

MR. CHAIRMAN: So if we have to have another meeting in the interim, is it Ann who is going to come to keep us in order?

MRS. EMPSON: Yes, it will be.

MR. CHAIRMAN: I have one other question. Just as we met today with Rogers and O'Brien, there might be the possibility of a meeting in July with Chip Collins, the former Deputy Provincial Treasurer, to see whether we might pick up some other cues. Do any of you have an interest in that if we can put it together in July or August? That would be for an hour or an

hour and a half.

MR. MILLER: I would have. I think the type of person we get is extremely important, because he can make or break it. I think the Chip Collins experience, having been here for a number of years, could alert us to any pitfalls.

MR. THOMPSON: When do you anticipate that we will be getting down to interviewing and that type of thing? The deadline for applications is August 15, so obviously it has to be some time after that. Have you any feeling, Mr. Chairman, for when we will be starting to interview and that type of thing?

MR. CHAIRMAN: Subject to the combined wisdom of the total group, we want it all completed before the PC leadership convention.

MR. THOMPSON: When is that?

MR. CHAIRMAN: We'll find out this weekend. I really think that after August 15, we're going to jam it. If we can get it completed no later than the end of September -- the sooner, the quicker.

MR. THOMPSON: The only point I was making is that if we're going to have an interview with Chip Collins, I would prefer doing it before we start interviewing people.

MR. CHAIRMAN: I would see it as being July. Do you recall the dates he is away?

MRS. EMPSON: No.

MR. CHAIRMAN: I think he is away for a couple more weeks.

MRS. EMPSON: July 23 rings a bell with me.

MR. HIEBERT: It might be a good thing to bring Chip Collins about the time we're ready to start getting into it. It would give us a refocus and sharpen us up as well.

MR. CHAIRMAN: So maybe we can hold it off till August.

MR. THOMPSON: I would prefer maybe August 20, along those kinds of lines.

MR. HIEBERT: August 15 to the end of August is a good period of time for me. I don't mind you jamming.

MR. CHAIRMAN: Just to refresh everyone's memories. Hopefully it won't occur this way, but as soon as there is a leadership convention, the new person could immediately call an election, God forbid. If that were to take place, this committee would be dissolved, even if we haven't finished working, and would have to wait, after an election and after a sitting of the Assembly, until such time as a new committee is established, and they would have to start from scratch. So we're going to get this done before there is an election call. Okay?

So as far as we know, our next meeting probably won't be until mid-August.

MISS PREVISICH: Just to refresh the committee's memory on the process we went through in terms of the screening, what we'll be doing now is establishing some screening criteria based on the information that is in the profile as well as the information we've heard today. We'll incorporate that, if we can, into the screening factors. For our next meeting, we should be prepared to have screened at least the applications that are in, so that we can be looking at giving approval for the preliminary round of interviews.

MR. CHAIRMAN: What is our feedback on the position profile? Is creative services moving or disappeared?

MRS. EMPSON: The artwork came back last Friday about 3. I went through it right away and sent it back. When I called this morning, the gentleman who is looking after it was at a meeting, and he hasn't returned my call yet. Nobody there could answer time lines. So it could be this week, hopefully, because the artwork is all done. There were no changes to it. So it's just a matter of processing it.

MR. CHAIRMAN: When that gets here, Ann will handle it.

MRS. EMPSON: It might even be here before I leave. The letter acknowledging the resumes and sending the position profile is ready to go. I couldn't put a date on it.

MR. CHAIRMAN: I'll be around in July, so I can come over late in the afternoon and sign whatever letters need to be done.

MISS PREVISICH: I just have one further question on that profile, based on the information that Bill and Al shared with us. We have a phrase in there that says that it is desirable that the individual present a balanced view in the reporting of audit results in terms of highlighting both positive and negative results of audit investigation. Are you comfortable with leaving that sitting there?

MR. CHAIRMAN: Okay.
Are there any other items?

MR. GURNETT: Just one. In view of the question about whether or not an application is necessary, which we heard about earlier, I wonder if, in the interests of being sure we have applications from anyone who may possibly be interested, there should be a particular effort to make sure that it's clear within the existing department that we welcome applications from anyone who would like to be considered.

MR. CHAIRMAN: I'll call the Auditor General and make sure that is clear. It's in the public service Bulletin anyway.

MISS PREVISICH: That's right.

MR. NICOL: Yes. It asks for resumes in the public service Bulletin.

MR. HIEBERT: Anyone from that office can respond to the ad itself. I think what you're touching upon is the sensitivity of the situation.

MR. CHAIRMAN: Okay. I'll make a call.
Any other items? Adjourned. Thank you all very much.

[The committee adjourned at 3:58 p.m.]

