



Legislative Assembly of Alberta

The 27th Legislature
Second Session

Standing Committee
on
Community Services

Bill 202, Municipal Government (Municipal Auditor General)
Amendment Act, 2009

Tuesday, October 27, 2009
7:01 p.m.

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**Legislative Assembly of Alberta
The 27th Legislature
Second Session**

Standing Committee on Community Services

Doerksen, Arno, Strathmore-Brooks (PC), Chair
Hehr, Kent, Calgary-Buffalo (AL), Deputy Chair

Benito, Carl, Edmonton-Mill Woods (PC)
Bhardwaj, Naresh, Edmonton-Ellerslie (PC)
Chase, Harry B., Calgary-Varsity (AL)
Johnson, Jeff, Athabasca-Redwater (PC)
Johnston, Art, Calgary-Hays (PC)
Lukaszuk, Thomas A., Edmonton-Castle Downs (PC)
Notley, Rachel, Edmonton-Strathcona (ND)
Rodney, Dave, Calgary-Lougheed (PC)
Sarich, Janice, Edmonton-Decore (PC)

Bill 202 Sponsor

Johnston, Art, Calgary-Hays (PC)

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| Micheline S. Gravel | Clerk of <i>Journals</i> /Table Research |
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| Stephanie LeBlanc | Legal Research Officer |
| Diana Staley | Research Officer |
| Rachel Stein | Research Officer |
| Liz Sim | Managing Editor of <i>Alberta Hansard</i> |

Standing Committee on Community Services

Participants

| | |
|---|--------|
| Alberta Association of Municipal Districts and Counties | CS-225 |
| Don Johnson | |
| Gerald Rhodes | |
| City of Edmonton. | CS-228 |
| Stephen Mandel | |
| David Wiun | |
| Calgary Chamber of Commerce | CS-230 |
| Ben Brunnen | |
| Northern Sunrise County | CS-232 |
| Agnes Knudsen | |
| Bob Miles | |
| Canadian Federation of Independent Business | CS-235 |
| Janine Halbesma | |

7:01 p.m.

Tuesday, October 27, 2009

[Mr. Doerksen in the chair]

The Chair: Good evening, ladies and gentlemen. It's my pleasure to welcome all of you this evening to the meeting of the Standing Committee on Community Services. As you're aware, our purpose this evening is to hear presentations with regard to Bill 202, which is the proposal to create an office of municipal auditor general. I welcome all of you here. I'm glad to see that you could make it.

I know that we will have some additional members probably attending with us a little bit later on. We'll have them introduce themselves at that point or at a convenient point a little later on, but at this point I would ask committee members and people at the table to introduce themselves, and I'd invite Don Johnson and the group from the AAMD and C to take the seats at the end of the table there.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo.

Mr. Benito: Carl Benito, Edmonton-Mill Woods.

Mr. Bhardwaj: Naresh Bhardwaj, Edmonton-Ellerslie.

Dr. Massolin: Good evening. I'm Philip Massolin, committee research coordinator, Legislative Assembly Office.

Mr. Chase: Good evening. Harry Chase, Calgary-Varsity.

Mr. Rhodes: Gerald Rhodes, executive director of the Alberta Association of Municipal Districts and Counties.

Mr. D. Johnson: Don Johnson, president of the Alberta Association of Municipal Districts and Counties.

Ms Notley: Rachel Notley, MLA, Edmonton-Strathcona.

Mrs. Sarich: Janice Sarich, MLA for Edmonton-Decore and parliamentary assistant to the Minister of Education.

Ms Rempel: Jody Rempel, committee clerk, Legislative Assembly Office.

The Chair: I'm Arno Doerksen. I'm the MLA for Strathmore-Brooks.

Again I'd welcome everyone here, and I'm pleased that we can hear these submissions this evening. We had a good meeting this morning where we heard a number of submissions as well, and we'll have a further meeting tomorrow evening to hear a final group of presenters.

I would just remind people at the table that *Hansard* will be operating the microphones this evening, so there's no need to turn them on. They'll light up when you start to talk, which is good technology, and we thank you for the support to get that done. Also, if anyone has BlackBerrys or mobile phones with them, please move them off the table. They do run interference with the microphone system from time to time.

We do need to approve the agenda, so if I could have a motion to approve the agenda. Mr. Bhardwaj. All in favour? That's carried. Thank you.

With that, we'll go to the first presentation, the Alberta Association of Municipal Districts and Counties, and welcome you, Don, to present. I think that what we'll do for this evening: we were thinking of probably about five minutes for a presentation and then

10 minutes for an exchange of questions and conversation. There's a little bit of leeway in our agenda, so we can extend it a little bit.

Mr. D. Johnson: All right. So the microphone doesn't blow up when it gets to five minutes or anything like that?

The Chair: No. Trap doors are dysfunctional if they're present. So go ahead, Don.

Alberta Association of Municipal Districts and Counties

Mr. D. Johnson: Thank you. Good evening, Chairman Arno and all members of the Standing Committee on Community Services. Thank you for inviting the AAMD and C to present this evening our concerns with regard to Bill 202 and the creation of a municipal auditor general. My name is Don Johnson, as I introduced, and I'm the president of the association. Our association represents 69 rural municipalities throughout the province.

We take this proposed legislation very seriously as our membership has major concerns that need to be resolved before a municipal auditor general could be supported by the AAMD and C. You have our submission, I believe, in front of you, so I won't reiterate the strong position that our membership has overwhelmingly supported. I do want to highlight, however, the overarching concerns that our association has.

The AAMD and C believes that a lack of municipal accountability to residents is the exception, not the rule. We believe the majority of municipalities are conducting business in an open and accountable manner. We encourage the government to work directly with the few municipalities that are perceived as lacking in accountability. Creating a new and costly bureaucracy to supervise all municipalities seems to be an inefficient way to deal with something that happens infrequently.

Furthermore, the amount of money that this office would require would provide questionable additional value over what the minister already has the authority and the ability to do. The minister can call for an audit of the municipality above and beyond the annual audits that municipalities conduct and are legislated already to make public. The ministry already calls for a strict grant reporting process. The minister can and does perform an inquiry of our municipality if the public or the ministry is concerned with the way its business is being conducted. As a comparison, the provincial Auditor General in 2008-09 had an annual budget of almost \$20 million to examine the operation of 23 ministries. To have an effective municipal auditor general's office operate on a proposed much smaller budget to supervise 350-plus municipalities would seem to be an unrealistically ambitious goal.

However, regardless of the cost of the office, the AAMD and C has a major concern that needs to be addressed. The proposed legislation would give authority to an unelected employee of the province with no intimate knowledge of the municipality in question, which could possibly undermine the decisions of an elected council. A municipal auditor general may not see all of the redeeming characteristics of a council decision; however, that decision would be made with the knowledge and the history of the community. There are always local idiosyncracies incorporated in the decisions that councils make. A provincial auditor would not be aware of these factors. This is the reason that decision-making powers are vested in local government, and we cannot lose sight, I would suggest, of that goal.

Consideration must also be given to the residents who elect those local councils. They elect councils to make decisions on their behalf and yet would have no say in the required changes that the

municipal auditor general could impose on the council. In fact, what's interesting with this point is that there is a distinct lack of accountability to the local ratepayers for that municipal auditor general position.

The final point that I would like to make is not mentioned in our written proposal but is one that states that the proposed legislation refers to the municipal auditor general making recommendations in regard to municipal financial statements. This not only rescutinizes items currently audited by independent certified accountants but also ignores the credibility of the new Public Sector Accounting Board standards that became effective in January. Municipalities have spent years preparing for the PSAB 3150 standards at great expense both financially and in terms of staff invested time.

The AAMD and C requests that you review the purpose of this proposed legislation and determine whether this tool is the best way to achieve that goal. Examining and improving the efficiency and the effectiveness of the current accountability process would be more appropriate and effective than layering more bureaucracy on what already exists. The electoral process is the appropriate avenue for holding municipal councils accountable. The democratic system holds councils accountable by allowing municipal ratepayers to vote any elected official out of office. There is also the legislated right for any ratepayer to attend regular council meetings as a delegation and to voice concerns on any issue, including financial accountability.

In closing, I want to reiterate – and this is a key issue – that our membership takes no issue with increased accountability. In fact, we welcome accountability. What we are saying is that we simply want to ensure that it is done in the most effective and efficient manner possible.

Thank you for the opportunity to present this evening. We look forward to your questions.

The Chair: Thank you for that, Mr. Johnson.

Are there questions from committee members directed to Mr. Johnson?

Mr. D. Johnson: I put them all to sleep.

The Chair: No, I don't think so.

I have one, and I suppose this is specific to some of your membership. Is there a defined – well, it doesn't have to be defined. Is there a practice of municipalities within your membership exchanging best practices and identifying systems that work particularly well for municipalities, and is that information shared?

7:10

Mr. D. Johnson: Yes, it is. That's a good comment and a good question, Mr. Chairman. Both ourselves and AUMA have invested significantly in the elected officials training program, particularly for new councillors. In fact, at our conventions that are coming up this fall we'll have recognition of the first graduates of that program. Encompassed within that are the financial audit requirements and those kinds of things that make councils accountable. That's something that we feel keenly about, that we have responsibilities in the association – I know the AUMA feels the same way – that we need to be able to train our council members when they come on board on what their responsibilities are in all facets.

Certainly, the financial accountability side is a significant one. In a conversation that I had with the Premier, we discussed that kind of thing. He talked about making our annual audits available to the public. Well, we do that already at our annual general meetings. So we try to do that training that's encompassed in that.

I don't know, Gerald, if you want to comment on that.

Mr. Rhodes: I'll add a couple of pieces. Alberta Municipal Affairs sponsors a thing called the municipal excellence network, and there's a website where they post excellent ideas and share. We give awards – I think it's gone on for years now – at both conventions for innovative ideas that have happened in all different municipalities.

I think the greatest sharing, though, that happens on processes and systems and things like that is at the administrator level. It's really the technical how-to. You know, all the municipal administrator associations – there's ARMA, the Alberta Rural Municipal Administrators' Association; they meet and have conventions on a regular basis and share best practices. The local government administrators associations for the urban communities does the same. The Canadian Association of Municipal Administrators, CAMA, does that more for the city level or the higher-up level sort of thing. So there are a lot of administrative associations that are out there. That's exactly one of their main purposes, to share best practices and do it in sort of an educational way.

Mr. D. Johnson: One of the things that I think is important to do. There's a lot of discussion lately through the Ministry of Municipal Affairs with regard to municipal sustainability. One of the things that we talk about continually is building capacity, particularly in smaller communities that may be disadvantaged administratively. There are some good examples in terms of sharing administrative capacity. If a village, for example, doesn't have a full-time administrator or somebody that's trained that has that ability, if a municipal district or county has that kind of an individual, we tend to piggy-back and share those resources. Or two towns or a town and a village. There are some good examples of that kind of thing, and we certainly encourage that.

That's one of the concerns that we have, administrative capacity: how do you train those people? It's difficult. You know, it's virtually a volunteer situation. I know that both AUMA and ourselves have similar concerns. I understand that they're presenting tomorrow. You'll probably hear some similar things from them in that regard. Our concern is educating people.

I know it's easy to say: well, councils have got to be accountable. We don't disagree with that at all, but one of the concerns that we have is that most people who make those comments are not aware of the legislation that's already in place and the power that the minister has to order additional audits if they're required. Or if the public becomes concerned or alarmed and raises those concerns to the government level, there is the ability for the minister to step in, for the government to step in and order extra audits. We're audited for virtually every dollar that we get from the provincial government, from the federal government, from our taxpayers, to account for those dollars. So our concern is another layer of bureaucracy.

For those smaller communities as well, if you have an audit and a provincial auditor comes in, it requires significant staff time to be able to accommodate that. So there is a cost to municipalities. One of the questions that I've asked and haven't had answered is: who pays for that? The municipality, obviously, will be picking up the time cost of our staff who are already there. I don't know how you split that out, but it is a concern in terms of that capacity and the time frame.

We're challenged sufficiently as it is to do the job that we do with the staff that we have to be able to respond to the needs of our municipalities. To add another thing is difficult. Our plea is: let's look at what we can do to strengthen the existing legislation, to make it more effective, to assist municipalities in doing a better job and better understanding. I think training of councillors so that they understand that responsibility, but not only that, as Gerald indicated, staff training as well.

The Chair: Thank you.

Mr. Hehr: Well, thank you very much for coming in tonight and giving a presentation. I have a couple of questions you could probably answer. It's probably in your materials, but I need a refresher here. In the first place, how are the auditors hired and fired by most of your members? I'm talking about the villages or the smaller centres in particular.

Secondly, are most of the audits reported to the public independently? Are these independent auditors, or do they report to the council? Is there some sort of process before it goes to council?

I guess the third thing: are there ever value-for-money audits that are accomplished?

Mr. D. Johnson: If I can address the last one first, value for the dollars that we spend is something that the provincial Auditor General talks about often, and the ministries go through that same process. We do as well. We're required under the MGA to provide an annual audit. It has to be an independent audit, so you hire an accounting firm that's accredited to be able to come in with CAs, and they spend time with staff reviewing the books. Independent. So they can't be somebody that's on staff.

Then at the annual general meetings it's also a requirement under the MGA that those financial statements have to be presented. They're available to the public. That audit is then sent on to the provincial government. If there are any errors or omissions or whatever that the Municipal Affairs staff would pick up, then they can come back and ask for clarifications.

Mr. Rhodes: I think I'll add to that. With the audit documents there's also a management letter where they also identify recommendations or things that they feel are addressed. Again, they submit that, and that also gets forwarded. There's an accountability to the Department of Municipal Affairs with them. So they're accountable.

First of all, I guess the auditor is hired politically, I guess. He is hired by the council, but he's under professional standards to do an audit at arm's length from them and then report it in such a way that it's submitted to the Department of Municipal Affairs. So there's accountability to the municipality that hires him, there's accountability to the Department of Municipal Affairs, and then that municipality has to disclose all this material to their public.

Mr. Hehr: I understand that these are self-regulating professions, so they do have standards and accountability and all of that.

Could you guys envision a situation, if this act was written differently – say, we had an independent municipal auditor who would work independently from the minister so you wouldn't have the perceived political interference, who basically worked with municipalities or did value-for-money audits or something – where this bill could work better, some way it would be a help to municipalities? I'm trying to see whether that role exists, or would that even be an exercise in redundancy, from your point of view?

Mr. D. Johnson: I'm not sure I fully understand that question, Mr. Hehr. Are you suggesting that the province, perhaps, have a municipal auditor that could come and do that audit as opposed to the local accounting firm?

Mr. Hehr: No. What I would suggest here is that the way this bill is set up right now is that the municipal auditor works at the behest of the Minister of Municipal Affairs. What I think might work is if he was independent from that office and worked under the guise of doing value-for-money audits on a random basis at municipalities

throughout the province, sort of as a watchdog but sort of also as a best-practices auditor. Would this be something you guys would be interested in, or do you think that's already covered off with what you guys do?

Mr. D. Johnson: That's an intriguing idea, but I think it's already covered. I really do. If you look at the accounting standards, in fact, with our auditors for our organization, in the last couple of years there's been a significant ramp-up in terms of their requirements under the legislation that governs their operation in terms of how they do that audit. They're pretty stringently covered already.

7:20

For every grant that we get, we have to provide an audit report, whether it's the gas tax from the federal side, whether it's provincial grants for transportation. Every municipality that gets any of those grants – MSI, we have to apply for that under the regulations of that granting program, but we also have to provide an accounting after about how that money was spent, where it was spent, and when it was spent. You know, I guess if the minister wanted to have somebody fulfill that function – that's not what you want, though. You want it independent of the ministry. If you had that, I think it makes sense to have it independent of the ministry, but I don't know whether that would make sense. To me, it doesn't make sense to have that audit function, period, because we think that we're pretty well covered already, almost overcovered.

One thing that I know is that there is virtually unanimous opposition at the municipal level through the memberships of both associations, but I also know that there is universal acceptance of the responsibility that we have to account for every dollar that we get locally, what we get from the province, and what we get from the federal government. You have to be accountable, and you cannot debate that. To me, that's not a debatable item.

The Chair: We've got a few more questions, so I'm going to move on. We're kind of out of time, but I'm going to take two more questions, one from Mrs. Sarich and one from Ms. Notley, please. Go ahead.

Mrs. Sarich: Thank you very much, Mr. Chair, and thank you for your presentation this evening and for providing a little bit more insight for us on the committee. I would like to say that I'm very familiar with AUMA training that is provided to the city councillors and, in fact, leadership modules for mayors and whatnot and very hopeful that, you know, collectively your organizations are working to heighten the importance of financial literacy for the elected person because it is on an optional basis for them to take that. I often wondered how you encourage the elected person that this is important and the training is needed.

I'm very interested in a response or further clarification on one of the comments that you made. You said you appreciated that this direction, this particular bill, would create another layer of bureaucracy. Then you also said: let's take another look at strengthening what we currently have. I just was wondering: is there anything that you could share with us to provide some insight, say, in the last two or three years through your association, perhaps demonstrating bridging, strengthening that relationship around issues such as reporting, oversight, monitoring, all those things that would be helpful for us?

Mr. D. Johnson: That's a good comment. In fact, in response to the Minister of Municipal Affairs' request with regard to municipal sustainability, both ourselves and AUMA prepared documents.

Within our document we talked about six tests that ought to be applied in terms of the governance function of a municipality so that there are some triggers there that would alert the department to some problems that may be coming up. When you get to a point where there's a problem, if you wait till they've got a problem and you end up with a dissolution and there's a mess with the books, it's too late. So how do you anticipate that? We're suggesting that there are some triggers that could be put in place in advance, that there would be a reporting requirement for every municipality to report on these test items. It's simple, it's straightforward, and it will work. That's the kind of function that we're trying to look at, to put in place some triggers that will help.

The Chair: Thank you.

Ms Notley.

Ms Notley: Thank you. Again, thank you for coming here to make your presentation. I really just wanted to clarify an exchange that occurred between you and Mr. Hehr earlier on the issue of the value-for-money or performance audits. We heard earlier today from the Auditor General that in his understanding – and perhaps he was wrong – he was only aware of the city of Edmonton and Calgary definitively doing regular performance audits or value-for-money audits, and he wasn't sure what other jurisdictions did in the province.

Now, to be clear, the legislation itself that we're talking about doesn't actually specify performance audits or value-for-money audits. That's just one possible interpretation of that legislation, but I'd just be curious, first of all, to clarify the extent to which your member organizations utilize those and the frequency with which they do, if they do, and if they don't, what thoughts you have about whether those are a valuable tool and other ways in which we might look at using them if you think they are valuable.

Mr. D. Johnson: To my knowledge – and, Gerald, you can help me here with that – there's no specific requirement for a value-for-money audit type of thing. Those are the kinds of things that I think ought to be looked at with that. We do have the requirement to do normal audits. Those are fairly stringent. If you talk to any staff of any municipality when they go through that, it's a fairly onerous process every year. When the auditors come in, everything stops in terms of that function within the office. The books are opened up, and you have to be available to respond to questions. For large municipalities that becomes even more complicated and more difficult. The mayor can speak to that. For every municipality it is a challenge to do that. It's a requirement.

I think that value-for-money audit is a fair question. If provincial departments have to answer that question, why ought we not answer that same question? You do have to be accountable, and I don't think anybody debates that. That's what we hear back from our membership, that we have no objection to being open and transparent in terms of the dollars that we spend. We have to be accountable for them, and if there's a better, more effective audit to help us do that, let's do it.

Mr. Rhodes: Rachel, I'll add to that. I was administrator for five different municipalities across the province, so I've got some experience on the ground with that. No, it wasn't a requirement. Quite honestly, outside of the larger centres they just don't have the staff or expertise to do those things. Now, that said, I think those things are done all the time by professional staff. Any municipality, for example, who has a garbage contract that comes up every five years, it's the due diligence of that staff to put all the options on the

table at any time you have a renewal point and look at all the options to determine what is the best value for your dollar to deliver those services. These things are ongoing all the time, measuring and determining the best way to go forward in the delivery of municipal services, just not done by an auditor type. They're done by professional staff in there looking at the options, as they're paid to do. It's not done from a perspective of an auditor type coming in. It's a little bit rare outside of the cities to do that kind of stuff. But that kind of expertise is sought through professional consultants and those sorts of people when they want to evaluate a program or service.

The Chair: Thank you.

Mr. Chase, quickly. Do you have one last question?

Mr. Chase: Thank you. I'm going to lose my nomination for Mr. Congeniality with my following comments and questions. Adjectives that come to mind as a former English teacher are patriarchal, presumptuous, hypocritical, dictatorial. The notion that a government that runs a \$7 billion deficit is going to have the pretense of supervising municipalities: this government has undercut the Auditor General's budget . . .

The Chair: Mr. Chase, can you get to a question, please? We're here to exchange with the AAMD and C, please.

Mr. Chase: Yes, I'll get to the question immediately.

What percentage of AAMD and C members are currently running a deficit?

Mr. D. Johnson: None.

Mr. Chase: Thank you.

The Chair: Thank you.

Thank you very much, Mr. Johnson and Mr. Rhodes, for coming in. We appreciate your presentation and your exchange here this evening. I know you've come a long way to be with us.

Mr. D. Johnson: Thank you very much for the opportunity to be here.

The Chair: Thank you very much.

With that, we'll invite Mayor Mandel and the city of Edmonton to present, please. Mayor Mandel, welcome, and if you would introduce . . .

Mr. Mandel: David Wiun is our city auditor.

The Chair: Thank you.

Mr. Wiun: Good evening.

City of Edmonton

Mr. Mandel: I have a brief statement. Chairman Doerksen, committee members, good evening. I'm grateful for the opportunity to follow up in person on Edmonton city council's written submission on Bill 202. City council appreciates the committee's decision to hold these public sessions as part of its consultations.

As outlined in my letter sent to the committee in July, Edmonton city council has serious concerns about the implications of Bill 202 as well as questions about how, if passed, the legislation would improve decision-making in Alberta's big cities. Edmonton's

concerns fall under three main categories: one, potential of duplication and unclear added value of a municipal auditor general; two, the cost to municipalities; and three, Bill 202 and big-city relationships. My brief remarks will be focused on these three issues.

With me today, as I've mentioned, is David Wiun.

7:30

Potential for duplication and unclear added value of a municipal auditor general. The city of Edmonton applies all the expectations outlined in the MGA and is committed to ongoing improvements through internal processes and administration. It is reflected in our hiring in recent years of a CAO. The city of Edmonton already has an advanced audit system in place. We engage an independent external auditor, and here's a copy of the little beautiful report we do every year to report on the consolidated annual financial statements and provincial financial information return and to provide recommendations for improvements.

We also have a strong internal audit function led by a city auditor who has the authority to undertake investigations into any and all business areas of the municipality. He also has the power and the budget to conduct meaningful value-for-money audits of city spending, and he applies this authority in ways that improve our business practices and policies. Reviews of our fleet services, the 23rd Avenue interchange, and the Edmonton Transit System shift changes are just a few examples of where our city auditor recommendations made a big difference going forward.

Given these many checks and processes, it's unclear to Edmonton city council how adding another level of oversight will improve the transparency and accountability already assured through the efforts of our audit and reporting functions. We need to get a better understanding of how this will add value to Edmonton. Just as a note, the 2008, 2007, 2006, and so on and so forth audits by our city auditor as well as the ever-popular front-page headlines when we have these and how we're held accountable by citizens: if you'd like to read these, they're not that complimentary to city council, but we air our laundry in public because that's the way it should be.

Potential costs to municipalities. Another of Edmonton's concerns is that the creation of a municipal auditor general office will translate into new costs to municipalities through new reporting or business requirements. The bill's sponsor is on the public record suggesting that setting up an auditor's office would cost \$700,000 annually. By comparison, the city of Edmonton's office of the city auditor budget is nearly three times that amount, almost \$2 million a year. It's difficult to see how an auditor could carry out a significant work plan on \$700,000 unless he or she relied heavily on the municipalities being audited to contribute time and staff support in the provisions of the information. With our own robust audit function already in place, the city of Edmonton would not support in any way any new costs arising for this new provincial function. You may be aware that municipalities already carry out administrative functions for the province such as collection of the education portion of the property taxes without appropriate compensation. We cannot afford new processes that play out in this way.

Bill 202 and big cities. The final point I'd like to emphasize today is the way Bill 202 reinforces a vision that does not make sense for Alberta's big cities. Edmonton city council administration demonstrates accountability to taxpayers on all their decisions and actions. Big cities like Edmonton deliver an ever-growing array of services despite access to limited revenue sources in an environment with blurred lines of responsibility among the three orders of government. We keep our house in order through our own city auditor, who reports directly to city council, and through our other mandated reporting processes. We therefore don't require the oversight of

another order of government in order to ensure transparency and accountability. There is something called an election. We already provide that.

With due respect, Bill 202 appears to be a solution in search of a problem, at least insofar as it relates to the city of Edmonton. For these reasons, city council does not support Bill 202. Thank you again for your opportunity to present this today. Mr. Wiun and I would be pleased to answer questions.

Thank you.

The Chair: Thank you.

Questions? Mr. Chase.

Mr. Chase: Thank you. Could you please tell me approximately what your total budget was in 2008-2009?

Mr. Mandel: Our 2009 budget was \$2.5 billion.

Mr. Chase: Okay. Of that \$2.5 billion, what portion was provincial grants?

Mr. Mandel: Oh, you'd have to go through a whole bunch of processes. Probably \$400 million, maybe.

Mr. Chase: Okay. What I'm getting at is that the amount of money the province provides in comparison to the money collected locally is a reasonably small portion.

Mr. Mandel: Well, there are two parts to that. The province supplies two kinds of dollars, one for operating, which is very small: we get a small police grant and a small grant for libraries, which goes directly to the library, and we get FCSS grants, which we then have to match by paying 25 per cent. We usually pay more than 25 per cent. That would be of our operating side budget, which is about \$1.4 and a half billion. The rest of the money the province pays helps supply us with capital costs, which would be in the area of about \$375 million to \$400 million.

Mr. Chase: My last question is: what is the size of your current deficit?

Mr. Mandel: Zero.

Mr. Chase: Thank you.

Mr. Mandel: We're not allowed to have one, incidentally, so we can't do that.

The Chair: Any other questions?

Mr. Mandel: Thank you very much. We appreciate it.

The Chair: Thank you very much for coming in.

Mr. Mandel: Do you want these copies of our auditor's report? We don't charge for them.

The Chair: Yeah, sure.

Mr. Mandel: It's the city audit for the last three years. Thanks a lot.

The Chair: Thank you.

I think the next presenter is coming in via teleconference, the Calgary Chamber of Commerce. Do we have someone on the line?

Mr. Brunnen: Oh, yes. Hi. This is Ben Brunnen with the Calgary Chamber of Commerce.

The Chair: Hi, Ben. Welcome via teleconference this evening. We have six MLAs at the table here this evening, seven, actually, including myself. We'll ask you to make your presentation. We're suggesting about five minutes for the presentation and then some time for questions and responses if that's acceptable to you.

Calgary Chamber of Commerce

Mr. Brunnen: Yeah, that's great. Thank you very much.

Thank you for the opportunity to present today. The Calgary chamber represents 3,200 members of the business community in the Calgary region. We would like to express our support for Bill 202. In a 2009 member survey chamber members identified fiscal management spending and priority-setting of council as their top municipal priority. Prudent fiscal management and transparent, accountable governance are integral to a well-functioning, legitimate, and responsive local government system. The chamber recognizes that the Municipal Government Act provides Alberta municipalities with among the greatest autonomy and authority of all local governments in Canada. However, we also recognize that municipalities are held to expenditure and accountability standards that are less stringent than senior levels of government and local governments in other jurisdictions. Strengthening the municipal audit function provides assurances to businesses and prospective investors that tax dollars are being spent in compliance with local decisions, stated priorities, best practices, and with due regard for economy and efficiency.

Consequently, the chamber recommends the following five changes to the audit function to support Alberta municipalities. First, we're calling for comprehensive auditing. Under the Alberta Municipal Government Act municipalities are only required to conduct attest audits, in which they submit annual financial statements along with an auditor's report that provides an opinion on whether the statements are fairly presented and comply with appropriate accounting principles. However, attest audits are only one component of what is known as comprehensive auditing, which also includes compliance and value-for-money audits. Now, compliance audits report matters of misuse or mismanagement of public funds or expenditures not authorized by government. Value-for-money audits report cases where public funds have not been spent with due regard to economy and efficiency and where there are no satisfactory procedures in place to enable those who administer programs to meet and report on the effectiveness of these activities. Similar to senior levels of government in Canada, all local governments should be mandated to undertake comprehensive auditing practices.

The second point we would like to make is from a budgeting perspective. It is imperative that the auditing budget be independent of decisions of municipal councils to avoid discreetly diminishing the authority of the auditor through funding restrictions. Ideally, the audit function would be proportionate to the size of total municipal expenditures.

Thirdly, with respect to the audit plan, while municipal councils need to be informed of the activities of the auditor, the audit plan should not be subject to the approval of council. Rather, the auditor must have the independence and autonomy to establish the audit plan and report findings to council, the public, and the province for informational purposes rather than approval purposes.

7:40

Fourth relates to appointment conditions. The independence of the municipal auditor can be hindered by the process through which a person holding office can be removed. It is imperative that the appointment conditions of the position be sufficiently independent of municipal governments.

Finally, we're calling for setting a provincial mandate for the auditing function. One guarantee of independent oversight and comprehensive auditing for the municipal audit function would come in the form of a provincial office of a municipal auditor that is mandated to provide the comprehensive audit services and other features that I just discussed. Many Alberta municipalities lack the institutional capacity and fiscal resources to directly undertake such comprehensive and independent auditing practices, and the creation of a provincial office would provide the necessary capacity and expertise to fulfill this objective. For larger municipalities with an established city auditor's office the provincial municipal auditor general could delegate its functions and responsibilities to these entities to avoid unnecessary duplication and inefficiency. In terms of the benefits of this approach the municipal auditor general would add both external legitimacy and credibility to the municipal audit function and enable comparisons across municipalities to identify inefficient, duplicative, and underresourced programs, facilitate the sharing of best practices, and assist municipalities in delivering higher value to citizens.

Thank you, Mr. Chair and committee members, for your attention on this important matter. I would be pleased to respond to any questions or comments that you may have.

The Chair: Thank you, Mr. Brunnen.

Are there any questions from committee members? Mr. Chase, please.

Mr. Chase: Hi, Ben. Harry Chase, Calgary-Varsity. A question with regard to the organization of the chamber of commerce: other than executive members of local chambers of commerce who are elected by their member body, are chamber of commerce members elected, appointed, or is membership voluntary?

Mr. Brunnen: The question was about our chamber of commerce membership, the members themselves?

Mr. Chase: Yes.

Mr. Brunnen: Membership in the chamber of commerce necessitates, I guess, essentially, a fee for service. To be a member of the chamber, you need to purchase or receive a membership in kind.

Mr. Chase: What I'm getting at is that anybody can join providing they have sufficient funds to pay their membership fees.

Mr. Brunnen: Yes.

Mr. Chase: Compare that with city officials or elected members of city council who are elected and, therefore, directly responsible to the people. I'd also like you to reflect on the fact that while we have a provincial Auditor General, his recommendations are frequently, if not ignored, delayed. We've heard representation from the city of Edmonton, that is not running a deficit. I would assume that the city of Calgary is probably in a similarly strong financial position, and I would just wonder why you feel that a government that ignores or does not fully carry out the recommendations of its own Auditor General should be supervising cities.

Mr. Brunnen: Well, that's a very valid question, Mr. Chase. First, I think the point needs to be made that municipalities by law are not allowed to run deficits, so they are not necessarily comparable to the province in terms of a deficit position.

Secondly, with respect to the elected officials and the role of the province, I think, really the interface of the municipalities and the province, the province creates the legislative framework under which municipalities operate. In doing so, it has the obligation to ensure that the governance and accountability framework sufficiently protects the public interest.

Now, with respect to the auditor function, regardless of whether the recommendations of the Auditor General at the provincial level are considered, the auditor function provides a very valuable service that ensures that the public is informed and up to date on the ongoings of the provincial government. Now, regardless of whether his recommendations are incorporated, it provides a very valuable source of input and insight into the operations of the province for voters and citizens to decide whether and to what extent they would like to re-elect the government in power, and I think a similar model certainly would not be out of line for municipalities.

Mr. Chase: Who should pick up the bill for this external auditing?

Mr. Brunnen: Well, in this type of situation accountability is generally, on this scale, a province-wide benefit, so the province would likely be footing the bill on this.

Mr. Chase: Thank you. As you're very well aware, we only have one taxpayer.

Mr. Brunnen: Well, fair enough. For example, property owners in the city of Calgary pay taxes to the city; the city in turn pays benefits. So we do have only one taxpayer, but it really depends on the level of government which is the unit of analysis. A province-wide municipal auditor general speaks to the provincial taxpayer.

The Chair: Thank you.

Are there any other questions from committee members? Ms Notley, please.

Ms Notley: Thank you. I appreciate your presentation. You talked about an idea which, actually, I am not entirely sure would be enabled through the legislation as it's currently drafted, the idea that where there's duplication – you have some municipalities that already do performance audits – you would have them continue to do it, although I think that also would raise some equity issues. Anyway, the municipal auditor general would then do performance audits for those municipalities that don't currently do that. I'm just wondering: do you have some estimates as to what the cost of that would be? I assume you're suggesting that the province would take on that responsibility, but based on, you know, what's currently spent by municipalities on the more traditional audit, what do you anticipate the cost would be to the province to pick up this tab?

Mr. Brunnen: Well, in terms of estimates it's hard to kind of nail down the numbers. I mean, I could certainly take a closer look. What I would be inclined to do is a sort of benchmark, visualizing what the role of the auditor would be, to conduct an auditing function, value-for-money and compliance, relative to the size of the expenditure and on a random basis. To get an estimate, to develop a methodology for that, I would look at aggregate municipal expenditures in the province, then determine a percentage or proportion of those expenditures that would be audited, then sort of

do an estimate of cost to do a single audit, and then multiply it by the amount of audits that would need to be done. I haven't done those estimates. I think we can develop a methodology and give a decent estimate of something like that. I would begin by looking at the framework in the budget of the Provincial Auditor's office.

Ms Notley: Can I ask one more question?

The Chair: Okay. Go ahead.

Ms Notley: I guess I'd just be interested to hear your thoughts on this issue. We talked about sort of the whole issue of independence and whether having an auditor, you know, hired by the council is the most independent mechanism of oversight. Now, obviously, you've talked about the federal Auditor General and the provincial Auditor General. The provincial Auditor General is in fact accountable to the Legislative Assembly. Some might argue that there have been even there some concerns expressed by some with respect to the amount of money that is given to that Auditor General to fully and independently complete his work. Do you not see that there might actually be some concerns vis-à-vis independence by having the minister solely responsible for a municipal auditor general of other municipalities? Or do you perceive that to somehow be a more independent or objective mechanism?

Mr. Brunnen: Well, I mean, you can certainly view it a number of ways. For example, as the province, particularly the Ministry of Municipal Affairs, is responsible for the enabling legislation of municipalities, one would be inclined to think that it makes sense to have the provincial office of auditor general for municipalities report to the minister. That said, there is an argument that municipalities are autonomous kind of orders of government on their own. As a consequence of that I would be inclined to think that having the audit function report to the Legislature as a whole is certainly defensible as well.

7:50

I think a couple of points need to be made. Firstly, with respect to the budget of the auditor, I can't recall how the Provincial Auditor's budget is determined, but ideally there would be some level or linkage between municipal expenditures as a percentage of municipal expenditures. It's very important that the budget be somewhat independent so that the effectiveness of the auditor is not diminished, particularly behind the scenes and over time.

As an example, I believe the city of Ottawa has a municipal auditor whose budget is linked to a percentage of municipal revenues, for example, so something along those lines. I think that ultimately, at the end of the day, reporting through the minister would make sense in my mind only in the sense that that minister is responsible for the enabling legislation. You know, that said, though, reporting to the LGIC I think is defensible provided that the report of the auditor is made publicly available once it's completed rather than enabling the minister the discretion to decide whether to release it or not. I think that's the more critical issue.

Ms Notley: Thank you. They're giving me a break in letting me ask you one more question. You link it to the Minister of Municipal Affairs because he's responsible for the enabling legislation, but we're talking about the accountability with respect to municipal funds, the majority of which are raised through municipal taxation, which is actually subject to the decisions of council, which are then accountable to the ratepayers. Is the author of the enabling legislation the primary indicator that you should go to in order to determine

who should be overseeing the municipal auditor general, or should it be the ratepayers or the people that make decisions about the taxation and the delivery of the programs?

Mr. Brunnen: Very valid point. The rationale I would use as to whether the Minister of Municipal Affairs is responsible, because the minister is responsible for the enabling legislation, is that that minister is also responsible for the accountability provisions and requirements established that municipalities operate under. The annual attest audits of municipalities currently report to the Ministry of Municipal Affairs. I mean, that whole framework kind of keeps the lines of accountability from a legislative perspective on track.

You know, that said, you make a very valid point. I mean, it's the taxpayer base at large. I think a defensible argument could be made for the office of the municipal auditor general to report to cabinet or to the Legislature, for that matter, rather than simply the minister. I think functionally it's really going to depend on, you know, what type of, I guess, authority or the provisions for enabling the act, the provisions for amending the act, the provisions for setting the budget of the auditor's office. If those decisions are going to be made by cabinet, then it makes sense that the auditor report to cabinet. Now, if all those decisions are going to be made by the minister in consultation, for example, in cabinet, then the latter would be the case, I'm inclined to think.

Ms Notley: When I was talking about council I was actually thinking the municipal council not the cabinet council.

The Chair: Thank you.
Mr. Rodney, please.

Mr. Rodney: Well, thank you very much, Mr. Chair. I apologize that I didn't hear your initial comments, so perhaps you've addressed this; perhaps you have not. I wonder, sir, if you can comment on the following. I've met many people involved with the chamber who have expressed very strong support of the bill. I'm just wondering – and this is an open-ended question – if you can tell us: is there a specific issue that has precipitated the amount of response from the chamber? Is it a myriad of events? Why is it that so many people involved with the Calgary chamber are so strongly supportive?

Mr. Brunnen: Thank you for the open-ended question. I do appreciate those. Thinking about sort of the business community sentiment, if you will, in the city of Calgary, there is concern. The whole decision-making and budget framework of the municipality itself: certainly some questions have been arising in terms of the fiscal management and the decision-making process of council with respect to, for example, the recent tax increases that we saw. I mean, there's been this sort of feeling that the municipality just doesn't seem to be making decisions that are fiscally prudent and well managed over the course of the year.

I mean, there was a lot of backlash. They have a three-year binding budget there. They adopt the one budget every year and then issue updates in subsequent years. What that does is that it binds the council and limits the ability of the citizens in the business community to have input into the budgeting framework. An accumulation of sort of a number of decisions and issues that have come forward has kind of created this lack of confidence in council's decision-making ability when it comes to fiscal management.

You know, there are a few other elements, I think, that kind of come into play here. As I mentioned at the onset of my presentation, local governments in Alberta have among the broadest authority of all local governments in the country but have, really, the least

accountability provision. When I say that, I speak to issues, for example, of conflict-of-interest guidelines and rules that are not prescribed in the legislation. I just see a lot more stringent rules governing MLAs and municipalities in British Columbia, for example. Similarly with campaign financing: I mean, there are no hard and fast rules in the legislation that sort of establish limitations on what can be done. I think Bill 205 is looking at this.

What there is is a sense of not a lot of confidence in municipal decision-making and not a lot of ability to influence or feel that they're being held to account. That might give you a sense of the tone there.

Mr. Rodney: All I'll say, Mr. Chair, is that I had two other questions, but they have been answered. For that reason and for the fact that I believe we're now out of time, I will bow away and look forward to our next presenter.

The Chair: Okay.

Thank you very much, Mr. Brunnen. I appreciate your coming on this evening.

Mr. Brunnen: Thank you for the opportunity.

The Chair: Okay. Good night.

Mr. Brunnen: Good night.

The Chair: With that, we'll invite Ms Agnes Knudsen, reeve of Northern Sunrise county, to take a seat at the mike at the end of the table there, please.

I'll also welcome Mr. Rodney and Mr. Johnston. Mr. Rodney has been on the record this evening already, and Mr. Johnston has stepped in as well.

Mr. Johnston: Art Johnston, Calgary-Hays.

Mr. Rodney: And from Calgary-Lougheed, Dave Rodney.

Northern Sunrise County

The Chair: Ms Knudsen, if you would introduce your party and then go ahead with your presentation, please. We appreciate your coming in. We know you've also come a long way to be here this evening, so thank you very much.

Ms Knudsen: Thank you, Mr. Chair. With me tonight is Bob Miles, our chief administrative officer for Northern Sunrise county.

I'll jump right into it, then. On July 10 Northern Sunrise county council discussed Bill 202. At that time council unanimously agreed that we are strongly opposed to the creation of a municipal auditor general. Council agrees that the existing audit process makes the creation of a municipal auditor general unnecessary, redundant, and patronizing to elected officials in their ability to govern themselves.

The municipal auditor general is a duplication of services that already exist under the Municipal Government Act and the powers available to the Minister of Municipal Affairs through that act. Currently municipalities are required by legislation to have annual audits that are submitted to Municipal Affairs. These audits are held to the highest level of accounting standards recommended by the Canadian Institute of Chartered Accountants. These audits come at a cost borne fully by the municipality and its residents and ratepayers. A municipal auditor general is neither effective nor efficient and in these harsh economic times does not give Albertans the best

value for their money. Instead, it will result in an unjustifiable duplication of services that already exist.

8:00

Municipal elections are held at regular intervals, every three years, ensuring that elected officials are held accountable to their residents. Bill 202 was proposed to help make the best possible use of public funds. This implies that locally elected officials are not conducting their business in an open and transparent way. It also suggests that elected councils are unable or incompetent to make the best decisions regarding the public funds they collect. This is offensive to all locally elected officials. It is offensive to the elected officials of Northern Sunrise county. Our municipality retains professional staff and complies with our mandated annual audit. A municipal auditor general puts into question the integrity of the minister, our council, our staff, and our auditor.

It's been rumoured that this bill was created in response to some questionable decisions made by some specific municipalities. It is the opinion of my council that Municipal Affairs already can, within its jurisdiction and purview, deal with these isolated incidents without painting all municipalities with the same erroneous and heavy-handed brush. We fail to see how providing a duplicate service for an existing program paid for out of public funds is the best way to use taxpayers' dollars.

Thank you for your time. I look forward to your questions.

The Chair: Thank you very much, Ms Knudsen.

I do have some questions. Mr. Bhardwaj, you had a question, please, followed by Mr. Chase.

Mr. Bhardwaj: Thank you very much, Mr. Chairman, and thank you so much for your presentation. I just want to begin by saying that autonomy in municipalities is extremely important, and so is transparency. You talked about accountability and transparency. So far the presentations we've been listening to are all talking about improving transparency, being accountable to their voters and their residents. What can you suggest to improve the transparency of the organization? That is my first question. I've got one more follow-up.

Ms Knudsen: Well, I think we're all already transparent. I mean, it's mandated already. But if there would be problem areas, then focus on those problem areas or councils or whoever they are, not demand this of everybody throughout the whole province. I think it's just way too much.

Mr. Bhardwaj: In your particular jurisdiction, how are your auditors appointed? What kind of tenure would they have, and who do they report to?

Ms Knudsen: Bob, can you help me?

Mr. Miles: Yeah. They're appointed by council, and they have an ongoing relationship with the county. Their report goes directly to council as well as their management letter.

Just on the topic of transparency, our budget process is fully public meetings, and when the departments are talking about the transportation budget, the documents that council have before them are available to the press or any members of the public as well.

Mr. Bhardwaj: Thank you.

The Chair: Mr. Chase, please.

Mr. Chase: Thank you. Counties don't have the sort of tax base advantages that cities have in terms of population, in terms of business base, or in terms of property taxes. Does that make you necessarily more dependent on the province in terms of grants for local financing?

Ms Knudsen: I don't believe so. I think our urban counterparts would differ on that. We have linear assessment and those types of things for a revenue base as opposed to the population and residential base.

Mr. Chase: So it creates kind of an equivalency. Where I'm coming from: is the majority of your budget collected locally as opposed to through provincial grants?

Mr. Miles: Naturally, each municipal county is different. We're in the north, and we're one of the larger counties in the province. We have a large boreal forest, or Crown land area, and there's a lot of oil and gas activity. So depending where your rural municipality is located and your assessment base. Just like some urban communities which have financial issues, there are some counties that have financial issues as well, but the majority of our tax base comes from industry, basically.

Mr. Chase: The point I'm making is that the grants from the province make up not an insignificant portion but a small portion of your total revenue, yet what Bill 202 is presuming to do is audit all the money you receive as opposed to just the provincial envelope grants.

Are you currently running a deficit?

Ms Knudsen: No.

Mr. Chase: If you had the opportunity, how long do you think you'd be staying in an elected position if you actually ran a deficit?

Ms Knudsen: Oh, I don't know. I'm new enough at this game that I'm not going to gamble on that one.

Mr. Chase: The point I'm making is that we have a government that's run a significant deficit . . .

The Chair: We'll go on to the next question, please. Mr. Hehr.

Mr. Hehr: Just a question for you. When you're sending your audited statements to the minister, I assume they're basically just checking out the numbers as they're presented by your various departments. They check them over, and then it's given another once-over by the minister's office through their auditing department. What I'm wondering is: would you find any value in your organization to what I envision would be, like, the province being able to do some value-for-money audits, maybe essentially looking at whether some municipalities need value-for-money audits to almost improve their practices, to make them perform better? Do you think this is something that municipalities – I'm assuming your organization is a smaller municipality. Would this be something you guys would need?

Ms Knudsen: I don't really think so. We scrutinize things carefully before we do them, before we, you know, hire a bunch of graders or whatever. We run a pretty tight budget, and we're pretty careful with what we're doing. I'm not sure that that would be beneficial.

Mr. Hehr: Okay. Thank you.

Mr. Miles: Just a comment. Most of the staff reports in most municipalities these days provide councils with options. They tell council what the effects of the decisions are budgetwise. So I think the standard of professionalism in staffing across the province has improved through training as well.

The Chair: Thank you.
Mr. Rodney.

Mr. Rodney: Thank you, Mr. Chair. I want to thank both of you for taking the time to come here as well. I can't help but think that you're here for the same reason that we are, which is to help Alberta to be a stronger and more compassionate place.

I just have a few questions, Mr. Chair. First of all, can you tell us for the record, for those who might happen to be listening or read *Hansard* later: how long did you travel just to get here today?

Ms Knudsen: This is a minimum of a six-hour drive to Edmonton.

Mr. Rodney: Okay. That's not a rhetorical question. I'm actually just trying to find out for personal interest and to perhaps point out that I appreciate how important this is to you that you're here, that you'd invest that much time and energy to write in and answer questions in front of us. So when I say this, I hope it's taken in the spirit that it's given.

I've heard what you've said – and my colleagues have as well – about how this may appear that Big Brother is looking over your shoulder and how much you do not appreciate that. Now, I've had people ask me to ask people in your position – again, not to be inflammatory, but hopefully you can educate us. Is that what it is? Big Brother looking over your shoulder? Or is it a matter that, since a certain amount of your monies are received from the provincial government, the provincial government has the right and the responsibility to ensure that investments are made wisely? I guess that when these people who speak with me boil it right down, they say: if there's nothing to hide, why would there be anything to worry about? What would you answer to those people?

Ms Knudsen: The cost becomes a great encumbrance, I think. If this municipal auditor general is going to be put in place, who's going to pay for that? We're already paying, you know, \$20,000 to \$30,000 a year for auditing anyway, comprehensive auditing. We're following the Municipal Government Act on these things. Why does that need to be changed?

8:10

Mr. Rodney: Well, perhaps it leads to my final question, then. If the cost was not borne by you or if there was an allowance for it, would there be a problem at that point?

Ms Knudsen: That goes back to that there's only one ratepayer, right?

Mr. Rodney: Uh-huh.

Ms Knudsen: You know, if the province is paying it, then that's less funds that are being transferred by way of grants to municipalities.

Mr. Rodney: What if your budget flow was not facing any sort of distraction or obstruction in any case? What if it didn't make a single cent difference to your bottom line? Would there be a problem with you opening your books, if there's nothing to hide?

Ms Knudsen: They're already open.

Mr. Miles: The thing to remember is that for any provincial funding or federal funding that comes through the grant process, there's extensive reporting required on how you spend that money. You know, it's above the norm for those types of grants. It's not that the province or the feds don't get reporting now. They get very detailed reporting. Like, if you get a capital grant to build an arena, you have to detail it, just like you should do. They do get detailed reporting. It's not that reporting doesn't occur now. It does occur.

Mr. Rodney: Thanks, then. I'll have something different to tell the people who've asked me that question.

The Chair: Ms Notley, please.

Ms Notley: Thank you. I have a few, hopefully very short, questions. First of all, can you give me a ballpark figure of what your annual budget is?

Mr. Miles: About \$25 million.

Ms Notley: What percentage, if you know, do you currently spend on your auditing function? Or is it consistent?

Mr. Miles: The auditing costs have gone up. Part of it is the new public auditing standards. I believe we're paying in the area of around \$60,000 to \$70,000.

Ms Notley: Do you have any estimates of what it would cost if you had to suddenly take on the responsibility for performance auditing?

Mr. Miles: It's interesting. I've been in the business for a number of years. I think that about 20 years ago comprehensive auditing was popular, and for whatever reason it died, right? But, I mean, with comprehensive audits, it all depends how comprehensive they are. Like, you could almost spend as much on a normal audit as a comprehensive audit if the people come in and go through, you know, how you're filling out time tickets or how you're initialing invoices and those kinds of things.

Ms Notley: So it could be double? Up to double?

Mr. Miles: It could be double.

Ms Notley: Last question, if that's all right. I'll try to get all my questions in one. We've had people at various times estimate that in the Alberta Legislature the members of the Assembly get about an hour to discuss each \$2 billion or \$3 billion of a budget. That's how it breaks down when we do our budget discussions here, about an hour per \$2 billion or \$3 billion, depending on the ministry. I'm just wondering: how many meetings do you have or how much time, just generally, again, ballpark, do you spend in your council talking about budget items?

Ms Knudsen: Over the duration of a year?

Ms Notley: Of a year, yeah.

Ms Knudsen: Perhaps 20 or 30, and that would be just council time on it. Staff is doing other time above and beyond that, of course.

Ms Notley: Okay. I think my point is made.

The Chair: Thank you very much for your presentation this evening and for attending this meeting, coming from home. That's a long drive, and we appreciate your coming down and your input.

Ms Knudsen: Thank you, Mr. Chair. I do have copies of my presentation. I can leave them behind if anyone wishes.

The Chair: I think that if you'd leave them with our table staff, we'd appreciate that. Thank you very much.

I think we have one more presentation this evening, and that is from the Canadian Federation of Independent Business. We're just waiting for a call-in for our final presentation this evening.

Do we have someone on the line? Ms Halbesma?

Ms Halbesma: Yes.

The Chair: Please, welcome to this meeting this evening. You're with the Canadian Federation of Independent Business, and we appreciate your coming in to present to us this evening. We'd ask you to make your presentation now and maybe limit yourself to about five minutes if you could. We'll potentially have some questions and comments from committee members, and we'll have an exchange at that point.

Ms Halbesma: Sounds great.

Canadian Federation of Independent Business

Ms Halbesma: Good evening, everyone. Thank you so much for the opportunity to speak with you a little bit this evening about why our members throughout the province support the creation of a municipal auditor general. By way of background, the CFIB is a nonpartisan lobby group in the interests of about 105,000 small and medium-sized businesses across the country, including 10,000 in Alberta. One of the things that makes the CFIB perhaps a bit unique from other business groups is that we are survey/research based. We regularly survey our members on their concerns, their priorities, the solutions that they think are best. In fact, we would never take a position on a major policy issue without direction from our members.

We recently surveyed them about the creation of a municipal auditor general. I think you all have a copy of a brief little backgrounder that I put together for you, and you'll see on that first graph that when we asked our members about this, we provided a short backgrounder and arguments for and against, and the results were a resounding 81 per cent in favour of a municipal auditor general.

Just let me provide a bit of context about why that's the case and why we really think this is the right move for Alberta. For some time now we've been hearing increasing concerns from our small business members across the country about their local government. Concerns have centred on things like tax fairness, spending, accountability, and transparency. In fact, you'll see on that second graph that when we asked business owners how their mayor and council could be more responsive to the needs of their business, the top response was to improve accountability on municipal spending.

With respect to, particularly, operational spending CFIB takes the view that it's completely reasonable for municipalities and for all levels of government, I might add, to be increasing spending to account for inflation as well as population growth. So as communities grow and there are more people to service, it makes sense that spending would have to increase. It also makes sense that spending would increase to account for inflation. But when you get beyond that, that's what is not reasonable, and it's not sustainable.

Last year CFIB did a major study into municipal operating spending in Alberta, and that's exactly what we found, that in the vast majority of cases operational spending was growing much faster than inflation and population growth. Not only that, but the study also found that even among municipalities with similar populations the amount of per-person spending ranged significantly. There may be good reasons for it, but the results of that study suggest that it's really time to ask some tough questions in terms of what's happening with respect to municipal operating spending because that's what places demands on taxpayers, particularly business taxpayers, which leads me to sort of the second reason that I wanted to chat with you about why we support this.

Last year we also did a study looking at municipal property taxes, and of the 351 municipalities in Alberta, there were 231 that charged higher tax rates on commercial properties compared to residential properties. In other words, if you own a house and you own a business of equal value, the municipal taxes on your business property are higher than on your home. One example of that is in Calgary. The owner of a commercial property pays \$3.34 in municipal taxes for every \$1 paid by the owner of an equally valued residential property, and then in Calgary's example they pay a business tax on top of that. Furthermore, most businesses pay for services that are provided free of charge to residential properties such as garbage collection.

While we recognize that municipalities have their financial statements audited each year, we believe that there needs to be a more rigorous look at the value for money of public expenditures at the municipal level. Further, a provincially appointed municipal auditor general could conduct compliance reviews on key systems and programs or examine alternate service delivery options. CFIB studies on municipal spending and property taxes really show why additional oversight through a municipal auditor general is overdue, and that's why CFIB is supporting this legislation.

Again, thank you so much for your time and the opportunity to speak with you, and I'm pleased to answer any questions you may have.

8:20

The Chair: Thank you very much.

Mr. Chase, please.

Mr. Chase: Thank you very much, Ms Halbesma, for joining us. Harry Chase, Calgary-Varsity, here, a former schoolteacher. I would ask you to rate the job that our provincial Auditor General does in terms of trying to keep the province in line in terms of its value-for-money auditing. Would you give the Auditor General an A, a B, a C, or a D?

Ms Halbesma: That's a tough question. I actually don't know what grade I would give it. The important thing is that that function exists and that we are getting those public reports of the Auditor's assessment of how things are going. Then we can have that discussion about the results and what the next steps might be. I don't know what letter grade I would give it.

Mr. Chase: Well, one of the points I want to make is that the provincial Auditor General does a value-for-money audit on the granting system of the province to the municipalities, so he already has an auditing supervisory role in terms of the grants. Are they sufficient? Are they warranted? Are they expended in a reasonable way?

I understand your concern about commercial taxes being sort of 3 to 1 as compared to residential taxes. I'd be interested in knowing:

what makes you think that the province would be a kinder or gentler tax collector?

Ms Halbesma: Well, I think that in this case what we're really talking about is the level of accountability and transparency at the municipal level and that the time is right to be asking some questions about, you know, the value for money of the tax dollars that are collected now.

The Chair: Thank you.

Mr. Chase, we're going to move on.

Ms Notley, please.

Ms Notley: Thank you. I appreciate your presentation. Just sort of following along on a couple of points that you made. I assume from what you said, based on your concern around municipal taxation going up beyond that which population or inflation would explain, that you would agree with me that there is essentially a finite tax base. My question is this. I think it's arguable that one of the main reasons municipal expenditure has gone up over the last decade is because both the federal and the provincial governments have downloaded rather extensive responsibilities onto them.

Now, we have a provincial Auditor General who, as you rightly point out, does do performance audits and value-for-money audits but who, I'm sure you're also aware, has indicated that he's not able to do the full scope of his job as he would like because he doesn't have enough money in his budget. As someone who is concerned about the smart use of your money and because we do have a finite amount of money, would you rather see that money go to facilitating the provincial Auditor General's ability and maybe even the federal Auditor General's ability to evaluate performance audits on the governments, that have in many cases downloaded onto municipal governments? Or would you rather see the provincial and/or federal Auditor General not audit to their full scope with a view to then spending that money to ensure that the municipalities were audited in the way you would like? If you had to choose.

Ms Halbesma: Just so I understand your question, you're talking about whether existing Auditor Generals should have the resources to conduct these more thorough audits or whether we would put that to creating a separate entity in Alberta?

Ms Notley: Exactly. Assuming that we agree, from what you suggested, that there is a finite amount of money to be dedicated to this task.

Ms Halbesma: Yeah. I mean, I think you raise a really good point because in the end what we really care about is outcome and results, and whether that happens through a separate office or through an expanded existing office is perhaps less relevant. I don't know that I would put a strong preference one way or another but just say that, indeed, looking at these issues in a thorough and meaningful way is extremely important. In terms of which office does that, I don't know that we would have such a strong viewpoint.

Ms Notley: It's not so much which office; it's which government is fully audited.

Ms Halbesma: I'm sorry. I don't know that I'm quite understanding your question.

Ms Notley: Sorry. My point is that you've identified the increase in municipal expenditure, and most people will agree that that arises primarily from the fact that provincial and federal governments are funding in a different way. So there is merit to enhancing the scope of auditing at the federal and provincial levels in order to assess the services as well as, potentially, the municipal level. My point simply is that if you've only got so much money to audit and we don't have the money to fully audit at a provincial level, do you think it's more important to fully audit at the provincial level or to add another area that we're going to audit when we're not yet doing it fully at the federal and provincial levels?

Ms Halbesma: Okay. I understand your point. I guess, really, at this point what I would say is that it's about using the resources that we have very wisely. As we see operating spending, you know, growing beyond inflation and population – and let me be clear that that's not only at the municipal level; that's at the provincial level as well. That type of spending eats out resources for these other projects, like auditing for example. I think they're both very important, and I think that it's about assigning that priority to say that value for money is something that we want to pursue rigorously.

The Chair: Okay. Thank you very much.

In the absence of further questions I thank you very much for coming on the line this evening, Ms Halbesma.

Ms Halbesma: My pleasure. Thank you so much for having me, and if anyone has further questions, please don't hesitate to get in touch. We'd be happy to chat with you further.

The Chair: We'll do that. Thank you very much.

Ms Halbesma: Bye for now, everyone.

The Chair: Bye now.

I think that there not being any other business this evening, I just do want to remind committee members that there was some additional information requested at our previous meeting on September 10, and that was posted and passed to committee members on October 2. Just for your information, I think that had to do with some other jurisdiction practices with regard to Bill 202.

Mr. Chase: Just a point of information. I've shared this with Jody, and I'm sure she shared it with members. Mornings are a time when our Liberal caucus has its QP preparation and caucus meetings. Therefore, I very much appreciate the opportunity afforded this evening and tomorrow evening to meet. Whenever possible, our meeting preference is the evening so we can be fully functional participants of this very worthwhile Community Services Committee.

The Chair: Okay. I understand that. Thank you for that.

There being no other business this evening, I would again like to thank the presenters this evening. We value your input. We'll have one more meeting tomorrow evening. Wednesday, October 28, at 7 o'clock we'll hear some more presentations.

With that, if someone would adjourn the meeting, I would appreciate it. Mrs. Sarich. Thank you. Good night.

[The committee adjourned at 8:29 p.m.]

