



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, November 3, 2009  
7:47 a.m.

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Second Session**

**Standing Committee on Community Services**

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Ray Gilmour	Deputy Minister

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[Mr. Doerksen in the chair]

**The Chair:** Good morning, ladies and gentlemen. We'll call this meeting to order. Welcome to the Standing Committee on Community Services. We'll have a relatively short meeting this morning, but I appreciate those of you who have come out this morning.

I'll ask everyone to introduce themselves. I'm Arno Doerksen, chair of the committee and MLA for Strathmore-Brooks.

**Mr. Johnston:** Good morning. Art Johnston, Calgary-Hays.

**Mr. Benito:** Good morning. Carl Benito, Edmonton-Mill Woods.

**Mr. Rodney:** From Calgary-Lougheed, Dave Rodney. Nice to see you.

**Mr. Bhardwaj:** Good morning. Naresh Bhardwaj, Edmonton-Ellerslie.

**Dr. Massolin:** Good morning. I'm Philip Massolin. I'm the committee research co-ordinator, Legislative Assembly Office.

**Mr. Gilmour:** Good morning. Ray Gilmour, deputy minister, Municipal Affairs.

**Mr. Danyluk:** Good morning. Ray Danyluk, Minister of Municipal Affairs.

Chair, I'm very happy that you have confidence in me in the duration of time.

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

**Mr. Johnson:** Jeff Johnson, MLA, Athabasca-Redwater.

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

**The Chair:** I would like to specifically welcome the minister this morning to speak to us. I just will remind committee members of a number of housekeeping matters, particularly that *Hansard* operates the mikes, so we don't need to control them. Also, this meeting is audiostreamed live on the Internet. As well, if you have BlackBerrys or cellphones, please don't place them on the table because they run interference with the audio system.

We do have a couple of housekeeping matters to attend to. First of all, the agenda for this meeting is primarily to hear comments from the Minister of Municipal Affairs with regard to Bill 202, but I need a motion to approve the agenda as circulated. Mr. Bhardwaj. All in favour, please indicate. That's carried. Thank you.

I think that we should also deal with the minutes of the previous three meetings. Last week we met on three occasions to hear public input on Bill 202, so I need, first of all, a motion to approve the minutes as circulated of the October 27 morning meeting. Mrs. Sarich. All in favour? That's carried. Secondly, the minutes of the October 27 evening meeting. Mr. Johnston. All in favour? That's carried. Thank you. Third, the minutes of the October 28 meeting of the standing committee. Mr. Bhardwaj. All in favour? Thank you. That's carried.

Again a special welcome to the Minister of Municipal Affairs. We appreciate you coming to speak with us for a few minutes this

morning on Bill 202 and would look forward to some exchange of questions and your comments following that.

Minister, please.

**Mr. Danyluk:** Well, good morning. Thank you very much, Chair. I am pleased to be here today to discuss Bill 202. Let me start by saying thank you to the hon. Member for Calgary-Hays for bringing this bill forward. It raises an important discussion on accountability and transparency for local government. I have taken a long look at the bill and appreciate its intent. However, when it comes to how a new office of the municipal auditor might work in practice, I do have some reservations. To help you in your task of making recommendations to the Assembly on this bill, I would like to highlight some of the initiatives my ministry is undertaking to promote municipal accountability.

Mr. Chair, first of all, I would also like to suggest some potential actions we could undertake to achieve many of the aims of Bill 202 with existing resources and without creating a new government body. If I can repeat the last, it's "with existing resources and without creating a new . . . body."

It is my job to listen and to support Alberta's municipalities, and I take that job very seriously. I recently completed a consultation tour of our municipalities. I heard from many municipalities that they have concerns with Bill 202, just as you have heard in some of the submissions and the presentations to this committee. I have also heard them say that the bill's principles of accountability and transparency are ones they share. Albertans expect all levels of government – federal, provincial, and municipal – to be responsible with their tax dollars. Ensuring we have accountable local governments is a priority for both me and this government. It is also a priority for our elected municipal leaders. We all agree that we must respect our tax dollars and use them to invest in and foster strong communities, and we recognize that Albertans want to know how their tax dollars are spent.

Since this bill was introduced, our province and our municipalities have experienced a dramatic economic downturn. While this has led to many changes, one thing that has not changed is our commitment to accountability. At the same time we must carefully consider how to promote accountability in the most effective way without duplicating our efforts. From what I see, the creation of a municipal auditor could potentially duplicate some functions already in place in my department.

My department provides support to municipalities on an ongoing basis. We currently have the flexibility to provide advice and support when it is needed and to undertake more formal examinations of municipal operations when it is warranted. We provide informal advisory services on a regular basis. This allows us to address emerging questions proactively before they become problems. On a more formal basis the Municipal Government Act sets standards for financial reporting and compliance and gives the ministry the tools to ensure they are adhered to.

Municipalities must complete annual financial statements audited by independent, professional accountants. A signed copy of these statements along with an annual financial return must be submitted to me.

7:55

The Municipal Government Act also gives me the authority to act or intervene in certain circumstances. I can, for example, order a municipal corporate review. This includes a review of municipal operations and practices. It is intended to support the municipality by providing constructive advice. In cases where concerns are more substantial, I can order a municipal inspection. An inspection is a

more detailed formal review of municipal management, including both council and administration. It also involves a more in-depth examination of municipal financial records and practices. Following the inspection I have the authority to issue binding directives for the local council to implement. I can also appoint an official administrator to oversee the actions of a council.

Let me say to you that these powers I have described to you have been exercised. In the last couple of years my department has completed 12 municipal inspections, six municipal corporate reviews, and 11 appointments of official administrators. These measures have been effective, but in reviewing some of the provisions of Bill 202, I realize there may be ways for us to improve our practices and to make them more transparent to the public.

Before I get to that, I would like to briefly review a number of recent initiatives that will support municipal accountability. As you know, accountability goes far beyond finances and accounting. The changes introduced under Bill 23 will greatly improve the system for assessment appeals. Taxpayers will have a greater access to information, and all appeals will be heard in a timely manner by well-trained board members.

As part of my mandate from the Premier I am also working on an accountability framework for municipal grants. Right now there are 77 municipal grants across 13 ministries. Municipalities have told us that finding and applying for these grants is not an efficient use of their resources. We are developing clear, consistent application and reporting requirements for all grants provided to municipalities. We are also reviewing these grants to ensure they are aligned with clear objectives like core infrastructure and safe communities. This will ensure we are getting full value for provincial funds provided to municipalities. Albertans expect these funds to be invested wisely in building strong communities for the future. The accountability framework will make it easier for municipalities to do this and easier for Albertans to see the results.

Municipalities are not only accountable for tax dollars; more importantly, they are accountable to provide essential services, manage community risk, and plan for the future. Many municipalities face serious challenges in these areas, and some may not even be aware of it. The Premier has given me the mandate to come up with a strategy for municipal sustainability. This strategy will identify what basic services a municipality should be responsible to provide. It will develop tools to assist municipalities in assessing their viability and improving their capacity. This is a broader definition of accountability and transparency than an auditor might consider, but it is critical to the future sustainability of Alberta's municipalities.

The initiatives that I have highlighted will go a long way towards achieving some of the aims of Bill 202. The bill also suggests to me that there is more we can do to ensure that municipalities continue to be responsible and accountable. First, we can adopt a regular, rotating schedule for municipal corporate reviews. This would mean that every municipality below a set population would receive a review every five years.

Second, to increase transparency, we could require the management letters for every municipal audit to be made public. This would improve the public access to the findings and recommendations of the municipality independent of the auditor, without duplicating the work of that auditor.

Third, we can develop a web portal where all municipal financial information would be made easily accessible to the public.

Finally, we can review the current measures for ensuring the independence of municipal auditors, particularly for municipalities with their own internal auditors. We would consider hiring, procedures, resources, access to information, and the role of an audit committee.

I know the municipalities are autonomous. They are also responsible. The vast majority of them have good financial practices and rigorous standards. I also know that we work best with municipalities when we are supporting them.

I believe that the ideas I have put forward this morning could allow the ministry to achieve the goals of Bill 202 while retaining the flexibility necessary to continue to support municipal sustainability and accountability. There is no denying, Mr. Chair, that Bill 202 has generated some great discussion. As I have outlined, I do have some concerns with how this would work in practice.

Let me review what my department is willing to do to address some of these issues. We are willing to look at adopting cyclical municipal corporate reviews, requiring management letters to be made public, developing systems to support better public access and information, and ensuring the independence of municipal auditors.

I do want to emphasize that this process has helped to sharpen our focus. I don't want to lose the importance of the issues this bill brings forward. The principles in this bill are ones that already guide our government.

Again, I would like to commend the hon. member for bringing this forward, and I would like to thank the committee for its work. We will continue to follow the work of this committee with great interest, and we know that Albertans will benefit from your decision.

**The Chair:** Thank you, Minister Danyluk.

There are some questions this morning. Mr. Rodney first, please.

**Mr. Rodney:** Thank you, Mr. Chair, and thank you, Minister, for being here nice and early. It's always refreshing to hear your voice and honestly get the content and delivery. The way in which it was delivered was very succinct.

I did hear you say that there was a list of possible actions and that you could do a number of things. I suppose the argument is that Bill 202 would do those things. In that spirit I just wondered if you can tell me, Minister: how many times have the binding directives actually been utilized in the past? I know that is one of the powers within the department. You mentioned that binding directives could be invoked, and I'm just wondering. Perhaps your staff, because I know this goes back some time, might be able to help. Have they been used once, a hundred times, or somewhere in between? Does anyone know?

**Mr. Danyluk:** It's really with every inspection. Yes.

**Mr. Rodney:** Okay. Thanks. Then the follow-up that this leads to really is this, Mr. Chair. Like it or not, there was a certain footbridge in the city of Calgary that received all sorts of controversy, and if the taxpayers of Calgary could vote, I'd be very interested to see what that percentage of approval would be. Now, some argue that Bill 202 would deal with this rather quickly while current processes may not. Was there any thought, any action towards utilizing binding directives regarding the footbridge in question? I understand this is just one example, but I know about a million people who'd be interested to know if that was a consideration or not.

8:05

**Mr. Danyluk:** Well, hon. member, I do want to clarify that we need to look at criteria for funding in those particular situations and not look at an auditor. An auditor will not deal with criteria. No matter what we do with the auditor or if we had an auditor in place – an external, an internal – this is still under the autonomy of the municipality. We cannot take away the autonomy of the municipal-

ity unless you want to oversee and overtake all granting and all distributions of funding for municipalities on a direct basis. This is not our attempt at all. I know that the footbridge did cause some controversy. This will not deal with it whatsoever. This is an issue about a municipal auditor. It is not an issue about grant criteria.

**Mr. Rodney:** Thank you.

**The Chair:** Thank you.  
Mr. Johnston, please.

**Mr. Johnston:** Thank you, Chair. There were a number of actions that were taken in the past two years, and I may have missed it, but there were 12 municipal reviews, for lack of a better word. Is that correct?

**Mr. Danyluk:** Yes, there were. We did have 12 municipal reviews. I'll just find it right here. I think it was six inspections and 11 appointments of official administrators. If you want me to explain those in depth, there are situations – and I'll go backwards – where we appoint official administrators. That means that we do a ministerial order, and we send in an administrator when we believe that things are not operating the way they should be. We do corporate reviews, which are self-explanatory, and the 12 municipal inspections. Municipal inspections mostly come around when we have individuals in a community that sign a petition that have direct concern with the administration or the governance of a municipality.

**Mr. Johnston:** That was my next question. Thank you.

**The Chair:** Thank you.  
Mrs. Sarich, please.

**Mrs. Sarich:** Thank you very much, Mr. Chair. I just was wondering about your four-point strategy that you put forward, which included the regular, rotating schedule for corporate reviews every five years, the management letters to be made public, the web portal where the municipal financial information would be posted and more available and open to the public, and the fourth one being the review to assure the independence of the municipal auditors. One thing, at least as a committee member, that I heard from the AUMA, as an example, is that they truly appreciate being consulted when there are changes coming that would affect their members across the province. Given the four-point strategies that you're putting forward today to the committee, what would be some of the process considerations or the timeline for some of these commitments that you're putting forward?

**Mr. Danyluk:** Well, thank you very much for the question. First of all, I need to say that we do consult with municipalities – I would say lightly, first of all, at conferences – and we do consult with the board, and we do consult with the executive. Every year I go out across the province on a consulting tour, if I can say that, and I bring up the issues of concern. Let me give you an example. Two years ago we had an in-depth consultation on what the MSI funding should look like. There were a lot of different issues, but I'm just highlighting. Last year there was a lot of discussion about the accountability framework and how it could work better. We take that information that we get from municipalities and incorporate it into the direction that we take. I think it's very important that this ministry represents municipalities, and that's exactly what I try to do.

It wasn't intentionally timely, but it did work out very timely that last month we did have our tour across Alberta, that touched most,

if not all, municipalities. We went to eight sites. People came and had an opportunity to express. If I can, hon. member, we give the opportunity – in fact, they have to – for every member that comes to a meeting to bring their opinions forward and their concerns forward. We go through a question-and-answer. Then we go through an opportunity of statement. Then we go through a last opportunity of giving the municipalities an opportunity to say what's important.

The discussion of Bill 202 was on the table. That's where we got, you know, the talk about accountability and transparency. That's where we had individuals come forward and say: we don't need a new burden, but these are some of the things that can happen. So we've taken those ideas from individuals, from municipalities and looked at how we can incorporate that to ensure there is more accountability and transparency.

Municipalities are not afraid of accountability and transparency. They do have reservation, of course, of cost. I think one of the most important things, if I can say, is that one of the key issues municipalities have is that they worry about having a separate department or a separate section come forward and not be able to have the communication that they have with Municipal Affairs right now. If they have a concern, if they have a question – and some of the things that we didn't talk about. We get hundreds of calls in regard to municipalities just asking for assistance: "What do we do here? How do we do it? Can we do things differently?"

We try to alleviate the concerns before the problems become problems of accountability or of the auditor nature. So this is kind of a long answer to a short question. Have they been consulted? Yes. Will they be consulted again? Without a doubt. In fact, this next couple of days we are going to the AUMA convention. The week after it's the AAMD and C. I know that also the transcript of this meeting will come forward to them. I think it's important that they know where Municipal Affairs stands because it is really their stance.

**Mrs. Sarich:** Just a supplemental. Just going back – and I appreciate the information you provided in terms of the processing – let's look at the timeline for your four-point strategy because I think there would be an expectation. You're putting forward four areas that are big in terms of, you know, alignment of what you've heard from municipalities in regard to Bill 202. What would the municipalities expect around these four points? What would that timeline be?

**Mr. Danyluk:** Well, let me just say this part: when we talk about accountability and transparency and flexibility, we have been working and are in the process of doing, of course, the accountability framework, going on to municipal sustainability. When we look directly at Bill 202 and the implications of Bill 202, I really don't have a problem that we would have it all in place for municipalities by the end of October next year so that when the new councils come in, they will be under this, whatever you want to call it, proposal. I mean, it's what I'm offering to you that I think, you know, has a lot of merit and that we could possibly do, right? But I think we have the possibility of getting it done and being ready for the new council.

**Mrs. Sarich:** Very good. Thank you, Mr. Chair.

**The Chair:** Thank you.  
Another question? Mr. Johnson, please.

**Mr. Johnson:** Thank you, Mr. Chair. Thank you, Minister, for being here today. I think you've given us some really good alternatives, potentially, to the aspects of this bill, dealing with the

spirit of it proactively. I appreciate that and especially that they'll be in theory lower cost and simpler. You know, things like ensuring the independence of the auditor and the management letter going to the public would address a fair bit of what we heard from people that came forward and made presentations.

8:15

I have two questions. One is around creating a regular, rotating corporate review every five years. If memory serves, that would put you doing around 50 municipalities, roughly, per year. I'm curious as to what kind of bureaucracy that might have to create, what kind of costs would be involved. Would that be no less costly than actually just putting an auditor general in? How easy is that to do? Or could it just be done with the resources you have today?

Then the other piece is around the types of reporting and the types of audits that are done. That is the other piece that came forward with the public consultation here that we had and the fact of the scope of the audits that municipalities typically do. I think it's required that they do financial audits, but it's not required that they do compliance audits or value-for-money audits.

Those were two of the things that the public that were in favour of Bill 202 would have liked to see. I'm just wondering if the corporate audits would cover off those elements or if there's a way to cover off those concerns.

**Mr. Danyluk:** Well, first of all, let me say that it is our intent and we do believe that we can incorporate the corporate reviews within our own resources. I'm very confident of that. I think that, you know, when you have, if I can say, reviews on a sporadic basis, sometimes that takes even more manpower than if we got into a system that could do the reviews. The corporate review will provide flexibility. It'll also let municipalities know that it's coming. I think that's also important, that they can be prepared.

Tell me your second question. Sorry.

**Mr. Johnson:** The second question was with respect to the scope of audits. Will the corporate reviews cover off the concerns around the compliance audits, value-for-money audits that aren't necessarily done with the financial audits to date?

**Mr. Danyluk:** We can look at the audits, and there's the fourth point, or the final point. We look at the third point where we talk about accessibility to public and that the information would be easily accessible. We can open that up and know what we're doing with municipal sustainability. Municipal sustainability kind of looks at – and we're developing that right now in conjunction with the associations – the focus and the direction of the sustainability of municipalities and gives that information. There are all kinds of things that are being put in place, tangible assets. It's more concrete,

of course, but there are a lot of things that are fitting into place so that we can provide that access of information to the public, that will address a lot of those areas and concerns. More importantly, it really does give us the flexibility. It gives us the flexibility to ensure that the public gets the monetary but also gets the focus of direction.

Can you just tell me what you said at the beginning in your opening statement? There's something that I wanted to comment on, and it just slips my mind.

**Mr. Johnson:** I can't remember. It might have been with respect to the costs.

**Mr. Danyluk:** No, it was before the costs. That's okay.

I really do want to say that I don't want to take away from the intent of the bill. Everything that we've dealt with and looked at is with the intent of the bill and the importance of providing better accessibility. All of the recommendations that I believe we have made and even the directions that we're taking very much encompass the spirit of the bill.

**The Chair:** Okay. Thank you.

There being no further questions, I'd like to thank you, Minister, for your presentation here this morning and the support of your staff. We appreciate your coming in.

Before we adjourn this morning, I would just like to remind committee members that we have had information brought forward, following last week's meeting, from the Alberta Urban Municipalities Association and the Alberta Association of Municipal Districts and Counties. With the committee's approval that information will be posted as an addendum to their original written submissions, so they'll be available there.

With regard to the next meeting, I know that research staff will be preparing a summary document of the comments and the exchange we've had with regard to Bill 202. It would be my intention, if there's no opposition or if the committee approves, to call a meeting after that summary has been provided to us, probably in the next two weeks or so from now.

Okay. A motion to have the next meeting at the call of the chair?

**Mrs. Sarich:** Yes. Mr. Chair, I'll move that motion.

**The Chair:** Okay. Thank you. All in favour? That's carried.

Any other business?

I will adjourn the meeting at this point, then. Thank you very much.

[The committee adjourned at 8:21 a.m.]



