

[Chairman: Mr. Oldring]

[9:31 a.m.]

MR. CHAIRMAN: Good morning, ladies and gentlemen. Welcome to this, the fifth meeting of the Alberta Heritage Savings Trust Fund select committee. The chairman is happy to report that there are no further changes to our schedule to be announced this morning.

I want to welcome the Auditor General for the province of Alberta, Mr. Donald Salmon, here this morning. With Mr. Salmon are Jim Hug and Ken Smith from the department. Gentlemen, we're pleased that you could be with us and thank you for accommodating us by coming half an hour earlier. Hopefully, we'll get you out at least half an hour earlier as well.

We would like to extend to you the opportunity to open with some comments, Mr. Salmon, if you wish, and following that we'll turn it over to the members for questions.

MR. SALMON: Thank you, Mr. Chairman. As the Auditor of the heritage fund I'm happy to be here today, along with two of my senior staff. These two gentlemen have responsibility for the audit of the fund and can contribute detail if we need to get into anything of that nature.

I'd like to report that my Auditor's report on page 30 of the 1986-87 annual report of the heritage fund covers the financial statements included from pages 29 through 44. Other pages of the annual report, from pages 1 to 28, are not covered in the Auditor's report as these pages are management's representations. Although we have reviewed these pages, we have only reviewed them for the purpose of ensuring that they do not contain conflicting financial information to that of the financial statements.

The Auditor's report this year contains a reservation of opinion with respect to deemed assets. I have included the reservation for this year for the following reasons. It has become increasingly clear to me that there is still some misunderstanding concerning the size of the fund and what the fund consists of. Deemed assets are amounts expended which are not recoverable by the fund, and in some cases they are assets belonging to other organizations. I do not feel it is appropriate under generally accepted accounting principles to include them on the balance sheet. The terms "deemed assets" and "deemed equity in deemed assets" shown on the balance sheet are not accounting terms in use anywhere, and I believe there is strong support for my decision to have a reservation from the Canadian Institute of Chartered Accountants Handbook and the institute's public-sector accounting and auditing committee statements. If the two lines, deemed assets and deemed equity in deemed assets, were removed from the balance sheet, I feel that misunderstanding would probably be eliminated regarding the size and the makeup of the fund, and there would then be no reason to have a reservation. It should be noted, though, that as far as I'm concerned, there's no reason to have any other changes to the required financial statements.

What the reservation has done is to highlight to a reader of the statements that deemed assets are not part of the fund. I feel it was also necessary this year, as the note to the financial statement, note 2(i)(b), and my reporting of this item in the annual Auditor General's report, which has been there for several years, have not eliminated the misunderstanding as to the financial position of the fund.

There have been several changes to the financial statements this year, which I believe are improvements in presentation. Number one would be on page 32, where the statement of in-

come shows the removal of the amounts expended under the capital projects division from the fund equity. Also, last year's schedule 6 of the capital projects division investments was separated this year into two schedules, schedules 6 and 7, distinguishing between assets and deemed assets. There was also a new note added this year to the financial statements which describes the 20 percent restriction on investments in the two divisions, Canada investment division and capital projects division.

I believe, Mr. Chairman, with these opening remarks I'd be happy now to answer any questions regarding the audit of the financial statements of the fund.

MR. CHAIRMAN: Thank you, Mr. Salmon, for those comments. The Chair would recognize the Member for Edmonton-Kingsway, followed by the Member for Stony Plain.

MR. McEACHERN: Thank you, Mr. Chairman, and welcome, Mr. Auditor, to the hearings.

I'd like to start by raising some questions about the value of some parts of the fund, or at least the method of accounting for them, other than just the deemed assets. I was looking at pages 84-85 of your annual report, and unfortunately, the latest one we have, of course, is March 1986. You spent a lot of time in there saying how the deemed assets should not be accounted for the way they are, and you reiterated that point today. You know, we've had that discussion so many times that I want to just pass over it. I mean, everybody knows there isn't \$15.4 billion in the fund, that it's only \$12.7 billion or something like that.

But what I want to get to are some of the other parts that I think are also in some ways overvalued, or at least the accounting procedures are certainly extraordinary. If you think about the Alberta Mortgage and Housing Corporation, the Agricultural Development Corporation, and the Alberta Opportunity Company, between the three of them they have debentures from the fund for about \$4.5 billion. Now, those debentures may be worth what we say they're worth, but they're based on assets that are not worth what we say they're worth, as near as I can tell anyway. When you look at the annual statements, there's been some provision for write-down over the last four or five years and some money injected from the general revenue account. But you know, the Treasury Branches just recently had to sort of bite the bullet, so to speak, and write down their real estate assets to their proper value. As far as I can see from the rather inadequate recording we get about those three Crown corporations, that has not been done.

You know, we've had several financial institutions in this province go bankrupt because of their real estate holdings and the fact that they had overvalued them for a number of years, and here we find the last holdout is the heritage trust fund, or at least the assets on which a large part of the debentures is based. I can't help wondering if there isn't some way in which the Auditor can suggest that the Alberta government reconcile that problem rather than just postponing the day by putting in new debenture from the heritage trust fund and pumping money in out of the general revenue account to bolster a rather false impression of what those real estate values are worth.

MR. SALMON: Mr. Chairman, I believe one has to take into account one thing, first of all, and that is that the Alberta Heritage Savings Trust Fund is by legislation a fund, and we are reporting that fund in accordance with generally accepted accounting principles as best we can. Now, if you take the housing corporation and the Opportunity Company and the ADC, those

three corporations definitely are also operating in a similar manner. They have financial statements to which I report a separate Auditor's report, and we're doing a separate audit on those organizations.

Now, we feel that we are satisfied with the write-downs and the provisions with respect to losses on all of those corporations as entities unto themselves. The fact is that all of them have recovery from the General Revenue Fund for any cash deficits that they have incurred in the year, and those are all reflected within those accounts. What isn't matched up are the dollars that are flowing from Alberta Housing to the Alberta heritage fund. It's all meshed in with operations and everything else, but that is the way the accounting policies operate, and that's the way we report individually.

Now, if you really wanted to take a shortcut to the normal process that we now conduct with respect to issuing consolidated financial statements, a shortcut would be a combination of those three organizations and the General Revenue Fund and the heritage fund. But you'd also have to then take in some other organizations as well, and it becomes a difficult scenario as to which ones you should pull in and which ones you shouldn't. So the ultimate, of course, is the consolidated financial statements, where the debentures that are held as an investment by heritage and the liability that's sitting on the housing corporation and so forth are eliminated. In other words, they're offset. What you end up with is a bottom line, with all other organizations included, as to what the financial position of the province is as a whole under the present method of consolidation.

I admit there is an apparent weakness because of the closeness of those organizations to the heritage fund and to the General Revenue Fund. There is a very definite close relationship, but by legislation they are operating individually and separately, and we have to look at each one of those and their relationship to issue an Auditor's report.

MR. McEACHERN: Yes. I guess I'd like to get back to the overall balance sheet in a minute but perhaps one other more specific detail on the fund. Last year it was raised that \$5 million had been injected into the fund to buy -- I believe they were bonds that the heritage trust fund had held in CCB. That was a very direct sort of -- the Treasurer and the cabinet said they wanted that \$5 million loss in CCB to show up in the general revenue account and not in the heritage trust fund account, which indicates to my mind a very strong feeling on the part of the cabinet that they want to make the heritage trust fund look good. In fact, in the area we're just talking about, the Crown corporations, they insist that there's a 12.6 percent return on these investments that we were talking about, when in fact I don't think the consolidated sheet will bear that out in terms of the assets they are supposedly based on. We're taking money out of one pocket and putting it into the other to maintain that fiction.

So the government has a really strong commitment to do that, but I think it has shown up in one other area I'd like to ask you about. Even while we were talking last year on this committee about not touching the integrity of the fund, at least by December 31 of last year the provincial government had borrowed \$1.45 billion out of the heritage trust fund -- I assume out of the cash and marketable securities section -- and put in a promissory note saying that they would pay back over I don't know what period of time nor at what interest rate, although I asked the Treasurer that in the House and didn't get a specific

answer. He just said that the going rate is what we were paying ourselves. That amount was narrowed down to a billion dollars as of March 31, but six months have gone by since then, and I would not be surprised if it's closer to the \$2.3 billion that they authorized themselves to borrow from the fund.

Again we end up with a rather extraordinary thing. If you make a comparison, for instance, to somebody with a current account -- call that your general revenue account of the province -- and somebody with a savings account -- call that your heritage trust fund -- when the general revenue account or your current account gets in trouble and you take money out of your savings account, sticking in a promissory note and saying, "We're going to pay it back," doesn't change the fact that you've taken it and spent it. We have done that, and I guess that will show up in a bigger deficit in the general revenue account, since we don't choose to acknowledge it in the heritage trust fund account. But that does seem an extraordinary accounting practice, and I'm wondering why we don't have some advice to the government about that from your department.

MR. SALMON: Well, I guess I'm not in a position here to describe the discussions between myself and the Treasury; however, one must still come back to the aspect of whether or not the accounting principles pertaining to that particular organization are proper. We're saying that they are. What we're not saying is that -- and what happens in your discussion is that you include the others, and of course as soon as you get into that, you're talking about four or five or six entities. We're saying that we must take them, by legislation, individually and report on those individually.

The reference to the billion dollars: it definitely was of some concern to us when we started to look at it. The idea was that that money was available at the time for use in the small business and the farm credit. They are 91-day Treasury bill rates that they're being paid on those promissory notes, and it's a case of how long can you do that sort of thing? To me, it can happen for a short time because that's where the money is available, but if the farm credit and the small business loans, which are longer than a year -- in fact, they're one to three years in some cases and might even be longer in other cases. You've got the longer period. Soon they need to make a decision, and that decision has to be whether or not part of that should go into the Alberta division, or are you going to finance it from some other source such as the General Revenue Fund?

So those things were talked about as we looked at the statements, but at the time that money was available, the decision was to use that money rather than go outside. Treasury says they're always looking for the best time to look for the right dollar. That was the entry. And it's true: it's all interrelated. If you take the rate of return that's indicated in the annual report, yes, you have to consider that in that rate of return there's a certain amount of internal again. However, again we must say, "Here's the dollars, and here's what heritage is doing." On the method they're presently using and taking it as an individual entity, it would be classified, as far as we're concerned, as proper. But when you start talking about five or six together, then maybe I wouldn't mind seeing them bunched together too, because I, personally, would probably have my savings account closed up. But it's done this way, and eventually it comes together into the final consolidation that comes out in the front of public accounts.

MR. McEACHERN: My third question will be about that con-

solidation, but first just a couple of comments. It doesn't seem to me that it makes any sense to claim that that billion dollars was directed toward the two programs mentioned: the farm credit stability program and the small business term assistance Act. That's just to make it more palatable for the public. In fact, the money must come out and go into general revenues, then general revenues puts money into education, puts money into health care, puts money into everything. To say that those dollars found their way through the rat maze and straight into those programs probably doesn't make very much sense.

The fact is that we took a billion dollars out and we used it, and where it goes is quite irrelevant. I mean, it went to a lot of different programs, so that doesn't seem to matter much.

MR. HERON: A point of order, Mr. Chairman.

MR. CHAIRMAN: Member for Stony Plain on a point of order.

MR. HERON: Mr. Chairman, we are not dealing with the Alberta Heritage Savings Trust Fund's statement here; we are dealing with speculation on what may have occurred in the interim since the statement has been released.

MR. McEACHERN: He's the Auditor. He knows. He just answered the question.

MR. CHAIRMAN: Order please. [interjections] Order please. Mr. Salmon.

MR. SALMON: We understand that the dollars that flowed through the heritage fund did go to those two programs. And yes, there are other dollars coming in and out of the General Revenue Fund. But there have been some decisions subsequently as to where there will be some definite indication of changes in those promissory notes so that they will not be of that nature, and some of them will be treated in a different way. So we expect maybe a different result by the end of 1988, March '88.

MR. McEACHERN: Well, my third question, then, is really just to try to get at some kind of consolidated statement of where we're at. In the 1985-86 Auditor's report you indicated a net revenue of \$41 million -- actually a deficit rather than a net revenue -- but net assets at some \$12.6 billion. Now, it's a long time since we've had the kind of statements that would tell us where we're at now. We don't have the 1986-87 Auditor's report. The 1986-87 public accounts are not out yet. The 1986-87 Alberta Mortgage and Housing, which is one of the bigger entities that has heritage trust fund money in it, we don't have yet. So we're sort of left speculating, even for a position for March 31, 1987. However, I suppose one might try to do some speculating.

Of the \$15.4 billion claimed in the report -- of course, everybody agrees we should take off at least \$2.6 billion for the deemed assets; that's probably not even questionable. However, I would maintain that we also just borrowed the billion dollars we were talking about as of March 31, 1986, and that an honest accounting of that in the province of Alberta would indicate that the billion dollars should be subtracted from the value of the fund, or at least we've got to make it up out of the general revenue account. The Crown corporations: in spite of you saying that it's been written down to some extent -- and it's very hard to get a handle on this -- we would be lucky if they were worth

two-thirds of the debentures they're based on, or if the real estate value was worth two-thirds of the amount of the debentures that are circulating, supposedly based on that real estate value, so we could probably subtract another \$1.5 billion. So to the people of Alberta the heritage trust fund is probably not worth more than about \$10 billion. Considering that we have a deficit of about \$3.5 billion from last year and, of course, a planned deficit of almost \$2 billion this year, really, is that going to put us in the neighbourhood of a \$6 billion net asset instead of \$12.6 billion from March 31, 1986?

MR. SALMON: Mr. Chairman, possibly that question should be asked of the Provincial Treasurer. If he wants to release that ahead of time, that's fine. As far as we're concerned, we have basically finished all the audits of the General Revenue Fund, the other audits are finished and are signed off, and we are just waiting for a final meeting on the consolidated financial statements. That's all internal, of course. Then it goes to the Public Accounts, time for printing, and so forth. But I certainly would not want to comment on the actual results, even though I may know them, as of March 1987.

MR. CHAIRMAN: Member for Stony Plain, followed by the Member for Calgary-McCall.

MR. HERON: Yes, Mr. Chairman. Again the topic has come up pertaining to the write-down of the Alberta Crown corporation debentures. I would like the Provincial Auditor to consider my remarks and respond to them, in the hopes that we can get a clear understanding of what I think is a misleading concept. It goes something like this. Looking at the Canada investment division, if we have investments in Hydro-Québec and, say, the Nova Scotia Power Corporation, do you look at the operation of the underlying companies or do you look at the guarantee of the province on those securities when you assess them at full market value and the fact that there are no principals and arrears?

Turning to the provincial investments, which carry the unconditional guarantee of the province of Alberta in an effort to put them in an arm's-length transaction in the heritage fund, would these be considered any differently? Again, the Crown corporations are not in arrears to the Alberta Heritage Savings Trust Fund. They bear the guarantee of the province of Alberta. Why should we be considering write-downs in this committee? Can you perhaps offer clear clarification in this direction?

MR. SALMON: Mr. Chairman, in our audit of the heritage fund, in determining the valuation of the Canada investment division and the Alberta division, definitely a part of our procedures would be to ensure that the commitments of the organizations in which we have these investments are being met, both principal and interest. In all cases they are. We have to also do the audits of those other organizations in the Alberta division, and we know that those payments are being made and properly recorded there. We also know that funds are flowing from the General Revenue Fund into those organizations in order for all the cash deficit to be met. So we are saying that the presentation, the value of the Canada investment division and the Alberta division, is a proper method because of the guarantees of both the province of Alberta under the Alberta division and the fact that the guarantees under Hydro-Québec or wherever else are also backed by governments. That's right.

MR. HERON: Thank you. I would like, then, just to turn again,

for purposes of clarification, and hear your response to what I think is a classic academic dispute; that is, your comments in your Auditor's report on page 30. The Provincial Treasurer, who is also a chartered accountant, has appeared before this committee and has stated something to the effect that, well, this is a government body, and it is unique in the sense that it has a Heritage Savings Trust Fund, and in his opinion -- you made reference to the CICA -- the Canadian Institute of Chartered Accountants Handbook does not apply in such a unique circumstance. I would like to extend that one step further and consider that if the legislation governing the heritage fund calls for the accounting treatment of the deemed assets, would that legislation override the *CICA Handbook* in terms of the guidelines contained therein?

MR. SALMON: Mr. Chairman, I appreciate the question. The first part: definitely, there is a professional difference of opinion between the Treasurer and myself. I believe that if we have to think about it in the position that we're each in, I'm the Auditor. I'm reporting in accordance with generally accepted accounting principles, except for those that I feel are appropriate to be "except for," and he is looking at it strictly from the point of the public sector rather than from an auditor's viewpoint, in my opinion. So that difference is there. I have made a suggestion that's a very simple suggestion, and maybe sometime that could be removed because of that.

However, the other aspect, of course, is that public-sector accounting statements have indicated that if there is a legislative requirement -- personally, I don't believe that the Act actually has a legislative requirement, and that's also a difference of opinion -- there is no way that a set of financial statements can explain that difference through notes and supporting schedules without avoiding a reservation. Now, that's under the public-sector financial statement presentation guidelines.

However, again, if you want to take the broad sense, you'll still have those people who would say that anything within government does not follow the tests of the CICA. However, the office of the Auditor General of Alberta has always followed the guidelines of the accounting and auditing standards of the CICA. It was a case that in the past, we felt that we could sort of live with it. We're just saying, "Well, let's highlight it." That's all we're doing, and if the management of Treasury or the government decides to accept that, fine. We were pleased with the changes; we just didn't feel they went quite far enough. It's just a matter of philosophy.

MR. HERON: Again looking at the deemed assets, I note this year that the market values for the Alberta Heritage Scholarship Fund and the medical research fund are not shown, as they were in the last year's statement. But given that the scholarship fund was initially \$100 million -- and last year I think it was shown at a \$129 million market value -- and recently the medical research foundation, which was shown at \$300 million, is said to have liquid marketable securities in excess of \$500 million, I'm wondering to what extent many of these deemed assets are included when the credit rating of the province of Alberta is calculated. In other words, if we were to put out, let's say, one or two more statements showing deemed assets by any other name and have the statement, which is called the Alberta Heritage Savings Trust Fund statement, include only the assets -- not including the deemed, in other words -- would we lose some part of the total provincial asset base in terms of the agencies that calculate our credit rating both in New York and Toronto and the major

financial centres?

MR. SALMON: Mr. Chairman, if I may comment on that, and I appreciate that question, as Auditor I am required to permit the use of the financial statements to which I've issued an Auditor's report in prospectuses when the province has gone to New York or Europe to borrow. We've been through that process in several cases, as you realize, to this point. Within those financial statements that they're using -- the General Revenue Fund, heritage, and the consolidated, which are the key ones -- there is no doubt in my mind that the financial institutions are aware that deemed assets are not part of the overall financial assets of the government.

However, the scholarship fund; pension fund, which is not in heritage; and the medical research fund, which has been paid out of heritage -- those two have been paid out of heritage and are in deemed assets listed -- are shown in individual financial statements of those organizations, not only at their full value but also disclosing their market value. That information is available to the financial people who are lending the money to Alberta and would . . . Of course, with the consolidation, all of those assets are included, and that's true. It's just that I don't think they're classifying them as deemed assets; they're classifying them as what they are: assets of the scholarship fund and assets of the medical fund and knowing their market values as well.

So you're right that they do take them into account. I'm saying that they're not calling them the deemed assets because they're in another statement that's consolidated into the financial statements of the province.

MR. CHAIRMAN: Member for Calgary-McCall, followed by the Member for Little Bow.

MR. NELSON: Thank you, Mr. Chairman. The Member for Stony Plain was talking about deemed assets, and that's one of the areas I wanted to talk about. Over the years there has been some concern with the Auditor General with regard to the reporting of deemed assets. Of course, the latest financial statement of the Alberta Heritage Savings Trust Fund identifies deemed assets.

I guess I'd like a comment from the Auditor General with regard to the current report, where in the financial summary of that report it really doesn't -- as I can see it, anyway -- identify the fact that there are deemed assets on the summary. That's pages 24-25. The balance sheet on page 31 identifies the total fund at \$12.744 billion and then identifies the deemed equity as a separate entity within that particular balance sheet. Additionally in the report it has identified at the back end what is determined as deemed assets and identifies those deemed assets separately within the report. I guess I'm concerned at the present time that first of all, the news media tends to -- they don't report very objectively generally anyway, many of them. We won't suggest that they all don't because many of them do. But at the same time they like to stir up the community a little bit more than maybe what they could if they reported things objectively.

I'm just wondering if the Auditor General might have some comments with regards to the present report as to whether there is some feeling of objection to the way this is reported. In my view, although I've taken a different stance from the previous time because of the way it was done, this seems sufficiently satisfactory to me in that the report seems relatively accurate and doesn't seem to mislead the people as it seems to have in the

past. Would the Auditor General comment on that?

MR. SALMON: Mr. Chairman, I believe my opening remarks indicated the reasons that I was objecting were strictly on the balance sheet, the fact that you still include the deemed assets. There is now a term called deemed equity represented by deemed assets. An old story.

Yes, it's true that the media continually reports the total. I believe if you remove those two items from the balance sheet with the disclosure that's in note 3, which was necessary in order for you to calculate whether or not the 20 percent guideline on the two divisions is met, they're added to \$15 billion. But of course it's adequately described in there that the expenditures in capital division are determined to be deemed assets for this calculation. That is fine; that gives full explanation. I believe schedule 7 listing the expenditures by the heritage fund is excellent and no problem, including that in the back. But I am back ... It's strictly this one thing: I'm saying there's still that misunderstanding as soon as you start talking about deemed assets in your financial position balance sheet. It's very simple to add those two together.

I think there is a simple way to get around it. I believe it does not conflict with the legislation. However, there still seems to be that desire to include them, although I think we're getting closer.

MR. NELSON: Well, Mr. Chairman, I think the Auditor General is being a little overly sensitive. It used to be, if I recall, that the deemed assets were even added onto the bottom of the balance sheet to create a different number; in fact, the \$12.74 billion would be created into the \$15.3 billion. The balance sheet has been changed, and this has been added to the bottom of the balance sheet, for example, without having a full total added to the sheet as the value of the fund.

I'm just concerned now that we're just getting into a nitpicky area, and we probably should forget about it totally and just leave this thing alone. I don't know why we have to keep harping on this thing, because it is identified separately; it's not included in the total balance of the balance sheet. Quite frankly, I think maybe the Auditor General, as I have indicated, is becoming a little overly sensitive and maybe a little picky.

MR. SALMON: Well, the committee can comment and call the Auditor picky if you want. But it's very technical; it's a very technical point. I appreciate the way the annual report is presented; I appreciate the way the rest of the statements are presented. It would be very simple and we would have a lot less confusion, for instance, even if at the bottom of the balance sheet, underneath the balance sheet, just a note was put there: to see capital projects expenditures, see schedule such and such. It would totally change the picture, because you're still classifying these things as "part of," or at least I feel the Treasury is. I am tired of it too.

MR. NELSON: Well, clean up your act.

Mr. Chairman, I guess we could go back and forth on that for a while here, and I'd certainly enjoy it, but I think maybe I should ... I guess one of the particular areas of the fund that really bothers me a lot is the Alberta Mortgage and Housing Corporation, which is no secret to anybody, because of my particular belief of what is or what isn't going on over there.

Why wouldn't the Auditor General spend a little more time, rather than nitpicking away because there are deemed assets on

here, maybe further examining areas of the Alberta Mortgage and Housing Corporation, to examine the real value of that corporation, the dollars that have been flowing into it from the General Revenue Fund to support this thing, keep the integrity of the heritage fund in place, and so on? Why wouldn't we be exploring these kinds of areas more extensively than, as I say, nitpicking away at the deemed asset area, which certainly is an asset to the province, when in fact it isn't even part of the balance sheet in the total?

I guess because you have access to the real nuts and bolts of the fund, whereas we may not, at least internally -- the areas in Alberta mortgage -- why wouldn't you spend more time and even more energies to explore the real activity, the real values of that particular area of the fund? It really bothers me, because I think the mortgage corporation has a lot of problems there that we're not really identifying with.

MR. SALMON: Mr. Chairman, my comment would be that possibly that review of the Mortgage and Housing Corporation is probably better suited for Public Accounts, where the financial statements would be available and where the housing corporation themselves, the management, could certainly be available to discuss any part of the housing corporation. The statements are not public yet, and I don't really think, in my own view, that this is the committee that discusses the detailed financial statements of those other organizations.

MR. NELSON: Mr. Chairman, the Alberta Heritage Savings Trust Fund has an investment of \$3.4 billion in the Alberta Mortgage and Housing Corporation. If this isn't the place to discuss it, I have a problem with that. Certainly we can discuss it in Public Accounts, but we're dealing with a major investment of that Heritage Savings Trust Fund portfolio here, and I think we should have a little different comment than that.

Thank you.

MR. R. SPEAKER: Mr. Chairman, my questions are on the consolidated investment division. Back in the early 1980s there was a very thorough discussion in the Assembly with regards to a \$60 million loss. At that time what we did was the Auditor of the day revised the technique by which investments -- the buying and selling -- were traced in the auditing system so it wasn't just something that happened at points in time; there was a tracing system that was set up and in place. I was wondering if Mr. Salmon at this time could comment on that tracing system, as to whether it's still in place and he, in his new responsibilities, has found it effective.

MR. SALMON: Yes, we have a computer software package where we are tracing all of the investments of the heritage on a regular basis and are aware of the individual changes that are taking place throughout the year. We feel that gives us a fairly stable feeling of what is occurring on a regular basis and where those funds are flowing back and forth. It's a good audit tool; it gives us a lot of assurance and security that things are operating properly.

MR. R. SPEAKER: Mr. Chairman, could Mr. Salmon comment in terms of the input to that software into the hardware? Have you an official or someone from your staff who continually sits with the Treasury people checking the input? Is it done physically like that, or is it the Treasury people that have an input system and then you in turn take their data and use it? Or is it

one step removed in terms of auditing?

MR. SALMON: No, we're taking their data and then using our software to examine the information. We're not right beside them.

MR. R. SPEAKER: In that sense, could you comment on the security of our Heritage Savings Trust Fund? I know we have trustworthy people; I'm not making accusations with regards to the people in Treasury. Certain data comes out of that software package which you use and check and say that the balances are there. But can we be assured as a committee here that it is foolproof, that somewhere there is some kind -- nothing is totally foolproof, but between the investment house and the Treasury persons who are dealing with moneys up in the millions and billions, something could happen. We rest assured in this committee that you're looking after our interests, and so I raise the question on that basis. You know, there are lots of shrewd people who can create things happening, and that's why I asked the second question as to whether you physically had someone there doing the input so that the check was even better.

MR. SALMON: Mr. Chairman, we are examining all authorizations and we are also observing on a regular basis the controls that are in place. There are always, as you indicate, methods whereby fraud or collusion can take place that's very difficult to detect, and there is no assurance of that other than the fact that those controls are operating properly and that the authorizations for all of these things take place. Very often fraud, as such, is turned up in a very unusual way; it's not always in the normal audit processes. But because you're doing those things regularly and properly and they're aware of it, it tends to be a deterrent and certainly a satisfactory way in which we can audit and feel assured that things are being properly handled.

MR. R. SPEAKER: A final question, I guess it is, Mr. Chairman. In terms of collusion, it could occur very . . .

MR. SALMON: I'm not indicating anything. I'm just saying in general terms.

MR. R. SPEAKER: And so am I at this point, because I have no evidence to indicate anything otherwise. But between the investment house and someone in the Treasury Department, in one or two days -- you look at the vibrations that we had in the last month and a half or two months, where wise investments of money of \$100,000 or a million dollars invested in one day could earn someone a lot of money if they could divert it into their private investment very quickly. So that's why I'm saying I think temptation has touched many lives in the last four or five years because of the amount of money various people have had. Are you concerned about that? Are you just hoping nothing happens and you take this printout, as given, to be honest? What other checks have you thought of or maybe are looking at to assure us that nothing like that could happen?

MR. SALMON: As auditors we're very conscious of that kind of a concern. We try to make sure our staff is very aware and alert to any of that type of potential, and we are not aware of anything. We are certainly alert to the fact that that is a very sensitive area. Any of the financial investment areas are very sensitive areas, and we have to have enough extra precautions put on by staff. Certainly we do all that we can to ensure that

we're satisfied and certainly feel that if there was anything of any real concern, it would be noticed in our procedures, definitely.

MR. R. SPEAKER: Mr. Chairman, I think I said "consolidated" when I introduced my remarks. I meant "commercial." My apologies.

I do have another question later in terms of bonds, Mr. Chairman.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche, followed by the Member for Pincher Creek-Crowsnest.

MR. PIQUETTE: Thank you very much, Mr. Chairman. The Premier, on questioning by the committee here a week ago Friday, indicated that the cabinet would consider taking the heritage trust fund money to spend on education, and then he made another statement about Husky Oil. Then we had the minister of health and medical care indicating he might try to tap into the heritage trust fund money for an improved ambulance service. Do you see how they can do this under the present legislation, the mandate of the fund, without really touching the whole integrity of the fund and without proper legislation to allow that?

My feeling, looking through the whole operation -- the government, the Alberta cabinet and its relationship with the Alberta heritage trust fund -- is that there very much sometimes appears to be potential conflict of interest in terms of how they operate one into the other without referring back to a committee which has power to even allow that type of operation to exist. What is your opinion on this kind of sleight of hand which is used by the government?

MR. SALMON: Mr. Chairman, I would not want to really express my opinion. I don't believe the Auditor ought to express an opinion on a potential policy matter that may or may not take place. My concern would be what policy has been decided and whether or not they're operating in accordance with that policy. At the present time they're restricted to the 20 percent. If it was the decision to make that change, it would certainly be debatable, I expect, by those that are involved in making that policy decision and certainly does not involve the Auditor. The Auditor tends to come behind and report whether or not they're following and have authority for what they're doing. There would have to be some changes made before they could actually start to spend the capital; that's definitely right.

MR. PIQUETTE: You're operating under the present legislation. However, does the mandate you're operating under now give you the full authority to fully investigate and make recommendations to make sure that the integrity of that heritage trust fund is maintained? Do you feel the mandate is sufficient at this time?

MR. SALMON: I don't believe the Auditor would have any right to comment on whether or not they could change the 20 percent to 25 percent. I don't think that would be in my mandate, no.

MR. PIQUETTE: You can't express an opinion to the committee here on this?

MR. SALMON: No.

MR. PIQUETTE: Because again as a committee we're looking for feedback about how the Auditor General -- I think that as committee members here we really don't have the accounting knowledge to make a professional decision, and unless the Auditor General has the proper mandate to do that kind of an investigation, it can leave a lot open to question.

The other question I have here is how much of the . . . You know, we say that the Alberta heritage trust fund this year has a net income of \$1.4 billion. How much of that net profit return to the fund was subsidized from the general revenues for the subsidization, the total? Again it seems to be difficult to analyze it because of the -- do you have a figure of how much is coming from general revenues to subsidize the operation of the . . .

MR. SALMON: Yes. We were looking at that, and it's in the neighbourhood of about \$56 million, something like that.

MR. PIQUETTE: That's the total, \$66 million?

MR. SALMON: Fifty-six million. And then there's about \$973 million coming back from the Crown corporations on those debenture payments.

MR. PIQUETTE: So in effect, returning back to general revenue, it would be approximately \$500 million, as opposed to \$1.4 billion?

MR. SALMON: It's over a billion dollars.

MR. BRADLEY: Well, Mr. Chairman, I don't want to continue to flog something which we discussed for some time, but I think I would like to comment further on this question of deemed assets.

When this legislation setting up the Heritage Savings Trust Fund was put together, there was a concern that if we did set up a capital projects division which represented 20 percent of the fund, we'd want to account to future generations of Albertans exactly where those funds were expended and for what projects, and there would be a record kept so that people would know exactly where those funds were invested.

Section 6(8) of the legislation, Heritage Savings Trust Fund Act, said that "investments in the Capital Projects Division shall be deemed to be assets of the Trust Fund." So it's in the legislation that the capital projects division shall be deemed to be assets of the trust fund. The Provincial Treasurer, in section 13, under annual reports of the Heritage Savings Trust Fund Act, is then again directed to prepare an annual report of the fund. In that, I would suggest, he has to take into account section 6(8), which says that the capital projects division is deemed assets.

So I think the Provincial Treasurer has done a good job in responding to the concerns that have been expressed earlier about including a total figure on assets of the fund, which included the funded equity and the deemed assets. That used to be in one total and now it's separated out. So I think the Provincial Treasurer has tried to accommodate the concerns which have been expressed in terms of the accounting principles, but I do believe, in terms of an annual report of the Heritage Savings Trust Fund, he is required by the Heritage Savings Trust Fund Act to include in that report the capital projects division, which must be deemed as being assets of the fund. So I would ask the Auditor General: does he not agree that the Provincial Treasurer is required by legislation to include in the annual report that the

capital projects division is deemed assets of the fund?

MR. SALMON: Yes, I agree. And I believe that's been done very clearly in note 3. I think note 3 this year lays out very nicely and very neatly that these expenditures are deemed to be assets of the fund, and I'm delighted. I'm just back to the simple little process: take it off the balance sheet.

MR. BRADLEY: Well, I guess we have a . . . [interjections]

MR. SALMON: I mean, it's explained well . . .

MR. BRADLEY: Mr. Chairman, I don't require this discussion on the side, because I think the legislation is very clear that it should not be a separate report; it should be included in the annual report by the Provincial Treasurer. The Heritage Savings Trust Fund must -- it's required to -- have the deemed assets as part of a single report, not two separate reports.

However, getting away from the interjections, I wanted to ask another question with regard to the debentures which are held by the Heritage Savings Trust Fund, whether they be debentures of the Alberta Mortgage and Housing Corporation or Alberta Government Telephones or any of these debentures. Are not these marketable securities which could in fact be sold on the money market and the actual value of those debentures realized and put into the Heritage Savings Trust Fund as cash value, in cash? Could they not be traded on the open market and be redeemed on the open market for the value which is included therein?

MR. SALMON: I suppose, Mr. Chairman, anything is possible. I don't know that they've tried to put them on the market. If there was a buyer and he was willing to take the chance on the payments based on the guarantee of the province, certainly it is possible, I suppose.

MR. BRADLEY: I guess that's the question. These securities are guaranteed by the province of Alberta. Therefore, they could be floated on world money markets and could be redeemed at the value which is shown in the Heritage Savings Trust Fund as the asset value of these debentures, and the Heritage Savings Trust Fund could realize that value for them on the world money market.

MR. SALMON: Yes, if you could sell them at that particular value, you bet.

MR. BRADLEY: Well, I guess the question is . . . Any debenture which is guaranteed by the province of Alberta, I think, with the credit rating we have, would be able to be sold on the world money market.

MR. SALMON: Your Canada division bonds, provincial bonds, and Hydro-Québec, and so forth are on the market. Very often . . .

MR. BRADLEY: Is there anything precluding us from selling those? We could realize the value which is reported in this fund for those securities on the world money market if we chose to do that.

MR. SALMON: Again, based on the guarantee, if they could be disposed of. You've got to have the money available. Some-

body must be willing to take that investment into their portfolio.

MR. BRADLEY: Well, I just say that in terms of the very successful floatings we've had of other debentures on the world money markets, which have been guaranteed by the province of Alberta, we've had excellent interest in our securities. I wouldn't see why there wouldn't be the same interest in these securities.

MR. SALMON: My understanding is that they have not had difficulty with their issues; that is true.

MR. CHAIRMAN: Thank you. Just before the Chair recognizes the Member for Calgary-Mountain View, I'd like to welcome our guests into the members' gallery. For your information, the meeting here this morning is a committee meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund. We're reviewing the 1986-87 annual report, and we have Alberta's Auditor General with us this morning. So welcome to the meeting this morning.

The Member for Calgary-Mountain View, followed by the Member for Cypress-Redcliff.

MR. HAWKESWORTH: Thank you, Mr. Chairman. On page 37 of the Auditor's report appears note 8 regarding contingencies, and the Auditor makes note of "claims and potential claims . . . in respect of various capital projects exceed amounts expended by approximately" \$18 million. I'd like to ask the Auditor General if he would itemize for the committee this morning what those claims and potential claims might be.

MR. SALMON: Mr. Chairman, I believe it would be better if the detail of those contingencies were asked of the Treasury or the Provincial Treasurer. As part of our working papers, I would prefer not to actually issue the detail. We have it in our files, but it certainly is something that should come from the Provincial Treasurer. It's on various capital project claims, and it's detail that's not published anywhere. If you'd ask him, I think it would better than me.

MR. HAWKESWORTH: Well, I may not get the chance to ask him again. You're here. It's your report; it's your note to these public statements.

MR. SALMON: It's not our note; it's the Treasury's note. We just audited the figure, and we've substantiated the figure, and therefore it's their detail.

MR. HAWKESWORTH: Well, I understand the accompanying notes are part of these financial statements.

MR. SALMON: That's right. They're the notes that are prepared by Treasury in the statements. We've audited those notes, and we have details to support the fact that we can issue our opinion on that note and are satisfied with the figure. But the details surrounding the note should be asked of the people responsible for the financial statements. There is a section in our Act that says I cannot be required to table working papers or supply detailed information on audits, and that's where we're getting into. You can certainly ask that of any management. If they want me to supply it, I can, but that becomes part of my working papers. In the past that request has been made, and we haven't done it because of that section.

MR. PIQUETTE: So you don't have the proper mandate then.

MR. CHAIRMAN: The Member for Calgary-Mountain View.

MR. SALMON: I can answer any concerns, but I just cannot supply the backup.

MR. HAWKESWORTH: It's very specific. There is \$17.940 million.

MR. SALMON: And I agree with that figure. If you want to know the projects, though, that will have to come from Treasury.

MR. GOGO: On a point of order.

MR. CHAIRMAN: The Member for Lethbridge-West.

MR. GOGO: Well, I had assumed the author of this report that we're studying -- not the Auditor General's report -- is from the Provincial Treasurer, and it must be the Provincial Treasurer who must defend his report. I don't believe it's up to the Auditor General to defend the Provincial Treasurer's report; it's to audit the statements prepared by Treasury. I understand that's the process.

MR. CHAIRMAN: I think the Auditor General has made that very clear. [interjections] Order please. Does the Member for Calgary-Mountain View have one further supplementary that he'd like to ask?

MR. HAWKESWORTH: I'm going to ask the Auditor General. It is his report, and I would like him . . .

MR. CHAIRMAN: No, it's not his report. It's the Treasurer's report, and the Auditor General has audited it.

MR. HAWKESWORTH: In his introduction he specifically stated that pages 1 through 28 were management's interpretation of the fund, and he verified that it was not contradictory to anything in his financial statements. The financial statements on page 31 under the balance sheet say, "The accompanying notes are part of these financial statements." As I go through these as a member of the Legislature, a member of this committee, I find there are some reservations stated about these financial statements to the point that there are potential claims on this fund of \$18 million. Why is it then not possible, given this public document, to get that information made public? It's ridiculous. Why are we doing -- we're supposedly the watchdog committee.

MR. CHAIRMAN: Order please. [interjection] Order please. I think the Auditor General has responded to that very clearly. If you'd like to bring it up when the Treasurer appears before the committee, I would suggest that you do.

I recognize the Member for Cypress-Redcliff.

MR. HYLAND: Thank you, Mr. Chairman. I want to ask the Auditor General at least two questions. If I understand the way some of the moneys came out of the trust fund and went to either the Crown corporations or into the investment divisions, this money was borrowed or lent to organizations at the same rate it was able to be borrowed elsewhere at that time. The major saving was that there wasn't a fee for putting the project

together, as there would have been if it was in New York or wherever they were borrowing the money.

With activities lately, where the Alberta bond issue was out for \$900 million or thereabouts in a short while and the Canadian savings bonds sold out quickly, what would be happening to the fund now if at that time we had gone ahead and borrowed that money from New York and paid all these charges and that money would have been going down there? You said approximately \$973 million from the Crown corporations went into the trust fund to pay interest. What would be the stability of the trust fund or the General Revenue Fund if all that money was going out now rather than borrowing from our own savings, if we'd borrowed from somebody else and were shipping that money to other parts of either Canada or the world?

MR. SALMON: Mr. Chairman, we're speculating here, and I'm not sure whether I really can comment. I know what you're getting at. It would be a case of whether or not you could weigh what those differences were. Certainly we know what has happened and why they've done it, and we've made sure it's been reported properly in that way. But I really don't want to speculate on what the position would be if they'd done the other thing.

MR. HYLAND: Well, Mr. Chairman, let me try another. Maybe I can get the Auditor General to speculate on another matter. As I said, according to those bonds that were out and the savings bonds and how quickly they were taken up at 9 percent or thereabouts -- most of our bonds are at, what is it, 7 or 8.75 up to about 14 percent or thereabouts at the maximum; I guess some of them are a little higher -- and with other bonds selling at 10 percent, wouldn't you agree that those bonds that are out on the trust fund would be pretty substantial bonds? Because any that would be put on the market now that are below about 10 would be a net gain to the trust fund.

MR. SALMON: Yes. It depends on when the bonds are issued on the market and what their interest rate is, of course, and that keeps changing. But, yes, I think what you're saying is reasonable.

MR. HERON: A slight correction, Mr. Chairman. The bonds in the Canada investment division range between 9.5 and 17.75, which further emphasizes the fact that they're probably grossly undervalued on the statements if you were to take a market value approach to those bonds today.

MR. SALMON: Yes, they're a little high on the statement.

MR. HYLAND: I guess not being a chartered accountant or an accountant of any kind, and having trouble when I'm hiring somebody to file my own income tax to make sure it's done right, and then sometimes you wonder if it is done right, the thing I have a problem with is the comments that it's not proper accounting procedure -- and we've debated that today -- the way the capital projects assets are listed. Yet we seem to accept as proper accounting procedure listing those shares that we hold at the value we bought them at and not at today's value. Now, the stock market slide of a few weeks ago may have changed that, but at one time, if we had reported that six months ago, there could have been a vast difference in that. Why is one not a proper accounting procedure and the other is?

MR. SALMON: If you're talking about the different divisions, if you take the cash and marketable securities or the commercial division, those are ongoing liquid assets, and the market values are shown. On all of the other areas the policy is for long-term holdings, and the policy is to record them at cost because they're held to maturity in the vast majority of cases, whereas these others are fluctuating because of market conditions.

MR. CHAIRMAN: Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. Mr. Auditor, I'd like to ask you to clarify your answer to the Member for Athabasca-Lac La Biche's question about how much of the \$1.4 billion that came from the heritage trust fund back into the general revenue account actually came from the general revenue account in the first place. You gave a couple of numbers very quickly and left me kind of wondering just where you were getting them and what they were about.

MR. SALMON: Mr. Chairman, those numbers we were giving were the portion of the net investment income that was coming from internally, back into heritage. Of the \$1.4 billion which is shown in note 4, we were giving you the breakdown which you can figure out by taking those figures. You can't get the actual figure, but it comes to about \$1.03 billion of interest generated from the Crowns, the farm credit, the small business, and so forth.

MR. McEACHERN: So you're saying that \$400 million is really from general revenue account or something?

MR. SALMON: No, that's from other things. External.

MR. McEACHERN: How do you mean "external"?

MR. SALMON: Outside of government organizations, the Canada division, or any of those. They're external.

MR. McEACHERN: The Canada division is part of the heritage trust fund.

MR. SALMON: I know, but I mean external to the province.

MR. McEACHERN: But the question was: how much of the \$1.4 billion that we've put back into the general revenue account from the heritage trust fund actually, in a sense, came from the heritage trust fund in this year, not something we put in last year or the year before? In other words, how much did we subsidize the Crowns, for example, in order to maintain the fact that they paid us 12.6 percent? Do you have anything on that at all?

MR. SALMON: Well, part of the story is the fact that there have been contributions back to three organizations to the year ended March '86, very close to the current year's figures, which are not public. But it's \$318 million that was paid by the General Revenue Fund to those Crowns.

MR. McEACHERN: That number makes a lot more sense than the ones we heard a minute ago, given the question.

MR. SALMON: We were talking about investment income. I'm sorry about that.

MR. McEACHERN: Then I would like to get to a second question. The commercial division of the heritage trust fund has an investment of some \$232.7 million and a market value, according to this, of some \$478.7 million. Right after the stock market crash of October 19 the Treasurer indicated that there was a some \$50 million loss at that time. Now, it's been up and down a bit since. I'm wondering if you have a new and updated figure for this committee.

MR. SALMON: That figure is a moving figure, as you realize. And yes, we do. We looked at the figure at the end of October for various reasons, and of course that's probably changed even today. I mean, we're not sure what it is today as it is a moving figure. The equity figure is around \$124 million.

MR. McEACHERN: A hundred and twenty four? Above the ...

MR. SALMON: Decrease on the reported March market figure.

MR. McEACHERN: Decrease or increase?

MR. SALMON: Decrease.

MR. McEACHERN: Okay, thank you. I might remind you that this committee last year suggested that we take more money from the Crown corporations -- the Alberta division -- and from the Canada division any debentures that came due, and put that money into the commercial division as well. I hope the advisers to the government, including yourself, will suggest a certain amount of caution to the Treasurer and the Premier on continuing to invest heavily in that section, given the precarious state of the market right now.

But my third question is on the ... That particular resolution, by the way, that the committee passed, number 4 in the last session, and another resolution are now out of date. You know, a year ago it sounded like a good idea to pass that resolution. Now, with the stock market crash of October 19, it becomes nonsense.

MR. SALMON: I think you have to remember that, like I said before, that's a changing figure, and it isn't that way today. I mean, it's just that you've got to take a point in time and look at it, and it's changing.

MR. McEACHERN: What I'm going to get to now is the role of the committee in terms of making recommendations and the kind of mandate we have, and you have had some comments on that in the past. What I'm trying to say is that at least one of the recommendations we made last year now appears to be nonsense. Another recommendation we made was totally ignored; for instance, the idea of recommendation 1, "That the government ... consult with business, labour, and the general public ..." Getty's answer clearly indicated that they haven't done anything different because of that resolution than they did before.

The superficiality of the whole report, of this report, in terms of shortness of details makes me think that somehow the mandate of this committee needs to be changed. It's clear, for example, that we don't have any facts or figures or indication of where the heritage trust fund is going or where the cabinet intends to take it over the next year. So here we are with supposedly a \$12.7 billion portfolio. This committee has no real

influence on the cabinet, which makes the decisions of what to do with it. The Assembly has no real influence on the decisions. The cabinet does as they please, in secrecy, all year long, and then we get to review it in this rather superficial manner.

We don't even get the kind of details we need to do a Public Accounts kind of analysis, an example being your response to the questions about Alberta Mortgage and Housing, that that would be better done at another time and another place, and your refusal to respond to the Member for Calgary-Mountain View. So it seems to me that this committee is really rather wasting its time unless we can either have some say and some meaningful input into future policy or unless we can have some details to do a Public Accounts kind of analysis, and you did recommend that yourself -- you or the former Auditor -- a number of years ago.

And so I guess my question really is: don't we need to change the mandate of this committee if we're really going to get anywhere with having some democratic control over the heritage trust fund?

MR. CHAIRMAN: I don't think that question is really in order. [interjection] Order please.

MR. McEACHERN: Excuse me ...

MR. CHAIRMAN: I'm sorry. Order please. The Chair is not prepared to accept that question; I think it's out of order.

MR. McEACHERN: I object.

MR. CHAIRMAN: I would recognize the Member for Little Bow.

MR. McEACHERN: Here is a recommendation from the Auditor General, recommendation 4 from 1980-81, and repeated [inaudible].

MR. CHAIRMAN: The Chair has recognized the Member for Little Bow.

MR. McEACHERN: I see no reason why ... [interjections] Let me read this question.

MR. CHAIRMAN: Order please.

MR. McEACHERN: You'll find a similarity between it and what I just asked.

MR. CHAIRMAN: Order please.

MR. McEACHERN: There's no reason the Auditor shouldn't have to answer this question.

MR. CHAIRMAN: The Chair recognizes the Member for Little Bow. [interjections] Thank you. [interjections]

MR. McEACHERN: The Auditor made the same recommendation two years ago, and you won't even let me ask him a question today about that recommendation. That is ridiculous. [interjections] I'm sorry. I can read the recommendation right there. It's very similar to the question I asked, and he has a perfect right to answer the question. He's perfectly capable of giving his opinion on it, and he doesn't need your kind of

interference.

MR. HYLAND: Pick up your marbles and run home, Alex.

MR. McEACHERN: No, I'll be back. Don't worry; I'll be back.

MR. CHAIRMAN: The Member for Little Bow.

MR. R. SPEAKER: Mr. Chairman, my question was related to -- on page 35 there are some notes in section 2(ii)(c) with regard to bonds; then on page 38, under schedule 1, the provincial direct and guaranteed Alberta bonds, the cost was \$1.4 million and the market value is \$1.379. At that point in time there would be, as of March 31, 1987 . . . Are you following?

MR. SALMON: No, I didn't pick up where you went the second time.

MR. R. SPEAKER: Page 38. I made note of the note on page 35 under 2(ii)(c), and I believe that note applies to what I'm asking. Then I moved over to page 38, schedule 1, March 31, 1987, the value of provincial direct and guaranteed bonds, and across from Alberta, under 1986, the cost of the bonds was \$1.4 million, and the market value was \$1.3 million. Then in 1987, there are no bond costs or market value. I would assume, then, that there was a sale in that period of time?

MR. SALMON: Yes, definitely.

MR. R. SPEAKER: From those notes you indicate that you value on an aggregate basis. So that loss, if there was one -- possibly the bond value went up and there was a profit; I don't know. Where do we gain that information, as a committee member? Have we access, let's say, to your notes, or can we secure that detail through your office?

MR. SALMON: Go to page 32, second line, on the income statement. It says, "Net gain on disposals of investments." So any gains or losses are included in that \$11.084 million that's there.

MR. R. SPEAKER: Okay. In terms of the detail of that, how do we secure that? Are we again to refer that to the Provincial Treasurer? Back in the early part of 1980 your office, the Auditor General at that time, made it possible for us to review some of those losses and gains with regards to bonds and various equity investments.

MR. SALMON: As you recall, that was a special report that our office did, and full details were disclosed because there was a direction to do that study of that supposedly \$60 million loss.

There would be many disposals included in here. It would

be a fairly extensive flow of investments in and out as they move the marketable securities in and out of the various portfolios. The money market is a constantly changing thing as well, so it would be fairly extensive. If that was wanted, yeah, I would have to say that that's the kind of detail that I was after not wanting to give on the other note.

MR. R. SPEAKER: So what you're saying is that through the Provincial Treasurer, we should be able to secure some of them.

MR. SALMON: I'm not sure they could give it to you in the detail you may be wanting, because it's a multitransactional figure that's in the accounting records.

MR. R. SPEAKER: Okay, the reason I asked the question is that we are responsible for some policy direction to the government from this committee, and if we see in certain areas that, you know, there is a succession of losses or it looks like bad investments to us, we should be able to make some recommendation. That's why I'm asking you if we're privy to the detail.

MR. SALMON: It's the Treasurer or the decision of the investment committee to make a disposal or buy. That loss, if there was a loss -- and I'm not sure whether there was -- would be taken into factor in the purchase of something else that would give them a return that would maybe be greater than holding the bonds that they presently had. I mean, it's an ongoing thing; that's all I'm saying. It's a regular day-by-day transactional process.

MR. BRADLEY: Well, Mr. Chairman, I didn't have so much a question as a comment. I wanted to say I was disturbed by some of the lines of questioning this morning which tended to attack the integrity of the Auditor General. I don't think he was in a position to answer some of the questions that were asked of him. He's here to answer questions with regard to the annual report itself and not express opinions with regard to policy matters, and I think that's the direction of some of the questioning which was taking place this morning. I just wanted to compliment him for the manner in which he has handled himself this morning under some very difficult circumstances.

MR. CHAIRMAN: Any further questions, then, of the Auditor General while he's here? If not, first I just want to thank the Auditor General and the members from his department for being with us this morning. We appreciate some helpful answers, and as the Member for Pincher Creek-Crowsnest pointed out, [there were] some questions that perhaps weren't appropriate. But we do appreciate your input at this meeting.

A motion to adjourn would be in order. Moved by the Member for Stony Plain. Thank you.

[The committee adjourned at 10:54 a.m.]

