

[Chairman: Dr. Elliott]

[10:10 a.m.]

MR. CHAIRMAN: We have enough people here, and the time is right. I have before me the agenda with five items on it, starting off with the heading, Standing Committee on Legislative Offices Follow-up Items. In the usual manner of the Chair, we will rely upon our excellent support staff to tell us where we're going on each of these items. Are we ready to go on number 1?

Before we start number 1, I can make the announcement that item 6 will be the Auditor General's budget. We all have copies of it, and the Auditor General will be here, we hope, by 10:30. We discovered that there was a change in the time, and there was a little slippage there. We're going to recover just beautifully, and 100 years from now nobody will ever know the difference.

Can we deal with number 1, then, left over from the June 6, 1985, meeting of the committee. We need approval of the minutes of the June 6 meeting, please. May I have a motion? Mr. Miller. Any comment on the motion? Those in favour? That motion is carried.

Item 2 is approval of the minutes of the June 25, 1985, committee meeting. May I have a motion, please?

MR. PURDY: So moved.

MR. CHAIRMAN: Any question on the motion? Those in favour of the motion? The motion is carried.

Item 3, the June 6, 1985, committee discussion on the International Ombudsman Institute as a result of Mr. Sawyer's letter re his recent trip to Australia. We have all, at one time or another, seen that correspondence, and I am wondering if you have any further comment you would like to make at this time, or should we display it on the agenda for now and carry it forward and pick it up again? There has been some slippage of time there, and maybe things will get a little more organized as far as our activities and routine are concerned. Would anybody care to comment on that suggestion?

MR. THOMPSON: Mr. Chairman, not on the specific letter from Mr. Sawyer. We were down

to Ottawa, I think — or was it Quebec City? — for an Ombudsmen's conference, and I have some real reservations, not about our Ombudsman but Ombudsmen in general. They seem to have a very negative and unco-operative way of operating. I wonder — and it gets back to the business of these organizations — how much good these types of conferences really do. I enjoyed the conference itself, but basically I was somewhat concerned with the tone that carried through that conference. It looked to me like the Ombudsmen were really the severest critics individual governments have. So I have some concern, not with our Ombudsman but with Ombudsmen's attitudes across the country.

MR. CHAIRMAN: John, are you referring to the annual national meeting of the Canadian Ombudsmen association — whatever they call themselves?

MR. THOMPSON: Right. I don't know if the international . . . All I'm bringing it up for is if the international conference follows along those lines, I think governments are not doing themselves much good. There didn't seem to be much co-operation with their governments. It seemed to me that they were in active confrontation. Why, I don't know.

MR. CHAIRMAN: Thank you.

MR. MILLER: I accompanied John down there, and I couldn't agree more with what John said. I think it's imperative that whenever there is a conference of this nature, some representatives of this committee be in attendance. We could more or less act as a brake on the Ombudsmen — and I exclude our Ombudsman, by the way, because he's a different type of individual — on how far these people are going to go in saying how bad governments are. John is right on: they are the severest critics of government you'll ever want to find. The type of people many of them are getting are what I term do-gooders, who have never done a damn thing in their lives other than go to university and take a social course, or else they're ex-preachers, and they've never had to get out in the real world.

DR. CARTER: Let the record show: boo, hiss.

MR. MILLER: John and I were in total agreement that it was a damned good thing we were there.

MR. CHAIRMAN: You were not encumbered with that extra baggage of being preachers and things like that.

MR. PURDY: So what you're saying is that maybe some of the provinces should have different terms of reference in hiring people.

MR. MILLER: Exactly, Bill. You're right on.

MR. THOMPSON: I have to support Bud on that. I think we should alert governments that they'd better be sending observers there, too, to see just what's going on with their Ombudsmen and get a feel for it. We were the only province that sent observers.

DR. CARTER: Do you mean Ontario didn't?

MR. THOMPSON: No.

MR. MILLER: They were in an election.

MR. THOMPSON: So, really, we sat on the sidelines. I think all governments should be sending people there to observe that conference.

MR. CHAIRMAN: I would bring to the attention of this meeting that the topic we were looking at was something to do with Australia and we've gone on to an extremely interesting topic, which could perhaps appear in the minutes as a report on that particular meeting. I have no problem from the Chair in letting it flow further if there's further discussion. I think it's excellent that we can dispose of that topic now, if you people have no objection.

David Carter asked the question about the Ontario representation, and you said that there wasn't one, perhaps because of the election. I think the reason the question came forward, because I was about to ask the same question — while you noticed a difference in the individuals who were hired as Ombudsmen for each province, I was going to ask if you had an opportunity to observe a difference in the way provinces presented themselves through their committees and so on. The only time I was on

one of these things was in Vancouver, and it was in a seminar form. I reported back to you about how the different provinces sent their chairmen or something, including Ontario, which sent its whole cotton-picking committee, along with its legal counsel, who they hired to work for them to keep an eye on their Ombudsman. That's what it looked like to me. I was wondering if they had their Ombudsmen meeting at that time.

MR. THOMPSON: I really couldn't comment. All I know is that we were the only elected representatives at that conference. I support Bud: I'm thankful that we had somebody go down there.

MR. CHAIRMAN: This whole approach we have in this committee is that we've been sponsoring, and I hope we continue to support through our committee budget — that is, have our committee accompany our leg. officers when they go to their respective national, and hopefully even international, gatherings. Your experience on this visit would support our position on that function.

MR. THOMPSON: Yes.

MR. CHAIRMAN: That's good. Any other question or comment on this report? We're talking now about the Canadian Ombudsmen meeting. That was very interesting, gentlemen. Thank you.

We'll go back to item 3. We have Mr. Sawyer's letter on his recent trip to Australia.

DR. CARTER: Could we raise a question about that because of some phone calls yesterday?

MR. CHAIRMAN: Yes.

DR. CARTER: As to what is supposed to be happening on October 6 over there at the university, with Dr. Ivany, Mr. Sawyer, and supposedly our committee and some people from British Columbia. Does that relate to this issue on the agenda?

MR. CHAIRMAN: No, it does not. There's a correction, David. October 7 is the Monday, and that's the letter I had on that. Did each of you see a copy of that letter? Okay. It came while I was away in the States last week, and

I've asked to have copies made available today. I would like to include this discussion under the same heading of number 3, while we're on the topic of Ombudsmen. I refer you to that letter, that is being handed out now, and I ask you to take one second and read it.

MR. MILLER: You've had no communication with Dr. Ivany?

MR. CHAIRMAN: No, I have not. When I returned from my week in the States and found this in my mail, I asked Louise to bring it this morning and have it here for review. I have a phone slip on my desk to call Dr. Ivany. I've tried on two or three different occasions, and I can't get a response at his number. In between, he has been able to make contact with my tape in my home, so he is somewhere, but I can't seem to get back to him, including this morning.

So I have had no contact with him. I know nothing about this letter, and furthermore, I am committed on October 7 and not available. With all that information, we'll have to take a position.

MRS. EMPSON: Mr. Chairman, Dr. Ivany reached me yesterday by phone, and I gave him your phone number in Grande Prairie. Obviously, he hasn't been able to make contact with you. I told him you were not available on October 7 and neither was Dr. Carter. He seemed to have some confusion about the Standing Committee on Leg. Offices and the select committee to choose the Ombudsman, because I assume B.C. is in the process of . . .

MR. CHAIRMAN: Can I make an assumption here? Am I assuming that the B.C. select committee wants to meet with people from our Alberta select committee for selecting a new Ombudsman to discuss whatever the issues are, and it has nothing to do with us as a standing committee?

MRS. EMPSON: That's what I asked Dr. Ivany. He said no, Mr. Parks wanted to meet with members of Leg. Offices Committee. He was also under the impression that the Ombudsman was a member of Leg. Offices, and I explained to him that he wasn't. When I told him that you were not available to meet on the 7th and neither was Dr. Carter, he asked who the members of the committee were. I told him.

MR. CHAIRMAN: Dr. Ivany?

MRS. EMPSON: Yes. He said he was going to try to contact Mr. Anderson and possibly Mr. Purdy. But he was also trying to get hold of you because he had two or three other questions to ask you. I hoped he had made contact with you. Obviously, he didn't.

MR. CHAIRMAN: No, and I couldn't find him this morning.

DR. CARTER: There's a whole inappropriate thing going on here. The communication should be from member of the Legislature to member of the Legislature. Dr. Ivany has not one bit of interest in — he has lots of interest personally, but he is not to be involved in this. If he wants to meet with committee members from another province, that's fine. But it's not up to him to be making any kind of commitment on behalf of a legislative committee.

I suggest, Mr. Chairman, that you get on the phone and speak with Mr. Parks yourself and that there be no further contact whatsoever with Dr. Ivany about this.

MR. CHAIRMAN: That's the recommendation I have at this point, and I concur.

MR. PURDY: That's exactly what I was going to say. It's strictly inappropriate.

MR. CHAIRMAN: The letter is to me from Parks, and I should write back to Parks and find out what this is all about.

MR. PURDY: Yes, you should get back to Parks and indicate to him that if they want to meet with us at a later date, we can meet on our own grounds here in the Legislature Building, not over at the university, and we'd accommodate them, but not under these circumstances.

DR. CARTER: There's the possibility of the next day for people to meet but not on that day.

MR. PURDY: I could be here on the next day, the 8th.

MR. CHAIRMAN: There are three things happening here that bothered me. One is the role this International Ombudsman Institute thing at the university is playing in this, a

visiting Ombudsman from British Columbia or that committee visiting with us as a committee, and the third thing is the selection of an Ombudsman for British Columbia and whether or not that involves us as we sit here or whether it belongs in David Carter's committee, which for purposes of this discussion must be kept completely separate.

MR. PURDY: I think David Carter's committee is now nonexistent, according to the terms of reference of the Legislative Assembly.

MR. CHAIRMAN: So we are properly correct the way we are sitting here today, then, and the other committee is not in existence.

I will be contacting Mr. Parks immediately on the termination of this meeting, and I will get a communication to each of you people. I will continue to attempt to respond to Dr. Ivany, because his phone call was on my desk, and I will use that as information back. Does that dispose of this particular piece of correspondence?

MR. PURDY: The only thing I'd add, Mr. Chairman, is that if this group wants to meet with us, I'd be available on the 8th but not the 7th. David and you are not available. I don't know what Bud and John are like.

MR. MILLER: Either day I'm okay.

MR. CHAIRMAN: The 8th could possibly be available from my calendar. It would require some manipulation, but it could be available. I'd rather have it the 9th. Assuming everything else is equal, would the 9th be available?

MR. MILLER: Not for me.

MR. THOMPSON: Well, I don't think we all have to be here anyway. They're really looking at the procedure we used. If there are two or three of the Leg. Offices Committee here to meet with these people, that's fine. I don't think they need the full committee to meet with. So I don't plan on coming up specifically for that meeting, whatever date it is, unless I happen to be here anyway, Mr. Chairman. Then I don't mind meeting with them.

MR. CHAIRMAN: Thanks, John. Not hearing any further discussion on this topic, item 3, I

will close it off with the recommendation that we carry it forward on our committee agenda. I need a recommendation on how we do this. If we get the agenda out perhaps two or three days ahead, and then you could have . . .

MR. PURDY: I would move that item 3 be tabled until the next time Leg. Offices meets.

MR. CHAIRMAN: All right; we'll do it that way. That sounds fine. Thank you. We have a motion now. Those in favour of the motion? That motion is carried.

Looking at item 4, from July 11, 1985, a discussion of correspondence received from Mr. Kenneth Wark re the Electoral Boundaries Commission Act. Do we all have copies of that before us?

MRS. EMPSON: Copies were sent by Verona, but I have extra copies here.

DR. CARTER: Having read the letter in the summer, Mr. Chairman, I would just move that the letter be accepted for information.

MR. CHAIRMAN: Thank you. Any question or comment on that motion? Those in favour of the motion? That motion is carried.

We're now down to item 5, which is a review of the Auditor General's budget for '86-87. We all have our copies in front of us, do we?

MRS. EMPSON: Did you want to talk about this? I just found out those things for the two conferences that are scheduled for December. It might be too early for you gentlemen to know your schedules.

MR. PURDY: That's exactly the question I was going to ask, whether we could look at that first and then go on to the Auditor General. My schedule is starting to fill up.

DR. CARTER: What time do you have to leave this morning?

MR. PURDY: A quarter to twelve.

DR. CARTER: Okay. Can we deal with this after we get through?

MR. PURDY: We shouldn't be too long with him, should we?

DR. CARTER: Can we deal with this later in the morning? What isn't on the agenda here is that the other subcommittee, search for the Auditor General, has its recommendation to give to the committee. So we have some more business to do after. Can we do that later?

MR. PURDY: Sure, that's okay. As long as I get away by a quarter to twelve, I'm okay.

DR. CARTER: The other fellows -- Gurnett, Thompson, and Hiebert -- are coming back in at 11 o'clock so we can deal with the other matter.

MR. CHAIRMAN: We're here until 11 o'clock, as I understand it, to discuss the Auditor General's budget with the Auditor General and his staff. Are you ready to bring them in?

Welcome, Mr. Auditor General and your staff, to our committee meeting. We have certain problems built into our committee this morning. It's called numbers. We've lost one, and within about half an hour we're liable to lose another or two -- something we didn't have under our control. That, added to some of the other problems you've already encountered this morning, gives us a bit of a problem. I'm going to recommend that we use our time the best we can while it's available to us. Let's not make any apologies if we have to meet again to finish the project. With that, I would say, let's go to work.

Does any committee member have any further comment to make at this time with respect to the next agenda item? Can we turn it right over to you then, Bill, and let you talk to us? We have your report, and we're ready to go to work. At about 11 o'clock, we will assess our position.

MR. ROGERS: Mr. Chairman, this will perhaps be a little harum-scarum, because obviously we were going to use another couple of hours to prepare. So if you don't mind, that's fine.

MR. CHAIRMAN: We'll use it as introduction this morning.

MR. ROGERS: Fine. I'd like to deal first of all with the increase of \$112,066, which is what you get if you eliminate two items. One is the computer and the other is the increase in the agents. If you leave those two items for separate consideration, then you're faced with

an increase of \$112,066. In other words, if those two items weren't there, the budget would be \$9,787,000.

MR. PURDY: Mr. Rogers, can we just get a percentage increase at the same time?

MR. ROGERS: Something over 1 percent. Manpower and Supplies would be up \$167,808, Supplies and Services would be up \$2,958, Grants would be up \$2,200, and Fixed Assets would be down \$60,900, for a net of \$112,066. The only significant increase there -- because \$3,000 is not significant when you're looking at over \$9 million -- is the \$167,808. That is after the full-time permanent salaries were increased. You will remember there was an increase in management salaries. We did not use any Treasury contingency money, so we were operating on our budget. It's offset, however, by lower replacement salaries; that is, when an experienced person leaves and the person you replace that person with is less experienced, they're at a lower salary. When you get that kind of turnover going on, there always tends to be some fluctuation. So our increases were partially offset by lower replacement salaries, and we also reduced the positions by two this year, which I think is the third year in a row.

Within that figure we've also allowed a sum, as you will see, of \$40,000 for student salary enhancements. I should explain that. We've been having problems with students. We're getting students and then losing them before they graduate. Of course, in this area we're in direct competition with the private sector. We have a plan to try to help that situation. The plan has been prepared, and we figure the cost in the next year to be in the order of \$40,000. We've included that in this budget.

MR. CHAIRMAN: Bill, has that item been in and out and back in again over the years, or is this the first time ever?

MR. ROGERS: It's the first time. It's to slightly increase the starting salaries we hire students at. If I recall correctly -- and correct me, fellows, if I make any slips -- the plan would be, among other things, to increase the starting salary by \$1,200 over the salary we've established as being equal to the average of the firms. The reason is that we have to offset,

somehow, the way our office is looked at as compared with the opportunities offered by firms. Students see a partnership in a national firm as the pot of gold at the end of the rainbow. When they join our office, there is no sort of similar incentive. So that explains that \$40,000.

There is also an increase in Pension and Other Contributions as a result of increased salaries, and there was an increase in the public service pension plan rate of contribution under the Act. There's no way one can place a control on those increases. There was also an increase in the Canada pension plan contribution amount. Also included in that is the increase in the amount provided for CMAs and student fees and course reimbursements.

You'll notice the mention of CMAs. We've extended to the CMAs the privileges we formerly gave only to CA students, because we now have a number of CMAs on staff, and we are also training CMAs. CMAs formerly were the RIAs, as you remember.

MR. CHAIRMAN: For purposes of record, would you read in the full term as opposed to just using the letters?

MR. ROGERS: Certified management accountants. They were formerly known as registered industrial accountants.

We have a number of students who are preparing themselves to become certified management accountants. It is to the benefit of the office to have those people take those courses, and consequently we have given these people the same privileges we have always given the chartered accountant students. I think that's in line with present developments. That accounted for an increase of \$15,000. I think the end result will be very beneficial to the work of the office.

If you take those factors, some going one way and others going another way, the end result of that is an increase from 1985-86 to '86-87 of \$167,808. That represents a percentage increase on the '85-86 total estimate of 1.74 percent. That is after those negotiated increases.

MR. CHAIRMAN: Your Chairman has been sort of interrupting as you go along. Would you rather we withhold our comments?

MR. ROGERS: No, I would rather look upon this as more or less a discussion, so that there's an understanding.

MR. CHAIRMAN: Maybe you have places in your presentation -- when you get to the end of a certain section or something, you might be in a better position to receive questions.

MR. ROGERS: I'd like to keep it completely informal.

MR. CHAIRMAN: Completely informal and open, so I invite you to be as rude as I have been. Please carry on.

MR. ROGERS: If you wish, we can do the same sort of verbal analysis of Supplies and Services and the Grants, but as those are only \$2,958 and \$2,200 respectively, perhaps we could move on to the key areas of the computer and agents' fees.

MR. CHAIRMAN: Are there any questions?

MR. THOMPSON: Mr. Chairman, I see an item here, legal fees, a boost of \$10,000. I agree with Mr. Rogers that that is not a terrifically large item, but what is involved with your legal fees? Do you have a lawyer on retainer? What is involved?

MR. ROGERS: He's not actually on retainer. It's Glen Acorn, who was formerly the Legislative Counsel. He is in practice and has been very useful in some of the compliance work we have. I learned quite early in this game that if I try to act as an amateur lawyer, I don't get very far; I get shot down. So I think this is a precaution.

I'm not sure what the cause is, but we're finding more and more that we're getting involved in fairly lengthy legal opinions as a result of what we believe are failures to comply with authority, either statutes, regulations under statutes, orders in council, and so on and so forth. We seem to have an increase in the number of noncompliance issues we're dealing with, and that's why that was increased. Hopefully, we won't spend it. But we felt it would be realistic to allow for an increase, because we do seem to be running into more and more of these situations. Some of them are highly complex, as you can imagine.

MR. MILLER: Just a supplementary to that, Bill. I appreciate why you would want to do this. Why would you be picking up that cost rather than the Attorney General?

MR. ROGERS: The point is that in order to go in my report, there has to be an Auditor's independence. If we ask for an opinion from the Attorney General, then we are not abiding by that independence. I would say that this is normal practice with legislative Auditors across the country. They try to avoid putting the government on the spot, in effect, where the government lawyer would have to rule that the government hadn't complied with the law. Very often the Attorney General's legal counsels' role is to present the government's arguments to either mitigate the situation or even disagree with the situation. If they have given the Auditor the opinion in the first place, the government wouldn't have that ability.

I would say that it would be about 10 years ago that I first had the — we used to use the Attorney General's department, and then things came to a head in one of the investigations we were involved in, and they refused. They said it wasn't appropriate, that we should get our own legal counsel's opinion. That's the sort of background to that. It's really twofold. One is that the government feels they shouldn't sharpen the knife for the Auditor to cut their throat. On the other hand is the Auditor's desire, my desire, to be independent in all ways so that when I present it to the Legislative Assembly, there has been no involvement of the government in that report. As I said, that has grown to be fairly common practice in other jurisdictions.

MR. SALMON: We have had some interesting differences of opinion when it came down to the Auditor General's report, when Treasury had a different legal opinion from ours. That was fairly recently, and a couple of other ones. The Audit Committee itself has been quite happy because we've had that outside opinion to give them a different perspective to the whole picture.

MR. ROGERS: Perhaps I should add that one of the influences that has considerably sharpened up our office in this regard is the presence of Judge Liden on the Audit Committee.

MR. CHAIRMAN: Bill, the fact that the questioning started in that area should indicate to you that we've had your report and it's been looked at. The questions are getting ahead of any introductory comments you want to make.

MR. ROGERS: I have no problem with that.

MR. CHAIRMAN: You have no problem with that. It shows our awareness of the report, and in the interests of time, I think it might be to our advantage if these specific points would surface quickly. But we don't want to cut you off with respect to any special thing you want to bring to our attention. If you want to focus on some particular point, please do so. If there are questions to be asked, let's hurry it along, please, gentlemen.

MR. MILLER: Mr. Chairman, I have some questions. I am wondering if it might not be possible, when we're getting close to the time we're going to adjourn, that we could give our questions to the gentlemen and they can bring the responses when they come back.

MR. CHAIRMAN: That would be fine. Should we use our time this morning for further introductory comments, then?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you.

MR. ROGERS: I think we can now move to the two points that drive the percentage increase up from 1.74 percent to a total of 9.45 percent.

MR. SALMON: Excuse me, Bill. The \$112,000 should be 1.16 percent.

MR. ROGERS: Thank you. We've looked at the net increases that would increase the budget by 1.16 percent. The difference between that and the end result, which is a proposed increase of 9.45 percent, consists of two items. The first one I'd like to deal with is the increase in the audit fees for public accounting firms acting as agents of our office. I think I'll turn to Don for an analysis of why that is necessary.

MR. SALMON: I guess everyone has had an opportunity to look at page 5. On that page, comparing last year's estimate to this year's

estimate, we have shown the list on the basis of those particular audits that we are rotating. I think we've explained our rotational process before. When we rotate an audit from the private sector back to our office, we actually do the audit for the next number of years, and another audit is put out to the agencies. We have felt the need to allow for an increase in that rotation, so in this particular year we've proposed four audits coming in and some seven audits going back out. With the choice of the audits we propose to put out, we have ended up with an increase of some 4,000 hours in the private sector, making somewhat of an increase in our budget.

We feel the need to do this on the basis of an increased workload as well. We have some 2,000 hours coming into the office on new types of audits. Of course, we're projecting those hours without knowing positively the size of the audits, but it's proposed to be about that. It does give us some flexibility in taking some of the audits back into our own shop and allowing some of the others to go out.

So we end up with an increase of approximately \$200,000. Of course, some increase in fees is built into that budget. We've been holding the fees fairly tight for about three years. We don't expect a major jump, but there will be some pressure on us as we negotiate new agreements with the firms. We're very tight on trying to control it, but their increases are going and they therefore tend to feel that there should be some slight increase in their fees.

That's basically the summary of what we have before you, without talking about any specific audit.

MR. ROGERS: I think I should comment on the increased workload that was referred to. Not all of this increased workload is due to new audits. In fact, I would say that that's the minority. The increased workload is our experience this last year, especially in the area of certain of the provincial entities where there are loans, land, that kind of thing, as assets. We are finding that our time is shooting way up in trying to determine what might be a proper provision for possible anticipated loss. If one looks at it from management's point of view, in fairness — and I can understand this — they want to have it as small as possible. They would like to be as optimistic as possible. But

unfortunately, before we are willing to sign an opinion on the statements, I'm afraid a lot of time has to pass while we do a lot of digging and very often have some very long meetings in certain areas before we can arrive at an agreement with management as to what the provision should be as at, in this case, March 31, 1985. There's always a feeling that things are going to get better down the road. While I don't disagree with that, we have to have the financial statements reflect the situation at March 31, 1985, if that is the year we are dealing with. This has caused a big increase in the amount of work we've had to carry out.

Offsetting that, however — and these things aren't just a matter of a sort of linear increase for a particular reason, because there are always offsets — we know that the use of the computer has increased our productivity. So when it's all put to bed, a job may take the same amount of time or very little difference from the year before. The extra workload we've had to deal with in working on loans and assets consisting of land, real estate, and so on and so forth, would be offset by increased productivity in other areas of the job through the use of the computer. So it's a kind of complex situation.

MR. CHAIRMAN: Bill, did you want to ask a question?

MR. PURDY: I have a question for Don. In your opening comments, you indicated that you do some of these audits on a rotational basis. You only do 43, but some of them are selective . . .

MR. SALMON: No.

MR. PURDY: This year you didn't do the liquor board.

MR. SALMON: No, this is all the audits done for us by firms as agents. This is the list that is going out. So the liquor board will be done this year by our own staff. It's coming back. The others listed in '86-87, that have nothing in the '85-86 budget, are going out this year.

MR. PURDY: Same as Glenbow . . .

MR. SALMON: Glenrose is going out, and Glenbow is coming in.

MR. PURDY: Okay, I have it straight. Thank you.

MR. ROGERS: The reason for doing it ourselves in between is that it rules out the problems you might get in going from one firm to another firm. By coming through us for a year or two first, it means we have a chance to do a little judgment on the sort of work that had been carried out by our agent, and the other thing is that the set of working papers the new agent gets is not the old agent's working papers but ours.

MR. WINGATE: It also ensures that we remain in close contact with the auditee. In other words, we have a really detailed knowledge of the auditee.

MR. PURDY: But is the agent just one firm that does it on a contractual basis, or what?

MR. SALMON: For the liquor board, we've had one firm in Edmonton that has done the job for seven years. We will rotate the liquor board back to us, and that particular firm is going to be doing Glenrose for us. We've done that switch that way.

MR. WINGATE: We use pretty well the whole of the eight major CA firms.

MR. SALMON: We're using all the eight firms, plus a lot of the locals.

MR. ROGERS: And a number of small firms.

MR. PURDY: Is it on a competitive bid?

MR. SALMON: We don't use the bid system. What we've been doing is getting the firms to give us resumes of the firm, the partners' backgrounds and experiences. Then we try to spread it ourselves in choosing who we feel would best suit. For instance, in doing Alberta Terminals Ltd., we were looking for grain elevator experience and that kind of thing, and we went to a particular firm that we knew was involved. So we try to match it up as best we can.

MR. ROGERS: Rather than the bid system, we use the baseball bat system to keep the fees down.

MR. SALMON: It's been working quite well.

MR. ROGERS: As you know, this program of using agents is still unique in Canada, although a number of the other legislative Auditors are looking at it. Although as Auditor I'm the auditor of all agencies, it does mean that the private sector has some of the work. It seems to work very well, and the agents seem to find it satisfactory.

MR. THOMPSON: Mr. Chairman, on that point. Do you envision that in the future more and more of the private sector will be involved, or do you feel there is an optimum level so that you start to lose control if you get too deep into the private sector? Do you feel you're at that level now, or do you feel there is still room for more private agents being used by the office?

MR. ROGERS: Before I ask the fellows what they think, my own feeling is that there are some areas where it is not economically viable to have the private sector involved; for instance, where you're dealing with a department. We've tried this in some areas, haven't we?

MR. SALMON: Well, we're looking at trying a little bit of it. We have to be very confined in how we assign it, so we can control it.

MR. ROGERS: If you get too big an area, they get lost. Of course, your fees would go way through the roof.

MR. SALMON: Yes, it would cost us a lot more money.

MR. ROGERS: So I would say that there are areas where it isn't suitable. But when you're dealing with an audit such as the University of Alberta or something like that, where you can put a fence around it, then I think that's fine. As long as we have this rotational business so that a proportion of these audits are always being worked on by our own staff, so we don't lose the experience base, which is very important both for training people and because staff at all levels need to be involved in the actual audit to keep current experience, and so on and so forth — as long as we always have some in our shop, I think we could go quite a bit more than we are doing. But I think the trick is

to keep it more or less evolutionary — not use a shovel and shovel it out but put it out a little each year. That's what we've been doing.

MR. THOMPSON: Mr. Rogers, I didn't particularly want the private sector more involved; I was just asking for your assessment. Do you feel the percentage or ratio is now about right?

MR. ROGERS: I think one could increase it over time to be more than it is. Don, what's your feeling? You're closer to this than I am.

MR. SALMON: What we've done in the functional planning of the agency area is that we've sort of set some limitations as to how far we felt we could go. We're not there yet, but we've looked at the 20 percent range, maximum 25 — maybe that's a little too high; it's sort of right around in there. Right now we're sitting at just over 15, so there's a little bit, but not a tremendous amount, in order for us to control it.

MR. THOMPSON: Thank you, Don.

MR. CHAIRMAN: Gentlemen, I have to get your attention for a minute. We served notice that there was going to be a break in this meeting to accommodate another requirement, another topic. We're going to change gears right now. We will change from this meeting to another meeting for 10 minutes. We're going to invite our visitors to . . .

DR. CARTER: You can leave your documents.

DR. CARTER: Mr. Chairman, the other item of business is the report of the legislative committee with respect to the search for a new Auditor General. You will recall the process for the two other officers. The first time, we were able to submit the report to the Legislature. The second time, with respect to the Chief Electoral Officer, the Legislature was not sitting. So the process is for the other committee to bring a recommendation to this committee and for this committee to accept it or reject it. From there, a letter goes from you as chairman to the Premier's office so that an order in council can be prepared to appoint the

person. The person would take office on January 1, 1986, so there is a three-month overlap period before taking office on April 1. The person would receive the salary benefit, plus the car, from January 1.

The subcommittee stays in existence until such time as the order in council is passed, because there is additional tidy-up work to be done in terms of press release and all the rest of it. So there will have to be some provision for that to take place.

Nevertheless, Mr. Chairman, I submit to you this letter, if you'd like to read it to the group.

MR. CHAIRMAN: As chairman of this committee, I have here some mail that says:

The Select Special Auditor General Search Committee met on the evening of Wednesday, September 25th, and unanimously approved Mr. Donald D. Salmon for the position in question.

On behalf of the Search Committee, I formally request that the Standing Committee on Legislative Offices ratify Mr. Salmon as the appointee to the position of Auditor General for the province of Alberta, effective January 1, 1986.

It's signed by David J. Carter, Chairman.

We have received correspondence. Any questions or comments on the correspondence?

DR. CARTER: I move that Mr. Salmon be offered the position of Auditor General of Alberta.

MR. CHAIRMAN: Thank you. Any question on the motion? I have a question. You've made the motion, and that motion will be transferred to the Premier in my letter, as chairman, to the Premier.

DR. CARTER: The Secretary of Executive Council.

MRS. EMPSON: Could I ask a question as to salary? The last time, you incorporated both in the motion.

MR. CHAIRMAN: All right. We have the motion ratifying this recommendation.

MR. PURDY: Another question. Since the Auditor General is a servant of the Legislature,

how is the Speaker notified about this?

DR. CARTER: We prepare a notice which goes to every member of the Legislature. Last time, I think I also picked up the phone and spoke to him so that he knew. We have the additional problem that there is no cabinet meeting until October 15, so how do we keep it quiet?

MR. PURDY: On what date do you anticipate that it be released as public relations from your committee?

DR. CARTER: October 16, I guess.

MR. PURDY: So it's all under wraps until then.

DR. CARTER: That means the minutes are not to be available until after then.

MR. THOMPSON: What about our Hansard record?

MRS. EMPSON: I'll keep them in my office.

MR. CHAIRMAN: Good questions. Any other question? We have a motion before us. Those in favour of the motion? That motion is carried unanimously. Any other topic, Dr. Carter?

DR. CARTER: The matter of salary. Louise, do you recollect what our guidelines were — the spread that we could look at?

MRS. EMPSON: Between \$82,000 and \$87,000.

MR. HIEBERT: Just a question on that. When you say \$82,000 to \$87,000, what range is that? Is that for senior deputies?

MRS. EMPSON: I don't know what the range is. That was just a figure Dr. Carter received from Treasury, and it was mentioned at a meeting about a month ago.

MR. PURDY: Senior deputies are over that.

MR. HIEBERT: They are?

MR. PURDY: The Deputy Provincial Treasurer was something like \$98,000. There was one other too. The Deputy Minister of Hospitals and Medical Care was up in there. The order in council [inaudible] was passed in May or June.

DR. CARTER: I wonder if we could declare a three-minute adjournment of the meeting for stretching our legs so the other committee can have a little conversation, please.

MR. CHAIRMAN: All right. I have 11:13. We'll be back in a couple of minutes.

[The meeting recessed from 11:13 a.m. to 11:26 a.m.]

DR. CARTER: Mr. Miller has a motion.

MR. MILLER: I move that we offer Mr. Salmon a salary of \$85,000 per annum, plus car and benefits.

DR. CARTER: To take effect January 1, 1986.

MR. CHAIRMAN: The use of the term "benefits" is a specific package for purposes of this discussion, and the car is in addition to the benefit package. Is that the way I understand this?

DR. CARTER: Well, it's probably construed as being part of the benefit package, but it's the only way we can make certain that it is included.

MR. CHAIRMAN: To identify it. Thank you. Any other question on the motion? Those in favour of the motion? That motion is carried unanimously. Any further comment from the chairman of the committee on the search for and selection of a new Auditor General?

DR. CARTER: Just to reiterate that there's a three-month overlap period of January, February, and March and Mr. Salmon would take office on April 1, that there's still some extra tidy-up work for the committee to do, and that the whole matter is confidential.

MR. PURDY: While you're on that item, Mr. Chairman, is this reflected in the budget, or will they have to come in with a special warrant to cover that extra?

DR. CARTER: Special.

MR. CHAIRMAN: One last item. This topic you're on will generate a letter from this committee to whomever, as you said, to get the

next thing going from the cabinet. I request the assistance of . . .

MRS. EMPSON: I already started this morning.

MR. CHAIRMAN: Any other question or comment on this topic?

MR. GURNETT: Mr. Chairman, just briefly to express my appreciation for your being willing to arrange the morning to permit some of us to juggle other obligations. I'm grateful for that.

MR. CHAIRMAN: Most of us have about three balls in the air at one time right now. It's our pleasure, Jim, believe me. We're happy to do it.

I'm going to suggest now that we bring in the other people, and I'm going to try to hang onto them as long as we have . . .

MR. HIEBERT: On that point, I'm going to leave at this juncture, because I have something else to attend to.

MR. GURNETT: I will as well, Mr. Chairman.

MR. CHAIRMAN: Thank you very much. Bill Purdy, you're here for another 10 or 15 minutes?

MR. PURDY: About 15 minutes, yes.

MR. CHAIRMAN: Will there be four of us here until 12?

DR. CARTER: Yes.

MR. CHAIRMAN: Thank you very much. I'm going to get Bill Rogers.

MR. CHAIRMAN: We'll just take about 10 seconds to collect our thoughts. Do we know where we left off? We're going to start with a question, and perhaps that will get us back into gear again. Bill Purdy, do you want to ask your question now?

MR. PURDY: I think I asked the question. That was to Don, regarding rotation.

MR. CHAIRMAN: Okay. There is no follow-up on that at this time?

MR. PURDY: No, the questions were answered between Bill and Don.

MR. CHAIRMAN: Very good. Did somebody else have a question left over from when we broke off? My error, then. We're back to further introductory comments, then, and I think Mr. Rogers was about to make a comment. We were looking at pages 5 and 6.

MR. ROGERS: The increase in Supplies and Services is the increase in the amount provided for agency audits, and it is the amount we provide to the best of our knowledge. Obviously, if the actual bills don't come to that, that's fine. There was an increase in the amount provided for travel because of increasing air fares. There was an increase in the amount provided for printer paper and other materials and supplies, on the basis of our knowledge of what is happening.

Again we have these offsets, however. There was a reduction in data processing services; that is, the amount we pay for other people to do data processing. That would include Public Works, Supply and Services and their equipment.

MR. WINGATE: That's because we brought the processing in-house, Bill.

MR. ROGERS: That's right. We moved a lot of the work we had them do into our computer, so we were able to reduce that.

There was a reduction in the amount provided for word processor maintenance in contemplation of phasing out most of the word processors. That does not mean that we won't be doing word processing, because that has been our salvation. Over the last several years it has enabled us to actually decrease the typing staff we've had and yet accommodate a larger volume of work. It simply means that one of the moves that is under way is to get away from dedicated word processor machines, which are expensive to maintain, and use the main central processor, which we will be discussing in a moment, as our word processor, with terminals at each of the typist locations. They'll be using the main machine.

We have prepared this budget on that basis and are reasonably sure we can go ahead, but we haven't worked out all the bugs yet. One never does, really, until you're right there. We are looking up to 18 months ahead, which is

always involves you in a bit of crystal ball gazing.

So that's the situation. After taking all those things I talked about into account, the total change is 2.23 percent as a percentage of the '85-86 total estimate. That leaves us with the situation with the computer and the fixed assets. Previously, when we obtained any hardware, Public Works, Supply and Services had an arrangement whereby they would buy the equipment and allow us to pay for it over five years with no interest to our appropriation. It was simply an allocation. They have ceased that. That arrangement is no longer available to us. Consequently, as we now have to move to a more powerful piece of equipment, which is the Data General MV 12,000, it means that we have to purchase the total amount in this year. Although — and this is what I'd like to stress — the benefit to the office, of course, would be for three to five years in total, it would represent a one-time cost of a fixed asset.

The question is: why do we need this computer now? I think the answer is that we have developed software, which we are completely certain increases our productivity and our ability to do the work, that is now being used far more extensively — and I'll have Andrew comment on this in a moment — than, say, 12 months ago. The benefits of that are now beginning to show. But I think the main problem we have to prepare for — and this is what we've had in mind in planning on acquiring this new computer in 1986-87 — is what is happening in the rest of government. If we ignore for a moment what is happening in all the provincial agencies — for instance, AGT have their own data processing, and they are developing systems. If we ignore all that and look only at the systems being developed by Public Works, Supply and Services — that is, systems that are either just being installed that we have to audit or systems that have been approved and are coming on line within the next year or two, and then looking at systems that are actively being planned and will be on line within the three- to five-year period — we're looking at systems that will cost at least \$100 million to develop. That is a conservative figure.

The new motor vehicles branch system, for instance, cost \$12 million to develop. The hardware that system runs on is a dedicated computer that cost \$12 million. So you're

talking about a system that cost, in total, \$24 million to \$25 million to develop. Now, we have to audit that, and that system is almost — is very difficult to audit. I was going to say almost unauditable, but I think we can always find a way around that. But we could not even begin to audit that if we didn't have our own computer developments as far along as they are. They are now using data bases that are a far cry from the data bases I knew about when I was in charge of data processing. Those were structured data bases. Now they're using relational data bases, and Don, Andrew, Ken Smith, Neil, and I are having to learn about these things. They are new developments.

MR. WINGATE: I think that's one of the biggest points, Bill, the increasing complication of data storage and file sizes. As Bill said, data bases like ADABAS and DBMSR have really increased the amount of processing we've had to do. For instance, between 1982 and 1985 our processing requirement has expanded six times, which is an enormous increase. It's quite clear that the processing requirement will increase in '86-87. In order to respond to that, we've just got to have equipment that can handle that sort of loading.

The increase in processing is obviously due to increased use of computers across government. That's the number one point. We're also getting an increase in the size of computer files, due to a much greater integration of data and systems. As we've mentioned, we're getting increased complication in the file structure and the way the data is recorded. All of that means we have to put much more processing effort in to get the sort of results auditors are interested in. In other words, in the days when everything was simple, you just loaded the data in, passed it, and you could extract a sample, and this sort of thing, for audit purposes. Nowadays, to get hold of the data the auditor is interested in involves a great deal of processing just to reconstruct the data prior to sampling. That's just a very simple example of what we're talking about.

MR. CHAIRMAN: We have two questions. John Thompson had his hand up, and then Bud Miller.

MR. THOMPSON: Obviously, this isn't your area of responsibility as the Auditor General.

But as the computer industry is improving and getting on every month, I guess, there has to be a certain amount of so-called leapfrogging. You stay with the system so long and all of a sudden you jump over a period of time — 18 months, two years, three years, or whatever it is — and go in again. I suppose all the people involved in data processing and computers understand this policy, but as far as government is concerned, is there some kind of co-ordination so that everybody leaps at about the same time, or is one department leaping at one time and the next department leaping at another time? From my point of view, it makes it intolerably complicated if you have all this activity going on on a piecemeal basis. I don't think everybody can get a new computer just like you get a new car every time a new car comes out.

As I said, it's not really up to you to say what happens, but is there any attempt being made in government to try to have some kind of rhythm or co-ordination with this so-called hopping down the ladder?

MR. ROGERS: Through the budgetary process, all these systems have to be justified. I have not talked about this to any of my colleagues, or to anyone, but it is my private feeling that under the pressure to reduce staff, to hold the line, and so on and so forth, departments are turning more and more to trying to put their work on the computer so that they can better control the costs involved, even if those costs are high. In a big department \$12 million for a system doesn't cause much of a ripple. What does cause a ripple is if you're asking for 100 more people. That's just the way it is. So I think departments, in order to be able to do the work they're doing — and they are doing more work than they used to. There was nothing like the present motor vehicle system whereby when you go up to the counter, every clerk has your record on line. It used to be a paper-pushing exercise, as you can remember. Introducing this approximately \$24 million or \$25 million system — \$12 million for hardware — enabled them to reduce the number of people they require to fulfill that function. They do that without a thought to the Auditor. We have to come chasing along afterwards.

MR. WINGATE: Bill, I think we can certainly understand many of these new systems. I'm

talking about things like Energy, where we've been pressing hard over a number of years for them to improve the quality of their systems. But in the next two to three years I think you'll find an increasing commentary in the Auditor General's report on some fairly large expansions in systems. I think that's likely. That's a personal opinion, but I think it is likely. Some of the growth we're seeing is really explosive. In the motor vehicles example we're talking about a very large expansion in the system. Social Services is talking about massive expenditures. I think it could well be that when we take a closer look at those, the Auditor General will want to comment about that sort of explosive growth. Obviously, it's not something we have any control over, and as auditors we're pretty well forced to respond to what's out there.

MR. ROGERS: We're beginning to take a closer look at what is really being achieved with these expenditures, not trying to second-guess management but maybe help point the way for others. Nevertheless, these systems are going on line, and we have to have the means to audit those systems. And because these things are scheduled to come on — for instance, there is a new system for payment of accounts, the MSA system — we have to be able to deal with them. We have to do some advance planning. That's why we're involved in this \$588,800.

MR. WINGATE: Bill, I have some figures here, which the committee might be interested in, dealing with this growth between '82 and '85. In '82 we were processing all our data on the government data centre, and for that year it cost us \$56,000 to process that data. As I said, there was a six times expansion in processing between '82 and '85. So if we'd remained on the data centre, in '85 you could estimate that we would have spent \$336,000, which is six times . . .

UNIDENTIFIED SPEAKER: For the year.

MR. WINGATE: Yes, all these are annual figures. In fact, because we moved the processing into our shop and because we developed our own software to handle that processing, we spent \$145,000 doing it. So you could compare \$145,000 with \$336,000.

What I'm trying to say, I suppose, is that

although we've had a six times increase in the amount of processing we're doing, we haven't had a six times increase in the cost. In fact, doing it in-house has produced an annual saving of about \$191,000, which is a large amount of money.

MR. CHAIRMAN: How are we doing on the questioning? It was your last question, John. Are you happy? Do you still have a question, Bud?

MR. MILLER: Yes. It's with regard to computers, because I'm not as high on them as you people evidently are.

MR. ROGERS: I sometimes wonder if I'm high on them.

MR. MILLER: Bill, you're the first person who has ever come forward and said that by buying computers, we can reduce staff. Everybody else I've had a chance to visit with always said, "No, they don't reduce staff, but we get a lot more information." My opinion is that you do get a lot of information but that a lot of the information you get is useless information that you don't need. A computer is only as good as the material that's fed into it. It's interesting that you talked about motor vehicle licensing, because I'm not sure that it's any better than it was before, and maybe it's worse. Some of the stuff that's fed in is irrelevant, and in other cases it's fed in and isn't true. As a result, you're dealing with something coming out of a computer that you'd probably be better off without.

I was interested in John's comment as to whether everybody in government is coming ahead at the same speed with regard to the use of computers. I think that's a very valid question, and I don't think we are. I think departments vary as to the extent they're being computerized.

MR. ROGERS: Oh, I have to agree with that completely.

MR. SMITH: If I can just interrupt. One of the justifications for that motor vehicles system, by the way, was the fact that they were going to reduce their staff by 175 positions subsequent to the date of implementation. That was the benefit they were to derive from implementing

that system. At this point in time I'm not sure of the extent to which they've achieved that. We will be looking at it.

MR. ROGERS: We will be looking at that kind of information.

MR. WINGATE: That's what gave rise to my comment. I personally anticipate the Auditor General's report dealing with these matters in the next two to three years, because there has been explosive growth. I think we are concerned to ensure that it's justified and properly controlled.

MR. SALMON: Where we get into this in the motor vehicles is that we've got to take from that information on that new system what's necessary to prove the revenue for year because of the General Revenue Fund. That's not real easy at the present time.

MR. ROGERS: Also, the controls over collection of that revenue.

MR. SALMON: The controls over that collection. So that's the kind of thing we could end up reporting.

MR. MILLER: Are you looking at it from a revenue point of view, an informational point of view, or a reduction in staff point of view?

MR. SALMON: I think all those have to be taken into account. But when it comes down to the financial statements, we have to look at it from the point of view of revenue. The other point, as Ken says, is whether or not it's matching what they said it would match at the start. They've said it was going to be this. We don't know till we look at it. So that's another side of it.

MR. ROGERS: That was the justification for it.

MR. SALMON: That was the justification given when they went into the system.

MR. WINGATE: But as you can see from our budget, when we say costs are going to reduce, they actually do.

MR. MILLER: I have some more questions, but

maybe they want to finish their presentation first.

MR. CHAIRMAN: Very well. Mr. Rogers, please carry on with your group.

MR. ROGERS: All that remains is that whether or not these big systems should be put in place is really a matter for government. As was said earlier, we definitely will be making comment if some of these systems are just a complete waste of money. Regardless of the niceties of our mandate, if they are systems that have been totally unsuccessful, I think we would be obligated to bring that to the attention of the Legislative Assembly. And that we would do, as we have done with MARS, which was another system which was not a good system.

MR. THOMPSON: But a good salesman.

MR. ROGERS: I'm glad you said that, because it's true.

The other thing is that we will be looking at whether the benefits that were the justification for these systems were actually obtained. Work will be carried out in that area. But in fairness you have to let things settle down and bed down. If you go in the year after they've introduced the system, you're not going to find any saving. Let it bed down for a year or two. That's why, on that part of it, we come along quite a way afterwards. That's just a matter of fairness.

We do have the problem that by their very nature these big systems usually involve a lot of revenue or a lot of expenditure. Our immediate job is to be able to audit those systems from the point of view of determining whether the expenditures were properly made or whether the revenue that should have been collected was collected. As those data bases are, in effect, the books and records of the government in that respect, if we didn't have the wherewithal to get to those data bases, it would be like asking us to audit without being able to open and read what's in the ledger.

We have found that development of the software we've been developing for the last couple of years, as you know, is by far the best answer; that is, to bring the information from those data bases onto our own equipment and work on it. I think you're aware, because it was in the report, of perhaps a most public success

in this area with the mineral freehold tax area, where in one stroke we found \$700,000 of revenue that had not been collected by the department. We actually produced the invoices, that they then sent out and got the \$700,000 back into Treasury. Now, that one stroke alone shows the potential. That does not represent but a very small fraction of our annual work on the computer.

Obviously, you're not going to run into that kind of situation every day. That would mean the government operation would be chaotic, and it isn't. But without looking, we would not have found that. You've got to use the computer to do that looking. There was no way we could have found that manually and been able to do what we did. I think that's an example of where you can do work with a computer that you cannot do manually, especially if the records are in a computer. Then there's no way you can do anything with those records without your own computer or using the same computer. If we did that, as Andrew said, our costs would be much higher.

One interesting thing in commenting on the work of the computer — and my colleagues don't even know I'm going to mention this — is that I received a letter today from Ashton, who is an associate professor at the university. He said:

I'm writing to invite you or a representative of your office to make a presentation on computers in auditing to my auditing students. This would represent the major coverage of the topic in the course, which is an introduction to and survey of auditing topics for senior level undergraduates. Therefore, some discussion of specific opportunities for computer application to the audit process would be appropriate. However, I would also like to have our students learn something about the development and implementation of GASP.

That's the software we've developed.

This also would be a good opportunity for aspiring auditors to learn something about career possibilities in the public sector, and in the Auditor General's office in particular.

He's asked if we would give the lecture on Thursday, October 31. That is a breakthrough for our office, not only affecting auditing and our use of computers but also our potential for

getting top students.

I thought I'd mention that. I don't think you fellows have seen this yet.

MR. SALMON: We haven't seen it.

MR. WINGATE: No, I haven't seen this.

DR. CARTER: It provoked a gasp.

MR. THOMPSON: Bill, surely you can come up with an acronym like GREAT or something.

MR. ROGERS: Modesty forbids it.

Mr. Chairman, I really believe that this . . . Incidentally, this is the budget I would be submitting even if I wasn't retiring next March. My regret is that I won't be able to take part in these rather exciting developments that are ahead. But I fully believe that this is required for the operation of the office for the next several years.

That's the end of the presentation.

MR. CHAIRMAN: My only comment to your last comments, Bill, is that some of us around here have to reapply for our position too. The table might look very different.

Questions, please, gentlemen; comments on where we are at this moment. We have two minutes to 12. I don't want to extend this any further. There's one thing I would ask. If it looks like there's need for a follow-up meeting, let's not be shy. Let's set a date or discuss that aspect of it. David, would you comment on that?

DR. CARTER: Just one quick question with respect to the first paragraph. Halfway through you say: due to a change in policy, costs can no longer be spread and equipment must be paid for in full in the year of acquisition. Is that a direct result of one of your own recommendations?

MR. ROGERS: I think it's a direct result of discussions with Treasury. Treasury stepped in, and I believe they stopped that. We enjoyed a benefit, but it really didn't make a lot of sense because, in effect, the money was tied up for a period. They were only sort of receiving reimbursement through the appropriations over a period.

MR. WINGATE: The revolving fund wasn't revolving fast enough.

MR. ROGERS: That's right. In effect, the revolving fund was soaking up the money cost. So it really didn't make a lot of sense. I didn't make a specific recommendation, but in conversation the point was certainly well taken by Treasury. It's known as cutting your own throat.

MR. CHAIRMAN: By the knife you sharpened with your own hands. A question down here.

MR. MILLER: Thank you, Mr. Chairman. The state of the art of these computers changes so dramatically in such a short time. Have you any numbers to justify buying rather than renting the equipment? You might want to take these as notice.

MR. ROGERS: No, no. I think Andrew and I, between us, can answer that. We have done studies in this area. The rentals compare with the purchase price, because manufacturers are also aware of this obsolescence. If the manufacturer owns the computer and rents it out, he knows that's only going to be good for renting for a couple or three years. The whole field is moving so fast. Therefore, the annual rent is very high. The computer we have right now will work out at 22 percent a year for the years we've had it when we trade it in. I think my figures are right, aren't they?

MR. SALMON: Yes, Bill.

MR. ROGERS: Well, 22 percent per annum is not bad. That's a lot less than the rental would have been on that same equipment. So I don't have any problems with purchasing. We were probably the first people back in 1959. I think it was unheard of to purchase a computer in those days, but we did. We kept records. I think we passed the break-even point in a matter of two years, and things moved much slower then. We passed the break-even point in two years, and that equipment was used for 15 years. So it didn't owe us anything. Obviously, we are not going to repeat that with the equipment we're proposing getting in '86-87, because the whole field is moving much faster. But by purchasing, we'll certainly be ahead of renting.

Have I left you anything to say?

MR. WINGATE: I don't think you have, Bill. No.

MR. ROGERS: Sorry about that.

MR. WINGATE: Going back a few years, renting was an attractive proposition with certain types of computer equipment because of the pace of development. I think most manufacturers have caught on to the fact that if they're going to rent, they're going to have to charge a real premium because of the obsolescence factor. So it's very difficult to get an attractive deal.

Generally speaking, I think purchasing is more economic if you've got a requirement that's going to be long standing. If you have changing requirements, perhaps that's a different question. But our requirement is obviously going to continue.

MR. CHAIRMAN: How are we doing for questions, gentlemen?

MR. MILLER: Are you still on flextime in your office?

MR. SALMON: No, we discontinued that January 1, I believe.

MR. MILLER: I thought it was a good idea.

MR. SALMON: Yes. So did we.

MR. ROGERS: We did too.

MR. SALMON: But nobody else did.

MR. ROGERS: It has been ruled out for the rest of the government. For us to observe it and the rest of the government not would have been a disrupting influence in our relationship with departments. Overall, I think what we've got today, where we allow some flexibility when people require time off . . . Do you know how many people are on that?

MR. SALMON: Thirty-five, 40.

MR. ROGERS: Thirty-five or 40 of our staff of 170 or whatever settle for working longer hours for the odd day off.

MR. SALMON: What we do is permit them to work up to eight hours overtime and then take one day off at their convenience.

MR. ROGERS: Which is permissible under . . .

MR. MILLER: You still allow that, do you?

MR. SALMON: Yes. It's an unstructured thing. It's not regular, set times.

MR. WINGATE: Previously it was every Friday.

MR. ROGERS: What was wrong with the previous one is that a team of, say, five people would be working in an office. Every other Friday that office would be empty.

MR. SALMON: And there was a lot of criticism of that.

MR. ROGERS: Departmental staff didn't like that. They said: "If they can do it, why can't we?" Now, it's not noticed. One man is simply not there on a particular day.

MR. SALMON: It's only some of them who are doing it, too.

MR. THOMPSON: So you've got unofficial flextime.

MR. ROGERS: Yes. And this was really at the suggestion of the Public Service Commissioner.

MR. WINGATE: That only applies to management staff.

MR. ROGERS: Oh, yes.

MR. WINGATE: Whereas previously, the Fridays off applied to everybody.

MR. MILLER: My final question is a perennial one as to why we pay for the auditing of the irrigation districts.

MR. SALMON: Maybe we could just record that from a comment we've made in previous years. Again, as you know, the Irrigation Act specifically states that the Auditor General is the auditor.

MR. MILLER: But why don't we collect the

money back?

MR. SALMON: The reason we haven't collected is the traditional problem of those very small irrigation districts requiring an actual audit and that that audit fee is somewhat harsh on their budget processes. We're gradually creeping them up, but we've still got those little ones. Other than those small seven — you know who most of them are — everyone is now in the full range of recovery.

MR. MILLER: You do get it all?

MR. SALMON: Yes, we're getting it from all the large ones.

MR. MILLER: And the others are coming close.

MR. SMITH: We're creeping them up. There are some that still have a fair way to go.

MR. SALMON: In some respects, if we didn't have to do an audit on those little ones, we would probably give them some assurance in a different way, and it wouldn't be as costly. But we have to do a full audit for them.

MR. ROGERS: Because of history, we had a gap like that. We've closed that gap considerably now.

MR. MILLER: Could we get those numbers?

MR. SALMON: Yes. In fact, there's an order I had prepared but didn't get typed because we came this morning rather than this afternoon, so you didn't get to see the ones.

MR. ROGERS: We can send that down.

MR. SALMON: We will send it down. It's ready.

MR. CHAIRMAN: Thank you.

MR. THOMPSON: On the same subject, basically it's costing these little districts about \$1 an acre for their bookkeeping, if you want to call it that.

MR. SALMON: Yes. That's right.

MR. THOMPSON: You people are professionals,

and those people aren't.

MR. SALMON: That's right.

MR. THOMPSON: Really, what I would like to see the Auditor General do is use your professional expertise to say, "To keep the books in an operation this size, you should spend — put it on a per acre basis — 25 cents, 35 cents, \$1.90, or whatever it is." Those people don't have any good idea. They go to their own chartered accountants that keep their books, and obviously, chartered accountants will charge what they will pay.

So I think it could be a responsibility of the Auditor General to give them some guidelines on what they should be paying for the accounting of their little operations, because these people haven't got much of an idea. They need some kind of guidance along those lines, to give them some idea of where to go.

MR. ROGERS: Has that come back to you, John?

MR. THOMPSON: Yes. They are actually very concerned. They just don't know how . . . The water right for the Magrath Irrigation District is at \$6 an acre, and it costs them \$1 an acre to do their accounting. Obviously, these people know they've got a problem, but they don't know how bad it is and how to correct it. I think they need some advice.

That's all I have to say.

MR. ROGERS: I don't think that's a problem. We'll take that.

MR. CHAIRMAN: Any other questions, committee? Do I assume then, Bill Rogers, that your group has terminated their discussion?

MR. ROGERS: I think we've shot our bolt.

MR. CHAIRMAN: We have one more item on the agenda, so I'm about to terminate this item. We have one more before we dismiss the committee. However, before we excuse these people and kick them out, I'm going to give one very brief statement which will be part of a report from me to come later. I attended the meetings in Yukon in the second week of July with the Auditors from across Canada and members of the Public Accounts Committee for

the various provinces. When visiting with the Canadian Auditor General, Kenneth Dye, I took that opportunity to ask him how Alberta rated among the provinces from the standpoint of the department of the Auditor General. He said, without any hesitation, that the fast answer was that Alberta is so far ahead of the pack in expertise and imagination and acquiring new procedures and techniques that it wasn't even funny. B.C. apparently is closing the gap a little bit. They're making good progress in British Columbia, but he complimented us on our Auditor General department. I give that part of the report at this time by design.

With that, we will adjourn this part of the meeting and kick you fellows out. No, that's not the word. We will excuse you. I knew there was a proper word there.

I have one final business from the Chair, gentlemen. It is approving the chairman's participation in functions on July 12 with the Chief Electoral Officer and his staff over at his office, and on July 24 in consultation with Bob Bubba, Rod Scarlett, and Bill Rogers on other matters pertaining to this department. I'm asking for approval for those two days.

MR. THOMPSON: I move.

MR. CHAIRMAN: John Thompson made the motion. Those in favour of the motion? The motion is passed.

Is there any other item that must be reviewed at this time?

DR. CARTER: Along the same line, it would be that other members attended functions on July 12.

MR. MILLER: The 31st.

MR. CHAIRMAN: July 31, September 12 — those were by notice. Does that make a difference?

MRS. EMPSON: I would see no difficulty, but if you'd feel safer by . . .

DR. CARTER: That would cover it. The swearing in and the farewell for the Chief Electoral Officer.

MR. CHAIRMAN: That's correct. That was July 31. I assume, Louise, that when those were

by notice — a notice was sent out to them; it was like a meeting was called — it was automatic. These two dates I gave, July 12 and 24, were independent activities of the chairman without notice of a meeting of any kind. Does that make any difference, David?

DR. CARTER: No, I think everything's fine.

MR. CHAIRMAN: They're all covered. If they aren't, you just reword the motion to suit.

MRS. EMPSON: What about another meeting date for the other two budgets?

MR. CHAIRMAN: I would like to suggest that we look at our calendars and consider October 15, 16, 17, 18, or the following week, October 22, 23, 24, 25.

DR. CARTER: I don't know, Mr. Chairman. I think we should meet before the 11th.

MR. CHAIRMAN: Before October 11?

DR. CARTER: We might find ourselves in some kind of trouble.

MR. CHAIRMAN: Okay. Can I start talking about dates and see if anything fits?

DR. CARTER: What about next Tuesday?

MR. CHAIRMAN: Next Tuesday is fine.

MR. THOMPSON: I can't.

MR. CHAIRMAN: Next Tuesday is okay with me.

DR. CARTER: We also had next Thursday lined up as a possible date.

MR. CHAIRMAN: The 3rd?

DR. CARTER: I've got the School Act review all day that day.

MR. MILLER: I've got Leg. Offices at 8:30 on October 3.

DR. CARTER: That was if we needed it for carrying on with the search committee.

MRS. EMPSON: That was Auditor General. It was a tentative one.

MR. CHAIRMAN: October 3 I'm in Fort McMurray, and I'm flying back to Edmonton that evening with other MLAs to take part in an evening function. But I'm not here during the day.

DR. CARTER: The 3rd is out.

MR. CHAIRMAN: There's the 30th, which is Monday. There's October 1, which is a Tuesday. Then we are into the 8th and 9th.

DR. CARTER: Do we have budgets from the other two officers yet?

MRS. EMPSON: Yes, we do.

MR. MILLER: What about the 8th? John, do you have a problem with the 8th?

MR. THOMPSON: No, I don't have any problem with the 8th.

MR. CHAIRMAN: I have a very soft problem, which I can correct. So the 8th is okay with me.

DR. CARTER: The 8th is okay.

MR. CHAIRMAN: There we are.

DR. CARTER: We'd better get that over and done with.

MR. CHAIRMAN: That will look after one officer.

MRS. EMPSON: Did you want one or two? Did you want to have a full meeting, a full afternoon, and put in the two of them?

MR. CHAIRMAN: Shall we ram it through starting at 10, or have one before lunch and one after?

MRS. EMPSON: Can I remind you about Mr. Park's visit. Will that be the 8th?

DR. CARTER: Then we can fit him into the noon hour or later in the day or something, if he can stay on that day.

MR. CHAIRMAN: We can turn a day into this thing. Is it to your advantage?

MR. THOMPSON: Well, I've got it down in my book.

DR. CARTER: Let's keep most of the 8th open. Then we'll hear from the chairman as to how it can be fit in.

MR. CHAIRMAN: Yes.

DR. CARTER: The 1st was impossible for you, John?

MR. THOMPSON: Not impossible. I could make it.

MR. CHAIRMAN: The 1st is okay with me.

MR. MILLER: It's good with me.

DR. CARTER: Let's take both dates and see who we can work in, if we can meet in the afternoon of the 1st.

MRS. EMPSON: Two o'clock? I'll call the other members.

DR. CARTER: As long as we can get a quorum, let's go.

MRS. EMPSON: Which of the officer's budgets did you want to discuss?

DR. CARTER: Whichever one you can get hold of.

MR. CHAIRMAN: All right. We're talking about 2 p.m.

MRS. EMPSON: October 1, next Tuesday.

MR. CHAIRMAN: And?

MRS. EMPSON: And October 8 is left open all day because of Mr. Park and the other officer that will be left. What time did you want to meet on the 8th to discuss the last budget?

DR. CARTER: Let's say 10 o'clock and 2; keep the slots. If you can phone Mr. Park, I'll be in the office this afternoon if we can negotiate anything with him.

MR. CHAIRMAN: We'll see if we can negotiate something with him for the afternoon of the 8th.

DR. CARTER: Are you going back to the office?

MR. MILLER: Yes, I am.

MRS. EMPSON: Can I have an adjournment motion, please?

MR. THOMPSON: I just finished doing that.

MR. CHAIRMAN: John Thompson did it. Thank you very much. Is there any question about people having their copies of those other financial statements?

MRS. EMPSON: I'll send them out today.

DR. CARTER: Next week is when we get trips to Chicago and that. Thank you all. Sorry for the disruption this morning.

MR. CHAIRMAN: I think it's been an exciting morning.

[The committee adjourned at 12:18 p.m.]