

9:03 a.m.

Wednesday, February 13, 1991

[Chairman: Mr. Bogle]

MR. CHAIRMAN: Okay, we'll call the meeting to order. The first agenda item is approval of the minutes. I assume that once we complete our discussion with the Auditor General, we will be able to deal with the audit of the Auditor General's office. The audit is part of our committee's budget, and that will allow us in turn to put our committee budget to bed. So while it doesn't appear on the agenda in the first section between 9 and 10:30, we should be able to deal with it in that time frame.

As well, on the second page you'll note that we have a list of follow-up items. At some appropriate time today, and it may be while we're waiting for one of the other officers to arrive, we'll go through the follow-up items to see if some of them can be taken off the list, if they can be reported on, or what.

Any other observations regarding the agenda? May we have a motion to approve the agenda then? Yes, Don.

MR. TANNAS: Yes. I move that we approve the agenda.

MR. CHAIRMAN: All in favour? Opposed? Carried. Thank you.

We can go to the committee meeting minutes of January 28, 3(a).

MR. NELSON: So moved.

MR. CHAIRMAN: Moved approval of the January 28 minutes. All in favour? Opposed? Carried.

The January 29 minutes.

MR. NELSON: So moved.

MR. CHAIRMAN: All in favour? Opposed? Carried.

We expect a maintenance person to come in a few moments to change the burnt-out bulb above the table. When that individual comes in, we'll take a short break so that we can all come back into the full light.

All right. Let's move on to item 4, the budget estimates, office of the Auditor General. Welcome, gentlemen.

MR. SALMON: We're glad to be here again. Hope it's the last time.

MR. CHAIRMAN: One way or the other.

MR. SALMON: Would you like me to start, or do you have something you'd like to do before?

MR. CHAIRMAN: No. The motion passed at our last meeting requested you to go back and look at reducing the Manpower component by an additional five positions and to report back to the committee the impact of that on your operation. We're now ready to hear from you so that a final decision may be made.

MR. SALMON: Okay. Thank you, Mr. Chairman.

As we went back and reflected on your request, we felt it was important that maybe I had an opportunity to explain to you how we have operated so that there won't be any question of misunderstanding of how we've approached the Salaries and Wages throughout the year. It may be of interest to some who

may not have tied it all in with all of our discussion. We would like to make some comments on Salaries and Wages and also make some comments on systems auditing, and then we'll present to you a summary. We've had so many different budgets presented that we have a summary of them all in a different way, which might just help to bring it to the fore for the assistance of the committee in making a decision.

We would like you to know how we have operated the office over a number of years now. Particularly in the last few years we've had a very sophisticated and rigorous appraisal system. When the personnel office of the government, PAO, sent out a letter saying that an organization could consider 3 percent of their budget in relationship to some merit moneys and that there could possibly be a grade change subsequently, we looked at all of that. The sum and substance of that whole thing indicated that the government would allow a department, and even our office on the basis that we follow those guidelines, up to 8 percent last year for salary increases. The reason you have to look very hard at salary increases is because you're competing not only internally with government, but you're also competing outside with respect to CAs and auditors. So we have to look very carefully at where our salaries are.

We recognized that there was a need to absorb within our budget anything that we would do. So on that basis we were very cautious in how we approached it. Because we didn't want to look like we were trying to use all that was there, we would take a cautious approach. This was easy to do in relationship to the appraisal system that we have, because it's a very tight process in which we operate.

MR. CHAIRMAN: Excuse me. We'll take a short break.

[The committee adjourned from 9:09 a.m. to 9:13 a.m.]

MR. SALMON: We'll just leap right in where we were, okay?

MR. CHAIRMAN: Right.

MR. SALMON: So on the basis that the government had given the clearance to go up to 8 percent, when we actually used our appraisals, we came in overall at about 5.9 percent, using the appraisal system and awarding those people who had provided assistance to the office in a more constructive way more money than those that didn't. In some cases some didn't receive any increases last year.

With respect to nonmanagement we have no control over the 5 percent that came to all nonmanagement people on April 1 of last year, as well as April 1 of the coming year. On top of that, we have discretionary increases which we granted, which come to about 5.5 percent, based on appraisals and academic progress. You have to remember that the majority of our nonmanagement are students in programs leading to some professional kind of designation. They start in our office at about \$18,000, and within about three years we have them to about \$35,000. So it's a very substantial movement because of their training and their studies. Progression is essential, though, in order for us to retain them, because there's a ready market for that particular type of qualified individual.

So, all in all, about 27 nonmanagement people, or 17 percent of the staff, received no merit pay last year, and four management staff received no increases at all.

MR. CHAIRMAN: Could we have those figures again, please?

MR. SALMON: Twenty-seven nonmanagement had no increases other than the 5 percent which came to everybody.

MR. CHAIRMAN: Okay. And on the managers side?

MR. SALMON: In management there are four that received none. Again we're looking at equity and their performance.

In setting the 1991 budget, I had concern about my ability to retain students, especially as they received their professional designation. In 1991-92 I have 11 that are qualified to write the CA finals in September, and I have the potential, if they pass courses prior to that, of six more, which is the largest group we've ever had. We also have seven CMA students that will be qualified for promotion sometime throughout this same year. With about 160 positions filled right now, we have already hired, on the basis of the normal processes, six CA students that will be coming out of university in the spring and will be commencing with us.

Because of past difficulties we had moved the student roof; we were having difficulty hiring supervisors. So several years ago we started to hire additional students. Then, with the program changes, these students became eligible to write a little faster than we had anticipated. The training of both the CMAs and the CAs climaxed this year with a fairly large group. Looking all in all at the 24, they won't all pass their final exams because as a natural course not all make it, but even if we were to look at, say, 10 for sure, this would require probably about \$50,000 in our budget to be able to promote them next year. I really feel that we try to manage the manpower as best we can and will continue to do so whichever way the decision today goes, because we do want to maximize the use of our staff and the work that they do.

Just briefly to comment on systems auditing, which is the other area that produces basically most of the material that we have in the Auditor General's annual report, in 1990 we spent about 30,000 hours on systems auditing. In analyzing our present report, which we cleared recently, about 50 percent of the work included in the report was from those 30,000 hours. Those 30,000 hours represent just 10 percent of the total office hours that we have. In fact, analyzing our figures again, because we do have all of this stuff on the computer, we found that in the last three years our systems audit activity had actually decreased 9,000 hours and our attest audit activity has increased 17,000. I said, "Well, if we haven't in those years really had any increase in staff, how did we manage it?" In analyzing it, we found out that we managed it by having overtime hours spent by our staff and a lot of those overtime hours by management just to get our work done, and there's no additional pay given to them because of it. Now, this reduction in systems audit hours which appears to be taking place would have to be reversed if we really are to retain our effectiveness, so that was one of our concerns in looking at this whole budget area this year.

We then analyzed some of the work that we've done in the past just to let the committee know. I know that although you review our budget, this committee really doesn't have the direct opportunity to hear us talk about some of the things that we're reporting, other than reading our annual report. In analyzing it and just looking quickly, we didn't really go into details. We looked at Energy and at the systems changes that were recommended a number of years ago, and they told us that with those changes they have now recovered a lot more revenue. In fact, many millions of dollars have come because of some of those recommendations. Treasury Branches at the present time, with the recommendations on their systems changes, have now turned

so that their bottom line is not nearly the loss figure it was a few years ago. Some of those changes they made because of our recommendations.

Many of you know the results of Alberta Mortgage and Housing Corporation. Some of those systems problems had stemmed from the audits we had been performing, and of course today there are many decisions made regarding what's happening there.

Social services had some \$35 million worth of overpayments. Systems changes that have taken place recently, over the last three years or so – they're now down to about \$14 million. There's still a lot to go, but it's certainly been an improvement in some of the things they've done.

We were involved last year with SAIT. We tried to get that audit done and into our report last year. Because of delays in getting information on certain things, we couldn't report it last year. Since then the news broke, and this Batam Island thing, which we were involved in and were reporting some concerns with, will be in our report this year. But it's been public already. Certainly there were some potential losses there, and I think there are going to be some improvements because of some decisions that have been made.

We also made some recommendations with respect to the systems with funding health units: to turn things around and save some dollars with respect to the benefits they were doubling up on. We changed the method with which they were treating that.

Students Finance set up a verification unit following a recommendation we made, which has reduced their overpayments as well.

I only give you that flavour so that you can see that some of the things we've been doing in systems auditing have been, I believe, very important to show improvements in government economy and efficiency and have come as a result of the systems work we do. I really think that as we go each year to the audit committee – which is a group of business and professional accountants who have been appointed by the Lieutenant Governor in Council to serve on that audit committee along with the Provincial Treasurer, who also attends – and meet with them, their reaction has been favourable with respect to those matters that we have recommended in systems improvement. Even this year, with the finalization of the current report, which was February 4, we felt the results were the same.

To date we've applied our systems audit mandate to a limited extent, really. We could do a lot more, and there are a number of departments we had hoped we would look at if we had the 165 positions. Certainly there are some eight departments we are not doing the work we should be doing with. Again, if we should stay at the 160, it would just mean that this work that would normally be done in those departments in the current year would be delayed, and that's the factor we looked at as we were examining where we were heading with respect to our planning. Whatever is decided, however, on the budget for 1991, I believe it will be necessary to look to the future for increases as well, because there is no way that our budget could be held without affecting the overall ability to meet the mandate. I think that will be something we can look at in future years, but certainly it's not something I can close my mind to if I want to really do the job that I feel should be done for the Auditor General.

In summary, I don't think we can do anything other than present to you now a summary and then again answer any questions you would like to ask us with respect to the four columns we're going to show you. Some of those columns

you've already seen, but looking at them all on the same sheet will help to pull it all together. It's very clear as to what the position would be with respect to filling those positions. Now, we've shown you one – and Andrew can hand it out – where we've got four different columns starting back in October when we first came, where we had looked at the potential of getting ourselves back to where we were a few years ago, at 170 positions. We've put across the top those positions, and I think that will help to explain it.

Mr. Chairman, other than to explain how we did it, we'll be happy to explain any additional details as well. With that, I appreciate being able to express that background as to why we have come the way we have with respect to the audits and to give an indication of what we've been trying to do within the office as a whole. So I'll turn it back to you for any questions or discussion.

9:23

MR. CHAIRMAN: Any questions up to this point in time?

MR. SALMON: Mr. Chairman, we've shown NovAtel at the bottom, which I think is a separate area. It makes it a little bit easier to understand what happened at the last meeting.

MR. CHAIRMAN: Yes.

MR. NELSON: I have a question.

MR. CHAIRMAN: Go ahead.

MR. NELSON: Mr. Salmon, you indicated that you were competing with the outside insofar as qualified professional staff is concerned, which I understand, and that you always have insofar as the salary and what have you is concerned.

MR. SALMON: Yes.

MR. NELSON: How does that relate when you start including the benefit package, the pension, and various other things that people working within the government service have as against some professional people in the private sector?

MR. SALMON: You mean dollar for dollar? Well, one has to reflect on the age of these people and the fact that when you come dollar for dollar they're looking for their salary and for what they can get in the way of opportunity to progress. Very often at that beginning level and a few years after that, too, there are lots of various opportunities to decide where you're going to end up in your career and what kind of thing you're going to do. So you're constantly competing either with practice or with industry or with government itself.

You can see what happens within the government itself, where we actually manage, say, half of our staff as professional. We manage a lot of people, and they're probably at a little bit lower grade than they would be if they were competing against a one-position job, say, over any department, because that one-position job could probably pay more to that one individual than we would pay generally to the 60 or 70 people we have sitting at that level. So you're constantly faced with that aspect as well.

Industry depends on the kind of situation you're looking at. We had a senior fellow leave our office last year, go to industry, and obtain one of the top jobs as head of the internal audit section. He was at our senior director level, and it meant a promotion of probably \$20,000 or \$30,000 more plus the benefits

and everything else that went with it. Then he turned around and started hiring and attracting the staff he needed to build his office up, because he has an office of 25 or 30 people. Those things constantly are happening. A CMA in our office could be attracted to this fellow's shop, or a CA can be attracted to ours, depending on where they are in their grade. Now, once they get worked up, there's less opportunity at the top, because you're competing with a lot different experience. But he actually could go out and become – I can tell it here – the chief internal auditor of TransCanada PipeLines in Calgary.

Those are the kinds of things that go on all the time, and as far as practice is concerned, they may choose to move from the government sphere and go into practice where they can become tax or audit or accounting, small business, sometimes even in the bankruptcy area, just to give them variety. They'll do that for a few years, so you're constantly competing with that.

MR. NELSON: Notwithstanding that, that could happen to any profession or any job category in the marketplace.

MR. SALMON: Oh, sure.

MR. NELSON: It's not a matter of what this job . . .

MR. SALMON: No. It's a natural thing. It's not something we're . . .

MR. NELSON: Sure. Thank you.

MR. WINGATE: I think the point to be made here is that at the more junior levels – that is, the student and the newly qualified CA – I think we're competitive. Now, as you move up the ranks and start talking about directors, senior directors, I don't think we are competitive.

MR. SALMON: No. We can compete at the lower ranks.

MR. WINGATE: But not at the higher ranks, and I think that's fairly typical in government generally.

MR. SALMON: In the higher ranks you must make the decision whether you really want to do the work you're doing or do you want to take a jump.

MR. WINGATE: Now, the benefits package that you were talking about I think is particularly important to the people at the senior levels because that mitigates the differential. As far as a student or a newly qualified CA is concerned, I don't think he's interested in the benefits package. I think his priorities are elsewhere.

MR. NELSON: So if I read you correctly, then, you're competitive with the lower levels of the profession.

MR. SALMON: Right.

MR. NELSON: Salarywise you may not be totally competitive, but with the benefits package included in the overall picture, then you would be competitive.

MR. WINGATE: I don't think so. No; not at this stage.

MR. SALMON: No, you're still not competitive. It's a case of deciding the kind of career you want.

MR. NELSON: Okay. Thank you.

MR. HYLAND: A comment first, then a question. I guess what you're telling us, then, is that in some ways if agencies we employ can afford to pay more, maybe we should be looking at all our agency fees. If government in general refused to pay the high cost paid to those that may be attracting some of our people, that might drive those expensive fees down.

The question I had was the staff mix. In the 160 – maybe I missed it – you have Change in Staff Mix and No Change in Staff Mix, and there's a slight difference. Can you cover that again? If you have, I'm sorry; I must have missed it.

MR. SALMON: Yeah, I did, but you may not have picked it up because it was all within the scenario I was discussing. The change in the staff mix would be if we made a decision to try to retain some of these good, qualified students that we've spent a lot of money on putting them through the training, and not losing them, say, because we couldn't afford to keep them. We would need to maybe shift our process and have the dollars in there to keep them when they become CAs and then not hire at the student level. There would have to be a differential because you'd be hiring at a higher level. That's really all that is, some dollars to be able to retain some of those CAs at the supervisory level, which we could easily use in our work we're doing, and then at this 160 level we'd have to curtail the hiring of students in the next year. So all that would be is just a shift in the mix between supervisor and student.

MR. CHAIRMAN: If we stay with the 160 positions, your preference is column 3, which gives you more flexibility.

MR. SALMON: So we could maintain some of those that we've trained for three years and could easily lose.

MR. CHAIRMAN: Which is a \$50,000 tag.

MR. SALMON: Yes.

MR. CHAIRMAN: Derek.

MR. FOX: Thank you. I'm trying to understand what exactly you're asking us for here, because of the four columns the 165-position column is the one you presented to us on January 29.

MR. SALMON: And the 170 is the one we gave to you in October.

MR. FOX: In October.

MR. SALMON: We've been gradually working down.

MR. WINGATE: We'll give you a final budget with zeros all the way down.

MR. NELSON: I really think we know what's desirable by the figures.

MR. SALMON: I know. I think you do, too, and that's why I wanted to make sure I just kind of gave you that overall flavour. I think I can feel that here.

MR. FOX: The 165-position column provides you with the staff complement that you need to do the job, but . . .

MR. SALMON: Well, I think we could maintain that systems audit area where we feel we would like to. But if we went the other way, we could at least keep our people and try to work as best we could with that new group that's coming in.

MR. WINGATE: The frightening trend at the moment is that we've got this reduction in systems audit hours. We get a lot of payback from that work.

MR. SALMON: We also get a lot of morale from staff; they liked it.

MR. WINGATE: As Don said, over the last three years we've had a significant reduction in those hours. Now, that's just got to be reversed if we're to preserve our effectiveness.

MR. SALMON: We'll have to really manage carefully just to do whatever we need to do just to get the work done and the Auditor's report done with some decent recommendations.

MR. FOX: In terms of the variables between the columns here, under Fixed Assets there's an additional \$100,000 required in the 170-position column. I'm wondering how that relates to the number of positions.

MR. SALMON: Oh. It doesn't. This just shows the full budget. In January we explained the 161 reduction as we shifted, how we were going to approach the Fixed Assets this year versus next year.

9:33

MR. CHAIRMAN: We dealt with that, Derek, you'll recall, in encouraging the office to use some of this year's fund.

MR. FOX: Purchase ahead of time; yes, I understand. So then in a more accurate sense, if you were to present to us a budget proposal that involved 170 staff positions, it could be presented to us with a \$100,000 reduction in the Fixed Assets column.

MR. SALMON: Well, we just didn't change this, because that's what we'd presented. We didn't want to start adjusting the budget that we'd presented to you in the first place.

MR. WINGATE: We could take out of the 170 budget a full \$161,000, which is what we agreed to cut out and coming up with 165 budget.

MR. FOX: Right.

MR. CHAIRMAN: Okay. Tom, and then Don.

MR. SIGURDSON: Under the third and fourth columns can you tell me what effect that would have in terms of having to increase your attest auditing? Would you have to increase the level of the attest audit versus your systems audit under the 160?

MR. SALMON: No. Don't forget that in order to get our attest audit work done, we've done a lot of overtime, and that's really how we were able to get our deadlines met and do the work that we've done last year or even the year before that.

MR. SIGURDSON: So no increase, then, in attest and decrease in systems at the 160 level.

MR. SALMON: Well, that's the trend, that those hours are not necessarily fully paid for, because it's overtime.

MR. SIGURDSON: Okay.

MR. WINGATE: We're not anticipating a sharp increase in attest audit hours next year. I mean, it might increase by a small amount, but not a large increase. What we're doing is fighting to preserve this systems audit activity, and that's what drove this requirement for a change in staff mix.

MR. SALMON: Which would give us those supervisors without having them go out on the street or telling them they had to go on the street because we didn't have the dollars to . . .

MR. SIGURDSON: So you can get more systems audits, obviously then, with the 170.

MR. WINGATE: That's right.

MR. SALMON: That's right. Even with that, because we'd have the supervisors rather than the students.

MR. CHAIRMAN: Anything else, Tom?

MR. SIGURDSON: Well, with 170 you get even more than with that.

MR. SALMON: That's right. That's exactly what that's doing. It will just gives us more as we go up.

MR. HYLAND: But the mix . . .

MR. CHAIRMAN: Excuse me. Don.

MR. TANNAS: Would a motion be in order now?

MR. CHAIRMAN: Any time.

MR. TANNAS: Okay. I'd like to move that we accept column 3, labelled Change in Staff Mix, at 160 for the 1991-92 Auditor General budget.

MR. CHAIRMAN: All right. To the motion. Alan, you were on the list. Do you wish to speak?

MR. HYLAND: Yeah, though the motion's made. My question was just related to Tom's question of the 170 or 165 and then the 160 in the mix. The way the motion is now would allow you not to have the total amount that you desire, but it would still leave you with a mix of staff to do the audits. So you had the supervisory staff to do the . . .

MR. SALMON: Well, we would have a reduction in our students. As these are promoted, you wouldn't fill right away.

MR. FOX: I'd like to speak against the motion. I think we run the risk of being penny-wise and pound-foolish here. One of the main functions of the Auditor General's office, it seems to me, is not just to report on what has happened in government departments and agencies but to make recommendations about how economies can be realized. If we try and save - what are we looking at here? - \$150,000 between the two columns, the 165-position column and the 160-position column, I guess my

concern is that I fear it may end up costing us a lot in the long run in terms of reduced ability of the Auditor General's department and staff to make recommendations to the departments they audit and to government in a general way about where efficiencies can be realized. So I speak against the motion.

MR. CHAIRMAN: Okay. Thank you.

MR. NELSON: Well, I guess just a couple of comments. From what I'm hearing, if we approve this motion that's been made, the ultimate thing that I understand is that we're going to reduce the number of students that may be available or may be able to be hired into the process, which of course means that . . . I guess when I'm trying to think of how I would look at operating a large business, which I had to do at one point in time, if I have a more experienced person, obviously I'm going to garner some additional efficiencies from that individual that I may not from a student or a new person entering into that particular venue, profession, or job category. Where I have a candidate that is working in the field, has been for a period of time, and has some knowledge of what his function in fact is at that time, thus he or she must become more efficient. Thereby, if I take 10 people, they should be worth at least one and a half times what the same number of students new in the function would be. In fact, in essence I may be talking about a 50 percent job efficiency as against what I would have if I had a number of students that had to be supervised on a consistent basis.

The other comment I wish to make - I'll leave that one sitting in the air a little bit - is the fact that much of the government appears to be downsizing their operations. Take Alberta Mortgage and Housing now. It's been suggested before, I believe, if I recollect, that there still have to be audits on the work that has been done over periods of time. I don't know. I think my assessment is that as we reduce the elements in those various departments, there should be somewhat less activity that has to be audited. I could be incorrect, but I'm trying to think back on my days when I had to do these sorts of things as a manager of a business. I think it's a matter of giving this a try, I guess, and I'm sure that the Auditor General, in his efficient manner of operating his office, certainly will find some of these efficiencies and be able to manage that in the appropriate fashion.

MR. FOX: So you're speaking in favour of the motion?

MR. NELSON: Yes.

MR. CHAIRMAN: Tom.

MR. SIGURDSON: Dear me. I guess just to follow up where Stan left off when he talked about downsizing, you may have a downsizing in government departments, but you still have an increase in government spending. We still have an extraordinary budget that the province comes out with every year. The problem I have with receiving annual reports from all of the departments and government Crown corporations is that they simply tell me that the figures that have been provided to the Auditor General's department are in order. I'm always more interested in finding out whether or not we're getting value for the money that we provide to the department, and that's why I would have hoped that we would have had an increased number

of folk, positions, so that we could find out if we're getting value for the public's tax dollars.

I don't think we're getting value for money with just the simple attest audits. They're wonderful little brochures that we get, the figures that are provided by . . . I can almost recall that they're just provided under the general accounting principles, and therefore they're accepted. But I'm not sure that we get value for money in some of the departments where we expend billions of dollars. I think it's unfortunate that we're not getting that; I would like to see more of that. I think the taxpayers want to make sure that they're getting some value for the dollars they pay into the General Revenue Fund, and the only way to really do that is to have either a systems audit or a comprehensive audit or a value-for-money audit. I think we're restricting that somewhat. Given what's gone on in the past through the Auditor General's report, I don't think the accounting practices of some of the departments are so wonderfully high at the moment that we can reduce that kind of auditing system. I, too, speak opposed to the motion.

2:43

MR. CHAIRMAN: Okay. Any further discussion on the motion? Ready for the question?

AN HON. MEMBER: Question.

MR. CHAIRMAN: The question's been called. All in favour of the motion? Opposed to the motion? It's carried. Do you wish a recorded vote?

MR. SIGURDSON: Yes, please.

MR. CHAIRMAN: Okay. Let the record show that the motion was supported by its mover, Don, and by Jack, Alan, and John, and opposed by . . .

MR. SIGURDSON: And Stan.

MR. CHAIRMAN: And Stan; pardon me.

MR. NELSON: Don't forget me, Mr. Chairman.

MR. CHAIRMAN: You are sitting to my right. I should have noticed. And opposed by Tom and Derek. Okay. Thank you.

MR. HYLAND: I have a question out of the minutes.

MR. CHAIRMAN: Yes, Alan. Go ahead.

MR. HYLAND: Okay. In the minutes I moved that the Auditor General review and report to the Standing Committee on Leg. Offices for further consideration the implications of assessing audit fees charged to commercial identities.

MR. CHAIRMAN: Yeah, that was coming. There are two other issues to flow before we complete the review with the Auditor General. That's the question of the auditing firm for the office as well as the broader question. I didn't know whether or not . . . Well, the question to the Auditor General is: are you now ready to share with us information on the other companies, or is that something you require more time on and would like held over till the next meeting?

MR. SALMON: Mr. Chairman, it is not a case of us having a full scenario for you. I do have a listing of potentials that I think do indicate that there are some there where we could look at the possibility of full recovery, whether it be through the cost that we pay an agent or whether it be by means of our own full costs. But it needs some massaging.

MR. CHAIRMAN: Surely. Well, Alan, to you and to the rest of the committee members, are you comfortable, then, in setting this over so that it can be reviewed at the next appropriate time?

MR. HYLAND: Sure. Can I make a motion then? Do I need to move it?

MR. CHAIRMAN: I don't . . .

AN HON. MEMBER: No.

MR. HYLAND: Because, no, it doesn't say a time limit on reporting back.

MR. CHAIRMAN: No. We'll put it on the agenda. Louise will work with the Auditor General and find a time to do that.

MR. SALMON: We'll prepare something and submit it to Louise for the committee.

MR. CHAIRMAN: Thank you.

Okay. The next item is the audit of the Auditor General's office.

MR. SALMON: I have an extract from a letter that we received from the auditors at the conclusion of the last audit, so we quoted that paragraph out of their letter and have shown you what they proposed would be the fee this year. I assume that may be of assistance to the committee.

MR. NELSON: Is that an increase?

MR. SALMON: Five.

MR. NELSON: An increase of five grand?

MR. SALMON: Percent.

MR. CHAIRMAN: Five percent.

MR. SALMON: That's a quote from their letter.

MR. CHAIRMAN: All right. The excerpt from the letter requests a 5 percent increase over the actual audit fee for 1990, so the expected audit fee for 1991 would be \$12,500.

MR. NELSON: Which in essence is \$50 against last year's budget.

MR. HYLAND: Fifty dollars higher.

MR. CHAIRMAN: Than last year's budget.

MR. NELSON: Same question, Mr. Chairman.

MR. CHAIRMAN: Okay. Stan, and then Tom.

MR. NELSON: This will be the third year that this firm has had this audit. They became a little more efficient last year for obvious reasons. Would you not think the same thing in 1991, that they would become more efficient and possibly not even need an increase but could do it for the same price they did last year?

MR. SALMON: You would like me to comment? If I do, I would say it's difficult to totally make that saving entirely from efficiencies when the work is basically the same, the systems are the same. We can supply a lot of information, but we did last year, too, to help them – you know, in summarized form – but they'll have to satisfy themselves whether they can do it. They may be able to save, but I think if they do save, they should pass it on to the committee. But I think what they're saying: just based on normal processes, if we did the same type of audit, we're paying our people more, and therefore it will cost us this. I don't know what else you can say in that regard. It's very small, so the efficiencies are not easy to grab onto.

MR. SIGURDSON: You told me previously that you hired consultants at approximately \$65 an hour, yet these fees come in at just over \$75 an hour. That's a bit of a discrepancy there between \$65 and \$75.

MR. SALMON: Well, I used that term, \$65. Don't forget I'm talking about an average using the smaller communities as well. You're talking about Edmonton, which is higher. Calgary is higher than Edmonton. Then you take the surrounding areas and average these out, and they were around \$65.

MR. SIGURDSON: Okay, thank you.

MR. CHAIRMAN: Don, and then Derek.

MR. TANNAS: I wondered if a motion would be in order.

MR. CHAIRMAN: Any time a member wishes.

MR. TANNAS: Okay. In view of the fact that this year's suggested audit fee is \$50 more than their last year's suggested audit fee, I would move that the audit fee as submitted by Kingston Ross Pasnak chartered accountants be accepted.

MR. CHAIRMAN: Just for clarification: Louise, would you speak to the actual cost of last year's audit?

MRS. KAMUCHIK: The actual cost of last year's audit was \$11,900. In the budget for the committee to approve, the committee's budget, we again put it in at \$11,900. So the actual fee increase that they're proposing is \$600 over last year's.

MR. TANNAS: Over their actual. But last year's quoted was \$12,450.

MRS. KAMUCHIK: No, they didn't give us an estimate last year.

MR. FOX: It says here that in 1990-91 the approved budget figure for our committee under Professional, Technical, and Labour Services was \$12,500. The forecast figure was \$11,900,

which was the actual amount paid. I guess I was wondering – prior to Don's motion – did we approve \$12,500 as their audit fee last year and they sent us a bill for \$11,900 saying, "You approved \$12,500, but it only cost us \$11,900"? Is that how that worked?

MRS. KAMUCHIK: That's what they did. When we budgeted for this year, we didn't go back to \$12,500. We stayed at \$11,900.

MR. CHAIRMAN: We based it on our earlier figure.

MRS. KAMUCHIK: The actual cost.

MR. CHAIRMAN: The actual cost, that's right. You will recall that we did have some discussion and decided to base it on the actual, but now we do have their budget. The proposal is a 5 percent increase over the actual.

Derek, anything else? You were next on the list.

MR. FOX: Did you get to finish your motion then, Don?

MR. TANNAS: I thought I did. Yes.

MR. CHAIRMAN: But the final figure is \$12,500. Your motion contains \$12,500.

MR. TANNAS: That's right.

MR. FOX: I think, then, that with the information Louise provided, if we approved \$12,500 last year as the amount – this company came in and found that it cost less. They were able to realize some efficiency because they did get extra assistance from the AG's office in terms of gathering the information they required. It seems to me that their request for \$12,500 is reasonable. What they're saying is that this is sort of a hold-the-line for a two-year period, but they passed some savings on to the committee last year as a result of realized efficiencies. I guess they're estimating that with the wage increases that are in the works or have already taken place, to do the same work with those realized efficiencies would cost them \$12,500. So it seems to me that it's a good motion, but I would like to ask Don and Andrew. I mean, we have to rely on your advice to some extent. We're just dealing with figures out of the air here. Should we go in camera to discuss this company in terms of other companies or options that may be available to the committee, or are you prepared to comment on the record . . .

MR. SALMON: Sure.

MR. FOX: . . . about this fee in terms of being reasonable for the work provided?

9:53

MR. SALMON: This is a very small audit. When we're dealing with the audits that we have out to agents, they're large; you're dealing with the very sophisticated plan that comes with those large dollars, because these are big audits. Our office is small in relationship to what they have to audit: it's the expenditures and the revenues. I think they probably had to work that in. There is not a lot of profit to a company in this type of a job. They're doing it because you asked. Probably they're not doing it because they particularly feel like they make much money off it.

MR. FOX: Can I point out to members of the committee, based on past experience, and please correct me if I'm wrong, that there is a cost to this company for doing this audit in the sense that it disqualifies them from being appointed as agents by the department for other audits.

MR. SALMON: That's correct.

MR. FOX: So they're denied the opportunity that other firms are for the period of time that they're hired as auditors. That's not to say that you'd be hiring them if they weren't your auditor, but that opportunity would be there for them, and it's not now.

MR. CHAIRMAN: Don, in closing the debate.

MR. TANNAS: I'm just going to respond to what Derek said. That's maybe the downside, but the upside is, of course, that they get a track record with government and with the Auditor General and so on. I would expect that we can't expect this firm to stay with us for 10 years or something like that. So there is a benefit to them, and you alluded to that as well: their general reputation as well as their reputation with government. That would be all the comments I would make.

MR. CHAIRMAN: Okay. Ready for the question? All in favour? Opposed? Do you wish that recorded?

AN HON. MEMBER: No.

MR. CHAIRMAN: All right; it's carried.

Are there any other matters we need to deal with, Don, while Andrew is with us?

MR. SALMON: No.

MR. CHAIRMAN: All right. Thank you very much, Andrew.

MR. WINGATE: Thank you.

MR. FOX: I move that the committee move in camera.

MR. CHAIRMAN: Thank you. All in favour? Carried unanimously.

[The committee met in camera from 9:55 a.m. to 10:39 a.m.]

MR. CHAIRMAN: Pat, welcome to our meeting, and thanks for coming. We want to deal with the administrative part of your budget. We then have a follow-up motion regarding the transfer of funds. We approved it in principle, Alan, further to your motion at the last meeting, but we do need a second motion. Then we will move in camera to discuss your own position.

MR. HYLAND: Should I make that motion now?

MR. CHAIRMAN: No. Let's deal with the administrative portion first.

Over to you, sir.

MR. LEDGERWOOD: I think you've all received copies of the Administration element, which is the first element in the budget. A reminder that this particular element was made in July and August; remember that we have a requirement to notify

Treasury in September. We had our first meeting in October. There were salary adjustments in the summer; there were also salary adjustments in the fall. We had our second meeting last month, and this is our third meeting on this particular item. I think everyone is familiar with it in that we discussed some portions of this when the members visited my office last fall.

I think the easiest way to proceed, Mr. Chairman, is if I can try and answer any questions that the members may have.

MR. CHAIRMAN: Stan, at the last meeting you had a question regarding Contract Services that you wanted clarification on.

MR. NELSON: Yeah, I was just looking at that. That was relevant to the Contract Services to Parliamentary Counsel. Why has what you're proposing gone up so much, \$18,500 as against \$3,500? Why would you be using those kinds of services to that extent?

MR. LEDGERWOOD: This is very sensitive. I would just as soon go in camera for this discussion.

MR. CHAIRMAN: All right. May I have a motion to go in camera? Tom. All in favour?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Carried.

[The committee met in camera from 10:41 a.m. to 10:53 a.m.]

MR. CHAIRMAN: Were there any other questions on the administrative side of the budget? Are we ready for a motion, then, to approve the budget?

MRS. KAMUCHIK: Can you approve the budget if you're leaving out the Administration element?

MR. CHAIRMAN: Oh, pardon me. That's a very good point. We are holding it.

MR. HYLAND: We can approve everything but that item.

MRS. KAMUCHIK: Well, the other two sections, Election and Enumeration, have been approved already.

MR. HYLAND: Yeah, true.

MR. LEDGERWOOD: Mr. Chairman, we will need that funding regardless.

MR. CHAIRMAN: I know that.

MR. LEDGERWOOD: As a matter of fact, it may be that we should be building in a greater sum.

MR. CHAIRMAN: I think we should hold this section. In essence, we approved in principle the other elements within the first code, so it's a matter of dealing with Contract Services.

MR. ADY: Are you holding all of the Supplies and Services section?

MR. CHAIRMAN: Well, all of the Administration. It's Manpower and Supplies and Services together. Okay?



MR. HYLAND: It's easy to hold it because we're only talking about one item anyway. The rest have been approved.

MR. CHAIRMAN: Sure.

Okay. I think we're now ready to move on to Alan's original motion dealing with the transfer of funds in the current fiscal year.

MR. HYLAND: Mr. Chairman, I would like to move that the Chief Electoral Officer be authorized to transfer \$12,200 from the Enumeration and Election elements, Supplies and Services control group, of his 1990-91 budget estimates to the Enumeration element, Fixed Assets control group.

MR. CHAIRMAN: Okay. Discussion on the motion. All in favour? Any opposed? Carried. Thank you.

Now are we ready to make a motion to go in camera?

MR. NELSON: So moved.

MR. CHAIRMAN: Moved by Stan. All in favour? Carried unanimously.

[The committee met in camera from 10:56 a.m. to 11:27 a.m.]

MR. CHAIRMAN: We should have a motion on the Administration Element of the budget. Jack.

MR. ADY: I move that the committee approve \$514,000 as the total expenditure under the Administration element for the 1991-92 year for the Chief Electoral Officer.

MR. CHAIRMAN: Discussion on the motion? Ready for the question?

HON. MEMBERS: Question.

MR. CHAIRMAN: The question's been called. All in favour? Carried unanimously.

Thanks, Pat.

MR. LEDGERWOOD: Okay. Thanks very much, gentlemen.

MR. CHAIRMAN: I think Harley's outside.

MRS. KAMUCHIK: This is Ontario. I didn't distribute it because I just got the information. Well, I was waiting for Ontario, if you remember.

MR. LEDGERWOOD: I'll get back to you, Bob, as quickly as I can. Maybe I can go over and see David Carter now. I'd like to get the contract if he's at the office. I'll get back as quickly as I can on that. Thank you.

MR. HYLAND: Do you want Harley to come in?

MR. CHAIRMAN: Pardon me? Yes. Would you ask Harley to come in, please.

MRS. KAMUCHIK: And there were no spouses' allowances for any of the officers across Canada.

MR. CHAIRMAN: No, there weren't. Okay.

AN HON. MEMBER: There were what?

MRS. KAMUCHIK: Spouses' travel allowance for the officers.

MR. CHAIRMAN: Okay.

Hi, Harley. Welcome.

MR. JOHNSON: Good morning, sir. Thank you.

MR. CHAIRMAN: May we now have a motion that we move in camera? Okay, Alan. All in favour? Carried unanimously.

[The committee met in camera from 11:29 a.m. to 12:03 p.m.]

MR. CHAIRMAN: We're on page 2 of tab 9, the delegate/guest registration fees for the Australasian Public Accounts conference. You'll note it's about \$160 per delegate in fees. The same applies to the Public Accounts Committee estimates, which will go before the Members' Services Committee next week. So there is that adjustment to page 2, which we approved at our last meeting.

Stan.

MR. NELSON: Just a question. Is that fee \$200 Australian?

MRS. KAMUCHIK: Yes, it is.

MR. NELSON: Well, \$160 won't be correct because the rate of exchange is about 90 cents on the dollar, so I would suggest \$180. I keep track of the Australian exchange rate for a number of reasons.

MRS. KAMUCHIK: I'll check with the Clerk Assistant, who prepared the budget.

MR. NELSON: I'm not going there, but I know that it's about 90 cents on the Canadian dollar.

MR. CHAIRMAN: All right. Adjust it to \$180. Louise, would you also check with the Public Accounts estimates so that there's consistency between the two?

Okay. We have a motion by Stan, then, to accept the registration fees. Any further discussion on the motion? All in favour? Opposed? Carried unanimously. Thank you.

Now, the second agenda item is the audit fee, which is page 6 under tab 9. Okay, the recommended audit fee for the Auditor General's office is \$12,500. That's what we received this morning. Is there a mover?

MR. TANNAS: I would so move.

MR. CHAIRMAN: Thank you, Don.

Discussion? All in favour? Opposed? Carried. You didn't vote on that. I was going to say, "Vote carried unanimously."

MR. FOX: You could.

MR. SIGURDSON: If you have silence, it's consent.

MR. CHAIRMAN: All right. Carried unanimously.

MR. HYLAND: Didn't we move that earlier?

MR. ADY: It was in camera.

MR. HYLAND: Oh, it was in camera. Right.

MR. CHAIRMAN: Okay. Now, that deals with our office budget, so we have nothing else to deal with in the office budget. We now need a motion to go back in camera so we can deal with the salaries for the three officers.

MR. HYLAND: Do we need a motion overall to pass this budget?

MRS. KAMUCHIK: I have a question. Are you officially appointing Kingston Ross Pasnak as the auditors of the Auditor General if you're accepting \$12,500? Do we have a motion?

MR. CHAIRMAN: A motion to accept the auditors? Alan. All in favour? Carried unanimously.

Do we need a motion to approve the total budget as presented? Jack. All in favour? Opposed? All right. It's carried.

Now we're ready for a motion to move in camera to deal with the salaries.

MR. DROBOT: I so move.

MR. CHAIRMAN: Moved by John. All in favour? It's carried.

[The committee met in camera from 12:06 p.m. to 12:30 p.m.]

MR. CHAIRMAN: Stan.

MR. NELSON: Mr. Chairman, I'd like to move that the increases in salaries for the three legislative officers' positions for the fiscal year 1991-92 be as follows: for the Ombudsman 8 percent, the Chief Electoral Officer 6 percent, the Auditor General 7 percent.

[The committee met in camera from 12:31 p.m. to 12:32 p.m.]

MR. CHAIRMAN: All right. Discussion?

MR. HYLAND: Question.

MR. CHAIRMAN: The question's been called. All in favour? Carried unanimously.

A motion to adjourn?

MR. NELSON: So moved.

MR. CHAIRMAN: All in favour? Carried unanimously. Thank you.

[The committee adjourned at 12:33 p.m.]