

Standing Committee on Legislative Offices

10:37 a.m.

[Chairman: Mr. Lund]

MR. CHAIRMAN: We'll call the meeting to order. I want to welcome Mr. Salmon and Mr. Wingate this morning.

Could we first have approval of the agenda.

MR. NELSON: I'll move approval of the agenda, and Alan will second it.

MR. CHAIRMAN: Alan?

MR. HYLAND: Yeah.

MR. CHAIRMAN: All in favour?

Okay, then we'll move right to item 3. Mr. Salmon, we would ask that you give us a bit of an overview, and then we'll get into the line-by-line of your budget.

MR. SALMON: Okay. Thanks, Mr. Chairman. Having received the request for our submission, it tended to make us reflect on how we should approach the budget for the current year without any knowledge of any particular direction in regards to that. We felt very strongly that over the past number of years we've been tightening the budget up, and last year we went to an overall full-time equivalent of about 162 positions. We looked at our particular situation this current year, and in view of some other voluntary separations and so forth out there, opportunity options, et cetera, we felt that we would at least look hard at it, especially in order to probably practise what we preach in the office all the time – restraint, et cetera – and felt strongly that in view of some requests under this program that we could look seriously at it. We haven't made any formal decisions on any of them, but we do know of four particular ones. We really felt in looking hard at it that there were some ways in which we could reduce, so we've submitted a budget on the basis of 158 full-time equivalent.

We recognize that at any time one can look even harder at it, but with the responsibilities of the Auditor General under the Act and looking at the test audits that we have to do and our desire to fulfill the other part of the mandate in doing the systems work that we can, we're saying that we're at a point where we have to look awfully hard as to how much we can cut back. We do feel that we can do it on this basis, and we're really prepared to defend this budget. Whether it be preliminary or whether you have other ideas that you'd like to give us today, we're certainly prepared to discuss them with the committee. We appreciate being here. We'll try to give the committee a little bit of an idea of what happened to us with respect to the NovAtel review. We're prepared to discuss that in any way, if you'd like, as well.

So, Mr. Chairman, I'm prepared to answer your questions. I really don't have any additional comments other than what you'd ask me to give in the way of detail.

MR. CHAIRMAN: You could go ahead and walk us through the detail line by line, and the committee members will at any point ask questions as we're going through it.

MR. SALMON: Sure. You bet. In looking at Manpower, as we've indicated to you in the past, our work in determining what our

budget should be is a very strong prediction as to the potential for change throughout the year. We do get change. As you will also recall, we have from the committee the right to proceed because of the need to handle our students like we do. We do hire and we do move the students through the ranks even under the restraint time. We've not done anything at the management level. So there is movement in students, and that's really where you get the change in positions. This budget reflects those changes on the support page following the main budget page. We're saying that those are the dollars that are required on the basis of the 158 positions, which are also shown, and then we go from there into the other two line items of Employer Contributions and Professional Fees and Development. Of course, Employer Contributions is based on a percentage. Included in that percentage for the \$1.1 million, you have to look at such things as increases in UIC, CPP, and there's also a surcharge for employers on pension plans because there's a higher percentage of contributions at the present time. The figure is arbitrary, but it has to be worked in on the basis that there are increases because of those changes in rates and so forth.

If you're looking at the Salaries and Wages sheet, again we haven't made a decision. This is only on the basis of an application. We feel that we could actually reduce the positions of two senior directors, and there's also a director that could go and another support staff. The .77 percent is a support staff individual. The other changes in here are manager swings, where they go and we're not replacing, and the student auditors fluctuate between Student Auditors and Other Audit Staff. In other words, as student auditors move along in their course, there's a relationship between that and the Other Audit Staff, because if they pass, they move into what we call a staff CA or CMA position. They go into other staff, and that's why there seems to be an increase of \$121,000 and yet a decrease in Student Auditors. So the position difference is really what that is doing. It's just shifting those people into different categories.

Of course, Professional Fees and Development under Manpower is really the cost of the dues for the students as well as the professional people. We can get into questions and details on that if the committee would like.

MR. CHAIRMAN: Does the committee have any questions?

MR. SALMON: Now, we can stop at Manpower if you want before I go on.

MR. CHAIRMAN: Yeah. I was asking if there were any questions from the committee. Hearing none, we can proceed then.

MR. SALMON: Okay. Supplies and Services. When the province took over NovAtel, we had to have dollars given to us in order to do the audit. We were required to do the audit for 1990 and 1991 and a portion of the 1992 year. In order for us not to mix the fees with the agent dollars, which we have right under Supplies and Services, for the committee's sake we segregated the NovAtel dollars. So this year, if you look at the bottom of the main budget, we have \$350,000 that we had for '92-'93 for the audit to '92, up to the sale. It cost us \$175,000, leaving us with another \$175,000 not used. We needed those dollars to do the review. We didn't want to leave those dollars which we spent on agents with the audit side, because they weren't audit dollars, so we pushed those dollars up under Agent Fees. So we've ended up using some dollars in the Agent Fees, and that's why we're over in the way of Supplies and Services.

The NovAtel audit fees will drop now, and we won't have that line in the current year. We will be operating with Agent Fees at the top, because what we picked up from the NovAtel for the changeover are the finance companies. They're under an agency arrangement with

us. That's the finance companies that are being managed by North West Trust. So if you look at the list of agents, you'll find out where that projected cost is: under NFI Finance, Inc. So those dollars are sitting under the normal agent area, and that will go on as long as those particular finance companies exist.

MR. HYLAND: Don, we had NovAtel on a cost recovery, didn't we? I mean, it doesn't show on our budget. It shows an outflow on our budget.

10:47

MR. SALMON: Are you talking about NovAtel?

MR. HYLAND: Or was it AGT?

MR. SALMON: No, NovAtel is on a . . .

MR. HYLAND: One of them was on a cost recovery.

MR. SALMON: Yes, we in turn collect it back.

MR. HYLAND: Yes. It doesn't show on ours.

MR. SALMON: It's in our revenue, but we don't claim the revenue. It goes straight in. That shows up on our statement, but it goes into Treasury.

MR. NELSON: It's just paperwork.

MR. SALMON: That's right. It just moves it over.

MR. HYLAND: Well, initially it was in such a company when we . . .

MR. SALMON: Yes, we get it back from the companies. We got it back from NovAtel. That's true.

MR. HYLAND: At that stage we decided: why should we be paying for a private . . .

MR. SALMON: So we billed NovAtel for the fee that it would have cost us in having the agent.

MR. WINGATE: Yes; we invoice all commercial organizations.

MR. SALMON: We bill them back.

That NovAtel audit will disappear, and we have the other one up above.

Of course, we're indicating in the letter, based on the fact that if someone were to go out on this voluntary separation option, the cost has to be shown in Other Professional Services under Supplies and Services. Now, that's a directive from Treasury for payment purposes. So if you look at Other Professional Services, it's \$364,000 if this were to take place – this is on a forecast – which means of course, if you combine all of these things, we will require a transfer from Manpower to Supplies and Services.

MR. WINGATE: I'm not suggesting that that be done now.

MR. SALMON: No; I'm not suggesting that we do that as of today. I'd like to kind of wait until whatever happens, and then we can tell if we'll be back asking for the transfer before the end of March.

MS BETKOWSKI: You pay all the CA and CMA dues for all your professional staff?

MR. SALMON: Professional people, yes. Have done for eons, years. You know, that's pretty standard in the government.

Okay. Where do we go now? I can just keep going, and you can stop me.

MR. WINGATE: I think you're to Other Professional Services.

MR. SALMON: Yes, I'm on Other Professional Services. Now, what we could talk about, maybe go back, because I got into NovAtel, to the agent budget briefly. Each year we've tried to project, based on our experience in the past with the agents, what our costs would be. You'll see that the agent budget for '93-94 is up about a hundred thousand dollars from the previous estimate, although with the NovAtel cost, with the NovAtel review, it's not much different than what it cost us last year. The list that you have in front of you is what we predict as the costs for these particular audits that will be paid within the year. Now, you have to remember that all of them have different year-ends and we do flip back and forth in two different years in relationship to payments. So you can't say that this is the cost of a particular audit. This is probably the cost of part of the old and some of the new because of the fiscal year-ends.

MRS. GAGNON: You don't do the same agencies every year, do you? It's on a cycled basis?

MR. SALMON: Yes, we have a system of cycling the audits through our office to different agencies, but that cycle has been anywhere between five and seven years. In recent years I have held back recycling some of the ones that we probably could have on the basis of the number of years because of the tightness of the budget. As soon as we do any amount of rotation, it costs us more money because we've got the learning curve with the new firm, or it's back in our shop for a while and we've got some other job out to an agent and that's a learning curve as well. So in view of that particular reason, I have sort of been holding back and doing some rotation, but we are getting to a point where we need to do some rotation of some of the very large ones where we're reaching a seven-year period and it's about time that we do it. So maybe not this year but probably next year we'll have to have some rotational change.

MRS. GAGNON: An additional question. When you use an agent, do you indicate to them precisely what it is that you want them to do?

MR. SALMON: Oh, yes.

MRS. GAGNON: Do you have specific criteria they have to meet?

MR. SALMON: It's a specific contract. We enter into a contract with them, and we then are involved in the development of the scope of the audit. We're involved with them through all of the exit meetings after the audit and a review of their own working papers so that they have to give an opinion to me as the Auditor General. Our staff do sufficient work to satisfy that I can give an opinion on that same set of statements, and that's the way we've worked for years.

MR. WINGATE: Essentially we manage to break the costs down and also their work.

MR. SALMON: Yeah, you control their costs very much by staying close to it. That's why we can work on this.

MRS. GAGNON: Could I have one last question? For instance, had the College of Art been done by an agent? Had you been doing it yourself?

MR. SALMON: No. We're doing the College of Art ourselves.

MRS. GAGNON: And you have been doing that for a while?

MR. SALMON: Yes, and SAIT is out as you can see here.

MRS. GAGNON: Yes. So it's under SAIT.

MR. SALMON: No. It's a separate audit.

MRS. GAGNON: It's a separate audit, but you were doing that yourself, not an agent?

MR. SALMON: We were doing that ourselves.

MR. CHAIRMAN: Mr. Hyland.

MR. HYLAND: Thank you, Mr. Chairman. I'm a little surprised that it's the same. I thought there'd be a 5 percent reduction.

MR. SALMON: Where are you going to get it?

MR. HYLAND: Why I say that: wasn't it the CA's association that sent us all the information saying that in order to get costs totally under control we as MLAs should have a 5 percent salary reduction and so should all other provincial civil servants? I would assume, Mr. Chairman, that those same agencies would follow through. As the Auditor General has said, he's had to put up or shut up in some of his comments. Where's the 5 percent reduction on their association's comments, or are they all talk and no action?

MR. SALMON: Good question. What you have to take into consideration in what this is is that we recognize the amount of time required to do the work that we require of them. I think we're pretty good debaters in relationship to the rates that they get from us, and sometimes we just push them until they come down somewhat, but what we've done is that we're still basically holding our own here. What we really have is NFI Finance, Inc., which is new and wasn't on the list before, and that's at \$112,000. We're still holding this. We also have University Technologies International Inc., which is new. There's about \$125,000 on the list that wasn't there before. So what I'm saying: I think we're still squeezing and we're pushing to try to hold. What you're saying, whether we're holding at 5 percent, I haven't really calculated that.

MR. CHAIRMAN: Well, \$125,000 on the \$2.3 million is pretty close.

MR. SALMON: Yes. So that's what it is.

MS BETKOWSKI: Special Projects, \$100,000: is that a contingency or is that a specific list of agents?

MR. SALMON: That was basically a contingency, but we've gone back since we actually sent it out a week ago, and the contingency is now down to \$67,200 because there has been some reallocation of some of the costs. We haven't got anything to play with at all. We always seem to be given something in the year, and this is really small, actually. We've had a lot larger contingencies. We just have to squeeze, you know, from other things. It's the ones that we have

to watch closely. If we don't use it, we don't use it, but it's just a little bit there.

MR. WINGATE: The other thing that can happen on one of these standard audits is that we might hit a problem, in which case we need to pay the agent additional money to resolve that problem.

MR. SALMON: You end up with some fraud or you've got some other real, serious problem that takes extra time that you hadn't planned on; that's the other thing.

MR. HYLAND: Chase it down.

MR. SALMON: Uh huh.

Okay. For travel we have given you a detailed budget. I don't know whether anyone had any questions on travel. Last year we actually gave extensive detail. We can break it down between out-of-province and province if you want. We didn't give you the sheet, but we have the information if anybody wanted that. We tend to work closely on travel and look hard at whether or not we can manage it. We find that audit travel has always stayed up over \$100,000 because there's an extensive amount of travel to audits between Calgary and so forth. This morning as I was getting ready for the questioning, as you always do – you've got to prepare yourself – I was sort of asking all these questions after looking at the thing in detail last night, and I really think we can drop about \$10,000 off professional development there.

MR. NELSON: Oh, I was going to ask you a question.

MR. SALMON: Yeah. I've got \$10,000 off that this morning. So we can do that, if that's agreeable, unless you want to give us another \$10,000. That's okay too.

MR. NELSON: I appreciate your candour. It seems odd that Audits is up from your forecast but down from last year's estimate, yet Professional Development and Conferences goes up.

MR. SALMON: I think they've made a mistake. I think we can drop it \$10,000 by looking hard this morning.

10:57

MR. NELSON: Well, I will accept that.

MRS. GAGNON: I just want to make a totally unnecessary comment. Yesterday when we met with the Ombudsman, I think he said some of his staff stay with friends when they're traveling. Are you that desperate that you're advising that?

MR. SALMON: I don't know how many auditors have friends.

MR. HYLAND: That's like saying the income tax people have friends.

MR. SALMON: I worked with the tax department for five years in my career. Some of you might not know that, but I literally know people who would not talk to me when I worked with the tax department, who when I left said, "How thankful I am now that I can be your friend." So I acknowledge what you're saying.

Moving on to Other Professional Services. Looking at the other professional, which is a key to us, this year it cost us quite a bit of money legally, legal costs in relationship to NovAtel. We have an inside counsel, as you know, but we also have an external lawyer. We just use him when we need him, and he's been really good about

it and is very helpful. Again this morning I was giving him the hard time and everything, and I think I would like to drop legal fees by \$10,000. Because we don't have the NovAtel costs this coming year, that would drop us to about what it cost us in '91-92. With the legal it's always hard to predict whether or not we need to go outside. We've run into some very serious legal matters to deal with. I'm certainly prepared, if the committee would like to, to drop another \$10,000 there.

MS BETKOWSKI: You've done this before, haven't you?

MR. SALMON: Yes.

MRS. GAGNON: He just likes to look good, you see, when he comes in here.

MR. SALMON: Yeah, I've done this before. But last week I didn't really have the time to concentrate. I was in the midst of release. We got it done as best we could, fit it into the thing, and I really didn't have time to sit back and reflect.

MS BETKOWSKI: I'm not being cynical, honest.

MR. SALMON: No; okay. I wasn't doing it intentionally is what I'm saying.

MR. CHAIRMAN: Materials and Supplies.

MR. SALMON: Materials and Supplies is our printing costs and so forth. You'll notice for printing we won't have a NovAtel, but we do have needs for printing the reports, so it'll be down a little bit. I don't really have a lot to talk about on that page.

On Repairs and Maintenance, we were able to have somewhat of a reduction on the minicomputer. Andrew, you may want to comment on some of these. The others are basically the same.

MR. WINGATE: Yes. On the minicomputer maintenance, what we're doing is replacing older generation disks with newer generation disks. The maintenance costs on the newer generation disks are much lower, so that's the reason for that.

MR. SALMON: So that'll save us a little bit there.

MS BETKOWSKI: So you don't do . . . I'm sorry.

MR. CHAIRMAN: Go ahead, Ms Betkowski.

MS BETKOWSKI: Rather informal.

You don't access PWSS for computer time? You have your own microsystem as opposed to . . .

MR. SALMON: We have our own micro and our own mini as well, our own established computer and our own software. Now, there are some cases where the files are large that we've gone to PWSS to utilize their equipment, but that isn't as much. I don't know. Where's the cost? It's not very great any more.

MR. WINGATE: One of the problems we're facing is where we have to move the coding of one type of tape to the coding of another type of tape, and PWSS has got the equipment to do that. So we use their facilities under those circumstances. As Don mentioned, if we've got some very large sorts, then we will use their equipment because they've got very large computers down there.

MR. SALMON: Basically we're very independent of their system.

MR. HYLAND: Didn't we just talk about rebuilding that computer or updating it or something?

MR. SALMON: Ours?

MR. HYLAND: Yes.

MR. SALMON: Yes, we did talk about that last year.

MR. WINGATE: Yeah, we're very conscious of the fact that we've got to replace the minicomputer in due course because its maintenance cost is going up over time and it's older technology. We want to move to the newer technology in part to take advantage of the cost savings, but in order to do that, we've got to put in a network. That's in part what we're budgeting for this year. We're spreading the cost of that network probably over a total of three years: the year we're in, next year, and the year afterwards.

MR. SALMON: Then we're going to have to do something with the mini.

MR. WINGATE: There's a lot that we have to learn in the process. We didn't want to rush it, because if we rush it, we'll probably make some mistakes. We prefer to take a more cautious approach to things.

MR. HYLAND: Do you have any money left in that budget this year though?

MR. WINGATE: No; we're projecting that we'll spend all our budget this year. Now, some of that expenditure was redirected from the original intention, and as I say, we are moving into establishing a network.

MR. SALMON: We'll talk about that detail capital. We're not quite there, but we will be in just a few minutes. You can raise those other questions at that time.

Rental of Equipment is a lease, so that's set.

Computer Services: this is where you get central processing charges, isn't it?

MR. WINGATE: Yes, the \$29,000 is . . .

MS BETKOWSKI: It's PWSS, isn't it?

MR. WINGATE: Right. That covers our on-line wages system which we use in the office.

MR. SALMON: Though it costs us too, just to operate.

MR. WINGATE: Right, but it also covers the things I was just talking about.

MR. SALMON: And we have some software subscriptions and upgrades included in Computer Services, if there are any other questions there.

In the Miscellaneous part of Supplies and Services . . . Do you want to talk about anything before we go on?

MR. WINGATE: Well, yes, because there's quite a large increase from \$33,000 to \$49,000.

MR. SALMON: Where are you?

MR. WINGATE: Sorry; under Software Subscriptions and Upgrades.

MR. SALMON: Okay. Right; \$33,000 forecast – \$49,000.

MR. WINGATE: At the moment we're using a spreadsheet called VP Planner. VP Planner was sued by Lotus 1-2-3, and they no longer sell VP Planner. The reason we bought VP Planner was that it had all the advantages of Lotus 1-2-3 and it was very cheap. Anyway, it's no longer supported. So we've got to switch to an alternative spreadsheet, and some \$18,000 of the \$49,000 is for this alternative spreadsheet.

MRS. GAGNON: Do you have the actual yet for '92-93?

MR. SALMON: The actual? Well, we're not to the end of March.

MRS. GAGNON: Okay, of course. The actual to date then? You don't know where . . .

MR. SALMON: Yeah, this is our projected figure. Do you mean how much we've spent?

MRS. GAGNON: Yeah, to date.

MR. SALMON: Oh, yes. We have that, but we don't have it with us.

MRS. GAGNON: But you know that you've basically spent it all?

MR. SALMON: Yes, that's right. We're just projecting what's going to happen between now and March is all, so that's small.

MS BETKOWSKI: So the motto is: you get what you pay for.

MR. SALMON: That's true actually, especially on the computer side. You have to be very careful. You can't go Cadillac costs if you don't have to, because many times – actually why we're in Data General from way back is because of cost. It has worked well, but Data General has struggled over the years. Of course now with all the micros we're eventually going to be able to be out of Data General and not totally dependent. It won't matter what you're using because you'll have the integrated system so that you can work any way you want, so we'll take advantage of cost that way as well.

We'll go to Miscellaneous, if we can, just briefly. Again I'm not trying to just make hay here today, but I'm going to tell you that I really don't know where the staff got the figure for Advertising. I think we can drop that by about \$4,000. We do need a little bit but not an awful lot because of the student situation involved.

MR. WINGATE: The increase in Hospitality is because we're hosting the western Auditors General meeting next year, and also we think we have some retirements.

MR. SALMON: Yeah, there could be several.

MR. WINGATE: Which we don't talk about.

MR. SALMON: That's right. Okay.

I'm sure Mr. Nelson would like to know more about Capital Assets as he has always in the past.

MR. NELSON: Why is it that I've got a reputation?

MR. SALMON: I don't know. You seem to ask the questions.

Of course, I let Andrew do most of the talking on Capital Assets. I know what it is, but I'd just as soon he did it because he oversees the whole area.

11:07

MR. WINGATE: Well, it's divided between minicomputer . . . What we're doing there, as I said earlier, is replacing old disks with newer disks. We're projecting a \$20,000 expenditure in the \$26,000 for that. That will then complete our replacement of all the old disks.

Under Systems Development we've got both Hardware and Software. Here we're talking about building the network. We're getting more servers which will serve a series of microcomputers over a network. We're here looking for a replacement for CEO, which is our messaging system throughout the office, and scheduling system. We're also beginning to get into records management on the computer. We've got a management system called the audit management system, and we're expanding what's accomplished within AMS. So of the \$32,600, \$17,400 is for service and the rest is network equipment for our Calgary office: a network monitoring station and an operating console for the network. Under Software we're getting more Unix operating systems to support the network. The network is basically operated under Unix. So that explains that.

The \$73,280 is for replacement of microcomputers. We've had some of our machines for a number of years. They've been used well, and they need replacement. For instance, we're getting colour screens that are going; they're not lasting as well as we originally expected. We're also replacing all the 286 machines that we have with 386 machines. We've got a number of Kimtron terminals which link into the minicomputer, and we're replacing those with 386s.

Additionally, we're planning to spend money on this network expansion that I talked about earlier. So that explains the \$64,500.

That's about it.

MR. CHAIRMAN: Stan, don't you have any questions?

MR. NELSON: No, I don't.

MR. CHAIRMAN: That's good. Any questions from committee members overall?

MR. NELSON: I just want to make a comment, if I may. I guess, first of all, I just want to congratulate you for recognizing the need to reflect restraint. I think what you presented to us here today reflects that, and I just have to compliment you and your department on finding the determination to participate in the downsize and the manner in which we find ourselves with the financial situation in the province. Thank you.

MR. SALMON: Thank you.

MR. HYLAND: So with the reductions you did this morning, it's now what? About \$30,000 or \$40,000 below this?

MR. SALMON: It's \$11,350.

MR. HYLAND: Eleven three fifty?

MR. NELSON: Twenty-four grand off.

MR. SALMON: Twenty-four off, yeah.

MR. CHAIRMAN: Well, if there are no other comments, I too want to congratulate you folks for the fine work you've done. To come in with a budget that looks like close to \$500,000 under last year is quite remarkable, and I want to thank you for participating in this manner. Also, it was an excellent overview this morning. We really appreciate that, as the expenditures are certainly looked at very closely in your department. We can see that, and we appreciate that.

Mr. Nelson.

MR. NELSON: I just wanted to make one comment about half a million dollars less. In reality it's a hundred and some thousand because you can't include the \$350,000 on the estimated . . .

MR. SALMON: No, we have to do it combined.

MR. NELSON: Regardless of that, it's still a good effort.

MR. SALMON: Can I just have one comment, Mr. Chairman, if I may, before you're done?

MR. CHAIRMAN: Yes.

MR. SALMON: Now?

MR. CHAIRMAN: Go ahead.

MR. SALMON: Thank you. I did have one comment in the letter, and I'm not suggesting that it's an immediate problem. I would suggest that we just sort of keep it in mind that if we do really run into a problem I would certainly come back to the committee and discuss it. It's not something we're going to run out and do anything with, because it's not there right at the moment, but it certainly could be there in the coming year sometime if we run into some shifting of people going and so forth.

The other thought was that I assume the committee is moving on the Auditor, and I had mentioned talking to the chairman about the audit appointment. If there's anything we can help with on that, we'd be prepared to do that as well.

MR. WINGATE: Mr. Chairman, were you aware of the problem Mr. Salmon was talking about?

MR. CHAIRMAN: Yes, about the managers.

MR. WINGATE: That is a concern to us because we didn't know for some time now. As the letter says, they normally advance very rapidly in the profession in their early years of qualification, and of course we haven't been able to do that.

MR. SALMON: That's all, isn't it?

MR. CHAIRMAN: Is there anything else?

MR. NELSON: I'd like to move that we go into camera for a few minutes to discuss the other item here.

MR. CHAIRMAN: All in favour?

HON. MEMBERS: Agreed.

[The committee met in camera at 11:14 a.m.]