

Standing Committee on Legislative Offices

1:35 p.m.

[Chairman: Mr. Hierath]

THE CHAIRMAN: Let's get started here this afternoon. We have kind of a tight schedule. Well, I'm not sure whether it's tight or not, but we've allocated an hour to each one of the legislative officers to deal with their budget projections.

I think maybe I'll move to item 2 on the agenda, Approval of Agenda. Are the committee members agreed on the agenda?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed? Carried.

The minutes of the October 18 meeting are in your binder under tab 3(a). I think that probably you have all gone over those minutes. Are there any errors or omissions in those minutes? If not, would someone like to approve the minutes of October 18? Don Massey.

MR. BRASSARD: I'll second.

THE CHAIRMAN: All those agreed? Opposed? Carried.

At this time I would like to introduce three gentlemen from the office of the Chief Electoral Officer: the Chief Electoral Officer, Derm Whelan; Brian Fjeldheim; and Bill Sage.

If committee members can turn to tab 4, you will see the numbers that are before you. I think maybe I'll turn it over to one of the gentlemen, whichever one's taking the lead of you three.

MR. WHELAN: Mr. Chairman, I going to ask Brian to present the summary, and Bill will present any details that are required.

MR. FJELDHEIM: Well, as you can see, on the first page of the handout that you have, our office breaks our budget into three elements. The election office covers things like our salaries, our office supplies, our phones, supplies and materials that we need to run the operation, and also expenses that are incurred under the Election Finances and Contributions Disclosure Act. The elections element, of course, is to run elections, by-elections and general elections. The enumerations element is to run special enumerations and general enumerations. We have also, as you can see, the '92-93 actuals. That is the base year that we're working from. The '95-96 forecast is the budget that we have for this year. The '96-97 estimates are the numbers that we're proposing for a budget for next year.

As was requested in our meeting of February 7, '95 – in conjunction with the Deficit Elimination Act there are no longer special warrants. At that meeting it was decided that we would be budgeting for elections and enumerations, and that's why those numbers are in there.

So that's a brief overview. Now I'll ask Bill to walk through each of the components and each of those elements.

THE CHAIRMAN: Thank you.

MR. SAGE: Would the committee like me to go line by line or just subtotals?

THE CHAIRMAN: Go ahead and go line by line. If there are questions, then we'll take questions from any of the committee members.

MR. SAGE: Okay. I'll flip to page A, which is the election office element. As Brian mentioned to you, it covers salaries and everything else. Again from '92-93 we're down \$64,000 in salaries. We're down to \$236,000. That represents the three people that you're looking at here and the support staff back in the office. There are seven people in total. It's down one position from '92-93.

We have some wages in there for \$2,061. That's to allow us to get somebody, if need be, to cover off vacations, short-term. That would be somebody we would hire from our own resources rather than a contract firm. Contract employees represents Derm's salary, \$80,300. Employer contributions is UIC, CPP, dental plan, health care, pensions, workers' compensation, anything else that we as an employer are responsible for picking up.

Allowances and benefits. That's conferences and then professional development for the staff. The bottom line, \$369,788, is down from '92-93, about a 17 and three-quarter percent adjustment over the period.

Travel. The biggest portion of that would be Derm's remuneration package – he's entitled to a vehicle, the operating costs and the rental costs on that – travel costs for the office staff and for the Chief Electoral Officer as well.

Insurance. Risk management is no longer picking up the charges or the cost of insuring all the assets. They transferred money or allowed us to increase our budget last year, and we now pay that money out for insurance purposes.

Freight and postage. That's courier and postage costs for the different articles that we mail or courier out.

Rental. That would include the photocopiers and the postage machine.

Telecommunications, telephones: \$436.

Repairs and maintenance. Those would be the service contracts. The biggest charge on that would be for the computers that we have in the office.

Contract services. Again there's some money in there for printing the election finances and contributions disclosure annual report and the cost of processing our payroll items, now through the joint venture agreement: \$4,200.

Data processing. That would be the cost of the different printouts that are supplied through Public Works, Supply and Services, and there is some money in there for the training of staff in the office as well in terms of not data processing necessarily but operating a different type of program, a software program, that we buy.

Hosting, \$459, would be Derm's hospitality, hosting account.

Supplies and services: \$2,334. That would be the nuts and the bolts: pens, erasers, pencils, that type of thing.

Again we're asking for \$24,400 this year. The two elements total \$394,200.

Any questions at all?

THE CHAIRMAN: I had a question here from Yvonne.

MRS. FRITZ: Thank you, Mr. Chairman. It's just a general question. Under allowances and benefits you'd mentioned that that was conferences, et cetera.

MR. SAGE: Uh-huh.

MRS. FRITZ: Where are employee allowances, for example dental benefits?

MR. SAGE: Oh, the dental would be under employer contributions.

MRS. FRITZ: Okay. So anything that fits in that category falls under contributions. What else is under allowance and benefits, then, besides conferences?

MR. SAGE: The biggest portion of it is going to be conferences. Professional development memberships. Derm is a member of COGEL. I'm not sure if anybody has attended a COGEL meeting, but it's an international group. That's the type of fees for professional development that would be in there.

MRS. FRITZ: I guess I'm just wondering why you don't call it that.

MR. SAGE: Those are actually codes that were developed a number of years ago through the government accounting system. At the time those were the codes that they were using. Right now they're looking at changing – I guess it's no longer government – the third party joint venture that the government is in. They're in the process of updating their system, so we will have a chance to renew all of those, the different expenditure codes that we're using. That's the basis for that one.

MRS. FRITZ: Thank you, Mr. Chairman.

THE CHAIRMAN: Do you want to carry on, Bill?

MR. SAGE: Okay. Tab B, elections. As Brian mentioned to you, we discussed this with the committee in February of this year. We've gone from \$235,000 to \$4.5 million. So we're asking for a few dollars more than we have since 1993-94, I guess it would have been. We've broken this down again on the same principle. We've got manpower and then the supplies and services grouping. We've estimated wages of \$55,000, and we're looking there at about two full-time equivalents. Those wouldn't be necessarily two people. It would be anywhere up to about 24 different people for varying periods of time that would be in the office or the warehouse sometime during the election event.

1:45

Contract employees. We've requested one half full-time equivalent, and the rationale for this one is that last year the position that we eliminated was the director of election operations. A lot of those duties have fallen on the Deputy Chief Electoral Officer and other positions within the office. It's the first time since '78 that we haven't had that type of position. So we're asking for money, in the event we need a position like that, so we will have it there. It is a temporary contract for half a year, and as I say, it's to provide assistance throughout the office, but probably the bulk of it would be assuming some of the duties the director of election operations used to handle.

The next item is employer contributions: \$8,000. That's UIC and CPP and workers' compensation. Again, because these are wage and contract positions, you don't have to pick up as many benefits. So your costs are quite a bit lower than what you're going to see for the full-time equivalent positions. The total on that is \$88,000, and again that goes from zero in the last fiscal year, this fiscal year, to \$88,000.

Travel. That's broken down primarily into three main functions: the returning officers, election clerks, and polling day officials. Then there is also some money in there for the chief electoral office staff: \$123,000.

Advertising. Again the biggest chunk of that would be for the returning officers. Those would be the different ads that are placed

in the newspapers: the proclamation, where to vote, polling places, that type of thing. We also run a series of ads called voter information, and that's where we advertise phone numbers that we have in the office, encouraging people that need assistance to get hold of us, and we can redirect them or help them on the phone. You get \$25,000 for election finances and contributions disclosure advertising. After the candidates have filed their financial statements, there's a requirement under the election finances Act that we advertise that in newspapers of general circulation. Rather than including that in the administration element, we brought it back into the election element.

Freight and postage. You're looking at \$25,250. That would be the transportation of election materials to the returning officers and anything back to our office, postage and courier costs.

Rentals. This would be about six weeks that the returning officers have office space, the rent of different equipment that they may require: adding machines, typewriters, that type of thing. The biggest portion in there is going to be polling place rentals. There's some money in there for rental of a vehicle for use by our office. A total there of \$486,000.

Telephone and communications. The biggest chunk of that would be the phones that the returning officers rent or install in their offices. There's also money in there for the chief electoral office. I mentioned earlier about the voter information centre that we set up. Any calls that come in – whether it be 1-800 numbers, collect calls, those types of things, we're phoning back long distance. Those are the sorts of charges that would roll up into that \$56,500.

Now, the big chunk in there is contract services: \$2,798,000. That's returning officers fees, election clerks fees, polling day officials fees. Those would be the big dollars spent. That would be your poll clerks, DROs, SDROs. We're looking there at almost \$1.7 million for that. Support staff for the use of the returning officer's office: included in that is the ballot printing, printing by the chief electoral office of any forms that we require that are sent out to the returning officers. The election report would be included in that. Then mapping: any maps that have to be redone after the enumeration but prior to the election are included in that. As I say, the total there: \$2,798,220.

Data processing is the next element. Beginning with the new joint venture, we're required to pick up a lot of the costs that previously Treasury picked up, so these are some of the costs where these are showing up now. When we process a cheque now to a polling official, it costs us \$1.25 per cheque to issue that cheque. It doesn't sound like a lot, but when you figure that we're going to have 15,000 of those individuals, you know, the dollar amount gets up there very quickly. Again, the actual data processing, the people that do all of the data entry prior to cheque production: previously that was paid for by Treasury, but we're now picking up that cost. So those are the two big items: \$43,750.

Supplies and materials. We've got miscellaneous materials for the returning officer: stamps, pens, pencils, that type of stuff. Then the supplies that we would buy, the nonreusable type of material for election use: rulers, clipboards, again quite a myriad of stuff.

The grand total: \$4,518,420.

Any questions?

THE CHAIRMAN: I had Roy, and now I have Gary after Roy.

MR. BRASSARD: Yes. Where we compared the operational budget with last year and '92-93, it was fairly relevant. Here we're comparing an election year with nonelection years, and it doesn't give me any sense of proportion. Could you tell me how this relates to the last election year that we had, Bill?

MR. SAGE: Yeah. I didn't think of that when I put this together. The last election was just under \$4 million, so we're half a million plus higher than that. The relative breakdown on it would be much the same in terms of the areas that we're spending in, but some of them would be a little bit higher. What we're presenting to you is a worst case scenario. All of our estimates – I hate to admit it – are on the high side because there are no special warrants. If we don't have the money the first time around, we could be in big trouble at the end of the function. In terms of the costs, we're probably a half to \$600,000, \$700,000 higher than what the actual cost of the '93 general election was, based on these estimates.

MR. BRASSARD: So just further to that, then, other than data processing – was it? – that you mentioned was picked up, there was one other that was formerly picked up by Treasury.

MR. SAGE: Yeah. Data processing and the service charges on generating the cheques.

MR. BRASSARD: Okay. So is there anything other than that that's significant in here that would generate a \$700,000 or \$800,000 increase?

MR. SAGE: Yeah. During the last election the list of electors was 1,647,000; we're now estimating that the next list of electors will be 1,703,000. So you've got almost a 56,000 increase in electors. That figure that I'm using is July of '96, that 1,703,000. So you've got some there. Based on that, each polling place – we use an average of 335 electors in a polling place – requires a deputy returning officer and a poll clerk. You're looking there at \$150, \$250 plus the rental of that poll just to run that poll. So there's some of your cost there.

One thing that I didn't mention under fees. After the last election Revenue Canada came along and audited our procedures. Previously we, I guess, as an office and the returning officers didn't make any contributions to UIC or CPP. Well, Revenue Canada didn't agree with that. We are now picking up those costs, and that's about, you know, almost \$50,000 there as well.

There are certain costs that have gone up in there, just over and above what we had the last time.

1:55

MR. BRASSARD: Just a final observation then. I would have thought that an increase in electors would have really reflected more in the enumeration budget as opposed to the election budget, because it wouldn't seem like there would be a great deal more work in an election process to add 50,000 names. I could be wrong; maybe I don't understand the process fully enough.

MR. SAGE: Well, when we get to the enumeration element, I mean, you're going to see big changes there as well. You do have those, as I say, the 56,000 people that are in there. We're asking for more money in advertising as well. Well, with the boundary changes – if there are boundary changes; I guess maybe I should qualify that – there is obviously more money that will have to be directed at advertising so that if you've changed from Didsbury to Olds, in different electoral divisions, you'll now know where to vote. There will be more money spent there. So there is a big increase in advertising as well.

MR. BRASSARD: I see. Fair enough. Thank you.

THE CHAIRMAN: Gary and then Ken.

MR. SEVERTSON: Thank you. There's an observation, I guess, that I want to ask a question on. In the forecast for '94-95: what's this contract services, \$200,000 in a nonelection year? You call this an election element. When we have no election, I was wondering why that's so high.

MR. SAGE: All of the figures that you're looking at for the '94-95 forecast are, if you want, a contingency for special by-elections that may or may not occur. Again, we're now budgeting for those events so that that money is available, because special warrants don't exist any longer. Again, the biggest chunk of that \$200,000 that you're looking at would be people costs, but it's money that's there, as I say, if you want, as a contingency for by-elections.

If you look at the Calgary-McCall by-election, that was the better part of \$60,000 by the time we were through with it. So that is what you would be looking at.

MR. SEVERTSON: So that hasn't been expended, and at this time it's still left in there in case there is a by-election?

MR. SAGE: Yeah. A good portion of that is still left.

MR. SEVERTSON: Okay. When it's this far through the year and you still have it in your forecast, it's almost like you were going to spend it this year. With some of the other budgets that we go through, we've got an estimate and then a forecast about this time, and the forecast is closer to what they're actually going to spend. That's why I took this as this was almost going to be spent.

MR. FJELDHEIM: Yeah. Ours won't relate that way.

The only other items that could come out of there to some extent would be the forms and supplies necessary for a general election. Some of that might come out. We've already purchased a lot of that stuff already.

MR. SEVERTSON: Oh, yeah. I can understand that, yeah. That can be used when an election is called.

MR. FJELDHEIM: Yeah.

MR. SEVERTSON: Okay. Thank you.

MR. KOWALSKI: This page dealing with the election element, although you've got '95-96 estimates at the top, it probably should more correctly read '96-97. There's an assumption here by the Chief Electoral Officer that there could be – “could” in quotation marks – an election called prior to March 31, 1997. This page is unnecessary at this time if there isn't an election before March 31, 1997. So it's really very subjective in terms of whether or not we even have to deal with this at this time.

MR. SAGE: Yeah.

MR. KOWALSKI: But you're sensing in your head that there is going to be something before March 31, 1996, or what?

MR. SAGE: Well, if you want my smart answer: the Premier hasn't asked me for a lot of advice.

MR. KOWALSKI: Well, if he decided to call one today, there would have to be a special warrant to pay for the election, and the same thing would apply in the future.

MR. SAGE: Yeah. Under the Legislative Assembly Act the Premier has until June of 1998 to call an election, if he wants. So what you would be looking at for the next three years is this same request: \$4.5 million. Now, it might go up marginally for inflation, but you would be looking at that for the next three years if there isn't an election before March 31, '97.

MR. KOWALSKI: Even with the process of budgeting, if an election were called today, we'd have to go with a special warrant. It's not a question of not being able to use a special warrant; there would have to be a special warrant. How else could you deal with it?

MR. WHELAN: I need, Mr. Chairman, to come back to the meeting that was held last year on February 7. At that meeting we discussed the matter of special warrants and whether or not they might be used for elections or enumerations. At that time the conclusion of the committee, and I'm quoting you, Mr. Chairman:

The conversation with the previous Chief Electoral Officer was that we should be putting it in the budget and carrying it through, meaning that it should be in there for 1996-97, and if the election isn't called in 1996-97, then it carries forward

to the following year. Later in the same transcript, Roy Brassard talks about this being the way it should be done and these funds being really considered contingencies. They're really not going to be spent unless there is an event, but in the face of the general interpretation of the debt elimination statute, where there seemed to be clearly an indication that special warrants ought not to be sought – well, at that time, Mr. Chairman, that was the advice that you gave us.

THE CHAIRMAN: Right.

MR. WHELAN: So that's what we're following. I agree with you, Ken. I don't have any inside information on whether there will be an election in the coming fiscal year or not, but I think that in the face of that particular statute, unless there's a real emergency, one ought not to seek a special warrant. It's better to have the contingency there, and that's why it's there.

THE CHAIRMAN: Any further questions, Ken?

MR. KOWALSKI: No. Point made that if an election were called today, you'd have to go to special warrants. You can go either way; it's very subjective.

THE CHAIRMAN: Do you want to carry on, the next-to-last page, Bill?

MR. SEVERTSON: Just before, Ron, I think we should make note of the change that Ken meant.

THE CHAIRMAN: To '96-97.

MR. SEVERTSON: And the forecast should be the same thing. It would be '95-96. It's on that sheet.

THE CHAIRMAN: Right.

MR. SAGE: No. The forecast should be . . .

MR. SEVERTSON: Should be '95-96.

MR. SAGE: Yeah. I'm sorry.

MR. SEVERTSON: Just so they're on the records as being the right dates.

MR. SAGE: Page C, the enumeration element. There is some difference between the election and the enumeration elements in that we do have some money sitting, you know, for wages and contracts, employer contributions in this fiscal year, but as you can see, we're going from \$11,700 to \$63,650. Again, we'd be looking at a number of people there, anywhere up to 10 different people, almost a full-time or one full-year equivalent's position, but again, varying periods of time and relatively cheap. When I say cheap, I mean low cost in terms of what we're paying them. We're asking for \$30,000 under wages. Again, we've got the contract employee in there for a .5 full-time equivalent, the same rationale that was used under the election element, that the individual that's now left, his duties have been inherited by others in the office. We haven't run without that position previous to that, so we're asking for money just in case: \$25,000 there.

Employer contributions. The big item that we carry in there is an accidental death and dismemberment insurance policy that we have on election officials. When we negotiated that policy with the help of the personnel administration office – I couldn't think of their initials – we decided rather than paying it in one premium for four years, we're paying the premium over four years. So that's what you're looking at. In the past year there was one electoral event, but we still paid the same \$2,600 for that policy. Again, if there is an election prior to 1997, our costs aren't going to go up on that policy because in effect we've prepaid it over the previous three years. The other \$6,000, about, in there is employee benefits: UIC, CPP, workers' compensation, based on the wages and the contract employee. As I say, we've gone from a total of \$11,000 to \$63,650.

Travel: \$175,000. We have some funds in there for chief electoral office travel during the enumeration event. Returning officers' travel: that would be for them attending the training sessions and then travel during the enumeration around the electoral division. The biggest chunk of money again would be spent on enumerators. That would be traveling throughout the province actually picking up names.

Advertising. We've got that split equally between our office, a generic ad that we would run provincially – again, your name should be on the list of electors, and how to get on the list of electors, what the qualifications are for being on the list of electors, that type of information – and returning officers' advertisements, when they advertise the actual map of the electoral division.

2:05

Freight and postage. We have transportation and supplies to the returning officers in the electoral divisions, and, again, postage and courier for anything that we ship out of our office. One of the items that's included in that and relates back to Mr. Brassard's earlier question: now that Treasury doesn't mail the cheques, we have to pick up the cost of that. We get a better rate because we have to meet certain qualifications that are set up by the post office, but it's still around 35 cents a cheque for us to be putting those cheques out. Again, you're looking at somewhere between 8,000 and 10,000 cheques during an enumeration. The total on that is \$20,500.

Rentals, the \$64,250. The biggest chunk of that money would be the rent for the returning officers' offices during the enumeration. Again, we encourage them to use their own home, and they're paid a basic rent of \$600. It's cheaper for them to use a home versus going out and obtaining commercial space. It recognizes that they

are going to be out of pocket and inconvenienced for it. So you're looking at \$64,250.

Telephone charges. There'd be some long-distance charges for our office, but the biggest amount of that would be telephone charges incurred by the returning officers, long-distance charges or there are a few of them that rent phones or have phones installed during the enumeration. We're looking at there a total of \$13,450.

The biggest item, again, is going to be contract services. That's basically people fees or people costs. Again, we're looking at an enumeration, or a list of electors, of 1,703,000 people, about 5,100 polling subdivisions. Now, one thing we do here is that we base our estimates on the fact that two enumerators will be required in each subdivision. So when you're looking at 5,100 subdivisions with two people in a subdivision at \$150 apiece, that's \$1.5 million there. Each of those individuals is paid 50 cents a name. So when you add that, with the two of them and the 1.7 million, you're up to \$1,703,000. That's the biggest chunk of the enumeration right there, the enumerators' costs.

We have some support staff that the returning officers would use. The data entry and printing of the list of electors is included in that, the printing of forms that are required for the enumeration. Again, another big element in there would be the electoral maps that are prepared prior to the enumeration. As I say, the total there is \$4,047,950.

Data processing costs: we've kind of covered that off. The same rationale under the election elements. There are some printouts that we do pick up in here, the actual printouts that are supplied through what's called the central financial system, the departmental financial system; it's the government accounting system. Those printouts are charged back to us. Again, the big chunk of money in there is the actual data entry and the processing of all the enumerators' cheques. As I say, there's somewhere between 8,000 and 10,000 cheques that are going to be picked up in that. In that expenditure code, \$27,000.

The final expenditure code is materials and supplies. Again, nonreusable supplies: pens, pencils, rulers – you know, that type of material.

The total on that is \$4,626,800, considerably higher than what it was the last time.

One of the other earlier questions: the \$257,000 is sitting in there based on the fact that special enumerations may be required for by-elections. It's not anticipated that all of it will be spent at this point in time, but the possibility does exist that those dollars would be required. So that's the big difference between the two of them.

Another one of the earlier questions: the difference. If you look at the forecast, it doesn't tell you what we spent in the last enumeration. Again, that was around \$3.7 million. We're not quite \$900,000 higher. We're basing that on the fact that our estimates are prepared on using two enumerators. In the cities you have to use two enumerators. In the rural areas the returning officer still has the option of using one or two enumerators. That would be the big difference between what you would see if you were looking at the costs for the '93 general enumeration versus what we're requesting in this year.

THE CHAIRMAN: Do we have any questions?

MR. BRUSEKER: One of the things we've been talking about, Bill or Derm or whoever wants to tackle the question, is the concept of a permanent voters list. That obviously hasn't been factored into this budget. Do you have any idea what that might cost were you to add it on to the process subsequent to the enumeration? I understood from our conversations earlier that you would have to

do the regular enumeration first and then you would move on from there.

MR. WHELAN: Well, if the recommendations that we put to the committee earlier were implemented and legislation was forthcoming, if the policymakers made the changes, first of all, the enumeration would probably cost a million dollars less – I think your estimate was \$900,000 – because we would by and large use one enumerator per division, unless using two was required for reasons of security. Secondly, if the cost is shared with Elections Canada, I would estimate there would be a further saving. This saving, when I express it, will certainly be a ballpark figure. I'm going to say it's between \$1 million and \$2 million. I don't know precisely what it would be if the legislation were passed and we were able to share this chore with Elections Canada, but it certainly would be \$1 million if not \$2 million.

Indeed, if the legislation were in place to enable this process to be accomplished in a different way, then the cost you would be looking at could, let's say, be almost cut in half. Of course, these are policy decisions that are made beyond my office; I leave that to the committee. There's no doubt that if we were to implement a process with Elections Canada and revert to using only one enumerator in each electoral division, the savings in the total cost of the enumeration in a given year would be in that order.

MR. BRUSEKER: Thank you.

THE CHAIRMAN: Are there any further questions on any part of the budget proposal this afternoon?

MR. WHELAN: Mr. Chairman, just a couple of general comments before we finish. I'd like to tell you that we have reduced the administrative element by 20 percent, and that figure, on the bottom line, appears on page A.

I'd like to stress again the fact that we have eliminated one senior management position, and I think we've pretty well decided that it's not to be filled. That occurred last year, with a net savings of 17.75 percent of our budget, or approximately \$80,000. So I think the committee can be assured that we have reduced the administrative element by 20 percent.

The other comment I wanted to make was with respect to the enumeration. Well, I sort of made that in response to Mr. Bruseker's question, Mr. Chairman, but if there are any other questions, I'd try and answer them.

The whole theory of presenting a reserve figure for elections and enumerations comes from the implications in the Deficit Elimination Act, where it's clearly said that unless it's an emergency, in quotations, special warrants ought not to be sought. So the best way I've heard this expressed is that a reserve should be put up and carried forward, and that's actually what Mr. Brassard said with respect to this matter.

2:15

I don't know, obviously, Mr. Kowalski, if there's going to be an election in the next year or not. I suspect not. I think it would be the following year. Next year I'm not sure whether there's even going to be an enumeration, because the boundaries commission won't finish until the end of June and then that matter has to be considered in the Legislature. We don't want to do an enumeration if there are going to be different boundaries. That would be counterproductive. So, quite frankly, all of this money is a reserve. The thing about a reserve is that there's really no direct charge on the Treasury because the money is not drawn unless it is needed.

Those are the only comments I would like to add.

THE CHAIRMAN: If there are no other questions, I would like someone to make a motion to approve the Chief Electoral Officer's budget on that figure on the first page in the bottom right-hand corner.

MR. BRASSARD: I will so move that the Chief Electoral Officer's budget for the year 1996-97 be approved at \$9,539,420.

THE CHAIRMAN: All those in favour?

MR. KOWALSKI: Can we have a discussion first?

THE CHAIRMAN: Discussion.

MR. KOWALSKI: Well, the motion will set aside \$9,539,000, notwithstanding the point that the bottom line will be that if the money's not drawn, then in essence it will remain in the GR fund. But in terms of budgeting, then, that \$9,539,000 which may not be necessary, made up of a considerable amount for an election and enumeration, then in essence will have to be drawn against some other department or some other agency of the government if it wants to meet its fiscal targets. At the end of a fiscal year, if the money's not used, of course it will remain there, but in terms of a budget planning process, then over the next number of months, looking at other departments and other agencies of the government, if the \$9 million is set aside in this area and not used, it in essence will have to be drawn against some other areas. Will that be Health? Will that be Education? Will that be social services? Will that be multiculturalism? Who knows what it'll be? It won't be this committee that'll make those decisions.

So my only point here is that if we don't need to set aside the money – it may be nice to have a contingency. It may be nice to have a reserve, but there's a very subjective guess being made that the dollars will be needed. On that point, it seems to me there are too many wild cards out there at the moment, and I would wonder why we would want to do it.

MR. BRASSARD: Well, I think, Mr. Chairman, we'd all agree that certainly our budget forecasts and targets and achievement of those targets have changed dramatically in the last year or two. Figures such as election costs, which were a foregone conclusion but an uncertainty as to when they were going to be required, were kind of left in limbo. That was a very acceptable procedure given the times that we operated in. However, now we have things like legislation in place that significantly restrict our flexibility in this area, and I think we'd be remiss if we didn't forecast for an expense that could be foreseen or anticipated. Now, it may not show up in 1996-97. It could very well be earlier, in which case Ken's right: we're going to have to have a special warrant. It could be that it'll be in 1997-98, in which case these figures will come forward again. But I do believe it would be wrong of this committee to accept a budget that didn't incorporate some anticipated cost for those expenses, recognizing that they're going to be there sometime. So that's the rationale that we arrived at almost a year ago and why we asked the electoral officer to put those figures in his budget.

THE CHAIRMAN: Any further discussion on this motion of Roy's? All those in favour? Opposed? Carried. Two opposed.

Thank you, gentlemen. We will be reconvening the committee at 2:30 when the Ombudsman comes in, so don't leave too far, please.

[The committee adjourned from 2:22 p.m. to 2:25 p.m.]

THE CHAIRMAN: I'll call the meeting back to order. I would like to welcome the Ombudsman, Harley Johnson, and Dixie Watson to our meeting this afternoon. I guess you know what we're here for, Harley and Dixie, so I'll turn it over to you for explanation of your budget proposal.

MR. JOHNSON: Okay, sir. Thank you very much. I think you've got a copy of the budget. We submitted it in advance. Just as an opening comment, very, very briefly, this is the lowest budget submission by the office of the Ombudsman since 1986-87. In conjunction with that, it complies with the directions that the standing committee had given to the office in an attempt to reduce total expenditures.

As of June 30 the final person will be leaving the office. We reached the 20 percent reduction in staff. It makes it a very difficult time, and we can touch on it very briefly in the budget as we get to it. You can see in the budget figures for 1996-97 that the bottom line is that we are under our expected expenditures forecasted for the rest of this year and under the approved budget for last year.

Do you wish me to go through the individual components, Mr. Chairman? From the committee perspective, although there are a couple of newer faces around the table, the budget stands basically for itself, as it is. The expenditures are, as I say, going to be under budget this year, and we're asking for even less next year to meet the requirements.

THE CHAIRMAN: What's the wish of the committee? Would you just as soon go through it line by line? Sure.

Would you do that quickly, and if there are any questions, committee members can stop you.

MR. JOHNSON: Very briefly then, sir, under salaries, 711A, there is no reduction in the amount. What is happening in this particular one, of course, is that we are required by directives that we must give wage increases. So while we're laying off a staff member out of the Calgary office as of next year, the expenditures aren't being reduced because we must give increases by the process that's been established.

You'll notice that under 711C there are no wages. We're expecting no wage employees for next year.

Payment to contract employees. That is my salary and benefits, and I'm the only person under contract at the present time in the office.

Employer contributions. Again, this is what the government has to pay into all the different programs: dental, medical, those types of issues, pensions. Again we're asking for a reduction. That's based on the amount of moneys that we are expecting to have to spend for our employees.

Allowances and benefits. We're estimating \$1,200, the same as the approved budget for this year. We're actually forecasting an expenditure of approximately \$500 more for this year, and that's only because the Canadian Ombudsmen conference this year charged an actual fee for attending. So we're spending more, but we're making it up in the rest of the budget.

Travel expenses. I am, because of processes, instructing my investigative staff that if at all possible they are to telephone complainants as opposed to meeting with them, even at the completion of an investigation. Now, from an Ombudsman perspective this is not the best way to go; from a financial perspective it is. So we are going to meet the objectives, and I will be asking for less money for travel in 1996-97.

Advertising. I have no program for advertising at the present time. I cut that out as part of the decrease.

Insurance remains the same. Basically this also includes the waiver for my investigators when they have to rent a car after going into a certain location. We have to pick up a certain cost on that.

Freight and postage. It's a minor increase of \$300. If you look across at this particular point in the budget over to cross-government charges – it's the darkest line on the right-hand side – these are government charges that are being foisted back on the office, and I use that term lightly. They're being foisted, if you will, back to all departments, and we have no choice but to pay them. For next year we are going to absorb all of those costs within our budget. I just wanted, as an identification to this committee, to let the committee know that in fact there are charges coming in under budget that I have absolutely no control of whatsoever. They're programs by government. So the increase only represents there the cross-government charge that's expected to hit us next year.

Rental of property, equipment, and goods. I'm going to go for a reduction of \$900. Again, it's based on the age of our equipment. We're able to push another year out of things, such as the photocopy machine, which we were told we'd have to replace after three years. We're now up to five, and we're going to try and get six out of it. We believe we can do it, because we're told it's still in very good condition.

Telephone and communication charges. I'm showing an increase to \$9,900. Again, a lot of this is the expected increase under cross-government charges where PWSS, Public Works, Supply and Services, is charging back to the individual departments certain telephone and communications equipment. We're expecting a potential increase here. We also have a dedicated line for confidential information passed between the Calgary and Edmonton offices, and we're expecting that at some stage to be put back to the user department. At the present time that's still going to be picked up by public works. So we're not expecting it next year; however, in subsequent years we are expecting that to come back to our office.

Repairs and maintenance speaks for itself. Again, it's on equipment, dictaphones, any piece of equipment that we have to have.

Contract services. I'm showing a decrease. This particular year I have not had to use contract services out of the office with the exception of one incident. I've got a second one coming up. The chair and I have talked on it, and it's appropriate that I can let the rest of the committee know at this particular point what it is.

I'm having a challenge to jurisdiction by one of the administrative tribunals. I have involved two ministers in those discussions, and I'm going to attempt one more resolve before we have to take this particular commission to court. I take the position that it's absolutely ludicrous for me to take another government department to court on an issue that's already been settled by a previous court. However, I have not been successful to date, and I will attempt to use whatever I can to alleviate going to court. But the contract expenditures for the 1995-96 forecast are based on that challenge to jurisdiction. I will need outside legal help to assist me through the court process on that if it flies.

Data processing services. It's a minor increase, but again the increase is based on the cross-government charges. We're really not going to have a lot of choice on that.

Hosting. No change at all, still \$2,000.

Other purchased services has a \$200 increase. In fact, the cross-government charge on that is \$100. It's a peanut item, but it starts adding up in terms of the cross-government charges.

Materials and supplies likewise. There's an increase in my '96-97 estimate but only by the amount of the cross-government charge.

So of the budget I am requesting \$1,036,800 to meet all the requirements of the office. Within that I'm absorbing the \$16,700 cross-government charges.

There will no purchase of data processing equipment next year or purchase of office equipment in excess of \$15,000, if in fact we do need it. I've put a note in a highlighted format to show the difference there. Treasury Board announced the capital asset limit will be increased from \$1,000 to \$15,000. That's strictly an informational piece of information for this committee. It has no effect whatsoever on the budget itself.

There is one item that I would like to put on the table, even though I am processing this budget as a decrease. The one item is the Calgary office. In co-operation and in conversations with the two other officers who have offices in Calgary – the Ethics Commissioner, who wants to provide a service, and the Auditor General – we are suggesting that we can provide a reception service to at least all the people there for a very minimal cost if each office picks up one-third of the position to do so. I cannot absorb that cost within the budget. So the one budget item is \$9,300, and it only means one-third of one position. As of July 1 next year, as I mentioned earlier, I will have no front-end staff in the Calgary office at all.

THE CHAIRMAN: Okay. Thanks, Harley. I have one question, then Roy, and then Gary. Do you pay rent for your office space at this time to public works?

MR. JOHNSON: No, we don't.

THE CHAIRMAN: Is that coming or not?

2:35

MR. JOHNSON: Last year when I made the presentation, we expected it to be hitting this year. We still haven't been informed that it is coming.

THE CHAIRMAN: So you just stay silent.

MR. JOHNSON: If it goes like other programs have done, if they do it during a budget year, they usually transfer an amount to get you to the end of the year to cover off. So I'm not programming for an expenditure in advance.

THE CHAIRMAN: Okay.

Roy and then Gary.

MR. BRASSARD: Yes. You said, Harley, that the cross-government charges were incorporated in those estimates, and I see things like materials and supplies up approximately that \$3,000 and the same with other purchased services. Am I to understand, then, that without these cross-government charges of \$1,000, say, in insurance, you would have reduced that by \$1,000? Is that what I'm reading here?

MR. JOHNSON: Which number? We're talking 712D.

MR. BRASSARD: It was \$2,000 in '95-96.

MR. JOHNSON: No. It shows that in fact they are cross-government charges. I had no choice but to have them. It's not an increase in that particular case, no.

MR. BRASSARD: So, say, by the same token that materials and supplies have been absorbed in that last one to \$34,200?

MR. JOHNSON: Well, no. That particular one, sir, does show an increase, 712P, to purchase and set up a dedicated computer terminal and the necessary software for PeopleSoft financial application. That is basically how people are going to be paid in the government since we contracted it out. We have no choice but to go into that particular program, or our people don't get paid.

MR. BRASSARD: In a nutshell, without elaborating too much, can you give me an idea, then, what type of charges were prior to this time picked up by other government agencies and are now incorporated in that \$16,700?

MR. JOHNSON: Well, I'm very glad you asked that question, sir, pleased.

MR. BRASSARD: You just happened to have it with you; did you?

MR. JOHNSON: I thought Frank was going to be the straight person.

If you wish, I have these. You can keep them. They show the exact amounts. I only kept them if the question came up, to be quite honest. It shows you exactly what the actual cross-government charges are or are expected to be.

MR. BRASSARD: Okay. That's super. Then I can go through that.

I'd like to just leave this with one comment, then, on the budget item itself of \$9,300. I think it would be excellent to set up an office in Calgary. There have been a lot of changes to a lot of programs, and I think to give people in the southern part of the province, if I can call it that, access to the Ombudsman more readily for \$9,300 is a bargain, to say the least, and I would strongly support that.

MR. JOHNSON: I thank you, sir, remembering that this is one-third of the position. There are the other two offices. It would be easier administratively if it was assigned to one office, but the three of us do need somebody.

MR. BRASSARD: You'd never get it cheaper than a third of the cost; that's for sure. It gives you a presence. Yes.

THE CHAIRMAN: Anything further? I have Gary, Ken, and then Don.

MR. SEVERTSON: Thanks, Mr. Chairman. I guess I have to go back to what Roy's talking about because I'm not clear on what you said. On postage and freight you said that that was taken out the year before, that the \$1,000 was transferred in '95-96 then?

MR. JOHNSON: Insurance?

MR. SEVERTSON: Maybe I'm following the wrong line here. Insurance, I mean. Yeah. You said that with that one and the materials one there were two different ways they did it, and I didn't follow what you said.

MR. JOHNSON: Some of these cross-government charges have been in place for a while. These are just showing what has been absorbed in total within the estimates themselves.

MR. SEVERTSON: Okay. Not just all this year?

MR. JOHNSON: It's not just all of this year, no, sir.

MR. SEVERTSON: Okay. So the telephone and communication was done the year before then?

MR. BRASSARD: 712H?

MR. SEVERTSON: Yeah. When was that one done?

MR. JOHNSON: November 3, '95, is when we're told it's going to happen. Some of the dedicated computer links are going to be moved over, and that's going to be this year, coming up in this year's budget.

MR. SEVERTSON: The whole \$6,600?

MR. JOHNSON: The \$6,000. With the other \$600 there are going to be some add-ons, repairs, and changes to our current telephone system, in Calgary specifically.

MR. SEVERTSON: Okay. If that wasn't the case, I was going to say: when you cut down on travel and then you're going to use more telephoning, if it wasn't taken off last year, you would have had an actual reduction in telephones.

MR. JOHNSON: Yeah.

MR. SEVERTSON: Okay. Thank you.

MR. JOHNSON: No. That's the total amount. It could be this year; it could have been last year. It was just information for you to give you an idea that we're absorbing those costs without asking for an increase in budget to do so.

MR. SEVERTSON: I took it all away from this year, and that's why.

MR. JOHNSON: Probably I didn't explain it well enough.

THE CHAIRMAN: Ken, you have a question?

MR. KOWALSKI: Please, sir. Item 712A. You mentioned something about travel. You said that there's a modest reduction here in travel of \$2,500. Then you flipped over to telephone and communication. Did I get the impression that you said that basically most of your files would now be dealt with over the telephone?

MR. JOHNSON: The final closing meetings with the complainants will be done by telephone. No, if we have to go out and review the files, we can't do that by telephone. We have to actually go see the physical file and go through paper by paper.

MR. KOWALSKI: How many people travel in the office of the Ombudsman?

MR. JOHNSON: All the investigators.

MR. KOWALSKI: How many of them?

MR. JOHNSON: Eight.

MR. KOWALSKI: There are eight. So they do a modest amount of travel, then, if the budget is only \$46,000.

MR. JOHNSON: Exactly. It's very modest. With the majority of files in the majority of departments they can transfer the files in, and we can review the files in our office. Some can't because they're on-site files. Workers' comp is easy; they can transfer the whole file. The problem with doing some of the workers' comp and some of the other files is that if we say that we want to review a file, they send it to us. They stop action on it. So it's much better for us to go do it on-site.

MR. KOWALSKI: Okay. The profile of travel within Alberta is essentially Edmonton and Calgary?

MR. JOHNSON: No. An awful lot down to Lethbridge, Medicine Hat, Grande Prairie. The one area that has been reduced would be Grande Cache because that's now a federal facility. But I had my investigator, whenever he did Grande Cache, also do all the files in Grande Prairie and Peace River on a swing to try and cut the costs.

MR. KOWALSKI: But most of the travel is related to the skewing of the kind of problem – you said that Grande Cache has to do with prisons.

MR. JOHNSON: That's correct.

MR. KOWALSKI: WCB was mentioned as well. Do most of the files you deal with fall under those two categories along with social services?

MR. JOHNSON: No. Family and Social Services is a major one. Family and Social Services has got district offices which are more centrally located. Therefore, we can do them in a more central Calgary-Edmonton location, although Grande Prairie, Red Deer, Fort McMurray, Lethbridge, and Medicine Hat still require some travel.

MR. KOWALSKI: You won't be doing any advertising.

MR. JOHNSON: There'll be no advertising.

MR. KOWALSKI: So if somebody wants to find out about the Ombudsman, he'll either get it through his MLA, or it'll be rough justice.

MR. JOHNSON: Well, it's not quite that bad, sir.

MR. KOWALSKI: How will they find you then?

MR. JOHNSON: For the most part we're in all the telephone books. The other thing is that government departments do know of it, and they advertise to a complainant who in fact is not receiving a service to their level. They love to say: "Take it to the Ombudsman. Get away from my door for the first few minutes."

The other way is talk shows. I'm continually doing talk shows. Well, yesterday I was in Lethbridge giving a presentation to a hundred Rotarians, who also then would spill it out, leaving a number of brochures behind. Today I did the administrative tribunals over lunch. Hopefully that will also decrease the number of complaints that come to my office that particular way.

MR. KOWALSKI: Can they reach you by E-mail as well?

MR. JOHNSON: They can. We're going to be setting it up so that the analyst as of April 1 next year will be under E-mail. Right now I'm the only one under E-mail.

MR. KOWALSKI: Have you got a page on the Internet?

MR. JOHNSON: The International Ombudsman Institute has a home page; I don't have one yet. We're not quite ready to go to that sophisticated level. Actually, it's not a bad idea. I think we should. It's just a matter of time.

MR. KOWALSKI: If you flip up "government of Alberta" on the Internet, there's nothing there. I mean, it's there; it's available. But if it's dated by a couple of months, for the most part it's quite useless.

MR. JOHNSON: Yeah. Oh, it is coming. The analyst will be up. Now, I don't like to use the term when it's being recorded, but I'm basically bastardizing a few pieces of equipment to put a dedicated Internet into the analyst office. I do not want Internet linked with my complaint system.

MR. KOWALSKI: Well, there's the magic.

MR. JOHNSON: We could put blockage and fire walls and all of the good terminology on it; however, hackers are hackers and can get in anywhere if they know the right buttons to push.

MR. KOWALSKI: It's a very accessible service.

MR. JOHNSON: Very. So it's not currently linked.

THE CHAIRMAN: Don, you have a question?

DR. MASSEY: No. It's been answered, thanks. It's been answered under salaries.

MR. JOHNSON: Are you talking '98-99?

DR. MASSEY: The number of people, the eight investigators.

MR. JOHNSON: Oh. I will be looking for an increase of an investigator next year. I'm going to give advance warning to the committee, if I can. We're at max. We've increased our time lines to investigate. I've got some concerns that are starting to pop up. I can only push the staff for so long at a max when I'm going to start seeing some seams come apart.

2:45

THE CHAIRMAN: Any further questions? If there aren't, I would entertain a motion of acceptance of that.

MR. SEVERTSON: I'll so move that.

THE CHAIRMAN: Gary.

MR. SEVERTSON: Do I have to read it out?

THE CHAIRMAN: Yes, if you would, that line at the bottom of the '96-97 estimates.

MR. SEVERTSON: I move that we approve the budget of \$1,036,800 for the year 1996-97.

MR. BRUSEKER: It's actually \$1,046,100; isn't it?

MR. JOHNSON: If you accept the one-third position in Calgary, it would be the increased amount.

MR. SEVERTSON: Oh, okay.

MR. BRUSEKER: \$1,046,100 is the way I add it up.

THE CHAIRMAN: Okay. Is there any discussion on Gary's motion? All those in favour? Opposed? Carried. Thank you, Harley.

We did that so fast, committee members. The Auditor General isn't going to be in here till 3:30, I think.

MR. BRUSEKER: It is now what time?

THE CHAIRMAN: It is 10 to 3.

MR. BRASSARD: Maybe you should call Mr. Clark and see if he can move his up too.

THE CHAIRMAN: He can't.

MR. BRASSARD: He can't be here till 4:30?

THE CHAIRMAN: No. He was booked in, and that's actually why we didn't start till 1:30.

MRS. SHUMYLA: I could phone, but I think the Auditor General is in another meeting until 2:30.

THE CHAIRMAN: The Auditor General is probably going to take the hour.

MR. BRASSARD: So you're going to take a recess for three-quarters of an hour?

THE CHAIRMAN: Sure. Yeah. We don't know how to schedule these guys. So we'll see you at 3:30.

[The committee adjourned from 2:49 p.m. to 3:30 p.m.]

THE CHAIRMAN: We'll call the meeting back to order. I'd like to welcome Peter Valentine, Andrew Wingate, and Don Neufeld to the meeting at this time from the Auditor's office. We all know why we're here. So I'll turn it over to you, Peter, or whoever is going to maybe walk us through your budget estimates.

MR. VALENTINE: Thank you, Mr. Chairman. I'm going to start out by talking a little bit about a paper that we've done in the office and which will be distributed to you before we leave and which I intend to distribute to deputy ministers this Friday, when I'm presenting to them, and to the cabinet next week. The document is entitled Auditing for the Public.

The major points made in that paper are that in order to have the auditor's opinion have the value that's appropriate to it, that auditor must be independent of directors and management and therefore auditors should be appointed by funders, being the taxpayers in the public sector and the shareholders in the private sector. I've cited a number of instances in that paper where the interests of funders and shareholders are not necessarily best served by the current practice of directors appointing auditors. There's perhaps not the correct relationship there. In the paper we discuss why the taxpayers' auditor should be appointed by MLAs representing the public and that some boards and managements that you will come

across now in various organizations are making some suggestions about their auditor being appointed by their own directorship, and I have a particular problem with that. I had it when I was in the private sector, and I continue to have the problem because I don't know where the master/servant relationship starts or stops and where the independent auditor starts or stops in those situations.

There's a very good mechanic I've observed to be true in the relationship that we have in many situations in the public sector, because failing the appointment of the Auditor General, I think MLAs should be ensuring that the auditor appointed has the same mandate and the same responsibilities as the Auditor General. I think of one instance recently where that perhaps is not the case. I think that if the auditor is appointed as an agent of the Auditor General, we move to a formula which achieves the best interests of both worlds. My paper goes on to explain the success that we've had in using private-sector auditors in a cost-efficient way in the past.

So the purpose of the paper is to give this committee and others a review of and a focus on the whole question of the auditor appointment issue. I felt that perhaps some of the discussion we had at the last meeting would be enhanced by us actually doing a paper, and I'm quite pleased with it. I'd be pleased also to hear any observations that you might have on it.

Now, to go on to the budget, which is the matter that we're here for. Within the budget material that was distributed to you, I think it's obvious that the most important item is manpower costs. I'd like now just to spend a few minutes and talk generally about that manpower cost and what it represents in terms of people in our office.

The success of my office clearly depends on our ability to continue to produce excellent service at a reasonable cost. In the 1992-93 year our actual full-time equivalent positions were 164. The forecast for the current year is 109. That's a 34 percent reduction in body count. Total manpower costs will have dropped from \$8.2 million in '92-93 to a forecast of \$5.9 million in the current year, and that represents a 28 percent decrease. The difference between the total body count reduction and the dollar salary reduction would indicate that there's been a greater propensity for people to drop out at the lower end of the salary scale.

Further, as part of my ongoing review of the current operations of the office, which I've touched on on previous occasions with you, we formed a task force to examine our administrative functions. The consequence of that is that we're in the process of implementing changes that will over time decrease our administrative costs by more than 20 percent. I think we've found, Don, that a quarter of a million dollars is the target to meet that number?

MR. NEUFELD: About \$300,000.

MR. VALENTINE: These savings are going to be effected through position reductions and through the use of less senior staff. I think we can get it into sort of the right categories. I'm sure you'd agree with me that the office has been very successful at significantly reducing the most significant cost of our operation, that being salaries.

By changing the focus of the way we do business, by emphasizing client contact and service, I believe that we've improved the quality of service that we provide in addition. Although the overall costs have reduced significantly, certain costs, such as travel, have increased to enable this new focus. I'm slowly reaching my target of having visited with every client. I'm not very far away from finishing that project. I'm working on repeat visits

with clients that are having difficulty with their financial disclosure. I might say that's a very successful and rewarding opportunity also.

I'd like now to talk about a situation that has the potential of rapidly reducing our ability to do the job, and that situation is caused by my inability to appropriately reward performance. The professionals in our office can really take us forward. We have people who know what's required and can help our clients to make the accountability formula work. Unless we work hard to retain our best people, others are only too happy to take them from us. We're already rapidly losing some of our best young talent, as this chart will show you. Of the 38 professionals we had trained in the past six years, only 10 remain. I should point out that since preparing this chart on Thursday of last week, we received another resignation. Rupert Cass, who's a 1994 graduate, will be leaving us at the end of December.

MR. WINGATE: What this shows is the year of graduation and the program in which the student belonged: CA or CMA. These are the names of the people who were successful in those various years. The shaded portion is the people who left subsequent to graduation. So you can see that we've got remarkably few who are still with us. As was just pointed out, we've lost one of those in the last week as well.

MR. VALENTINE: In one respect the rapid turnover has contributed to reducing our costs. However, fundamentally it can be very damaging since we have to replace experienced managers with raw students, and then we don't have the expertise going out to the engagement. This problem I think now is becoming acute since we need to stabilize our complement at approximately 110 positions. From what I have been able to absorb in the last nine months, I think that's about where the office should be given the demand on the office, although the demand on the office can change dramatically. You would be well aware of that. We have three people working on the evaluation of contracts at the Calgary regional health authority. Those people have been drawn off existing work in order to meet an urgent demand.

I think the office has been very successful in attracting top students. The environment's a good environment for someone to come to us and study and learn the necessary background in order to write their qualifying examinations. As long as they remain students, we have the flexibility to pay them in accordance to their individual performance and at the same time meet the private-sector competition. But once they obtain their professional designation, we're not able to maintain the salary parity with the private-sector firms because, essentially, of the freeze on management salaries, and then obviously they leave for greener pastures.

It's come to the point where some have left even before they qualify because they know they're going to run into that blockage and they seek an opportunity if the profession has a demand at that particular time. At the moment in Edmonton it does. That waxes and wanes, but at the moment there is a fair demand out there. We have tried to recruit replacement staff but had limited success, principally because of the demand in the marketplace. In addition to that, recruiting and training people is fairly expensive. Not only does it cost us money to recruit them, but we end up having to pay a higher salary scale to attract less experienced managers than the ones we're replacing. If I were in the private sector, I could say that might be a recipe for bankruptcy.

3:40

So you understand the situation that we're experiencing, I might just give you a little picture of how a CA firm attracts and retains top quality professionals. As you know, that's the environment that

I came from fairly recently, and I keep in touch with my former colleagues so that I have some feel for what those guys are up to.

Obviously they market their firm at the recruitment period to attract the very best of students from the universities. I think we compete very well. They initially pay them low salaries. We do the same thing. They invest a lot of time and money to train them, because that's in their very formative years. The public-sector firms obviously set very high standards for progressing quickly. That's from both an academic point of view and on-the-job experience. They promote and reward their best, and they release the ones that don't work out or don't progress very quickly.

There's no question it's an up or out environment, and we can profit from some of that up or out environment if there's not a strong industry demand, but at the moment we see a strong industry demand, so we're not experiencing the opportunity to hire some of those people.

It's a strategy that public accounting firms are not at liberty to vary. It's a reality imposed on them if they're going to remain in business. We get a chance to have people for a much longer period of time so it's not quite as serious for us. It is true that if you don't select the right people at the beginning and you don't give them a fair opportunity fairly quickly, then they will leave for greener pastures.

As you are aware, I mentioned in our first meeting last spring that I was concerned about our ability to hire and retain people I need. My concerns I think are quite well founded now. I think something has to be done to reward people for their results, or eventually we're going to run out of some staff.

You'll see from chart 2 that the salaries in our shop are considerably less than the private sector once you reach the management category. So after staff CA, when we move into audit manager – you're not so bad when you're first audit manager, but as you climb in to the higher levels, then there's quite a disparity. I'm not saying that it should be equal by any stretch of the imagination, but I just want you to be aware of where that break starts to occur.

Our problem, of course, is that once our newly qualified staff move into management, we can't increase their salaries unless we promote them. Further, our ability to promote will be reduced as we flatten the organization by reducing the number of management levels, and I'm going to come to that in a minute.

It's also interesting to note in the next chart that our salaries are amongst the lowest in the public sector. If our salaries were up around the average manager/director levels of economic development or Justice or transportation – Justice would be a good example, because they have a fair proportion of professionals in their management group, as do we, but we're much further down the ladder.

Another point I just want you to recognize is what the realism is to operating our office here. Now, you don't have to be told that cabinet has approved a new management job evaluation plan, and we are commencing to work with PAO to evaluate all of our management positions, but I'm not sure that's going to provide a solution to our particular problem. PAO, as you know, is evaluating each job by awarding points, depending on the difficulty of the skills required. The primary objective of that program is to establish the relative net worth of each job without regard to an incumbent's performance.

In our case we have this outside barometer where we know the worth of each job. We get a ready comparison with the private CA firms on a regular basis. Our difficulty has never been so much to establish the value of the job, but rather it's a question of the difficulty in paying the people what they're worth. We need to reward performance and pay sufficiently if we're going to retain a

competent staff and provide for the ultimate succession of the three guys that are sitting at this table today.

I'm also aware that the government has approved the productivity-plus program. I was very interested to read that documentation. It will allow the payment of lump sum bonuses to some of our people. My office is intending to prepare a proposal under this productivity-plus program, and we're going to suggest that we submit it to this committee. Submitting it to this committee rather than to the government committee is preferable from my point of view in that to submit it to the people who are our clients in and of itself could represent a substantial conflict of interest. I certainly wouldn't want them deciding that Mr. X should be rewarded in my place because he did the audit of their organization. That would be an inappropriate relationship.

The program, however, does have some risks. I think the experience in the private sector has shown that small bonuses paid to a small percentage of employees can be a demotivator just as easily as a motivator within the entire organization. If the system permitted significant bonuses to be paid, it doesn't necessarily solve the issue either, because paying a bonus one year and not the next doesn't deal with the promotion of people and paying them what their duties are worth.

The budget document before you I think shows you that we've done our part to reduce costs. To continue to make progress in this respect, I have some operational recommendations I'd like to make. The first one is that I would like to reduce the number of management levels from eight to four and then pay people appropriately within each level, based on their contributions. At the moment we have M1, 2, and 3; SM1, 2 and 3; and EM1 and 2. Those are the eight positions. I'm proposing that we replace this with one classification level for each of the following: manager, principal, Assistant Auditor General, and Deputy Auditor General. I'd like to merge my present directors and senior directors into one group and give them the title audit principal. That's consistent with the practice of most CA firms, and it's a growing description of senior professionals within the profession. It's my intention to rank all the management employees within their appropriate classification level. Based on comprehensive performance appraisals, including information which we produce to tell each other what our individual contributions are to our business plans, then I would proceed to adjust salaries to more accurately reflect these rankings. There would be large increases for some people, no increases for others, and we may even reduce some. However, this program has some certain risks. So that's the recommendation, to go from eight to four titles.

The second recommendation I have is that we eliminate any overlap in the salary ranges within the four levels of management. At the moment we've got people making more money working for a person with a greater rank making less money. They all know where they stand in the money pile. The titles can get a little washy there because I think money is an indicator, for some reason or other, a stronger measure, and I don't think it's appropriate. A number of the current problems that we have with our management salaries stem from the fact that that current system assigns the salary levels to classifications, and there are substantial overlaps in this between the various levels of management. You can see these overlaps on the left-hand side of the chart. What we're proposing would be on the right-hand side of the chart. So you see that we substantially narrowed audit manager, for example. We've taken audit principals up a little higher. The Assistant Auditor General range shouldn't be so . . . To come for \$55,000 – I'd never make one that was \$55,000, for one thing. I think we're building in a realism to that progression. As I said, there's a substantial amount of damage that's been done by these overlaps and because of the

reason that subordinates end up making more money than their managers.

The third recommendation I have is in connection with the title of my colleague on my right, and I'm recommending the creation of the position of Deputy Auditor General, to be classed as a senior official and outside the normal classification system. The term is used by all the significant offices of Auditors General in Canada and particularly quite widely used within the federal department. There are a number of deputies over a variety of disciplines. It also lines up with the verbiage used in other selected positions in government; for example, the deputy clerk of the Executive Council, vice-chairs of some boards, and the senior assistant superintendents of Treasury Branches. I believe it would be appropriate for this committee to determine the salary range for the position, and I would intend to appoint Andrew as my deputy.

I'm confident that I can implement these recommendations with the budget that you have before you. I don't need to do anything differently, but I know that our relationship with our clients would be damaged if you acted on my recommendations without considering the problems that might exist elsewhere in the civil service. I believe, however, that the changes I'm recommending have to be made in the long term. The facts presented on the charts demonstrate the magnitude of the problem that I face. The longer that action is postponed, the greater the damage that could occur to my office and then to the accountability formula and to the public service. So I'd be pleased to discuss these recommendations either later on in this meeting or in a separate meeting, as the occasion may demand.

3:50

Having dealt with that sort of manpower thing – and I hope I've given you a really good insight into where we are in the office – I'd like to turn to the line item agent fees on the first schedule before you, particularly the RHA and hospital lines. As you can see, the forecast expenditure, \$568,000 for '95-96, is budgeted to increase to \$918,000 in '96-97 and to increase further in subsequent years. One of the major reasons for the increase is the recommendation work that we plan to undertake through our agents. If you'll remember, section 19 of the Auditor General Act requires us to make recommendations related to systems improvements, and this section is the basis for the recommendation work that we do. I certainly believe that this work is important.

I want you to know that in the short time that the health authorities have been operating, a number of them have already recognized the unique contribution that my office can make in this area. We've had calls from four regional health authorities now for assistance either in financial statement preparation, in dealing with some of the transitional issues, for accounting for trust funds and the like, and more recently the issue about the allocation of the contract for laundry in Calgary. One other entity wants us to come and look at their financial reporting system, because they have some serious deficiencies in the system coming together. No one system in that particular jurisdiction could handle the whole region. Each entity or site before had its own accounting system, but they aren't big enough to put all the sites on one system.

I think these requests arise because we're seen to be independent, we're known to take a balanced approach to the difficult systems issues, and we have a track record for providing useful recommendations. The proposed recommendation work in RHAs is expected to increase from \$330,000 in 1996-97 to \$520,000 in '98-99. The rest of the increase in agents fees for the RHAs is due to the opinion audits and will be recovered in the audit fee revenue.

Mr. Chairman, that's the end of my prepared remarks. Don and Andrew and I are prepared to answer any of your questions that you may have, and we would welcome that opportunity.

THE CHAIRMAN: I have a question, Peter. With regards to office accommodation, is public works paying for your office space or are you paying for your office space?

MR. VALENTINE: They write the cheque, and we put the costs on our books.

THE CHAIRMAN: But you are not, out of your budget, writing a cheque for office space; right?

MR. NEUFELD: We have been encouraging the Department of Public Works, Supply and Services to pass on their accommodation costs to the user departments. They have initiated a pilot project this year, 1995-96, in which three organizations will actually pay them. We have been chosen to be one of those three organizations in their pilot project. So, yes, we will be paying them a cheque, either directly or through journal entry, but it will be coming out of our budget.

THE CHAIRMAN: Okay. For 1994-95 you had office accommodations down at \$612,000. So the money really didn't come out of your budget that year.

MR. NEUFELD: Yeah. Prior to 1995-96 they were paid by Public Works, Supply and Services, and we did not reimburse them.

THE CHAIRMAN: Yet you had it in your budget?

MR. VALENTINE: Well, in order for you to see the full cost of our operation, we have it there. Our financial statements that were contained in the public accounts this year show all the costs of running the Auditor's office, whether it was paid for and actually the cheque written by public works or whether it was incurred by ourselves.

THE CHAIRMAN: But if you did not incur the cost, how could you put it in as a cost, if you didn't write a cheque?

MR. VALENTINE: It's fairly easy, because we used a journal entry. On one hand we had the cost in our income statement, and on the other hand we showed we had a contribution from public works.

THE CHAIRMAN: I see. Okay.

MR. VALENTINE: We certainly weren't doing one-sided bookkeeping, Mr. Chairman. I'm not an advocate of that.

THE CHAIRMAN: No. And is that the same with furniture?

MR. VALENTINE: Yes. All of our costs; yes, everything.

MR. NEUFELD: In the past, the department of public works has paid for our furniture. We have been buying most of our equipment out of our capital budget, that the committee approves, but consistent with our wish to incur our own costs and report our own costs, we're submitting a budget to you now that incorporates our furniture requirements.

THE CHAIRMAN: Which you will be paying for?

MR. NEUFELD: Yeah. And public works is off-loading those on user departments elsewhere as well.

THE CHAIRMAN: I have a question from Ken.

MR. KOWALSKI: It was on the last item, the one dealing with furniture. You've got a budgetary item in here for \$772,650 for '96-97 for furniture. Do I take it, then, that you're simply purchasing the furniture that public works has supplied to you?

MR. VALENTINE: No, Ken. I'm sorry, but we badly need some new furniture.

MR. KOWALSKI: So this is a cost for a new acquisition of furniture. There wasn't any last year or the last two years?

MR. VALENTINE: No. In fact, if you come down and join me in our Calgary office, the chair you get to sit in is probably one that somebody sat in 15 years ago. It has very little sponge left in it.

MR. KOWALSKI: So what you're saying is that you have a request here for \$772,650 worth of furniture this next fiscal year?

MR. VALENTINE: Yes.

MR. KOWALSKI: And you'll pay it back through the amortization schedule that you've got later in here, at \$77,265 a year.

MR. VALENTINE: That's correct.

MR. NEUFELD: Over 10 years; that's right.

MR. KOWALSKI: Yes. I just wanted clarification of that.

Now, the capital investment for hardware. I just want to understand these figures; that's all I want to do. The hardware request is for \$236,000, and you're paying back \$112,000 a year on the amortization side of that.

MR. VALENTINE: Short life.

MR. KOWALSKI: Yeah. I appreciate that.

MR. NEUFELD: That's over five years.

MR. KOWALSKI: So what you're saying is that the desks and the chairs that you have are not sufficient. That's bottom line; right?

MR. VALENTINE: I'd really like you to come and see the Calgary office. We are using very, very old furniture, and in Calgary, you may be aware, we're trying to – should I explain what my thoughts are about Calgary, Mr. Chairman?

THE CHAIRMAN: Yeah.

MR. VALENTINE: I've been in discussion with the Chief Electoral Officer, the Ombudsman, and the Ethics Commissioner with a view to establishing an office of legislative officers in Calgary, such that we would share a boardroom, fax, supply room, reception, and secretarial support amongst the four of us. We would have adequate space for the likes of our staff, who occasionally come into the office to wrap up a file and prepare for the next engagement but don't occupy the same desk every day. They need to be out with our clients, not in our shop. That kind of space would be available to the Chief Electoral Officer in the event that there was

a by-election and he needed to set up his establishment or in the case of a general election and he has to have an office in the southern part of the province. So we would make double use of that.

We would have a number of private offices that would be available to any of my senior staff or any of the other three officers' senior staff in Calgary. We're all on one site, and we have someone that answers the phone, sends the faxes, and deals with administrating the office. At the moment the four of us are somewhat hampered because we don't have enough critical mass in the Calgary area. So I see that as being a very attractive solution and one that derives a substantial amount of economy in the four offices. Some of the \$700,000 that's in here is in anticipation of bringing that thing to fruition.

MR. KOWALSKI: May I ask another question, just for clarification, so I really understand this. Above that, under telephone and communications, the profile shows for '94 and '95, through to '95-96, \$2,000 to \$10,000, and then there's an increase from \$10,300 to \$90,500.

4:00

MR. VALENTINE: That's correct.

MR. KOWALSKI: There must be an explanation behind that.

MR. VALENTINE: There is. When I arrived there was a very antiquated phone system that had about seven outside lines. Each of the six senior officials in the office had their own phone number, and then we had a general switchboard number, and that switchboard worked from 8:15 to 4:15. It was impossible to get ahold of my people after 4:15 in the afternoon, so we threw that system out and let the law of gravity take over. It might be in the alley behind the 9th Street building we're in. I don't know; I haven't looked. But we now have voice mail and a proper phone system. It's the same system that many government departments are on, and it uses the government voice mail system. So we've gone to higher rent charges.

We also will be working with a system whereby the people in the field can tie in to the computer network in the office by telephone line, and we can download client files and financial statements and the like to the individual client site. Now that we've got about half of our laptop computers in hand – the other half will come along next year – we're going to be able to have all our people communicate with the office on a real-life basis and increase the productivity of my people substantially.

MR. KOWALSKI: May I ask one last question again just for clarification?

THE CHAIRMAN: Sure.

MR. WINGATE: Well, Don was going to supplement the last answer actually.

MR. KOWALSKI: Okay. Sure.

MR. NEUFELD: This is another area where public works is moving costs from their budget to ours. About \$40,000 of the increase is the payment of the actual line charges by Edmonton Telephones for our voice phones and voice mail. There's an additional \$40,000 estimate by public works for our share of main data lines and our share of the RITE system, another main telephone infrastructure of

public works. They are now beginning to estimate those costs and pass them on to users, and we're one of those users.

MR. WINGATE: So to view this as an increase, it's an increase as far as we are concerned, but it's matched by a reduction as far as public works is concerned, because what they're doing is allocating the cost to the consuming organization.

MR. KOWALSKI: One last question, and it comes in that same section, supplies and services. The amortization of capital assets shows, I guess, over a 50 percent increase, from \$211,000 to \$335,000, and then the suggested profile for the next several years shows the amortization costs going up. Do I take it, then, that there's a faster payback, or is it just because there's an increase in capital expenditures that there's an increase in amortization costs as well?

MR. WINGATE: It's the twin effects of the furniture that we've got here and also the microcomputers that we purchased some time ago. That, added on to our existing asset base, has accelerated the charge for amortization over the next few years. So we've got a surge in our expenditure on microcomputers, which is then reflected through as an increased amortization charge for some time, and that's also the case for the furniture. I don't think we've replaced our furniture since I've been with the office actually, and that's 20 years.

MR. NEUFELD: I can't remember it, and I've been 31 years.

MR. KOWALSKI: Quality stuff remains. I mean, Mr. Aberhart's desk is in this building.

MR. VALENTINE: The problem is the entry level.

MR. KOWALSKI: Well, I mean, they dismantled the Westlock hospital. That's where I got most of my office equipment from.

Sorry. I just wanted this clarification.

MR. VALENTINE: That's fair. They were really good questions.

MR. WINGATE: I have one other thing to supplement, Ron, and that is that this furniture is systems furniture, which enables you to make very good use of space in that you don't have to build offices. Offices consume a lot of space, and it's part of this reduction in office accommodation. If you remember, we gave up a significant part of our existing premises. So the reason for the reduction in the accommodation charge is because we renegotiated a better rate, in fact a net negative operating cost lease, but we also gave up a substantial portion of space. So to make good use of that space was another reason for getting new furniture.

MR. KOWALSKI: With these thousands and thousands of civil servants that have lost their jobs here in the city of Edmonton, all these empty offices, where did all that furniture go, I wonder?

MR. VALENTINE: Well, I'll tell you – actually this is true – I'm sitting in a chair that comes from that process, but it was one of the few good chairs around. There's a substantial amount of furniture that is not lasting very long. It doesn't have a great life. You know, all those old ocher-coloured screens. They're still around, and they were there before Don got there. I'd be more than happy to entertain anybody coming over and having a look at the office. There are some very worn-out materials there. We're not seeking to replace everything. We're not going to do that.

One of the things with the systems furniture that's important is that we're going to decrease the square footage occupied on an average per person basis. We should get down to around 160 square feet per person in a professional office like ours, and systems furniture will enable us to do that, whereas the present kind of furniture we have doesn't necessarily allow you to make maximum efficiency of the space used. So we get an improvement. We gave up 25 percent of our real estate last June, half of the seventh floor. We aren't in that anymore. We're in 75 percent of the space, and we need to make greater efficiency of the people inside the walls we have.

MR. NEUFELD: One other reason is that we're putting computers in the hands of all our staff, and we have no furniture that accommodates computer usage. Our word processing operators are all having problems with carpal tunnel syndrome. One of them wears a wristband full-time, and we anticipate that other staff will begin having problems as well if we don't give them some proper working environments.

THE CHAIRMAN: Ken, you had another question?

MR. KOWALSKI: May I ask one last question?

MR. BRUSEKER: That's what you said last time.

MR. KOWALSKI: I know. Fine. If you want to get on, I'll follow.

MR. BRUSEKER: Go ahead.

MR. KOWALSKI: The Auditor General's office in recent years has made very strong recommendations that all departments of government should be very transparent and very clear in terms of what their costs are. As an example, if the Department of Public Works, Supply and Services has a building for a particular department, we should be able to identify what the cost is for the rental of that particular building, and it should be clearly paid for by the department back to the Department of Public Works, Supply and Services. It seems to me that the Auditor General, more than anyone else, and his office took that initiative. So when it comes down to audit fee revenue, why doesn't the same apply? If the Auditor General in essence has to audit the Department of Public Works, Supply and Services, why isn't a bill sent to that particular department saying, "You must pay us"? Is it not inconceivable that we can eventually get down here that you're running at a zero bottom line?

MR. VALENTINE: That's exactly where we're going.

MR. KOWALSKI: Okay. But we're only making progress at \$300,000 this year. You have a long way to go.

MR. VALENTINE: Well, I would like to have made a lot more progress, but the participating departments are not yet ready to create the formula whereby we can get all this done.

MR. KOWALSKI: But the reverse applies. They create the formula out there to make you pay.

MR. VALENTINE: Well, they're quick to follow our lead, which is complimentary in a sense.

MR. KOWALSKI: Oh, okay. Well, just a philosophical question.

MR. VALENTINE: I can tell you, for example, I spent two hours this afternoon at one of the pension boards, and they are kicking and screaming about getting an audit fee. Now, you've pushed the administration over there. You gave them the responsibility. You gave them the authority. But guess what? They want to leave the audit fee over with Al O'Brien. Two hours: a long discussion with people that haven't really ever had conversations about audit fees before. So we're walking very slowing into this minefield. No, I shouldn't call it that.

THE CHAIRMAN: Don, did you have a question?

DR. MASSEY: Yeah. My question is: will all government departments be doing this, dealing with capital if they want new furniture? Is this the way they'll handle it from now on?

MR. VALENTINE: This is what we would like them to do.

DR. MASSEY: You're going to have more excess furniture.

MR. VALENTINE: Well, you shouldn't. If there's a responsibility about how the budgetary process works and how you get your approval, from whomever your master is, and if you get the concurrence and the planning advice from public works, then I think the appropriate checks and balances should be there. But I do think all of the entities should have all of their costs on their books, because there's no better way to judge the performance of our store than to have a look at all the costs.

MR. WINGATE: One of the things that's interesting is that the Treasury Department is in fact in the process of doing exactly this with the whole of their department, but that cost isn't going to show up in Treasury. It's going to show up in public works.

4:10

DR. MASSEY: Just an observation. It seems to me you've got a horrible problem of optics. At a time of cuts and when people are losing jobs, for government offices to be refurbished, no matter how sound the finances may sound, it seems to me that public relations wise it's asking for some difficulties.

MR. VALENTINE: Well, it's a fair observation. We had prepared a schedule and provided it at an earlier date to the chair – I think it was also provided to the committee – which showed the reduction in the operating costs of the audit office since the 1992-93 base year. We are down some 24 percent in operating costs. I told you what the statistics were in the reduction of manpower costs.

DR. MASSEY: I'm not questioning the math.

MR. VALENTINE: I really think we're leaders in the game.

DR. MASSEY: I think you'd have a hard time convincing someone who has lost their job.

MR. VALENTINE: Well, there are people who have lost their jobs from my store too. In fact, how many are there, Don?

MR. NEUFELD: From 164 to 109.

MR. VALENTINE: We're down from 164 to 109.

DR. MASSEY: That's my point. Those people, I think, would be rightly upset.

MR. VALENTINE: Well, that's right, but on the other hand am I going to start running an operation that's efficient and produces audit product on an efficient basis using the technology that we need to stay up with today to examine computer files, to deal with the more complex transactions that exist, for example, in Treasury with derivatives and the other things, or are we going to stay back in a labour intensive organization and bop and tick in the old way? Well, you know, you have to make a decision on that score, and I think you all know where I come from in that sense.

THE CHAIRMAN: Any further questions on the Auditor's budget?

MR. BRASSARD: A comment. I'd like to go back to one of the earlier slides. You were talking about the turnover of personnel.

MR. VALENTINE: The one with the names?

MR. BRASSARD: Yes. Just so that I understand, those are graduating years?

MR. VALENTINE: Yes, that's the year they qualified with their accounting appellation.

MR. BRASSARD: So that isn't the year you lost them. I guess the point I was going to make was that it would seem that you've lost people consistently right through those years, but that's not the case.

MR. VALENTINE: Well, theoretically you should. Our operation should look a bit like a barrel. The profession used to look like a triangle. You hired as many students as you could, you worked them to death for no salary, you charged high fees, and the bosses at the top got all the profits. The profession has changed substantially. It now looks sort of like a barrel. You don't take in so many students, you invest far more in them, and you have a little wider group at the middle management level and a narrower group at the top. Our store is no different from Ernst & Young or KPMG. But we should take in enough students that in the long run we're replenishing our senior people, and those that don't work out will leave. So there is a certain amount of up or out in our store. It's not to the same degree that exists in the private sector.

MR. BRASSARD: I guess the point I was going to make was that the chart really didn't give me a handle at all on any significant change in recent years of that turnover, when they left. It simply told me that somewhere in the last five years . . .

MR. VALENTINE: Okay. We'll undertake to give you that.

MR. BRASSARD: No, it's not a big issue. I was just not certain. You also mentioned that over time you were hoping to achieve this 20 percent in your personnel. Can you give me a time frame on that?

MR. VALENTINE: Eighteen months, Don?

MR. NEUFELD: Well, a lot of it will take effect immediately, but there are a few things that will take about 18 to 24 months, I would think, before they're fully implemented.

MR. BRASSARD: Okay. There were some others but Ken covered them. Thank you. That was good.

THE CHAIRMAN: Frank, you had a question.

MR. BRUSEKER: Yeah. I want to go back to your initial presentation with the chart about the differentiation between private sector versus public sector. I'm not sure what page number I'm looking at here, but the section on professional services. You have quite a section that deals with the issue of separation pay. Now, separation pay, I see, has vacillated from a high of \$338,000 to where you're looking down the road to it only being \$50,000. That, too, seems to be quite a cost that would be related to the whole issue of turnover because of the differentiation between private-versus public-sector pay. Am I interpreting that correctly? People are leaving and are going to the private sector; therefore, you're incurring high separation pay costs. Or what's the reason for that?

MR. VALENTINE: Well, if they leave of their own free will, they don't get separation pay from me.

MR. BRUSEKER: Okay. I guess the question then is: why do you have such high amounts for separation pay?

MR. WINGATE: Well, I think one of the things that John was talking about was that to achieve the reductions in the administration, we'll have to encourage certain people to leave. These are anticipated severance payments for those people. That's the major reason for it.

It's been quite high in the past. As you see, some of the earlier figures were high, and that was when we were going through a major downsizing exercise and people didn't want to leave. What we did was pay the severance pay that was approved by personnel.

MR. BRUSEKER: Through the PAO, the personnel administration office?

MR. WINGATE: Yes.

MR. VALENTINE: The same policy. Exactly. Over the years as the office grew in size, people that weren't exactly suited to all of the audit activities tended to take on administrative jobs, and some of them stuck around a long time. Perhaps the world hasn't given them the best favour that it might have. Nonetheless, they're there, and we have to deal with them.

MR. BRUSEKER: So I guess then the question is: why are you budgeting over the next three years for a total of \$200,000 of separation pay? Do you anticipate further downsizing? As I heard your opening comments, I thought I heard you say that you're currently at about 110 positions. That seemed to be a good equilibrium for you. Are there further downsizings in total, or do you anticipate some individual difficulties?

MR. VALENTINE: There will be people that shouldn't be with us anymore, Frank.

MR. BRUSEKER: All right. Thanks.

THE CHAIRMAN: Gary, you had a question?

MR. SEVERTSON: Well, I'd just follow up, I guess, on Don's and ask Peter about the furniture aspect of it. It still bothers me when I see it all in one year. Is there any feasibility of extending that over your three-year budget term, or does it have to be all done in one year?

MR. VALENTINE: Well, if we have to do it over three years, I guess we have to do it over three years. I'd like to sort of give you

the component parts of the thing. First of all, there's a piece of that – and I don't know how much it is – that would be the third or fourth share that we have of the new Calgary facility. We're working on taking existing space that's available to government offices and moving into it. We're looking at a couple of sites that would be satisfactory to the four legislative officers and would meet their requirements.

The Ombudsman's lease runs out in June, and our lease runs out in September next year. So there's 50 percent of the equation right there that we have to do something for. The Ethics Commissioner needs space, and at the moment he is using an office in my office in Calgary. It will do for the meantime, but it's not as satisfactory as it might be. Then there's only the electoral officer left, and he goes down and contracts whatever space he can get when an election occurs. So that would be just whatever he can find, wherever he can find it. The suggestion is that he'd have space where he could hook in his computers and all the rest of that stuff ready-made for him if we were to have a combined facility. That isn't an added cost because we need that same facility for our people. So that's a piece of it.

The other piece of it is, as we said earlier, that we shrunk the Edmonton office space by 25 percent in the first part of June. Now we need to get a greater efficiency out of the space that we're in. The existing furniture doesn't really do it as well as we'd like. As we move to fewer administrative people and have more field people, we need those cubicles for them all to work in and share. It's just part of the optimization of the whole space.

Then we're faced with the problem that we've got furniture which, as Don and Andrew have told you, has not been replaced for so long now that it's falling apart. We have chairs that don't work anymore, and we have tables that are all burred on the side, and people's clothing gets caught on them and the like. Something should have been done a long time ago I'm afraid, but nobody pressed the button, I guess.

4:20

MR. SEVERTSON: But by doing it all in one year, you run into the same scenario down the road. It'll all theoretically . . .

MR. VALENTINE: Expire on one date. Well, I suppose you open yourself to that, but I can suggest that there should have been a maintenance program going along for some time. There certainly should have been a maintenance program going along with respect to our computers, hardware and software. It wasn't, and we came up and faced a crisis for it.

MR. SEVERTSON: But in the case of hardware and software, you have done that. You're not doing it all in one year.

MR. VALENTINE: Well, interestingly enough, we're managing it over a six-month period, though, the last six months of the current year and the first month of the next year.

MR. SEVERTSON: But in your estimate you've got the three years. You go up \$100,000 in hardware and \$75,000 in each of the following years.

MR. VALENTINE: If you look back to '94-95, you'll see we were \$555,000 actual in hardware and \$560,000 in software. Then to really take the two, because they go hand in hand, we would need \$350,000 this year in hardware and software. Then we're suggesting that we need to be on a maintenance into the future of \$175,000 a year. I would venture to say that every department of

government recognizes that there's a reinvestment that you need to make in your technology.

MR. SEVERTSON: Yeah. That one doesn't bother me as much. It's just that I was comparing that one with the furniture, where it's basic.

MR. VALENTINE: The furniture, by the way, will be the same as what's being used in Alberta Treasury, and it's furniture that's compatible to the plug-in of the computers. They're all wired for that. They're wired for telephone communication and the like.

MR. NEUFELD: I hear what you're saying about the three years, but what we're thinking about is system furniture, which is an integrated system of screens and hanging work surfaces. To do that piecemeal I don't think would work very well. We're hoping to take advantage of the negotiations that Treasury is completing right now on a tender package and gain some economies of scale there.

MR. SEVERTSON: When we did the other offices earlier today, they didn't have anything in their budget either on furniture, in particular in reference to your shared space.

MR. NEUFELD: Yeah. Well, Harley Johnson has brand new furniture in his office in Calgary right now, and he will be moving that furniture into our new premises. But we don't have current furniture.

THE CHAIRMAN: Frank, you had a question?

MR. BRUSEKER: Yeah. Just on the computer software and hardware both. Basically, then, am I interpreting this correctly, that you're looking at a third replacement every year concept, that basically a computer is good for about three years and then it's time to replace it?

MR. VALENTINE: Well, it's really five, Frank. Five is the life, assuming that technology doesn't come along and beat you up in the meantime. In KPMG we rolled our stuff over at the end of the fourth year, and we found that we got a better resale value of the existing materials to people that could use it and didn't get the same use, and at the same time we updated our software.

Now, Windows 95 has just come out. We've made a heavy investment in Windows 95. I'm glad that it came out when it did because we were making a shift in the hardware at the same time. So we were able to outfit everybody with Windows 95, which drives a better form of Word, of Excel, of the Schedule program we're using, and it will be much better for the remote communication system.

MR. BRUSEKER: So you're upgrading a whole package of software, not just the Windows 95.

MR. VALENTINE: The packages are units; they're interrelated and integrated.

MR. BRUSEKER: Okay. I was just wondering what your formula was on that.

THE CHAIRMAN: Well, committee members, we have reached the magic end of the hour. I know there are a lot of questions that Peter and his group have answered in regards to the budget estimate for '96-97. I will leave it up to the committee members as to whether

you think we are done with this conversation and want to have a motion to accept the proposal.

Ken.

MR. KOWALSKI: May I ask another question, please?

THE CHAIRMAN: Sure.

MR. KOWALSKI: Several meetings ago we had an order, Standing Committee on Legislative Offices order AG-1. Did we approve that?

THE CHAIRMAN: Yes, at our February meeting.

MR. KOWALSKI: No. I was here for it, and I wasn't here in February. It says:

The Standing Committee on Legislative Offices, pursuant to section 14 of the Auditor General Act, makes the following order . . .

- (3) In the case of a Regional Health Authority, the Auditor General shall charge a fee sufficient to recover all fees and disbursements paid by the Auditor General to the agent performing the audit.

Did we pass that?

THE CHAIRMAN: Yes.

MR. KOWALSKI: Well, in light of that, can you tell me how that order then relates to a costing required for 1996-97 for RHA and hospital audits of \$917,500? If I read that point, number 3, that's to be done on a cost-recovery basis. So that cost of \$917,500 has to show in the audit fee revenue if it's all to be recovered as per the order that we passed.

MR. VALENTINE: The numbers are before you. They are a little confusing because there's some netting going on. My office was the auditor of the provincial hospitals prior to the regionalization, and we did those engagements. Some were done by agents; some were done by my own staff. Since the inception of the RHA we gave up those audits, if you like. We don't do the audit of the Foothills hospital anymore. We don't do the audit of the university hospital in Edmonton; it's a good example. We gave those up. We have structured an arrangement whereby the Auditor General is the auditor of the Capital health authority.

All of the work has been tendered, and proposals have been received. Private-sector auditors have been appointed, and fee quotations have been obtained. The Capital health authority has two auditors: one will do the north half of the river, and the other will do the south half of the river. These will be numbers from memory, but the aggregate fees are in the order of \$150,000. In the Calgary situation the private-sector agent has been chosen, and the fee quotation is in the order of \$158,000 for the total authority. That same process is happening within all of the regional health authorities. At the moment I think we've been appointed and will work with agents six or seven of them.

The encouraging thing about the process, though, Ken, is that what my office has been able to do is provide guidance to the regional health authorities in the appropriate methodology for determining the selection of a private-sector auditor. If you like, we've depoliticized the appointment and made the appointment come forth on its own merits, on its technical merits. In every case the boards are very pleased with the contribution that we've been able to make to their management process.

MR. KOWALSKI: Sure. I just want to be very, very clear that I really understand. If that order says that you are to "charge a fee sufficient to recover all fees and disbursements" and then in your '96-97 budget you're requesting \$917,500 for agents' fees, that then has to be shown somewhere in here, that there's a revenue of \$917,500 that must counterbalance that.

MR. NEUFELD: I can help with that. Of the \$917,500 in agent fees on RHA and hospital audits, \$502,500 of that pertains to opinion audits, and all of that is included in our revenue estimate of \$1.5 million for 1996-97. The remaining part of the \$917,000 pertains to recommendation audit work we will be doing on the RHAs which we will not recover from them and some other hospital audits that we still retain, largely the Cancer Board.

With respect to the orders, my recollection is that in February last year the committee approved a new order that would give us the authority to recover our full costs on all of our opinion work. In September we discussed with the committee two things: one, a deferment of the implementation of that authority for one year; and secondly, the authority to undertake RHA audits. The committee passed an order in September to authorize us to undertake RHA audits, but that order did not deal with our recovery of costs from them. The new order that we have provided you today does deal with that issue.

4:30

THE CHAIRMAN: Right, and that's the one you're looking at. That hasn't been passed, no.

MR. KOWALSKI: Okay.

THE CHAIRMAN: It was going to come up at the end of our budget talks for a discussion or a motion.

MR. WINGATE: Mr. Kowalski, if you look at 1.(1), the idea is to recover audit fees on audits that result in the expression of an audit opinion; i.e., the attest audit opinion.

MR. VALENTINE: That's in 1.(1) of the order.

I envision that we could be doing much more systems audit work in these regional health authorities than perhaps was anticipated. The example that's currently on the table – and I'm not really at liberty to talk very much about it until I conclude my work – I think is an example of the potential for doing systems audit work to ensure that we have adequately functioning systems, that the systems are in place and that people know how to work with them. I suspect that we'll be doing a reasonable amount of that, and I could forecast that there'll be some of that work in the school system too.

THE CHAIRMAN: So let's focus back on the budget before we get to the order that Ken was talking about. What are the wishes of the committee members with regards to the proposed budget for '96-97?

MR. BRUSEKER: Well, Mr. Chairman, I'll make a motion that we accept the budget as presented, proposing a total expenditure of \$9,885,215.

THE CHAIRMAN: Is there any discussion on the motion?

MR. KOWALSKI: Mr. Chairman, I wanted to comment, and no disrespect to anybody, that that's going to show an increase of \$630,000, and I think the Auditor General is going to have a very

interesting time next spring explaining or defending that. The rest of the government will be going in a different direction, and you're going to be showing a 6 or 7 percent increase. You're going to be writing reports telling all the rest of the government agencies and departments about how they had better control costs. So can you explain to me the credibility side of this and what your communications package is going to be before we call for the vote?

MR. VALENTINE: Well, I don't have any difficulty with the credibility side, as I'm sure you can appreciate from my remarks, and I don't have any difficulty with the increased cost. Really, after our audit fee revenue it's a net increased cost of \$300,000. I tell you with sincerity that I think we may be starting to see instances where agencies and departments and postsecondary educational institutions are going to need some substantial help with their financial affairs.

For example, I spent a whole day recently at a college which doesn't have a senior financial officer anymore because he quit and moved to Ontario for greater money. When they're trying to conclude their financial statements, they're trying to write the financial dissertation that goes with it to tell the story to their various constituents, and they don't have any skills in-house to do it. So I spent a day. It started off with the president for two hours in the morning, and at the end of the day, after working with the staff, concluded with an hour with the president. We have what is a pretty good start to a management discussion analysis, and we'll tell the professors, the academic staff, the support staff, the students who have a role to play in tuition setting what the budget was, what the actual results were, and why the variations occurred in them. They are not capable of doing that themselves, and I suggest we're going to see more and more of that kind of thing. Now, it's not in anybody's interest to have them left naked on the shelf.

MR. BRASSARD: If I may. Under the scenario that's being presented, there would be a fee that would offset that involvement, would there not?

MR. VALENTINE: No, not on that one, because that's the systems work that we do for the Legislative Assembly. There would not be a fee. There would be a fee for the attest audit but not for that kind of work.

MR. BRASSARD: Just to wrap it up. I share the concern that has been expressed by Mr. Kowalski about the increase in the budget, but without knowing all the factors – you mention the condition of your office equipment, the upgrade of the computer system, and on and on. Without fully being familiar with that, I have to rely on your judgment in that area.

MR. VALENTINE: Yes, sir, you do.

MR. BRASSARD: Then I would have to say that this function, this office, certainly has to have the equipment that is going to be required to do the kind of job we're expecting you to do. I think we have to rely on your assessment of the situation of this equipment and also on your ability to charge off appropriate fees in places where they need to be applied. So as much as I have a great deal of difficulty with a budget that is showing an increase in these times, I would have to support the motion and speak in support of the motion. I do honestly think that you may have some interesting questions asked of your department.

MR. VALENTINE: I'm fully prepared to speak to those questions. I'm happy to do it in a formal forum or an informal forum.

DR. MASSEY: Well, I won't support the recommendation for some of the reasons I raised, and I would like more information. I'd like more information about the reorganization, the reduction from eight to four managers, what that involves. I'm just very uneasy that we would approve this. I too, like everyone else, rely on the Auditor, but given the brief examination it's had today, I'm not willing to vote for it.

THE CHAIRMAN: Well, I could suggest to committee members, since we have the Ethics Commissioner out in the hallway waiting, that we could address this thing again at our December 19 meeting. I don't know whether that's acceptable to committee members. I'm just throwing it out.

MR. BRASSARD: It would be acceptable, Mr. Chairman, if I felt there was more information that could be supplied that would give us a better handle on it, but I do think we have that information. So whether it's just a matter of discussing it amongst ourselves and arriving at a warmer feeling about the whole thing, I suppose that's . . .

MR. VALENTINE: Let me address Dr. Massey's problem. I think I indicated in my remarks that I was going to reduce the number of categories from eight to four. That in and of itself would not have a financial impact. What we are suggesting is that we restructure the salary ranges for those four, as opposed to the overlapping situation we have with the eight, and I said that we could do it within the current budget. So there's no budgetary implication to that at all. That's not the reason that our total expenditures moved from \$9.3 million to \$9.8 million. We've given you a good piece of the reason why that moved, and it's the RHA audit in and out. We've shown you that we anticipate our audit fee revenue climbing by \$300,000 in this year. That's almost entirely due to the net change in the regional health authority situation. So our net cost of operations increases by \$340,000, and I think we've talked about those kinds of things. Amortization, for example, takes \$115,000 of that. We've dealt with other lines. For example, there's a \$70,000 kick in phone bills, and that phone bill is coming into us from public works, where it's always been or where 50 percent of it has always been. So what I tried to do is take you through some of those changes. I trust that you've seen where they came.

4:40

If I could make an observation. By the time we're finished with our sort of admin reorganization, I know the office will be where it should be from a competitive point of view as to how you would find it in the private sector. I'll be very happy when we get there. Well into '96 we'll be there. So the question is: when you drop from the 160 people down to the 110 that we are today, was that dropped too fast? Surely you wouldn't say it was too fast if we were able to do it and still produce the quality work that we do.

I think the Auditor General's report this year was very well done. I don't say that because the first few pages are my writing. The report is to the credit of all my people. It's a good report. I don't mind saying that. I think generally it's been received across all the sectors as being a good report that you could take some pride in because you had a role to play in providing me with the tools to get there.

By the same token, we're working on several substantial projects, one of which I've spoken of today – there are others in the works – which require manpower and which are in the best interests of the Legislative Assembly. I say that with complete conviction.

THE CHAIRMAN: Ken, you had a question?

MR. KOWALSKI: Well, this is very serious business, dealing with the Auditor General's budget today. I really think there are a few more questions that have to be asked. So I'm not sure if we're going to get to this today or not.

Sir, part of the background paper in here is a statement given your office of the Auditor General, 16 January 1995. I don't know if you have that in front of you or not. The profile that you had last year that was given here – and I was not a member of this committee on 16 January '95 – basically says . . .

MR. VALENTINE: I wasn't the Auditor General either.

MR. KOWALSKI: I know. That's the point I'm going to come to.

Basically, the estimate for '95-96, which this committee looked at, showed a budget for this year of \$9.874 million. But then it showed the profile for the next two years, '96-97 and '97-98, going down to \$9.48 million and then \$9.237 million. Now, you have become the new Auditor General, and these profiles have gone the other way now. Again, I'll show this to you, because this is what your predecessor provided and this committee looked at earlier this year. Maybe we need to spend a little more time getting some more answers on this, because if there's going to be a vote called today, I know where I'm voting, and it's not going to be satisfactory. Well, it may or may not be.

MR. VALENTINE: Well, Mr. Chairman, the first thing I should acknowledge is that I saw these numbers before I came to Edmonton. The second thing I should acknowledge is that Mr. Wingate and our colleagues in the office worked on this. Because I didn't do a comparative analysis, I can't respond to the issue today. I know a number of things have changed since I came here, and you know them too. There's a significant change in technology, because I found us wanting. I found us unable to service our clients. Those numbers are reflected in here. I can provide you with a written explanation of the change. I'd be happy to do so. It's not a problem.

THE CHAIRMAN: Maybe we should table this motion for now. I'm not trying to suggest what the committee members should do, but we do have to accommodate the schedule we have on our timetable here today to some extent. We aren't going to be able to get to the AG orders today that you had wished us to, Peter, so we will have some unfinished business in any regard.

MR. VALENTINE: Let me make one more point. We did the work on the Alberta Special Waste Management Corporation without expanding our budget. I'm able to conduct the work with respect to the laundry contract without expanding our budget. I have two more projects under way that are not as big, but they are projects that I am able to do within our existing budget. I think that speaks strongly for the performance of the office in reducing its expenditures yet still being able to expand from that and take on this special work, and I am suggesting that we will have special work every year. I don't see it going away.

THE CHAIRMAN: Do you want to vote? [interjections] It's up to committee members. I'm trying to chair this meeting.

MR. BRASSARD: Well, if there are some members who have some significant questions and concerns regarding this budget, then I don't think it should go forward. I do think that we should have another opportunity to discuss it further.

THE CHAIRMAN: Are you tabling Frank's motion?

MR. BRASSARD: Yes. I would like to table Frank's motion until – is it December 7?

THE CHAIRMAN: December 19.

MR. BRASSARD: The 19th?

THE CHAIRMAN: Yes.

MR. BRASSARD: The meeting when it can be dealt with?

THE CHAIRMAN: Yes. I think we can adjust our timetable a little bit that day to come back and carry on with the discussion.

I guess, Peter, you will certainly, as will the committee members, go over the *Hansard* of this meeting. I don't know what to suggest that you do in specific terms. I think that certainly the office furniture was something there was a little uncomfortableness with. But I guess that rather than giving a speech here, maybe I'll just ask for the vote on Roy's motion.

MR. BRASSARD: Could I just suggest that if members do have specific concerns, they contact Mr. Valentine between now and that meeting?

MR. KOWALSKI: I think the key thing would be the document of January 1995 and the document we have today. I think it would be helpful for everybody here and would be helpful for the Auditor General's office, too, to show the differences.

MR. VALENTINE: Well, that's a given. You'll get that in the mail.

MR. KOWALSKI: That would be very helpful.

MR. VALENTINE: I won't even wait. We'll deal with this straightaway.

I'm not sure I answered your question, Don, to your satisfaction. If there are things which we didn't respond to today or other questions you have, if you could get them to me in writing earlier rather than later, we'll get you the answers back. I think that would make an efficiency to the process.

MR. SEVERTSON: Maybe a little more detail on the capital expenditure of \$700,000 other than efficiency in running the office.

MR. VALENTINE: Yes.

THE CHAIRMAN: Well, it might be a good idea for members to drop in and see what Peter's talking about with his furniture.

DR. MASSEY: I'll do that if he'll come to my constituency office and look at my furniture.

MR. VALENTINE: I will. I will.

THE CHAIRMAN: I'll call the question on Roy's tabling of Frank's motion. All those in favour? Opposed? Carried.

So, Peter, we will meet again on the 19th. We'll let you know the time; okay?

MR. VALENTINE: I may be coming from some distance on the 19th.

THE CHAIRMAN: Okay. We'll adjourn for a couple of minutes. I'll call in Mr. Clark.

[The committee adjourned from 4:50 p.m. to 4:52 p.m.]

THE CHAIRMAN: I think I'll call the meeting to order, and I must apologize to Bob Clark and Frank Work for keeping them waiting for a small half an hour.

I think everyone knows the two gentlemen that just came in. Bob is the Ethics Commissioner and – I guess there are two hats that you wear, Bob – Information and Privacy Commissioner. I think maybe I'll just turn it over to you. We'll get started with whichever one you're going to do first, and away we go.

MR. CLARK: Thank you, Mr. Chairman. If you're agreeable, I'd just as soon do the ethics office first. Is that fair ball?

THE CHAIRMAN: Sure.

MR. CLARK: You'll notice that there's no kind of description of the year there. Basically, we can go through the budget quickly. It's basically very much a continuation of what we've done in the past. You see that the budget is very close to where we've been – the actual for 1994-95. If I could just flip through it quickly; this would be in 511C. That's in there in the event that we need some summer wages while Karen is away.

Just the next page over, 511D deals with the salaries of the two of us, half of my salary and all of Karen's.

Code 511E is the employer contributions.

Code 511F deals with COGEL, being the council on governmental ethics legislation membership fee, conference fee, and there's a little bit of money in there for Karen to go away to do some training. In fact, that's where she was today.

Code 512A deals with car. I should just tell you while I'm at it that I got rather a stinging letter from public works saying something like your car's got 135,000 clicks on it and it's only supposed to have 70,000, so will you please trade it off. So I'm going to get that done very shortly.

As far as travel is concerned, that's for in the province. Out of province: to the COGEL meeting in Philadelphia, and Karen is going to go down to that. I was to the one in Washington this year. A trip to Toronto for the COIN meeting; that's an annual meeting from the people across Canada. Then travel to other jurisdictions: either Ted Hughes, the commissioner from B.C., has come to Alberta once a year or I've gone out there. That's basically what's involved there.

In 512D, risk management, the reason that's up is that apparently we're responsible for the first \$5,000 of any damage that takes place, so we've put the amount of \$2,500 in there.

Code 512E: I think that's pretty straightforward.

Code 512G: two fax machines and one photocopier. I have a fax machine in my house, and we have one in the office in Edmonton. The reason we continue to do that is because there are confidential things, as you people as members know, that come in, and only Karen and I have access to that fax. That's why we've done it that way. The information and privacy people do pick up a portion of the cost of the copier because they have significant use.

Long-distance calls: virtually the same as last year.

General repairs for office equipment: basically the same.

In professional services, 512K, this is where we have legal services and professional services. As of today we've spent \$16,000 out of that budget. We do have one bill for legal services coming in from the last inquiry that I did. We got one in today for security

services fees. You are aware that there's a possibility that we'll be in court the last part of January. We've spent about \$10,000 to \$12,000 – haven't we, Frank? – in preparation for that. I don't know what the exact legal term is, but we've said to the lawyer: don't do any more work until we see you, if and when this goes ahead. And if it does, then we'll be moving on that. The other item that we hope to finance out of here somewhat is this recent panel that the Minister of Justice has asked me to put together. We'll be announcing the members of that panel tomorrow. We'll be financing a portion of it out of here and any other savings that we can find in any . . .

MR. BRUSEKER: Is that the one the Premier's asked for, or the minister? The three-person panel?

MR. CLARK: Yes, that's right, Frank. The Minister of Justice in the end made the request, Frank, because it had to be under some statute, and it's under the Government Organization Act.

So part of the budget there, Mr. Chairman, is really going to be stretched to its limit. We may have to sort around and try and find some money in some other places to pick up any additional expenditure in this area, but it certainly is manageable within the offices.

In 512L, these are the same as we've done in the past, the same as far as the other two items are concerned.

Code 512P: publications, subscription renewals, and office supplies. If my memory serves me correctly, \$2,500 of that is for office supplies. The rest is for subscriptions and some publications.

So, Mr. Chairman, in a nutshell, that's our budget for this year. You can see that things are very much the way they have been in the past. There's been an advantage in that Karen is able to help sometimes on the information and privacy side. She's going to be the person organizing the inquiries. Of course, having Frank on the information and privacy side, we're able to use his expertise over on the other side also.

In a nutshell, Mr. Chairman, that's it.

THE CHAIRMAN: Okay. Thanks, Bob.

Do committee members have any questions on the Ethics Commissioner's budget estimates? Frank.

MR. BRUSEKER: Yeah. Just one question on the second page with respect to employer contributions on all of the different plans and so on. There's quite a change, and I missed the explanation as to why it had gone down by a third.

MR. CLARK: I don't know.
Frank?

MR. BRUSEKER: I'm happy to see it go down. I guess the question is why. Most of those things tend to go up.

MR. WORK: I suspect that a lot of that may come from sharing a position between IPC and ethics and that information and privacy will now be paying a certain amount of the employer's contributions.

MR. CLARK: Yes, I'm sure that's it. Previously, for example, health care was all being picked up by the ethics side. We've tried to do those things down the middle.

MR. BRUSEKER: Just on the very next page, too, there's an increase from \$1,300 to \$2,000. Has the COGEL membership fee gone up significantly?

MR. CLARK: No, it hasn't, Frank. We are toying with the idea of possibly once in a while pulling together a group of people that would have views on ethics matters and perhaps hosting an event, that kind of thing, in our own office or very close by. The conference fees would really end up for perhaps bringing one or two people in to take part in a session, Frank, and a lunch. That's basically it.

As I mentioned also, we didn't have anything in the past, Frank. For example, Karen's been away at a course for two days this week, and we're trying to provide the opportunity for her to get away to some sort of a development course each year for a period of time.

THE CHAIRMAN: Do committee members have any other questions of Bob this afternoon?

MR. BRASSARD: I move acceptance of this budget, as presented, of \$161,576 for 1996-97.

THE CHAIRMAN: Is there any discussion on Roy's motion? If not, all those in favour of the motion? Opposed? Carried.

Okay. Let's go on to the other side of your budget, Bob.

MR. CLARK: The information and privacy side. I'd ask members to turn to this development plan that we prepared.

THE CHAIRMAN: That's in the back of the budget part.

MR. CLARK: If I could just flip through it and then make some comment as we go along. What we tried to do here is give you some idea of the year we just finished, the budget we prepared for this year and next year, so you'd have kind of a context of it that way. I'll just flip through it really quickly, Mr. Chairman.

Under item 2 what we've done is simply outline the responsibilities under the Act, and on the top of page 2 also. Then starting with "The Director for the Office was hired on June 15," from there on it really talks about what we've done as far as getting the office operational. I would point out to all members who have been over to the office and just remind members that basically what we did is that that space was used by Alberta Environment previously, and they've gone upstairs to our old office and we've come down there.

5:02

DR. MASSEY: Where did the furniture come from?

MR. CLARK: From Alberta Lotteries and the Alberta Gaming Commission.

THE CHAIRMAN: It didn't come from the Auditor General's office, eh?

MR. CLARK: No, I don't believe it did.

MR. BRASSARD: You can tell where this conversation came from. We had a discussion about this before you arrived.

MR. CLARK: I hope it was positive from the standpoint of us not going out and buying any new furniture.

MR. BRASSARD: It had nothing to do with you at all.

DR. MASSEY: But he had the right answer.

MR. CLARK: Okay.

Then a very important point at the bottom of page 2, gentlemen, and that is that we do have a separate filing area that only Karen and I have access to. That's where members' files are. Any ethics matters are held in that manner. Frank is involved as far as advice is concerned, but the files are handled in exactly the same manner as they have been in the past.

Over on top of page 3, then, is really the start-up things that we try to do during the year to date, and the largest portion of the \$450,000 budget has gone to manpower, or people power.

Materials and supplies. We spent a significant portion of money in that area on getting ourselves well situated as far as computers and software and so on are concerned.

Contract services and travel. We did acquire a young student who virtually came to us and offered to work for nothing. We didn't take him up on that, but he's done very, very good work, just basic research. He got the Internet up working for us. He's done some excellent work, and we've got him on a contract.

Then I did travel to a conference where information and privacy people were involved, the same conference that ethics people were at. I did go to Toronto, did go to Ottawa, and have gone to Victoria to try and get on top of what's happening in the various jurisdictions across the country. In all cases Frank was along with me, and he had a chance to talk to the operations people. I had a chance to deal with the commissioners and so on.

If we could just go on to the bottom of the page there, one of the people we ended up hiring as a portfolio officer was a person who was a FOIP co-ordinator, a freedom of information and privacy co-ordinator, and that was done purposely because that person had experience working with I think 51 FOIP co-ordinators. So that's developed a rather good relationship with those people, and that I think has helped us considerably.

On the top of the next page, page 4, one of the things we've done here is try to look ahead as to issues that are coming down the pike that we have a responsibility to comment on. One announcement, you recall some time ago, dealt with this health information network that's coming. I talked to the other commissioners across the country. In B.C. they chose not to get involved until virtually the very end of the process there and had very little impact. Ontario had tried a number of different ways.

What we've done is put together – and I sent it to some of you – a draft of an impact assessment on this health information system forcing, hopefully, the department and other people who are advocating it to look very seriously at privacy questions right at the very start, so they'd know the kinds of questions they were going to be asked right from the very start. To date we've had quite a good response from that.

Now, I'm under no illusion here that this has not been done anywhere else as far as we can find out. You're always open to the charge that, well, you'll be co-opted at the end. Well, we made it very clear to the department and to the minister that that isn't in the cards, that at the end of the day we may very well say we don't support what the final recommendation is. My experience tells me you have a lot better chance of having some impact if you're involved early rather than just waiting until it gets to the deputy minister or the ministerial level. B.C.'s experience, as I said, was not very successful in waiting to that point.

As far as the last part of this year's concerned, we do want to hire a third portfolio officer between now and the end of the year. Just some figures that you may find interesting. So far there's been something like over 400 requests that go to all government departments. We have to date, I believe, 18 or 19 requests for review at our office, and of those requests for review three of them have come as a result of complaints from the public to the office about actions within departments and so on.

The other 16 are basically people who have gone through the process of making an application. Having been turned down or not being able to get all the information they want, they've come to us. The portfolio officers are now in the process of attempting to mediate, or negotiate, a settlement so that the person is satisfied with getting the kind of information they wanted. If during the 90-day process they can't come to a resolution where the person who's asking for the information is satisfied, then they advise the person that there should be an inquiry, and we set a date for an inquiry. We're getting very close to setting the date for our first inquiry.

One of the really good stories is that in the province of British Columbia one of the heaviest use areas has been the department of family and social services. To date the Department of Family and Social Services has had over a hundred requests. It looks like we may get five requests for review there, and of the 100 requests a significant number of them, say between 30 and 40, have been able to be handled outside the Act where people have got the information they've asked for. No charge; nothing involved. That, as members pointed out, is the cheapest way to do this whole thing. If you go through the whole process, it's very, very expensive and very time consuming.

So as things sit now, it looks like we will need a third portfolio officer, and we would hire that person likely in January or February of this year, Mr. Chairman. That person would deal with the caseloads if they continue to get heavier, as we anticipate. That person would also do some compliance work. Part of our mandate under the legislation is to check out the compliance with various departments, so this person hopefully would spend a bit of their time starting that process for us. Then when we're advised of initiatives taking place in various government departments, this person would give me a hand there assessing some of the privacy implications, so that's basically what we have involved there. So that really gives you a thumbnail sketch, members, of last year.

Going on to this year, the bottom of page 4 talks about our objectives for this upcoming year. One of the key things we're doing is attempting to implement a communications strategy, including the printing and distribution of literature and getting around the province to talk about the Act and the implications. In the second paragraph on page 5, if the caseload continues to mount, we would some time during the middle part of the year hire an additional portfolio officer, if the workload is there. I think from my previous experience with this committee, with the other hat, we have been quite successful in not spending money if there's not a need to spend it, and I make it very clear to the committee that if there's no need for another portfolio officer, you could rest assured we won't be hiring one.

One of the things we've looked at very seriously is the prospect of going outside and getting some experts on privacy issues, so when an issue comes before us, we can go and hire some of the best people there are on a privacy issue, get those people on a contract basis. Maybe this someone is from Ontario, maybe they're from the federal government, or maybe they're from British Columbia. I've got some very able people here at the universities in this province.

The area that I got confused on earlier deals with this question. In comparable jurisdictions there's been quite an experience: an increase of applications for judicial review. So we've put in an amount of money in the event that that happens. We hope it doesn't, but it has happened in other jurisdictions. Ontario and British Columbia find themselves in court from time to time. Frank is the expert in that area.

So, Frank, could you take just half a minute and explain to the committee how that may happen?

MR. WORK: Okay. Part of that, Mr. Chairman, is probably cultural. I think for some reason the commissioner in Ontario somehow started off in a more adversarial process with respect to government departments than I think we have, and as a result the government departments in Ontario have had no hesitation to put him to the test. If he says it's black, a lot of the departments are more than happy to have a run at him in court and say: "Well, maybe. Let's see." I don't know to what extent that's part of the Alberta attitude towards these things.

5:12

It's a complex piece of legislation, and there are a lot of statutory exemptions to disclosure that are not black and white: trade secrets, solicitor/client privilege, law enforcement information, those kinds of things. In every case there are grounds under which the head of the department can say, "Well, I'm not going to give you that because of one of these reasons," and then the commissioner has to, say, apply the exemption. It's typically those kinds of things that have gone to court, someone saying, "Well, we disagree with you that that's a solicitor/client privilege issue, and we're going to test it out in the court." In a conversation with Mr. Dickson he made a very good point that the Alberta Act does have what's called a privative clause that says that decisions of the commissioner are final. The intent of that is to kind of keep the courts out to some extent, but courts being courts aren't that easily told to stay out.

The Canadian experience is that courts will look at a clause like that, and they'll say: "Okay. As long as you're within your jurisdiction, we can't touch you, but you set foot outside your jurisdiction, and we can look at you." The way you would lose your jurisdiction would be, for example, by improper procedure under the Act. The Canadian courts have developed a unique thing called manifestly or patently unreasonable, where even if you make a decision that looks like it falls within the Act, the court can say, "Well, no reasonable commissioner could have come to that decision; therefore, you must be outside your Act, and we're going to have a look at that."

So given the complexity of the Act, given the number of issues involved in the Act, there is a certain amount of potential, initially especially, for us to be tested in the courts. Now, whether or not that happens, we'll see. It'll depend on a lot of things: the extent to which we're able to work things out with the government departments, the extent to which the government departments, the heads of the public bodies that are called really want to go to the wall on some issue, factors like that. So it may not be bad here, but from every experience everywhere else in Canada the initial years of this kind of legislation have seen a fair amount of litigation.

MR. CLARK: Then as far as 1997 is concerned, our priority for that year is going to be preparation for local bodies coming onstream, which may be in '98 or '99. But there'll be a need for a considerable amount of work done ahead of time there, being hospitals and educational institutions, those amendments.

Then, Mr. Chairman, moving over to the last page, we see that being two more portfolio officers possibly in '97.

Two other things to keep in mind in '97. That's the time, Mr. Chairman, when there's the three-year review of the Act, so it'll be important to get organized and get ready for that. Also, on the second last paragraph, it's by that time that a number of provincial statutes have to be changed and the question dealt with of what legislation is going to be paramount. Is it going to be the information and privacy legislation, or is it going to be that particular piece of legislation? That can very well be a difficult area, as I see it.

So in a kind of rambling manner, Mr. Chairman, that's a bit of an overview of what we've got planned the next three years.

Could I use just the same approach, Mr. Chairman, rather than going through this? Is that fair ball?

THE CHAIRMAN: You bet.

MR. CLARK: Then on the second page the third portfolio officer. You notice we've got June 1 to March 31 there. That's the period of time when we would hope to have that person in place. The other portfolio officer would deal with this whole compliance area, of course depending on the workload.

The researcher/writer. I mentioned earlier that we have a student under contract. There's some question as to whether that person may or may not be back. He wants to go back to university next year, whatever. We're going to have to have a person in that area doing basic research and then a person who can work with our communications plan and also would be a research assistant.

If I could go over to 511D, which is the next large expenditure area. The first one is fairly straightforward. The director and general counsel, Frank, you know, is on secondment from the Leg., and that's why this is under contract employees. One of our portfolio officers and the receptionist are on secondment from other departments, and those two people we will be – if I say “dealing with,” don't take the wrong approach about that. We simply see making arrangements for them to move over to be full-time, pending discussions with them. But that secondment would be coming to an end.

Then if I could flip over to 512A. I mention the vehicle, travel, and conferences there. Mr. Kowalski is not here. He always reminds me whenever he sees me that this is an area he's particularly interested in, so that's why we had the detail down to that extent. The last conference, the one in Ottawa, is the 18th Annual International Conference of Data Protection and Privacy Commissioners. That's the first time it's being held in Canada. It would not be my intention to travel outside the country to a conference like that, but it is in Ottawa, and I think it's an important opportunity for us.

If I could flip over to 512K, then, moving along quite quickly. That \$119,000 is basically made up of four items. For a research assistant, something like \$29,000 there. That basically covers the student that I indicated we have and will need to continue to have or get another student. There is \$50,000 for consultants on issues, and that's where we're looking at going out and getting experts, especially in privacy areas, to give us their best judgment. That may be high; I don't know. Frankly that would also cover legal advice if we find ourselves in a situation as is in the next item. Then \$20,000 for the communication plan and \$20,000 for legal assistance.

The last one, 512P: two new computers for two new portfolio officers. Once again, if the need isn't there, we wouldn't get it, but every indication is certainly that the need will be there.

That's the budget, Mr. Chairman.

THE CHAIRMAN: Thanks, Bob.

Any questions?

DR. MASSEY: I would make the motion that we approve the budget. Which number do I need?

THE CHAIRMAN: You're making a motion to accept the '96-97, the \$758,417?

DR. MASSEY: Yes. Then could I ask a question?

THE CHAIRMAN: Sure.

DR. MASSEY: The costs for the B.C. Privacy Commissioner are quite a bit more than ours. Do you see us getting about that same level eventually?

MR. CLARK: I hope not, Don.

DR. MASSEY: Okay.

MR. CLARK: Don, two reasons for that, and I may be wrong on both of them. I think that basically Albertans are somewhat of a different nature than people, shall I say, on Vancouver Island and the lower mainland. My sense out there is that that's where an awful lot of their requests come from. They also, Don, have municipal governments, the MUSH sector, in their budget. Also, remember that their population numbers are considerably smaller than ours; aren't they? They are running into a stage now, Don, where they're – Frank, is it eight to 10 months behind on making decisions? That's not a good situation.

Frank also reminds me that one of the big issues out there is ICBC. What percentage of their complaints come from there?

5:22

MR. WORK: I think it was as high as 20 percent. I'm kind of guessing, but as many as 20 percent.

MR. CLARK: So it's really for those two reasons, Don, that I don't think we'll be at those numbers.

THE CHAIRMAN: Gary, you had a question?

MR. SEVERTSON: Well, more of a comment maybe than a question. I'm glad to see that you're going into the area of privacy and working with the various departments. What I'm hearing as feedback from where this type of legislation has been enforced is that the biggest issue starts to evolve from the privacy issue more than the freedom of information. So I'm glad to see that you're taking steps as you get into this to work with the departments.

I guess the question I do have: when it comes to the costs and consultants, does the private individual that is coming before the commission to protect their privacy recover any costs, or is that done by the individual? I know that for freedom of information you have the ability to waive that cost to get the information. Do you have any leeway in accounting for costs for a private citizen?

MR. CLARK: Well, first of all, keep in mind that there's no initial charge for making an application. The only costs would be the reproduction costs. My sense is that if there was a file that had a great deal of personal information about a person, that person could make the case: I simply can't afford this. Then we would seriously consider helping that person out.

MR. SEVERTSON: A consultant or whatever.

MR. CLARK: Yes.

MR. SEVERTSON: Okay. Thank you.

THE CHAIRMAN: Any further comments?

I've got one observation, I think, more than anything, Bob, and that is on the '97-98 estimate of increasing salary or positions in your budget. I listened and read your development plan, and I know why you're thinking of hiring a couple of – was it one or two?

– portfolio officers. But when we get there, the pressure will be on to keep the expenditures flat. I'm just making an observation to you that what we're having trouble with in the long-term dealings with government is to hold it back. There's a natural tendency for people to need another person or something. I understand what your thing with the MUSH sector would be in 1998; I certainly do. I just wanted to throw that out before maybe calling the question on Don's motion.

MR. BRASSARD: I hope you're not suggesting that he hire a few extra people just in case, Mr. Chairman.

THE CHAIRMAN: Well, I'm just letting him know that next year at this time he'll be really under the gun to maybe take another look at that. I know that since you're new and breaking new ground in Alberta as this Information and Privacy Commissioner, it's an unknown.

MR. BRASSARD: I would suggest that he doesn't throw the background notes away.

THE CHAIRMAN: Oh, we'll keep them.

MR. BRASSARD: But they're on file?

MR. CLARK: Well, that's the danger of doing it this way, but on the other hand, it seemed to be the fairest way. When Frank and I were putting it together, it seemed like this was the fairest way to give you a sense of the way we're going.

THE CHAIRMAN: Yes, that's for sure.

So I'd like to vote on Don Massey's motion. All those in favour? Opposed? Carried.

I would, I think, entertain a motion to adjourn.

MR. BRASSARD: I would so move, Mr. Chairman.

THE CHAIRMAN: All in favour? Carried.

[The committee adjourned at 5:28 p.m.]

