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Public Accounts Committee

Legislative Assembly

April 19, 1978
10 a.m.

Chairman: Mr. Taylor

MR. CHAIRMAN: Will the Public Accounts Committee come to order, please. The first item on the agenda is the minutes of the last meeting. What is your pleasure? Moved by Mr. Butler that they be accepted. We don't need a seconder. Any discussion? All in favor? Against, if any? The motion is carried. Thank you.

The meeting today is to continue the overview of the public accounts. At this time I will ask Mr. Rogers to take the mike.

MR. ROGERS: Thank you, Mr. Chairman. Over the last 12 hours or so I seem to have developed a cold, so I hope my voice holds up.

We'll be using the public accounts volume 1 notes that were distributed two weeks ago. If anyone requires, I've got a few additional copies here. During the course of the meeting two weeks ago a number of matters were raised. I have the replies on the various questions. I think we might as well at this time perhaps distribute copies of that information.

I might as well proceed with it. The first question had to do with the energy resources research fund, but the answer is repeated in the notes that are just being handed out: $10 million was received on April 3, 1978, and a further $14 million was received on April 6, 1978. These were both deposited -- a total of $24 million -- as Treasury Department revenue. As projects which are approved under the so-called energy resources research fund are commenced, then money is provided by special warrant and it becomes straight expenditure. There is not a trust fund as such, but we have an obligation to spend an amount equivalent to the revenue we've received for this purpose on the agreed objectives.

The second question had to do with The Freehold Mineral Taxation Act. I've got copies of the appropriate portion of the act and the regulations attached here. It is an assessment of fair actual value of each mineral right, as seen in Section 7(1)(a). The rate of tax levied for the year '77 was 16 mills. There's a copy of the regulation attached. A mineral right is defined as an estate in fee simple in a mineral. The fair actual value relates to the value of the remaining recoverable reserves of petroleum, natural gas, coal, or salt. If there are any further questions on the freehold mineral taxation . . .

MR. THOMPSON: Mr. Rogers, I have some mineral rights, but I don't ever seem to get taxed on them. How come?

AN HON. MEMBER: You've lost them.

MR. THOMPSON: No, I don't lose them.

AN HON. MEMBER: Better get him a land description.

MR. McCRAE: Mr. Chairman, perhaps I can be helpful. It's probably because there's no production on your land, Mr. Thompson.

MR. ROGERS: Are the reserves known?

MR. THOMPSON: There's nothing coming off it right now. But what I'm getting at is they used to tax you, and then they quit taxing you. I got from this answer that they were still applying 16 mills for taxes. But apparently they don't. If you aren't producing, they leave you alone.

MR. McCRAE: There is a $50,000 exemption, Mr. Thompson, which could explain it.

MR. ROGERS: The next question that was raised had to do with the funds we receive from the Canada Pension Plan. I only partially replied to this in that I only was referring to the direct debt of some $42 million, which is detailed on page 51, volume 1, of public accounts. However, we have an indirect liability as guarantor of borrowings from the Canada Pension Plan fund by parent corporations. These are shown near the bottom of the first page of this information. The Alberta Resources Railway corporation: we have an indirect liability to the extent of $25 million, and details of this are shown in volume 2, page 326. The Alberta Municipal Financing Corporation: there is no actual reference, because the AMFC has a December year end. But the March 31 total was $9,416,000. So in effect the government and its agencies have received $1,009,416,000. Taking the direct debt into account, we have a total commitment of $1,051,600,000.

MR. YOUNG: Mr. Rogers, could I ask . . . . That sum, then, is the total of the contributions by residents of the province of Alberta to the Canada Pension Plan that have not been paid out?

MR. ROGERS: No, these funds come from contributions made by Canadians, go to Ottawa. Then funds that are not otherwise needed for the operation of the pension plan are made available on a pro rata basis. So indirectly they are, yes.

MR. YOUNG: That's what I meant. But what I am trying to get at is they are the total amount of funds vested at the present time, if I can put it that way, or lodged with Canada Pension Plan from residents of the province of Alberta.

MR. ROGERS: I believe that is so. I don't know to the extent how much they have retained in Ottawa. I'm not sure whether there's a direct correlation there.

MR. YOUNG: The objective of the game is to make it as close as possible to arrive, as I understand it. I'm just trying to get at it. So at the present time it's about a billion, in round numbers.

MR. ROGERS: A question was raised as to the investment policy of surplus funds in the general revenue fund. These are the funds that are not otherwise needed in order to satisfy expenditures. I think the note on the top of page 2 covers it. To date general revenue funds have been invested primarily in marketable short-term securities in the Canadian domestic money market, and to a lesser extent in high-grade bonds. Some short-term investments have been made in U.S. dollar denominated bank deposits, but always on a fully hedged basis -- that is, hedged against fluctuations of currency -- so as to provide complete protection against foreign exchange fluctuations. Investments are made on a competitive basis through banks, trust companies, and investment dealers. The Alberta Treasury follows the investment guidelines as set out in Part 5 of The Financial Administration Act, 1977. They were following those guidelines, of course, before. Because those are basically the same guidelines that existed in the predecessor act.

There is an explanation of fully hedged which you are familiar with. Typically the transactions do not exceed one year. The hedging is always on a one-to-one matching, and security is kept until maturity. Does that answer the question as to the use of general revenue funds not required immediately to satisfy expenditures?

MR. McCRAE: Mr. Rogers, could I just ask one follow-up on your investment practice? As I read your explanation in the fourth paragraph, page 2, it's simply to balance out maturing obligations, and that there be no intention to invest in a foreign market to make money -- let's put it that way -- not as a hedge against maturing obligations, but in fact profit on the decline of your own currency. I presume we have a policy not to participate in that kind of thing.

MR. ROGERS: The problem they would experience, of course, is that they would then be at risk. If they did not hedge they would be at risk of loss, too. They may make a profit, but on the other hand they could easily incur a loss. So I think the main thing is to protect against the possibility of loss.

MR. COOKSON: Just to follow that a little further, Mr. Rogers. Do I understand from the statement on 2 that Alberta's investments really will only derive Alberta a good interest on the investment? In other words, we're protecting ourselves from the comparison of the American and Canadian dollar. That's really what we're doing. What we're going to end up with really is just a good interest on our investment.

MR. ROGERS: That is correct. That is the objective, yes.

The Alberta Government Telephones Commission: if you'll recall last week we had a problem with a misprint. Just to explain rather than anything else, I included a copy of the last printer's proof we dealt with. At that point the statement on notes payable which appears at the bottom of the page and is the last page on these notes, you'll notice that there was no correction involved there. It was actually correct. We used to say the gremlins got at it. By the time it was printed it didn't look that way. So we can only assume that the printer had an accident with the type and this was not discovered. That sort of thing does occur from time to time.

MR. CHAIRMAN: Any further questions? Mr. Rogers will then proceed.

MR. ROGERS: There was some discussion two weeks ago on the corporate tax revenue. Item 6 on these notes tries to bring that together in showing the gross and net after deduction of royalty tax rebates. We see that 1974, which was only a part of the year, was affected by the federal legislation which disallowed royalty paid to the province. Therefore, the rebates only cover part of the year. The gross was $251 million and the rebates some $50 million. In 1975 the gross was $380 million and the rebates had jumped to $126 million. However, in '76 there was a change in the federal legislation. The resource allowance was introduced on January 1, 1976. This had a reflection on the rebates, actually, so that although the gross in '76 was $348 million, then our rebates were only in the order of $50 million again. Of course the credits have to be viewed somewhat differently from the rebates under the legislation. Those are shown in the last column. The attempt here is to iron out and show everything within the year, although dealing with the people in Ottawa it's very difficult to a get these allocations just right because of delays in assessment and so forth. If it's a delayed assessment it can fall in a later year. We've had that happen, I know.

The other question had to do with the receipts from the government of Canada. I pointed out where these could be found in the public accounts where they dealt with shared programs which were operated by departments -- so to speak, central government. The way we handled those, of course, we carry out the expenditures and the money from Canada, which is on a sharing basis, comes in as revenue. However, the situation is somewhat different -- and the point was raised -- as to Alberta Housing Corporation and Home Mortgage Corporation. I undertook to get details of federal government money that goes into these two corporations. No federal funds were received by the corporation or by the province on behalf of the corporation, as far as the Alberta Home Mortgage Corporation was concerned. But as far as Alberta Housing Corporation, I think that the information given under notes 1 and 2 covers the moneys flowing from the federal government to the Alberta Housing Corporation.

MR. CHAIRMAN: Any questions?

MR. ROGERS: The attachments of course back up evidential matter concerning some of the replies. Mr. Chairman, I think if there are no questions, that deals with the matters brought up two weeks ago.

MR. CHAIRMAN: That completes the matters brought up two weeks ago, then. Now Mr. Rogers will proceed with the overall review.

MR. ROGERS: Perhaps I should mention, Mr. Chairman, that I have copies of the salary information ready here, as I indicated two weeks ago. There are some additional copies in your office, and we have about five copies here. If anyone is interested, as you know this is kind of on a request basis. Usually we hand out some five or six books or so a year. If anyone wishes a copy they are now available.

MR. CHAIRMAN: Thank you, Mr. Rogers. I thought, members of the committee, that we would provide one of these to Mr. Clark, Mr. Notley, Mr. Les Young, and the hon. Mr. McCrae. If other members want one, could we have your request? Satisfactory?

HON. MEMBERS: Agreed.

MR. ROGERS: Mr. Chairman, I made mention two weeks ago of the difficulties we were having with finalization of volume 3. Since that time we had more problems that I wasn't aware of at the time, and no one was aware of at the time I spoke. We hopefully are now at the very last lap of getting corrections to the printers. We have great piles of printer's proofs. The problems all lay around the teething troubles and the problems with the ADP system I talked about two weeks ago. I do regret the delay, as I said earlier. I realize that information is only of real value if it's timely. But I would point out that we had particular problems this year, and that volume 3 will be available just as soon as possible. That will now be several weeks. That's the time required for the printer to actually put the thing finally in final shape.

Perhaps we could now, Mr. Chairman, resume where we left off. I think we could look at statement 15, if we look at the top of page 5 of the notes on the public accounts. On pages 55 to 57 we have the details of the indirect liabilities. Of course these are the liabilities that under certain circumstances could become direct liabilities. This embraces the whole area of government activity. Particular attention is drawn to notes 1 to 8 and the exclusions under note 9. Those exclusions are where there is a logical reason for not including them. I think I mentioned this last time: we do not have any problems with indirect liabilities that should be included, but because of bookkeeping problems, if you like, could not be included, as was the case with the Ag. Development Corporation several years ago. That situation is clear.

On pages 58 and 59 we have a statement . . .

MR. YOUNG: If I could, just on page 56, and it's right on the first note, the last sentence to the note says AGT debt excludes unamortized gain on exchange of conversion of debentures issued in the United States. I presume that the 1977-78 report will have a similar note, but it will exclude unfunded loss. Will it?

MR. ROGERS: I suspect that may be the case. I do not have any information at the moment on that, but it would obviously have an impact on it.

MR. YOUNG: The point I'm getting at is that all you're showing there is the face value of the issue, and you're simply making a statement that it's irrespective of exchange conditions at the time the debt has to be repaid. So really it would be a loss in March 31, 1978, I should think.

MR. ROGERS: Not a direct loss. But, yes, that's right. No loss would be taken into account.

MR. YOUNG: It would be a conversion cost.

MR. ROGERS: Right. Mr. Henkelman has just reminded me that on AMFC this year we do draw attention to the possibility of a loss on exchange.

MR. CHAIRMAN: Any further questions?

MR. ROGERS: On pages 58 and 59 we have a comparative statement of net funded debt, unfunded debt, and indirect liabilities. This shows the situation in '51, '61, '68 onwards. It not only gives the aggregate figures, but also on a per capita basis. Mainly a matter of interest.

As you will recall, the program budgeting system was initiated commencing in the 1976-77 year. This entailed a fairly major change in the various statements included in the public accounts. The rest of the notes deal with the statements that have been included.

Because the public accounts is in effect the report on the stewardship of the funds provided by estimates, when the format of the estimates changes it's obvious that public accounts has to follow. Consequently we first of all are dealing with the various terms used; and "program", for our purposes here, is described as a distinct service to the people of Alberta or a definable purpose. In the public accounts, department support services, which you will recall are included in estimates, and interdepartmental support services, for simplicity's sake in reporting in public accounts are treated as programs. Prior to this year, of course, an amount of money was made available to each department, whereas now under the program budgeting system money is made available to each program. This means the department may have money in one program, but cannot use it for another purpose. Although it has control over another program, it cannot transfer money from one program to another, except under certain circumstances when they are provided for in The Appropriation Act, whereas previously money was provided to a department and could be used for any of the purposes for which that department had responsibility.

So we can equate, in effect, a program with a department for account purposes. Within the program we have a subprogram, which is a more specific service within the program. A subprogram bears a similar relationship to a program as an appropriation has to a department. It in effect is a second level of control.

We have below that a program element. A program element is either an organizational unit responsible for service delivery or a specific form of financial assistance, grants, subsidy, payment, et cetera, associated with the service. Now, the point that is important is that financial information regarding individual program elements is not included in the public accounts. But such information can be produced for this committee with approximately one week's notice. We have the information, but if we were to print that information at the element level we would have a very large set of public accounts. I think this committee perhaps might express a wish for that. I don't know. But I had a choice to make, and I felt that as long as the information was available then we perhaps should not go beyond giving the two levels of control that we gave in prior years. The problem is that some of what were hitherto appropriations have not become elements. So there are instances where the information in the current public accounts would be less than in prior years, depending on the nature of the element. The example I've chosen here does highlight one such situation.

Money is provided within a program for specific classifications of expenditures consistent with the purpose of the program. These major classifications are manpower, supplies and services, grants, purchases of fixed assets, and several others that fit in the other categories -- usually not more than one type for a particular program or subprogram. I think we can now see how these are shown on page 66, volume 1. We have the total expenditure for each department in this case, shown in the amount in the aggregate funds provided. This is provided either by the estimates via the budget, plus any funds provided by special warrant. At this point on this statement we do not show the special warrants because on statements further back we show how the total of funds provided was arrived at.

So if you recall, I mentioned that the preparation of public accounts is rather like a pyramid, where you started out with some 6 million transactions and through a process of continual aggregation you get to the final financial statements. We're getting near the top of the pyramid here, so there's a certain accumulation or aggregation. But this statement is to show in each department the manpower, supplies and services, grants, purchases of fixed assets, and others, showing the funds provided, the funds expended, and the unexpended.

Now, these classifications -- manpower, for instance, and supplies and services -- have a further level of breakdown. They are in themselves groupings of object codes. There are some 44 of these codes. So if we look on page 70 we see a further statement giving information on the details of expenditure by department, only showing now -- and this is further down the pyramid or triangle -- and this shows, for instance, the breakdown of manpower or shows how the manpower total, rather, is made up by each department. We see that it includes such things as salaries, wages, personal service contracts, employer contributions, and allowances and supplementary benefits.

MR. COOKSON: Mr. Rogers, could you tell me what happens to the unexpended? Does it go back into the general revenue of the province to be reallocated in the next financial budget?

MR. ROGERS: Mr. Chairman, it is not spent. It does not come out of the general revenue fund. It simply lapses. The authority to spend lapses at the end of the fiscal year. There is no movement out of the general revenue fund. It simply never leaves there.

MR. LYSONS: Mr. Chairman, on page 74, to the Auditor. On statement 20 at the top of the line where it shows $340,727,745 as total salaries paid, is that really the total salaries paid outside of grants to universities, municipalities, and so on? Is that our total public service cost?

MR. ROGERS: That is correct, Mr. Chairman. In fact, this book gives a breakdown of that total. Now, that does not include any employees of Crown corporations or any of the separate legal entities, the financial statements of which are in volume 2. This is only the government departments.

On page 445 of this big blue book we see the total of $340,727,744.83. Page 445 in the big computer printout.

MR. LYSONS: Would this figure include the Crown hospitals then?

MR. ROGERS: Yes.

Beyond the statements on page 76, 77, 78, 79 -- we're now in volume 1 of the public accounts -- up to page 79 we see the details of the special warrants. There has been a change here in that we used to show the special warrant under money spent from the special warrant. But this is not meaningful. Really the special warrant is again only the authority to spend money. When a special warrant is adding to the funds of an existing appropriation, the way we had the accounts in the past, where we showed the amount of money spent from the special warrant was quite arbitrary in that we used to say that the first money spent was out of the appropriation and any subsequent money was spend out of public accounts. This was a little misleading when we had situations where the special warrant was for something that really wasn't provided in the original estimates, and yet it wasn't far enough removed to be considered a separate subprogram. Consequently without any real loss of information we show now the amounts authorized by special warrant. Where it would appear in the department statements we show what the expenditure is.

MR. YOUNG: Mr. Rogers, in connection with the point you were just on, and earlier in connection with the definition of program, you say it's a distinct service for a definable purpose. Who makes that definition? Does the Auditor or does the department? How is that definition arrived at, or is it arrived at by virtue of the assent of the Assembly on Committee of Supply?

MR. ROGERS: That is correct. The Auditor does not get involved with the establishment of the programs, because that is really a part of the budget process which is of course the responsibility of the Provincial Treasurer, in effect. Then of course this is presented to the House and later incorporated in The Appropriation Act. That really specifies what the programs are. The Auditor uses the information that was available to the Legislative Assembly in deciding what was the purpose for which the money was provided. Although it hasn't a legal significance, as Auditor I do use the information given in the details of expenditure, which is a book reviewed by the committee.

MR. CHAIRMAN: Any further questions?

MR. ROGERS: I think we can now proceed to the departmental statements. The one chosen for an example was Advanced Education and Manpower, which happens to be statement no. 26 on page 85 of volume 1 of public accounts. The example we have taken in Vote 2, Assistance to Higher and Further Educational Institutions. Of that we've taken subprogram 2 again, so it's program 2 subprogram 2, which is Provincially Administered Institutions. On the appendices the example is shown taking us through the whole accountability process, in effect. We have appendix 1 of the notes. Appendix 1 shows The Appropriation Act, 1976, and shows that $278,495,446 was provided for assistance to higher and further educational institutions. Appendix 2 again shows the information on the summary page in the details of expenditure, again showing the amount provided. Further in that book we have the . . . Mr. Chairman, this is where as Auditor I get, in effect, a feel for what the intent was by the House when the money was provided; in other words, the purpose that has to be seen to be carried out by all expenditures. In this case we've put a square around the part of the page that is applicable to the subject or example subprogram, Provincially Administered Institutions. This gives a good idea of what it was intended should be paid for by the funds provided.

On the next page is a further page as to the details of expenditure. Hitherto we've been talking about $278 million being provided for the program. Now we show that the amount voted is for $278 million, which is the program. The amount of that total that is allocated to subprogram 2, which is the one we're interested in, is seen to be $64,961,488. That is the amount of money that has been provided for the purpose headed Provincially Administered Institutions, and provides for the delivery of instructional programs and services through NAIT, SAIT, Fairview, et cetera.

The point I was making earlier is the elements, the delivery mechanism, in effect, and of course NAIT is the example I have chosen. In previous years NAIT was an appropriation.

Now NAIT is an element. In this particular example we can see there is a change in the level of information given.

Going back to appendix 4 we also see that the object of expenditure is given for the whole program. In other words, the $278 million is shown to be provided for manpower costs of $50 million; supplies and services, $11 million; grants, $210 million; and purchases of fixed assets, $6 million. So the control on the object of expenditure groups is within a program. I'm now talking in practice. The control on the expenditure within the program is also on the subprogram. So we have a two-way control. We cannot overall for the program spend more for manpower cost than is shown here, without transferring money out of another control grouping. Treasury in effect has established regulations governing such transfers. But under no circumstances can more than the amount voted be spent for this purpose, without getting a special warrant. But it is possible, and where there is a shortfall in one subprogram or a shortfall in one grouping of object expenditure, normal practice is to transfer from available moneys in one case from another subprogram, or in the case of a shortfall in the object of expenditure from some other grouping of object of expenditure codes.

MR. YOUNG: Mr. Chairman, I wonder if Mr. Rogers could just explain to us the authority for that minor tranfer; that is, between objects of expenditure or between subprograms within a vote. That's an internal decision made between the department and Treasury, I would guess? But I'm just wondering, can you tell us the procedure a departmental administrator would have to go through in order, for instance in the illustration before us on appendix 4, to increase grants and supposedly take the increase out of supplies and services?

MR. ROGERS: A Treasury Board minute establishes the procedure. It is an internal management process, because the Legislative Assembly has only voted on the total of the program. Therefore the rules applying to transfers between subprograms -- there is no legislative requirement, but good management calls for an orderly procedure to be adopted. This procedure is laid down in a Treasury minute. It involves the creation of a form -- there is a preprinted form for the purpose -- and this form is raised by the department and approved by Treasury. Up to March 31 of this year I also signed the form to indicate that the coding was correct and it was a proper transfer to be made. Now when that transfer was processed through the payment system, it caused a decrease in funds available -- let's take a subprogram -- on one subprogram and to the same extent increased the funds available in the program to which the money was being transferred. Similarly with the object code.

MR. YOUNG: Could you indicate for those of us who aren't involved in administration, what a Treasury minute is? What kind of board are we dealing with? I gather from what you say up to now that the department wishing to get the transfer makes a formal request. It makes it to some group, and the group presumably is in Treasury.

MR. ROGERS: Yes, Treasury and the office of the Provincial Auditor. This was the situation up to March 31. But of course with the introduction of the Auditor General, then matters have changed. So I am talking about the way it was. Any transfer had to be seen and approved by both Treasury and the Provincial Auditor's office. The Treasury Board, to pass a Treasury minute, simply laid down the steps that were to be taken to effect a transfer. I would point out that transfers have been made, I know for the last

30 years and way back beyond that, between appropriations within a department. It is of quite recent date that the matter has been formalized in the form of a Treasury Board minute.

MR. KING: Just to be clear, Mr. Rogers, are we to understand that when a department wants to transfer money from one subprogram to another within the department, the minute you are talking about is essentially an application to the priorities committee of cabinet, acting as the Treasury Board, and that it is that cabinet committee which has to approve the request emanating from a department to transfer funds from one subprogram to another? Who exactly is the Treasury Board which is minuting the approval of this transfer from one subprogram to another?

MR. ROGERS: Perhaps I can answer it by quoting from The Financial Administration Act, 1977, which says:

> 5(1) There is hereby established a board called the "Treasury Board" composed of the Treasurer, who shall be the chairman, and not fewer than 4 or more than 7 of the members of the Executive Council appointed by the Lieutenant Governor in Council.

Realize that this 1977 Financial Administration Act in effect embodies common practice in many areas, and this is one of them.

It would be a great waste of time, I think, if the Treasury Board had to go through these piles of documents. So for practical purpose the Treasury Board laid down the procedure and in effect delegated the responsibility to the Provincial Treasurer, the Deputy Treasurer, and the Auditor.

I think I should perhaps point out that such transfers in effect are authorized by the Provincial Treasurer. The Auditor and the Deputy Provincial Treasurer are simply acting as a screening agency in making the recommendations for the Treasurer to approve the transfers. He in turn has had this delegated to him by the Treasury Board. Does that answer the question, Mr. Chairman?

MR. KING: I suppose my question is whether or not there would be any case in which the Treasury Board would refuse to authorize a transfer, and in which the request for a transfer might in fact be considered by the Treasury Board notwithstanding that as a general practice they have delegated the responsibility for such authorization to a single member of the Treasury Board; that is, the Provincial Treasurer.

MR. ROGERS: I know of no such case where that has happened. What really happens, I suppose, is that in the initial screening any that we do not feel should be a transfer . . . In other words, we often have run into situations -- of course, I'm now talking of the past when the Auditor had a slightly different function in this area -- one would say, either Treasury or ourselves, just hold it, this is not a case where you should be transferring money; the purpose for which you want the money is somewhat different than what was provided for in The Appropriation Act; you should get a special warrant. A certain amount of judgment enters in there. But it is a control function that is carried out by Treasury, in effect. Just because a department asks for a transfer they don't necessarily get it. But in most cases it is perfectly straightforward.

MR. YOUNG: To come back to the point you were just on, Mr. Rogers. If the department didn't get its transfer and if it felt that the request was one that it -- I'll use a simple expression -- absolutely had to have and absolutely vital to the department, then the minister is left with the option of going for a special warrant. Is that the case?

MR. ROGERS: Yes, very definitely. I suppose hypothetically he could go back to the Treasury Board and because it is a delegated responsibility he could argue no doubt in front of the Treasury Board. It's just that I don't know of that happening. But he always has the option. In fact that is the recommended course, usually. In the event that a transfer is disallowed the recommended course is to get a special warrant. We have one stipulation; that is, we do not transfer money to grants normally, especially discretionary grants. Because this then would violate the grant regulations which are in most acts, which say the money has to have been provided for the purpose. Now, in that case the "provided" is by the Legislative Assembly. Therefore to transfer money that was provided for another purpose for grants would really be a violation.

So appendix 4 I think is self-explanatory. I would go back to supplementary information. We're still dealing with the estimates material. Material was also made available to Members of the Legislative Assembly which showed the details of the elements. Now this was said to be supplementary information. We see here that $20,706,776 of the total $64.9 million that was for this subprogram was actually allocated to Northern Alberta Institute of Technology.

That is the way the money was provided. That was the information that was available to Members of the Legislative Assembly prior to the passing of The Appropriation Act which provided the money for the year. Then of course we had the year of expenditure and subsequent to that the creation of public accounts, which showed what happened. On appendix 6 we have the statement of expenditure by program, which is the primary statement for each department. It shows that there were four programs. The program we're interested in is program 2. It shows that the money included in the estimates and therefore provided by The Appropriation Act was $278 million -- the same figure we've seen before. There was a special warrant for $250,000 and there was a transfer from salary contingency. Again this is where, when the funds are voted for a year, no account is taken of increases that are to be provided for that year. It's not possible that early to provide the money.

So this money is provided by special warrant in Treasury when the amount is known during the course of the year. Then by transfer -- and this is one of the cases where you get transfer between votes, but it's for specific purpose of course -- the total amount of money provided by special warrant to Treasury is then distributed over the various programs in accordance with their needs to satisfy salary increases. So program 2 of the Department of Advanced Education received $1,736,702 from the salary contingency money provided by special warrant.

Mr. Henkelman has just reminded me that that money is now provided in the estimates. But in the year under review and prior, that was not the case. I'm sorry, I think I've misled you. It was provided in the estimates. Mr. Henkelman will look into that.

The total funds provided for Vote 2 is $280,842,148. The total expenditure was $276,775,023. The unexpended was $3,707,125. Total funds provided is only the authority to spend. So consequently the unexpended funds do not ever leave the general revenue fund, which is the point I made earlier. And of course the authority to expend funds lapses at the end of the fiscal year.

Just to correct a point, on page 282, which is the Department of Treasury statement of expenditure by object, we see near the bottom of the page 1976-77 salary contingency. I'm sorry I misled you. The estimates contain the total of $28,850,000, and the total transfer to other programs was $17,322,081. Of course the balance was not used and therefore lapsed.

MR. YOUNG: Mr. Chairman, this may be getting fairly technical, but I'm curious about statement 26 on appendix 6, photocopy of page 85. What I am reading here is an estimate, then a special warrant, then a transfer from salary contingency, effectively increasing the total by about $2 million; then unexpended funds, in that same line, of $3,707,000. Why would there be a special warrant and a transfer, and then an unexpended sum twice the amount of the transfer and the special warrant?

MR. ROGERS: This would be a case where a special warrant was provided for. On page 76 we see a special warrant. It was the contributions to the Institute for Research on Public Policy, Montreal, P.Q. That was not a purpose that was provided for in The Appropriation Act. Therefore the department applied for and obtained a special warrant. It was the nature of the payment, not the fact there weren't funds available, that caused the special warrant to be applied for and obtained in the case of the $250,000.

In the case of the $1.7 million, this would have happened quite a bit earlier in the year. At that time they did not know they were going to have $3.7 million left over. So they applied for a transfer, on the basis that they would be spending all their other funds for other purposes and therefore were going to be short in the manpower group to the extent of the increases that were granted to the employees. They therefore obtained a transfer from Treasury. The point I made about the special warrant, just by way of explanation: that's the way it was. This year it was in the estimates. But they obtained that $1.7 million by telling Treasury they were going to need this money. In all probability they felt they did need it at the point in time, which would be sometime in the summer or early fall of the calendar year -- about halfway into the fiscal year. Then of course at the end of the accounts payable period, after all the commitments were reversed, they found that for one reason or another they didn't spend $3.7 million. It's a case really of hindsight that we now see they could have done without that transfer. But at that time they presumably didn't believe they could.

The next statement shows the expenditure by program and subprogram. We see the program Assistance to Higher and Further Educational Institutions. Then for the first time we see the details of the subprogram. The one we're interested in is 2.2, which is Provincially Administered Institutions. There was a total of $64,961,488 provided by the budget. As you'll recall, that's the amount in the details of estimates. It was this particular subprogram that obtained the transfer of $1.7 million from salary contingency. This is because these are the government-administered institutions where all the employees are, in this particular program.

Other transfers. These are transfers we were talking about earlier from other subprograms. So this particular subprogram had a total of $67 million provided for it. It expended $63,575,069, leaving unexpended in the subprogram $3,525,670. I think the rest is self-explanatory.

On appendix 8 we're now looking at the other method of control. We see the Assistance to Higher and Further Education, which is Vote 2, and the object code groupings. We see the estimates again being the total of $278,000, with the breakdown among four of the object code groupings as provided by estimates. This is where we get the $250,000 in for a special warrant, which was for grants. The transfers again totalling the $1,736,702, which was the transfer for manpower. Also reflected are the internal transfers between different object code groups, which we discussed earlier. We see the total now provided for each of the object groupings, amounts expended, and the unexpended. Mr. Chairman, are there any questions?

MR. CHAIRMAN: Any questions at this stage?

MR. ROGERS: This is the format that applies to all departmental statements, and this is what the rest of the book is in effect made up of for the various departments. Appendix 9 shows the details of expenditure by program and subprogram. This is the breakdown of the code groups, showing some 44 actual objects of expenditure, and gives a finer degree of information than was provided in the prior statement. The second column shows the Provincially Administered Institutions, of course. Then the revenue has not changed from the format of prior years.

Mr. Chairman, that completes the review of the format of the statements. As I said, this is continued for all departments throughout volume 1.

I think there are a couple of points. I had the decision whether or not to put all the detail for all the elements in a statement showing that detail. This would increase the size of public accounts, and I perhaps would like the opinion of the committee as to whether they feel that was the correct approach or not, in view of the fact that this committee can have available to it at approximately one week's notice the details of the various elements the committee might be interested in. I think this comes up in one of the items that has been mentioned for review. The Native Secretariat, for instance, was mentioned as being one group that was to be reviewed. It is at the element level. Consequently, supporting detail would have to be brought to that meeting for the committee to look at to show the details of that particular element.

MR. CHAIRMAN: Any comments on that point? All agreed?

HON. MEMBERS: Agreed.

MR. ROGERS: Thank you, gentlemen. In volume 2 we have the financial statements of the various Crown boards, agencies, commissions, and so on and so forth, that were audited by the Provincial Auditor in the course of the fiscal year. I have one matter that has been brought to my attention by a letter I received -- now I've lost it -- from the Irrigation District Secretariat. It has been traditional over the years to include the financial statements of those irrigation districts that are audited by the Auditor. Under the new Financial Administration Act under the consequential amendments, there was an amendment to The Irrigation District Act which made the Provincial Auditor the auditor of all irrigation districts. So we now have a situation where it is a question of whether we should bring a number of small irrigation districts into public accounts volume 2, or not include any irrigation districts. Because the irrigation districts expressed some concern that by being included in public accounts there is an illusion that they are controlled and financed completely by the government. Of course, they do receive substantial grants from the government, but are not subject to such control. So the question really arises as to whether or not it is thought by this committee proper that public accounts should include them.

MR. CHAIRMAN: Any comments?

MR. YOUNG: Mr. Chairman, do I understand Mr. Rogers' question to turn on the concern expressed by the irrigation districts that they may be seen or be perceived to be under provincial control if included here? That's the item of concern which they're expressing, is it?

MR. ROGERS: This is right, Mr. Chairman. The letter I received, actually, from the Irrigation Secretariat, which of course is government -- it's part of the Agriculture Department. I will read it if that is appropriate, Mr. Chairman. It's not too long:

> The directors of the Alberta Irrigation Projects Association have advised the Irrigation Secretariat office that the irrigation districts object very strongly to having their annual audit published along with the general audit of the province. This objection is made on the grounds that publishing the irrigation district audit in such a manner is misleading in that it implies to the public at large that all irrigation district expenditures are funded by the Provincial Treasury, and that the irrigation districts are wards of the government or are government-operated. This of course is not the case as the districts are local authorities and autonomous. This objection of course does not include the publication of funds relative to the cost-sharing arrangement. It would be appreciated therefore if you could look into this matter at your earliest convenience and advise this office as to whether the above objection is valid and, if so, if the situation can be corrected.

MR. McCRAE: I don't profess to be an expert in this area of accounting or any particular area of accounting, but it strikes me, on the surface at least, that there is considerable merit to the position of the irrigation districts. Might I suggest that we again defer this matter, and we'll study the question on behalf of the Auditor, and give him some direction at a later date. I don't think we should even lock into any particular date as to when we might come back with that advice. But let's assume it will be in the next several weeks, at least, if that would be agreeable to the committee.

MR. ROGERS: There is no urgency on this matter. I have replied to them, pointing out that their financial statements show the extent to which the government is involved in their operations. I did end the letter by saying:

> The objections of the Alberta Irrigation Projects Association have, however, been noted, and it is my intention of bringing this matter before the Standing Committee of Public Accounts for further discussion.

MR. CHAIRMAN: Thank you, Mr. Rogers. Then is it satisfactory to the committee that this matter be taken under advisement and we reach a decision at a later meeting? All agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: At this stage, then, I'd like to thank Mr. Rogers and Mr. Henkelman for the services they've performed today.

There is one item of business I'd like to bring to your attention now, prior to the close of the meeting.

MR. KING: Mr. Chairman, before you pass to another item of business, I don't know if it was said before I came in -- that's quite possible. But I would like to thank Mr. Rogers for these two documents he presented to us today, particularly the overview. While we have had it verbally in previous years, to have it committed to paper is very helpful to me and something that I will keep. I just wanted to thank him for it.

MR. CHAIRMAN: Does the committee all agree?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you, Mr. Rogers and Mr. Henkelman.
I have been requested by quite a large number of people in the Morrin area, which is in the north end of the Drumheller constituency, to be present at a meeting next afternoon on Wednesday, April 26. In discussing this matter with the hon. Mr. McCrae, Mr. Young, Mr. Notley, and Mr. Speaker, Mr. Speaker suggested that possibly we could have the meeting at 8:30 a.m. next Wednesday and complete it at 10. I checked with the chairman of Private Bills and Mr. Horsman is agreeable to having Private Bills next week at 10 a.m. instead of at 8:30. AGT will be before the committee. While the hon. Dr. Warrack is out of the province, I've checked with the office and they believe there will be no difficulty in that regard. So would it be agreeable that we have Public Accounts next Wednesday, April 26, at 8:30 a.m., and AGT will be before the committee for study? All agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you very much. I appreciate that a great deal.
I should also report at this time that the next item of business is Disaster Services, and on May 3 AGT will not be able to be available if they are not completed next week. Would it be agreeable that we ask Disaster Services to come on May 3? All agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Any other item of business? If not, a motion to adjourn would be in order. Moved by Mr. Wolstenholme that we adjourn. All in favor? Against, if any? Thank you very much. The meeting stands adjourned.

(The meeting adjourned at 11:24 a.m.)