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St . . . mmittee on Public Accounts

Wednesday, October 17, 1979

Chairman: Mr. Mandeville

10 a.m.

MR. CHAIRMAN: Good morning, ladies and gentlemen. We have a quorum now, so I'll bring our meeting to order. At our last meeting we decided we wouldn't be receiving our minutes; we'd be filing them. However, are there any errors or omissions in our June 27 minutes? If there are no errors or omissions, we'll have the minutes filed.

I think what we'll do, committee members -- the first item on the program this morning will be to determine what departments we are going to bring before the committee, and who we'll have for witnesses. So if it's the wish of the committee, we'll now make a decision on what areas we're going to scrutinize in our first meeting as far as the Public Accounts Committee is concerned.

MR. McCRAE: Could I make a motion on that, Mr. Chairman? We had our meeting with the member of the Official Opposition, and agreed on the following. Alberta Housing Corporation is number one; secondly, airport development.

MR. CHAIRMAN: Stu, I didn't get that first one.

MR. McCRAE: Alberta Housing Corporation. Second would be airport development; third, Recreation and Parks; fourth, the Alberta Opportunity Company; fifth, the Department of Environment. There's room for others, so I'd like to add the Agricultural Development Corporation as number six. I would suspect, Mr. Chairman, that we wouldn't be here longer than that, so we probably don't need to go further into the list.

MR. CHAIRMAN: Thank you very much, Mr. McCrae. So the motion, committee members, is that Alberta Housing will be the first area, airports will be second, Recreation and Parks third, the Opportunity Company fourth, Department of Environment fifth, and the Ag. Development Corporation sixth. Is there any discussion on the motion, committee members?

Motion carried

MR. CHAIRMAN: So I will arrange to have some officials from the Alberta Housing Corporation at our meeting next Wednesday.

I would just like to say at this time that on November 14 and November 21, Mr. Rogers will be attending a world conference on EDP in London, and he's not going to be able to be with us. He's also going to be interviewing chartered accountants while he's over there. As you are aware, he's short of staff in his office as far as chartered accountants are concerned. We're hopeful that Mr. Henkelman will take over for Mr. Rogers in the two meetings he will be away. Does that meet with the committee's approval?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: What we're going to be doing this morning is continuing with the overview of Public Accounts. Mr. Rogers has suggested he would like to go over the format of Public Accounts. As you are aware, they're the '78 Public Accounts. He'll just broadly open the discussion, and he would like you to interrupt at any time and ask any questions you feel you want him to answer. He'll also be giving you an overview of the role of the Auditor General in the province of Alberta.

Just before we get into that, I'd like to say that I certainly enjoyed the trip you approved for me, to go to Newfoundland to meet with chairmen of our various public accounts committees. It was certainly a worth-while trip. The public accounts chairpersons will be getting together in Manitoba next fall, and I think it would be useful for someone from the Public Accounts Committee to attend that -- not the Chairman; I attended this one. But they are certainly useful and worth-while meetings. We also attended part of the meetings where Mr. Rogers was chairman of the auditors general for Canada. That meeting was also very enjoyable.

With those few words, possibly Mr. Rogers could just open up the format.

MR. McCRAE: Mr. Chairman, I wonder if it might be appropriate if sometime you could give us a more general report as to the nature of the conference, what you found in terms of the way we do our business here, and how it compares with other jurisdictions. I'm sure you don't want to do it this morning, but I think it would be appropriate if you could spend a few moments on it at some other meeting.

MR. CHAIRMAN: Yes, Mr. McCrae. If it's the wish of the committee, I would certainly be willing at some point. Maybe you could let me work it into the agenda. We're going to have the witnesses at our next meeting. I don't think they'd want to be involved. But at an opportune time, if it would be okay with you, Mr. McCrae, I'll give an overview of what the meeting consisted of and the new methods they brought to our attention for handling Public Accounts. If you could leave it in my hands, I'll do that.

Now, if I could turn the meeting over to Mr. Rogers.

MR. ROGERS: Good morning. In looking through the proceedings of the last meeting, I noticed that I had undertaken to give an update on the status of the actuarial evaluations to be carried out on the pension plans. Two actuarial reviews are in process right now, as at March 31, 1979, of the public service and local authorities pension plans. They anticipate a report will be ready by January 1980. They are planning a possible review of the management and MLA plans as at March 31, 1980. I think I indicated that it would be too much work to have actuarial evaluations carried out on all the plans at the same time. So this is, in effect, a phased program that they are going through.

One other thing I undertook to give some information on was the status of the National Revenue audit. Work has been carried out on that. We have reviewed the proposed work of the Auditor General to make sure that our concerns were being met by the work he was to carry out. This included, of course, giving us assurance as to the amount of checking that is carried out on the tax deduction programs, which are, in effect, tax expenditures. Rental credits are a case in point, and oil royalty. We have made additions to the work he would be doing, his audit program, but we've had news that the work he

had anticipated having finished by August won't be ready for us to look at until December. So his office has run into some problems. This has caused a delay to the extent that I cannot really comment on it this morning, except to say that work is under way on that audit.

I had in mind the possibility, if it is your pleasure, that we should look at the Public Accounts format again. Or would you like me to go directly into a discussion of the Auditor General and the changes that have occurred as a result of that legislation?

MR. CHAIRMAN: What are the wishes of the committee? Would you like Mr. Rogers to discuss the format of Public Accounts, or go right into the role of the Auditor General in the province.

MR. CAMPBELL: I would suggest that we go back into the format.

MR. CHAIRMAN: Agreed.

MR. ROGERS: Volume 2 contains independent sets of financial statements for a number of public agencies, as you can see from the table of contents. Each set of statements stands on its own. There is an audit opinion on each set of statements. Volume 1 is mainly concerned with the General Revenue Fund.

In the discussion, I think I will try to talk about those things that are, in effect, here for the last time, as opposed to what will continue. You see the report at the beginning of Volume 1 of Public Accounts, 1977-78; this is the last time such a report will appear, because the Auditor General will be submitting a separate report to the Legislative Assembly, separately bound. However, there will be an opinion on the Public Accounts. It will be much shorter than the report you see here, which goes on for a number of pages. So there will be an audit opinion on the Public Accounts, but that will be the only thing prepared by the Auditor. The balance sheet and other statements of the General Revenue Fund will, of course, continue to exist.

If we proceed further, to page 66 of Volume 1 of Public Accounts, we have the statement of funds provided, expended, and unexpended by program. The individual programs are listed under the different ministries, and the funds are provided by both the budget and any subsequent special warrants. This statement is, in effect, an overview of the expenditure from the General Revenue Fund. On page 70, by ministry, we have the funds provided for the various objects of expenditure, and the amounts expended and unexpended.

Whereas the first of the two statements gives us an overview of the expenditure by program -- as we discussed it at the last meeting, a program is a purpose for which moneys are provided in the budget and are voted -- the second control, on page 70 in the second of the two statements, shows what the money was spent for, the objects of expenditure.

On page 74, Statement No. 20, we have the details of expenditure by department, showing the detail behind the total manpower, for instance. The previous statement shows the total for manpower, and this statement shows the various components that went into creation of the total for manpower. So manpower consists of salaries, wages, payments to contract employees, employer contributions, and allowances and supplementary benefits, for example.

Below the program level we have subprogram, which is a division of a program for management purposes. It is permissible for the administration, the government, to transfer between subprograms within a program. Despite the fact that the Estimates had shown the subprograms and those had been authorized, because the money is voted by program there is a long-standing

practice of being able to transfer funds between subprograms within the same program. It's simply a transfer within the amount that has been voted in the supply Bill.

MR. CAMPBELL: I wonder if we could have a definition of "program". For instance, in Transportation we have maintenance, and I understand it's very difficult to transfer these different amounts to different areas. I wonder if we could have a better definition of that.

MR. ROGERS: All right. This booklet was distributed at the last meeting. Its purpose was to give a sort of overview of some of the highlights or aspects of Public Accounts, which is of general interest in succeeding sets of accounts. On page 6, I'll just read it:

A programme is a distinct service to the people of Alberta (or a definable purpose). In Public Accounts "Departmental Support Services" and "Interdepartmental Support Services" have been treated as programmes. Up to and including the fiscal year 1975-76, the Appropriation Act each year made an amount of money available to each department to carry out the various purposes of the department.

So that's the way it was up to '75-76.

Although each department showed in the Estimates of Expenditure that the money was required for various appropriations within the department during the course of the year, the transfer of funds between appropriations was permitted with the approval of the Provincial Treasurer. Commencing with 1976-77, the Appropriation Act made an amount of money available to each programme (or defined purpose). As a result, transfers between programmes within a department are not allowed unless provided for in the Appropriation Act.

Does that help?

It is a specific purpose which is identified in the Estimates, and money is voted for that purpose. Therefore you cannot take money that was voted for some other purpose and transfer it to that program. The subprograms within a program are all basically for different aspects of the same purpose. Therefore it is quite in order, under proper control and disclosure, to be able to transfer money from one subprogram to another subprogram, but only within a program.

MR. McCRAE: Could I just follow up on that, Mr. Chairman. We had the example here from the member of the Transportation situation, where the question really is: how narrowly are you restricted in movement of moneys within the Transportation program. Could we take, say, \$X million approved for highway construction. Could some of those moneys, if they were not used for construction because an early freeze-up or whatever, be used for land acquisition? Would the two fit into the same program? I know we don't have the Estimates here.

MR. ROGERS: Could they be used for what?

MR. McCRAE: Land purchases for future highway use. What we're asking is: how narrow is the term "program". I suppose it would be more helpful if we had the Estimates. Or conversely, Mr. Rogers, if you had money in a land purchase fund in the Transportation Department which was not used, and you had a good winter and the highway construction season was wide open, could you use the land purchase moneys in the the construction part of the department?

MR. ROGERS: If it's in a different program, no. But there's no reason it is not possible to obtain a special warrant and not spend the moneys in the program that has a surplus. So at the end of the year you do not get an overexpenditure in total, but you do get a better disclosure of what occurred. We do have this legal problem that unless the appropriation Act were to specify that transfers could be made between certain programs -- and this has occurred. It occurred in Attorney General, where the appropriation Act said that moneys from one particular program could be transferred to other programs as need arose. That flexibility was built into the appropriation Act. But unless that flexibility is built in for a specific purpose and the Legislative Assembly agrees with it, no, that is a restriction on management. Those movements cannot be made between programs. But there's no reason, of course, that a special warrant can't be obtained and the money left unspent. So in total the ministry would not spend more than it had anticipated.

Just looking at Transportation, for instance, the various purposes are all transportation. But the various purposes provided for are: construction and improvement of highway systems; that is a program. Another purpose is construction and improvement of rail systems; that is another program. So the money from the one cannot be used on the other by transfer.

MR. McCRAE: Thanks, Mr. Chairman.

MR. ROGERS: There is a situation where you do get transfers between appropriations, and that is also provided for. That's on salary contingency. The very nature of the appropriation when it's established is to provide that moneys on salary increases can be transferred, when needed, to other votes.

But answering your question more specifically, surveys and property acquisition, for instance, is a separate program. Therefore moneys could not be transferred.

So we have the programs and the subprograms, and below that we have elements. Now, there's no actual control on the amount of money for elements. The program and the subprogram are the two levels of control that are established. But within a subprogram are various elements. A case in point would be NAIT and SAIT. They are within the same subprogram, but they themselves are elements. Consequently, although money isn't provided specifically for NAIT or SAIT, it is provided for the subprogram. The Legislative Assembly is interested in how much was spent for NAIT and SAIT. Therefore the ideal is for information at the element level to be available. Now, it is not in Public Accounts. But if you recall, I said at an earlier meeting that if any information is required at the element level, this can easily be obtained in very short order.

So that is the structure. Below the element level, we also have a further two levels of breakdown for which money is spent, but these project and subproject levels are used by management to provide management information. So we have a system, in effect, which can be rolled up from subproject level to the project level to give totals at the element level. It can then be rolled up to the subprogram level and then to the program level, which is the highest

point of control. This is the basis of the expenditure system in use by the government.

But there's a further type of control; that is, on the objects of expenditure. This is to make sure that money that was provided for supplies, services, grants, and so on and so forth, is not willy-nilly spent on manpower, for instance.

Are there any questions on the structure of Public Accounts? If not, I would like to go into the recommendations I had made in the last report, the 1977-78 report.

It was that in order to get a true picture of the province's affairs, consideration should be given to aggregating all the statements that appear, where appropriate anyway. Those statements that are appropriate that appear in this book should be (inaudible) to a statement that aggregates the results of those statements with the results of the heritage trust fund and of the General Revenue Fund to have a statement that more truly reflects the overall picture, because the General Revenue Fund is only one aspect of the statements of provincial financial affairs. That is being examined by the government.

The other matter I made a point of was the discussion of the recognition of the liability for pension plans. But again, there can be transfers within the program for that purpose. When the need is demonstrated, then money that was provided, say, for grants -- not grants; I picked a bad one because there is a separate control on grants. But let us say there was money that was allocated to manpower, but staff could not be hired; therefore the work was carried out under a contract. The surplus or unused moneys in manpower could then be transferred to supplies and services to provide the money to pay for the contracts. That is basically the way it would work.

Are there any questions on this? The reason I go into this is that this format will be common to the 1979-80 Public Accounts that will be coming out in the near future. They will be following this same structure, so it is ongoing knowledge, if you know what I mean.

Are there any questions on the structure of Public Accounts? We discussed that a little earlier.

Mr. Chairman, if there are no other questions, perhaps I might go on to discussion of the changes resulting from the new legislation on the Auditor General.

MR. CHAIRMAN: Are there any questions on the overview of Public Accounts? If not, Mr. Rogers is going into the role of the Auditor General.

MR. ROGERS: Thank you, Mr. Chairman. The Act passed in the fall of '77 provided for the Auditor General to commence his duties on April 1, 1978. There had been quite a long process of preparation for the change between the office of the Provincial Auditor -- my office -- and Treasury. In actual fact, the change went very smoothly, as I think I indicated at the last meeting.

One of the prime functions of the Provincial Auditor was to examine every document before payment was made. As I indicated, this had shortcomings, with the volumes we were faced with. I was looking at some figures the other day, and '77-78 consisted of some 7 million transactions in total. Control based on examination of individual documents leaves something to be desired; on the other hand, it's an important internal control.

That internal control has been transferred to Treasury. In fact, as I indicated, the only difference is a change in the name on the door. The same people are doing the work. So I'm satisfied the job is being done in the same

way it always was. In fact, a lot of improvements have been made as a result of the issuing of a manual, and following the requirements of The Financial Administration Act, 1977, which for the first time has built into it the control procedures that have to be carried out in the disbursement of public funds. So that leaves the office of the Auditor General with strictly the audit function. In order to carry it out, a certain amount of restructuring took place in the office.

We now have four divisions. The general audit division is responsible for statement audits, most of the audits which appear in Volume 2. We have the departmental audit division, which is basically involved with auditing departments, and also with auditing systems other than strictly financial systems. I'll get into that in a moment.

We have the EDP audit division, electronic data processing -- that is, having to do with the computer systems. The reason for the emphasis on EDP is that in this day and age, the books of account, which auditors used to tick and check so fondly, are either on magnetic discs or reels of tape. Therefore different techniques have to be employed in order to carry out an effective audit. The whole field of EDP auditing is in its infancy, one might say, despite the fact that computers have been around for some 30 years or more. Incidentally, the world conference on EDP auditing that I'm attending next month has been called by the British Computer Society, in conjunction with the Institute of Certified Public Accountants in the States, CICA in Canada, and the CAs in England and Wales, the U.K.

So we have an EDP audit division. We have our own computer, a small but very powerful one. The purpose for this is that I do not believe an auditor is completely justified in relying entirely on his programs that are run on an auditee's computer. He has to have some reservations as to whether he is getting the information the auditee wishes him to have, not the information he should be getting. That is obviously hypothetical, but one should take all due precautions to make sure that the information one is auditing is correct. The other aspect of having one's own computer, of course, is the element of surprise, which has always been a basic element of auditing since the days we used to walk in to do the surprise cash count.

The other division of the office is the administration division, which is responsible not only for day to day administration of the office but for ensuring that our standards of practice conform with the rest of the profession and that our staff is trained. Professional development is an extremely important aspect of any professional office. The office itself is and always has been -- "always" is perhaps rather strong, but for long before my time, and I've been in the office 30 years -- regarded as a practising office by the Institute of Chartered Accountants, for the purpose of training staff. I myself qualified in the Provincial Auditor's office, and we still continue that.

The office consists of 165 people at the moment. We're going to be asking for more resources for the coming year, '79-80, because we have in effect taken stock of the work to be done and the resources needed to carry out that work. We estimate that close to 200,000 audit-hours will be required to do the job called for by the legislation. In talking of that, I would like to refer to the legislation very briefly. The reporting requirements are:

After the end of each fiscal year . . . the Auditor General shall report to the Assembly on the financial statements of the Crown for that fiscal year.

That has of course been done, and will continue to be done.

But there are new reporting requirements contained in the Act, and they have to do with the collection of public money. The Auditor General is called upon to report any instance where:

- (a) collections of public money
 - (i) have not been effected as required under the various Acts and regulations . . . ,
 - (ii) have not been fully accounted for, or

This is if any was missing, or anything like that.

- (iii) have not been properly reflected in the accounts,
- (b) disbursements of public money
 - (i) have not been made in accordance with the authority of a supply vote, (or the) Heritage Fund . . . ,
 - (ii) have not complied with regulations, directives or orders applicable to those disbursements, or
 - (iii) have not been properly reflected in the accounts,
- (c) assets acquired, administered or otherwise held have not been adequately safeguarded or accounted for,

Now we come to two further clauses which are fairly key; that is, the Auditor General must report on any instance where he has noted that:

- (d) accounting systems and management control systems, including those systems designed to ensure economy and efficiency, that relate to revenue, disbursements, the preservation or use of assets or the determination of liabilities were not in existence, were inadequate or had not been complied with, or
- (e) where appropriate and reasonable procedures could have been used to measure and report on the effectiveness of programs, those procedures were either not established or were not being complied with,

and shall call attention to any other case that he considers should be brought to the notice of the Assembly.

That is basically the charge I have, subject to one or two sections, one of which is materiality. There is no point in cluttering a report with immaterial items. The word "materiality" puts an onus and responsibility on me to exercise professional judgment as to what is material. Yes, Mr. Clark?

MR. R. CLARK: I was just going to ask a question after you're finished making the comment on materiality. Or if you'd like to elaborate on that a bit, I'd be very interested.

MR. ROGERS: Certainly. Section 25:

In a report made under this or any other Act the Auditor General need not report on matters that are, in his opinion, immaterial or insignificant.

MR. CHAIRMAN: Mr. Clark, did you have a question on that?

MR. R. CLARK: Yes, Mr. Chairman, really two questions to Mr. Rogers. When might we expect the first report of the Auditor General? You may have mentioned that and I may have missed it. Secondly, and I recognize this question of, I guess you used the term, "materiality" is a difficult area. But can you give us a bit of a feel for what discussions you might have had with the federal Auditor General or other provincial auditors general dealing with that area. It would seem to me that that's the kind of area where opposition leaders might always look to the Auditor and say: look, are you really levelling with us and telling us everything that needs to be told? I recognize that it becomes a matter of judgment as to what information is relevant, if and when the Auditor has to make a special report. Are there any kinds of criteria that your colleagues across the country have been able to develop? Or is it rather a catch-as-catch-can situation based on the individual case?

MR. ROGERS: I think I have to answer that -- I'm glad you gave me the "catch-as-catch-can" line, because to some extent that does describe the present situation. It is a developing situation. The various auditors have had discussions on this among ourselves.

It's a very difficult thing. You see some provincial auditors' reports, and they have two paragraphs on a shortage of \$5.02 in an impress fund. I would say that's immaterial. But then the question is: how high do you go before you can still say it's immaterial? Maybe \$100 is immaterial. That is a question. We also have the limitations of audit. I mentioned earlier 7 million transactions. Having regard for materiality, if an auditor is, in effect, to be responsible for everything over a fixed figure, then of course it would get to the point of being virtually -- a very difficult task from the point of view of the resources he would require in order to be able to say there were no errors greater than a certain amount.

MR. R. CLARK: Mr. Chairman, could I just ask Mr. Rogers another question. How does one go about the job of deciding where one might or might not look? It's always one of the things I have rather marvelled about Maxwell Henderson -- and I'm not suggesting that you, sir, should be another Maxwell Henderson, nor would I expect you to be. Very candidly, I think there are some pluses and minuses there. But having said that, it intrigues me that from the day the Auditor General takes on that responsibility, where does one go from there? Obviously you can't look at 7 million transactions.

MR. ROGERS: What can be done, and this is what my office is attempting, is to determine that the system, the process -- that those 7 million transactions have built into them all controls that we feel are necessary; that management itself is exercising control over its operations. If the system is well controlled, the chances are that what comes out, the end result, will not be subject to error. It is the mechanisms of determining when there are errors that are our main concern. This is, in effect, fairly universal in the profession, in both the private and public sectors.

The last 10 years have seen a move away from what we call the data-based approach to the systems-based approach. That is, rather than being concerned with individual transactions *per se*, we are looking at the systems that process those transactions. Those transactions are the end result of the systems. If those systems have integrity, we have greater assurance that the transactions themselves have integrity.

Now, I just want to add to that. We don't look just at the systems. We also see that the systems are indeed working by taking statistical samples of the transactions. First we look for compliance with what is supposed to exist in the way of internal control. Having satisfied ourselves that that internal control does exist, we then determine the extent to which we can rely on it. That then determines the amount of substantive testing -- that is, looking at actual transactions -- that we have to do.

This is an approach to auditing shared by most of the major firms. There are differences among firms, obviously, but this is an auditing technique in general use today, and we're following that.

MR. R. CLARK: Mr. Chairman, just one last question. Mr. Rogers, while I can appreciate that's the procedure used with firms, because they're dealing basically with private funds, I'd be very interested in knowing how the system we're using compares with that used by the Auditor General for Canada, for example, or -- I forget the exact name of the U.S. government agency that has some of the same kinds of responsibilities. I would feel, shall we say, more satisfied if you could tell me, Mr. Rogers, that we're following a similar approach to that used federally, perhaps, or in some other areas where they've done some work in this area.

MR. ROGERS: The GAO, the Government Accounting Office in the U.S., which I believe is the agency you were referring to, takes a role that is very difficult to fit into the parliamentary form of government that we have. The GAO is, in effect, an arm of Congress, I believe. They are almost in an opposition or confrontation role with the administration. They tend to be very subjective in their reporting. We've talked with the GAO people; I've had some of my people attend courses given by the GAO.

We can learn a lot from their techniques, but the GAO's actual method of operation is not appropriate to the Westminster form of government. In this type of government we have the Legislative Assembly, and we have the government, the cabinet ministers, who are also members of that Assembly. They are accountable to the Assembly -- you'll forgive me for going through this. As the Auditor, I am an officer of the Legislative Assembly. My job is, in effect, to give assurance on the accountability statements, if you will -- to give the greater credibility that an audit gives to the accountability statements made by the government to the Legislative Assembly. At least, that is how I see my role, and how I believe my colleagues in various other jurisdictions see their roles.

Answering your question on techniques and approaches, we are working quite closely with all other legislative auditors, including the Auditor General in Ottawa, to the extent that in the EDP area -- and as I said earlier, these are the modern books of account. In the EDP area we have, due to an accident of history whereby the audit office was required to produce the government cheques under the existing statute, which dates back to 1924, The Treasury Department Act . . . In the 1950s, when it became difficult to type the cheques, the first computer installation in the government of Alberta was in the audit office. Mr. Huckvale, then the Provincial Auditor, assigned me the task of creating the data centre. Consequently, the data centre we have today was under control of the Auditor until 1975. That was a rather unique experience and, as I say, an accident of history which has allowed our office perhaps to be ahead of anyone else in this particular area and on EDP controls.

We have developed a course for auditors on EDP auditing. People from Ottawa have attended in our offices, our classroom, at the course we have been providing. In January and February of 1980, we will be putting on this course for representatives from other provinces.

We are working very closely together to develop more or less uniform approaches and techniques, to the extent that our mandates are the same. Now, not all mandates are exactly the same. But it is worthy of note that the techniques that are applicable to us are also applicable to Ontario, B.C., and Canada.

To this end, we are together studying the possibility of creating a foundation for the study of comprehensive auditing, which is simply a name to describe what is in this mandate. Comprehensive auditing simply says that the auditor goes beyond the financial statements; he rather looks at management control systems to control operations and to ensure that due regard is being taken of efficiency and economy and that, where possible, systems to measure effectiveness have been put in place. This foundation will, in effect, be a vehicle for sharing experiences, sharing what we have developed with all the other jurisdictions -- and the firms, because some of this experience is applicable to non-profit-making organizations as well -- and other levels of government.

MR. COOK: Mr. Chairman, I wonder if I could ask if your your office is starting to go into a more subjective analysis.

MR. ROGERS: No, sir. That is the one point that we do not, cannot get into; that is, to be more subjective. We have to be objective in commenting on the systems employed by management. It is management's job to exercise economy and efficiency and to measure effectiveness. Our job is, in effect, to inform this Assembly how well they are doing their job.

MR. COOK: Could I ask a follow-up question. I have the impression that the Auditor General in Ottawa does provide that subjective analysis on whether or not the people of Canada are getting good value for their dollar spent. It's clear that that we don't have that kind of opinion given by your office.

MR. ROGERS: That is where our mandates are somewhat different. He is called upon to give examples of any instance where due regard was not given to economy or efficiency, whereas our mandate is where a system that was necessary to ensure economy and efficiency was either not in place or, if it was in place, was inadequate or even where an adequate system was installed and there had been lack of compliance with that system. So our mandate is entirely in the systems area. Strangely enough, in actual fact the Auditor General of Canada is, in practice, going more toward the systems approach. It is the only practical approach, because their task -- if we have 7 million transactions, you can imagine that they have a vastly greater number to look at. So they are also coming to the systems approach. Does that help?

MR. COOK: Thank you.

MR. ROGERS: But the one thing we cannot do is be subjective in assessments of individuals, because then it's one person's opinion against another's. The other thing is that policy is not for the Auditor to criticize or to pass comments on, but how well a declared policy is being carried out.

MR. CHAIRMAN: Just feel free, committee members, to ask any questions of Mr. Rogers that you desire.

MRS. EMBURY: Mr. Chairman, I'm sorry to go back to something the hon. Leader of the Opposition raised, but I may have missed it. Did we get an answer to when we might be receiving the first report?

MR. ROGERS: I'm very sorry; that just escaped my memory. Very definitely, that report will be ready by the spring session. I think it is appropriate that, as is required by the Act, it be given to the chairman of the select standing committee for tabling in the spring session. I have to admit that this first report is proving to be quite a task. We have it as a top priority in the office, I can assure you.

But we are plagued with shortage of staff. The reason I am going to England in November is the inability to hire staff within Canada, which was my first choice. We are having real problems getting the right people at the professional level. Consequently, I am not completing the work as quickly as I anticipated. We have suffered delays. We have lost staff; right now we have some 25 vacancies. We have already determined that we don't have enough staff, even if all our vacancies were filled. So you can see the rather bad position we're in right now. It is no one's fault, except I think it is a general condition being faced by the firms. CAs are in short supply.

MRS. OSTERMAN: Mr. Rogers, you have explained that you have a shortage of staff, and that this is general to all areas, not just the government area. I wonder if you feel free to comment on the salary level offered to government accountants, especially the ones on your staff.

MR. ROGERS: I really believe that we should have somewhat more flexibility than we have.

MR. PENGELLY: Mr. Chairman, I would like to ask Mr. Rogers what the qualifications are that you're looking for that we do not have in Canada.

MR. ROGERS: No, we do have them in Canada. But those people are not necessarily interested in working for the government. The qualifications I'm looking for are audit experience; systems experience; chartered accountants, because we are a chartered accountants' office, and these are the people who have the auditing background. The sort of people we're looking for are employed by the firms, and the firms are simply paying better money than we are, to be quite blunt.

I spent all Saturday and Sunday in Montreal and Toronto interviewing, and when people in whom I really wasn't terribly interested told me how much they were earning, it was more than I would have been free to offer, even if they had been really good people -- if you don't mind me putting it that way. But that is the truth. I was amazed at some of the salaries that these people said they were receiving.

MR. PENGELLY: A supplementary, Mr. Chairman. What do they pay a beginning chartered accountant in your office? I suppose that depends on experience.

MR. ROGERS: In our office a newly qualified chartered accountant would be \$23,500.

MR. CHAIRMAN: A question, Mr. McCrae?

MR. McCRAE: Mr. Chairman, the problem Mr. Rogers pinpoints is one that is right across government -- lawyers, our computer section, our air force -- everywhere there are problems . . .

MR. R. CLARK: Our air force?

MR. McCRAE: . . . in opportunistic Alberta, in matching what the private sector can offer. But what we're doing in some other areas is contracting out parts of the work. I wondered what opportunities there are in your area, Mr. Rogers, to contract out some of the work where you are having difficulty hiring people and keeping them on staff.

MR. ROGERS: Some of the work would not be suitable for contracting out, and I cannot really see contracting out in that sense. But what I've developed over the last several years, and which is proving to be very successful, is employing firms to act as my agents, with us doing enough work that I am able to have the opinion -- I am the one who has to report to the Legislative Assembly; therefore I satisfy myself through a review of the work they've done that I can report to the Legislative Assembly with clear conscience. I think that approach is working well. In the 1979-80, that would account for 12.5 per cent of our total work load.

MR. R. CLARK: I wonder if I might ask Mr. Rogers: you say there are now 25 vacancies.

MR. ROGERS: That's not all chartered accountants; I would make that clear. I'm short 11 chartered accountants. Those were the total vacancies, which does affect our ability to do the job. But of that vacancy figure, only 11 are chartered accountants.

MR. R. CLARK: Do the people in your office, Mr. Rogers, set your own pay schedules? Or are you subject to the Public Service Commissioner's office?

MR. ROGERS: We're subject to the Public Service Commissioner's office.

MR. R. SPEAKER: There's a need for 11 persons. Is there any type of co-operative agreement between the faculties at the university and your office with regard to preparing people for public accounting? Has there been any thought of offering bursaries or grants to persons, so that after they graduate from university they will spend time in the public service? My own feeling is that going to England to bring people here is not completely acceptable, when there are people we're training in our universities and schools to do some of this work. Maybe what we should do is add some incentive to our system, so that they will come and provide a service to the public.

MR. ROGERS: In answer to that, the problem is that there is an overall shortage of B.Cons, the degree we're talking about. And not all Bachelors of Commerce wish to go on to become chartered accountants. There are many opportunities other than going that route. But of those who wish to become chartered accountants, the supply is far less than the demand right now.

But answering your question, we have not taken any steps like bursaries or anything like that.

MR. R. SPEAKER: Have you considered that in your office, and have you made any presentations to the Public Service Commissioner? Or would you be open to making some representation to that effect even to this committee? As you're responsible to the Legislature, I'm not sure whether you work it through this committee, or how it becomes an issue in our Legislature. Have you made any plans in that area, or thought about that?

MR. ROGERS: No, I have to say that this opens a whole new line of thought. I had not considered that.

MR. McCRAE: Supplementary to that question, if I might. Are there difficulties in being admitted to the schools of accounting or commerce at the universities?

MR. ROGERS: There is right now.

MR. McCRAE: There are youngsters not being admitted because of the limitations of the faculties we're speaking of?

MR. ROGERS: That is correct.

MR. R. CLARK: You now have to have a 75 per cent average at the University of Alberta before you can get in. Just thought you didn't know, Stu.

MR. ROGERS: If I could just comment as a member of the council of the Alberta institute. It's not out of place to say that we've also made representations on behalf of the whole profession that this shortage is really going to hurt us. You know, it will hurt Alberta. There are more CAs coming into Alberta, I believe, than we actually are qualifying right now.

MR. R. CLARK: Mr. Chairman, I may be stepping out of line in doing this, but would the committee be agreeable to asking Mr. Rogers to give some thought to what steps have to be or could be taken to get the audit component up to where he feels it should be. It seems to me we're talking about two things, Mr. Rogers, if I've understood you correctly. One is that we're short 11 audit people, CAs; then I assume that the back-up staff would make up the other 14 positions. Then there's also the question that if we had those 25 people in place, would you be able to do the job the Assembly is expecting from you?

Mr. Chairman, without consultation with any of the members, I lay before the committee the possibility of this committee's saying to Mr. Rogers: can you come back to us next week and tell us what you think you need to enable you to do the job that has to be done?

MR. ROGERS: We have looked at the situation very carefully as to the number of people we feel we require to do the job we feel the mandate calls for. In our 1980-81 estimates, we are asking for an additional 20 people. That would bring our establishment up to 135. We feel that with that establishment, if we can get within 5 per cent, allowing for an average 5 per cent vacancy rate, we could carry out our mandate as we feel it should be carried out.

MR. R. CLARK: Mr. Chairman, to Mr. Rogers. That kind of suggestion or commentary might better come from the Standing Committee on the Offices of the Auditor General and the Ombudsman, rather than from the Public Accounts Committee.

MR. ROGERS: Mr. Chairman, I'm meeting Monday with the standing committee on this subject. I hadn't really intended to discuss this subject here. I'm sorry in a way that we got into it. But I think it is pertinent to the questions that were asked regarding our report.

MR. McCRAE: Could I just say, Mr. Chairman, although it doesn't often happen, on this occasion we agree with the hon. Member for Olds-Didsbury that the other committee is the more appropriate place to discuss that matter.

MR. R. CLARK: (Inaudible) Mr. McCrae.

MR. McCRAE: I don't want to ask him to repeat what he said, though I didn't catch it.

MR. R. SPEAKER: Mr. Rogers, as a matter of interest, you're requesting another 20 persons in the 1980-81 budget. If we're not able to fill the component at the present time, what are your plans to fill that extra component of 20 people? I know you said you wanted to refer this to the other committee, but I'm most likely on that committee too. So I could refer to that later on, but maybe you could just comment on that now.

MR. ROGERS: We are hopeful that the measures we're taking will . . . You see, we've had these shortages before, and have made them up. Our turnover isn't that great. I think we will be all right. I am not sounding a desperate situation; perhaps a serious situation, yes. But I believe we will overcome it.

MR. McCRAE: Could we be assured, Mr. Rogers -- and I think you've already done that -- that your report will be available for the spring session and, if you are having difficulties in staffing, that there is the opportunity of, if not contracting out, using the agency routine to finalize your work efficiently in accordance with your mandate?

MR. ROGERS: I should probably clarify. The work leading up to the report is virtually finished. The assurance I get as of this morning is that we should all be through by the end of the month. But the logistics of putting the report together take time. But the actual auditing work is complete, or will be complete by the end of the month. Now, this is later than I would have liked. That's the point where we started on this subject. I would like to have seen all that kind of work behind us by September. So the shortage of staff has caused us delay. But I don't think there's any way we could have tightened up on that.

MR. PENGELLY: Mr. Chairman, my question to Mr. Rogers. Perhaps I don't appreciate the magnitude of the work you're doing. It appears to me that with a staff of 165, you shouldn't have too many problems.

MR. ROGERS: The work we are doing, of course, is not just the government; for instance, it is the Crown corporations, universities, colleges, hospitals.

It's a very heavy work load. We estimate that in total, for 1980-81, this comes out at around 200,000 man-hours of auditing. Yes, the numbers sound a lot, but so is the work load.

It is a matter of timing, you know. As I have said, we have finished the audits. Now we are starting on interim audits for next year. A lot of the auditing work will actually be cyclical in nature, where we will look at a phase of the government's operation in depth perhaps only once in the lifetime of a Legislature. But we'll be moving across the spectrum of government operations.

MR. R. SPEAKER: Mr. Rogers, I still get concerned about this staff component, for the Monday meeting that I'll most likely be involved in. This summer I had the opportunity of attempting to get one of my constituents into the Bachelor of Commerce degree at the U of A. He had the average of over 75, but the faculty at that point in time was not going to accept him because it had accepted some others. We did work on it, and finally I got him accepted. But I found out at that time that 150 other students had been rejected by the faculty.

In light of that kind of information, I was wondering whether there would be some type of recommendation for our Monday meeting saying, look, you do need this number of people, and that some discussion should go on between us as people in the Legislature and that particular faculty, through or along with the Minister of Advanced Education and Manpower. Possibly you could give that some thought between now and Monday.

MR. McCRAE: Could I respond, Mr. Chairman. I see the clock is almost at 11:30. I have no objection to the question; I just think it's in the wrong committee. If the hon. member wishes to make that recommendation on Monday to the Select Committee on the Offices of the Auditor General and the Ombudsman, fine. But frankly, I think it's out of place. The same line of questioning was pursued in the House yesterday with respect to the nursing situation. As the hon. Minister of Education stated at that time, there is a global budgeting process. I'm sure the other committee would take that type of approach into consideration when it meets on Monday. At that time, if the member introduces that motion -- but this is not the proper time or place for that type of discussion.

MR. R. SPEAKER: Mr. Chairman, the hon. member can say what he wants, but I'll say what I want to say in this committee. He has no control of the things that I say here, nor can judge them as such.

MR. ROGERS: Can I just make one comment for understanding purposes. The B.Com. degree we were talking about would not rectify the immediate situation in any event, because when a person leaves university, three years' practical experience are still required before becoming a chartered accountant. It is chartered accountants we're actually looking for. But the students from the university -- that again is another problem, but would not be involved in the number I was discussing.

MR. R. CLARK: I move we adjourn.

MR. CHAIRMAN: We have a motion to adjourn, and we're getting near our time of 11:30.

Motion carried

MR. McCRAE: Mr. Chairman, what are we going to do next week? Are we finished with this report? Are we going on to the Housing Corporation?

MR. CHAIRMAN: What we'd like to do -- we're going to deal with Alberta Housing, which was the suggestion of the committee. We'll be getting in the witnesses from the Alberta Housing. But if we could just get Mr. Henkelman to pass out to the committee members the areas, and where they're located in Public Accounts. I'm sure it will be helpful.

MRS. EMBURY: Mr. Chairman, could I just have a clarification, please. Could you tell me if we meet every Wednesday. And is the meeting scheduled from 10 to 11:30?

MR. CHAIRMAN: Yes, Mrs. Embury. That's the decision we made at our organizational meeting, that we would meet every Wednesday while we're in session, and that we would adjourn at 11:30.

MRS. EMBURY: Thank you very much.

The meeting adjourned at 11:25 a.m.