

Standing Committee on Public Accounts

Wednesday, May 7, 1930

Chairman: Mr. Mandeville

10 a.m.

MR. CHAIRMAN: Committee members, if we could bring our meeting to order. I'm sure that you have our last minutes now. Donna got them out to you. Are there any errors or omissions in our April 30 minutes? Mr. McCrae.

MR. McCRAE: Mr. Chairman, could I suggest an amendment to page 4, the last sentence of the top paragraph. I would like to see the last three words stricken, which say, "without being caught", which has a very unfortunate inference, that there was something for something to be caught, or . . . I won't go any further.

MR. CHAIRMAN: Where is that?

MR. NOTLEY: Could we have that entire sentence read?

MR. McCRAE: Do you want me to read it?

MR. NOTLEY: Yes.

MR. McCRAE: Okay. It's on page 4 of the minutes: "They were in a position to execute and make adjustments to the documents, without being caught." I've looked at the transcript and at the Auditor General's report, and the words "being caught" are never used. I think there's an inference there that somebody did something that was, if not criminally wrong -- there's an inference that I think is very unfortunate, and I would move that those words be stricken.

Mr. Chairman, I would also like to table a copy of Mr. Harle's written response yesterday to question no. 117, where he states clearly that the three individuals terminated employment either before or shortly after -- I think it was before -- the Auditor General noted that there had been a transfer of funds from one appropriation to another. I think that's very important, Mr. Chairman, because we're dealing with people's reputations in this particular situation, and the people are not here to protect those reputations. I'm not casting aspersions on the media or anyone else, but there were stories that I think, if I were one of the individuals involved, I would feel that I -- I wouldn't have been very happy with it, let's put it that way.

Since there was no personal intention to benefit from what is not an acceptable -- very much it isn't -- I think the record should simply indicate that the Auditor General discovered there had been a transfer from one appropriation of funds to another, and that's where it ends. They have terminated employment. I don't know the individuals, but I think one or more are working with another government, and they're entitled to whatever reputations they had when they left here. I'm sure the committee did not intend to impugn them, but in fair minds, those words might have that effect.

MR. CHAIRMAN: Just in speaking to the point, I would like to say that what we're doing now is going through the Auditor General's report and taking an

overview, the principle. And if we're going to get into detail in some of these areas, I think we should draw up our agenda and at that point, if we want to go into detail as far as the topic you're discussing, I think we should have the witnesses in from the Solicitor General's Department and deal with it at that time, if that's satisfactory with the committee. At this point in time, if we can deal with the general overview of the Auditor General's report.

MR. McCRAE: Mr. Chairman, if I might carry on. I didn't intend to get into a debate on the thing. I'm simply suggesting that the minutes be varied by the deletion of those three words, "without being caught", because I find them personally offensive in terms of what really happened.

MR. CHAIRMAN: Mr. Clark.

MR. R. CLARK: Mr. Chairman, I don't want to get involved in a semantic argument. I'd be quite prepared to agree to amend it to "without being noticed". You know, these aren't minutes; these are rather a broad view of what happened. That's the situation as I see it: that this wasn't noticed.

MR. NOTLEY: Mr. Chairman, I think that when we get into a discussion of the report in a more detailed way, I'd certainly suggest that we go into this in some detail, as a committee. I guess the question really is whether we support the amendment proposed by Mr. McCrae. I think that the suggestion Mr. Clark has made, "without being noticed", might be a better way of dealing with it.

I don't want to get into debate now, but I couldn't help but be a little concerned at some of the points Mr. McCrae made, because really what we're dealing with here -- and I know it's a difficult judgment to make between the reputation of the people in question on one hand, and what was in my view a very, very serious error. When one looks at page 42 of the Auditor General's report, Mr. Rogers said, "It would appear that these payment were deliberately charged . . ." Deliberate: that's just something that we can't gloss over and say, isn't that a pity; it's too bad it happened; it was the wrong procedure. It's sufficiently serious that in my view, as a committee, we have to deal with it in some detail. The inference I took from Mr. McCrae's remarks would just lead me to disagree with him on the importance of the issue.

I think that what happened there, even though it unfortunately involves the reputations of three people, is something that a Public Accounts committee cannot, in any way shape or form, do other than jump on and say, this is an intolerable situation and must be stated as such. So, if we want to find some other wording so that it's maybe not quite as cruel, but nevertheless conveys our concern, I'm willing to do that. And maybe the "without being noticed" is the way to deal with it. But I wouldn't want to have the minutes reflect anything other than what I felt was the consensus of the committee; that this particular observation the Auditor General had drawn to our attention a week ago, was something that was of genuine concern, because it was an intolerable situation.

MR. CHAIRMAN: Mr. McCRAE

MR. McCRAE: Mr. Chairman, if I might respond to that. I think we're getting into a debate, which is unnecessary here. There has been no suggestion on my part that we don't regard this as a serious practice. The government practice and the legislative system is that you cannot transfer from one appropriation to another. I don't mean to condemn it or condone it or to indicate that I don't think it is serious. The government thinks it is serious, and Mr. Harle

and the government generally have taken steps to ensure that all departments are aware that the practice is unacceptable. What I'm talking about is three words that appear in the minutes, that are supposedly a reflection of what went on last week. I've examined the transcript, and the transcript says nothing about being caught.

I've examined 4.2.7 of the Auditor General's report, and it says nothing about being caught. The fact is that the Auditor General -- if we want to use the term caught -- did catch it. So it isn't a question of whether it was capable of being caught. I am simply suggesting that because the minutes are generally read without reference to the transcript or the document to which they relate -- I am simply saying that we should delete the words "without being caught". I'm not inclined to go with the other suggestion, "without being noticed", because it was noticed, in fact, by the Auditor General. We have his report, which substantiates that. So the minutes should truly reflect what happened or was said here. I could accept the statement that these individuals were in a position to execute -- yes, they were -- and make the adjustments to the documents, which is exactly what they did. They were not caught, but they were noted. So why don't we just put a period after "documents" and leave it at that. I think it's a very routine thing, quite frankly.

MR. CHAIRMAN: We have a motion here to amend the minutes. Some of the members just came late, and I'm going to read it. On page 4 of the minutes of Public Accounts, the very last sentence in the first paragraph: "They were in a position to execute and make adjustments to the documents without being caught." The amendment is for a period after "documents" and take out the words "without being caught". Yes, Connie.

MRS. OSTERMAN: Mr. Chairman, could you indicate where the discussion is in the transcript we have?

MR. McCRAE: Page 16.

MRS. OSTERMAN: Mr. Chairman, I, for one, would like the opportunity to check that a little more closely before addressing the amendment that's been suggested.

MR. CHAIRMAN: Yes, Mr. Clark.

MR. R. CLARK: What would be the reaction of the committee then, on not approving or amending the minutes of the last meeting until the members have had a chance to look at the transcript, and then we make this the first item of business for the next meeting?

AN. HON. MEMBER: We have the transcript.

MR. R. CLARK: Well, get reading, then.

MR. McCRAE: Mr. Chairman, to facilitate matters, if I might, I could read the section in the middle of page 16, opposite Mr. Smith's name:

But they were senior enough to be in a position to make the adjustment to these documents and not get picked up by anyone above them, really.

Now if you wanted to use those words, fine. That appeared in the transcript, and that's fair enough. But I find the "without being caught" a very unfortunate inference.

MR. NOTLEY: Change it to "without being picked up". That's fine.

MR. McCRAE: "Without being picked up by anyone above them, really."

MR. NOTLEY: Okay, fine.

MR. R. CLARK: Put that in.

MR. CHAIRMAN: Is that your amendment, then, Mr. McCrae?

MR. McCRAE: That is a substantial difference, I think. It may be a picayune thing, but if it were my reputation, it wouldn't be.

DR. C. ANDERSON: Mr. Chairman, I think that if we go to the "without being picked up", we're inferring something in that as well, because we're looking at it as if it's being picked up by the police. I think that if we do it, we should put "without being picked up by officials above them in the department".

MR. CHAIRMAN: Is that your amendment then, Mr. McCrae?

MR. McCRAE: Well, if we delete the words "without being caught", and substitute . . .

MR. CHAIRMAN: . . . "and not get picked up by anyone above them, really." That was the remark Mr. Smith had made.

MR. CHAIRMAN: Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Are there any other errors or omissions in the minutes? If not, we'll have the minutes filed. Now if I can turn the meeting over to Mr. Rogers, and he'll continue with the Auditor General's report.

MR. ROGERS: Thank you, Mr. Chairman. Ladies and gentlemen, the next item, 4.2.8, deals with overtime payments at the Fort Saskatchewan Correctional Institution, which is one . . .

MR. CHAIRMAN: Mr. Clark.

MR. R. CLARK: Mr. Rogers, I wonder if I might just ask one very brief question with regard to 4.2.6, dealing with this whole question of grant payments. Did the Auditor General have reason to believe that there were cases where conditional grants were misused, or is the problem that the paperwork wasn't finished, with regard to all the statements in 4.2.6? I refer to Agriculture, but also the last sentence on page 40.

MR. ROGERS: I think it's more a matter of principle, Mr. Chairman, that we are not in a position to audit that the terms under which the grant was made were actually complied with.

MR. R. CLARK: But no examples of misuse of grants came to the Auditor's attention?

MR. ROGERS: No, because we are not in a position to say one way or another, because we were unable to audit.

MR. R. CLARK: Did you attempt . . . I'm sorry, Mr. Chairman. Did the Auditor's people attempt to do some auditing and were deflected, if that's a good term, or simply because of the legislation, the effort was not made because you felt that the authority wasn't there?

MR. ROGERS: Actually, because once a payment of a grant is made, it ceases to be public money, and then I do not have any authority to go in to a grantee and audit his records.

MR. R. CLARK: Thank you.

MR. ROGERS: The situation in the Fort Saskatchewan Correctional Institution evolved around the fact that there are very specific regulations governing overtime. They are quoted on page 43. In our audit of the institution's personnel records, we found some situations which obviously did not comply with these regulations. They are set out at the top of page 43, and relate to the very heavy overtime that is put in at that institution by a minority of the officers involved. I have every sympathy with management's problems in this area, but do feel that they are failing to abide by the regulations in place, and therefore they should consult with the public service commissioner.

MR. NOTLEY: Mr. Rogers, I note that you observe:

Management has stated that staff shortages have rendered it impossible to comply with all the policy guidelines with respect to correction officers at the Fort Saskatchewan Correctional Institution for the past several years.

It would seem to me that from a management point of view, if you don't have enough staff, overtime becomes the only possible route. And the question of whether there are sufficient staff, I suppose, is the kind of thing the Legislature will have to debate when we look at the Solicitor General's estimates and whether our salary levels are sufficient to attract and retain people in the correction service. But those people in a management position who have to deal with what they have with the salary levels that are set by others -- it seems to me in a sense that if you don't have the people, you have to pick up the slack with substantial use of overtime.

When I read this over, I was just a little concerned that perhaps we might have been a bit unfair to management, when in a sense, the larger responsibility I would see would rest with the policy makers -- if I could put that term forward, in view of our new definition of ministerial responsibility. But I would say that it seems to me that we're making our management carry some of the flak here, that may not entirely be fair.

MR. ROGERS: Mr. Chairman, I do think that management was in a very difficult situation. Because it was not a good situation to have exist and was in effect transgression of existing regulations, I felt it was necessary to bring it into the report, so that it could at least be discussed and understood.

MR. L. CLARK: Mr. Chairman, I just wanted to ask if one of the reasons 67 per cent of the overtime was paid to 33 per cent of the people was because of the qualifications of some of the workers: did they have to have certain qualifications before they could work in certain positions, or were they just short in certain positions?

MR. ROGERS: Mr. Chairman, I don't believe that is the case. I believe it was a question of people volunteering for overtime, whereas others did not wish to work overtime.

MR. TRYNCHY: Mr. Chairman, to follow that up, I notice that you don't condone the type of situation where a volunteer should work that much. What's wrong with a volunteer who wants to work and get overtime? Can you explain why you object to that?

MR. ROGERS: As a manager, I feel there is a limit to how much a person can effectively discharge his duties and work, but I'm not making a judgment on that. I think as a general principle there is a limit to the amount of effective work that can be carried out by an individual. I simply make that observation.

MR. TRYNCHY: I guess you're saying that management is using poor judgment in letting these people work this long. Is that right?

MR. ROGERS: I don't think management had any alternative. The institution had to be staffed. I'm simply saying it is an unfortunate, perhaps an undesirable situation that management found itself in, and I'm sure that applies to some of these people involved, too.

MR. TRYNCHY: One more question. When you wrote your report, Mr. Rogers, did you check with management to see if what you say there is in fact true? Did you check with management to see that what you say there -- that they've had to work with that kind of people? What did management say, or had you checked with them when you wrote this report?

MR. ROGERS: Every report that is issued, every observation in this report, is fully checked and discussed with management, at several levels, before it's included in the report.

MR. PAHL: Thank you, Mr. Chairman. I'd like to compliment the Auditor General on this presentation, because I think it shows quite clearly that it is an anomaly that needs to be addressed. I think the numbers speak pretty well for themselves. I did a quick calculation and it said that if you paid staff \$20,000 a year gross, that would enable you, with \$709,000 worth of overtime, to add 35 people to the complement, which is a 20 per cent increase in staff. Now management by exception would lead one to come to the very same conclusions I think that are outlined in this report, that when you can have that sort of variance in your staff complement by adding 35 man-years to the calculation, there's a variance that needs to be addressed. I would think it a little strange that the analysis should go beyond what's presented here, and I support the conclusions.

MR. CHAIRMAN: Mr. Hiebert.

MR. HIEBERT: I note the report states that management preferred that the overtime be voluntary. I also note that a certain segment of the

officers worked the bulk of the overtime. Did management at any time indicate that possibly there should be some changes with The Public Service Act, looking at it from the other side, with regard to distributing the overtime more equitably?

MR. ROGERS: I don't believe they did make that case to my representatives.

MR. CHAIRMAN: The Leader of the Opposition.

MR. R. CLARK: Mr. Chairman, to Mr. Rogers. When I first skimmed over the report in this area, I got the impression there was some concern about some people volunteering for overtime and not being selected to do that overtime, and there were some problems in that area. When I read the report more carefully, I don't get that impression. Can you substantiate that the latter is the situation, that in fact it isn't a matter of some people selected to do the overtime work and others not, but simply a matter of a personnel shortage?

MR. ROGERS: That is the basic problem, shortage of personnel -- as was pointed out earlier, realizing that this overtime is paid at a much higher rate than you would pay a person for working his normal time, on an hourly basis.

MR. CHAIRMAN: Did you want to continue with your report, Mr. Rogers.

MR. ROGERS: Fine. Thank you, Mr. Chairman. The next item, 4.2.9, deals with realty and accommodation. I would point out here that the department and ourselves work very closely in reviewing existing operations. A number of instances were noted where control systems and procedures were absent and inadequate. The department was anxious for us to help them in this situation, and we made a number of recommendations. Since then, they have reorganized the division concerned; they have engaged new supervisory staff, introduced new procedures, adopted a standard lease form, and implemented the majority of other recommendations of the audit office with respect to the above.

Normally, where we simply note deficiencies in management control systems and procedures, as we mentioned in the preceding weeks, these matters are not necessarily reported. But in this instance, there were losses. The department carried out a review that was triggered and recommended by ourselves. The department's review has resulted in recoveries that they've reported to us of in excess of \$600,000; recoveries that arose out of reconsidering the contracts concerned and recovering what were in effect overpayments. The reason this is reported is not only those losses that were recovered, but also the fact that there were other losses and overpayments that were not recoverable. An example is shown here. This was one of the primary problems.

The definition of the base year -- and I should explain that. Under the contracts, rental increases over a period are related to the increase in cost of operations, as compared with the base year. Now if during the base year the building was only partially occupied, then obviously you do not have a normal operating cost for the building, and therefore the next year, when the building is fully occupied, the jump is very much greater than would be the case if the base year were the first year of occupation. Much of the problem revolves around the fact that the base year would be taken from the date the agreement was signed, for that first 12 months, instead of the first 12 months the

building was occupied. This has caused higher rent to be paid than would otherwise be the case. This matter is now under control by the department, and the example given on page 44 I think explains the situation.

MR. CHAIRMAN: Mr. Pahl.

MR. PAHL: Thank you, Mr. Chairman. I wonder if I could ask the rather naive question of why we would be renting space that isn't occupied. I know that has an obvious answer, but I wonder if you might reflect on whether that measure of performance was looked at, in terms of anticipating accurately our needs for rental space.

MR. ROGERS: There are various reasons why it wasn't occupied, matters of timing . . . The criticism isn't that the space was unoccupied for a period of time. This is sometimes unavoidable. It had to do with the fact that the interpretation of what was the base year operated to the detriment of the government, and in actual fact some of this over \$600,000 of recoveries . . .

MR. PAHL: I'm sorry. I understand the point you're making here quite well. Mr. Chairman, I asked whether the Auditor General would have looked at the amount of space the government rents but does not occupy. In the context of years where there is a dearth of rental accommodation, this would be a more severe problem and would be more likely than in times when space was not at a premium. I'm asking whether that measure of performance has been looked at by the Auditor General.

MR. ROGERS: The answer is no, sir. That would entail in effect, an investigation of all rental properties, and we did not do that.

MR. CHAIRMAN: If there are no further questions, did you want to continue, Mr. Rogers?

MR. ROGERS: Fine. 4.2.10 deals with observations resulting from audits of the salary pay roll. The first one deals with overtime payments. This is a problem that arises only at the time there is a retroactive increment and when overtime is being paid after the increment has been granted and implemented, for overtime that has been worked before such an increase was implemented. It revolves around the fact that the agreement states that overtime should be paid at the rate of pay in force at the time the overtime was worked, regardless of the fact that there is a subsequent retroactive adjustment. The examples we point out in this observation actually indicate a fault in the way the payments were made.

The second item, payments in lieu of overtime, has to do with people who are uncontrolled, that is, unsupervised. These people are paid a salary rate in lieu of overtime, which is four grades higher than the normal rate for the class; five grades, effective December 1, 1978. We'd raised the point that the information provided to the department by the public service commissioner, did not tell the department the situations under which such people would not be eligible for the additional pay. We'd raised the point: should there be a provision for reduction of pay during leave, absences, and so on, and periods when the person came into the office and was supervised? It was mainly that the departments did not seem to have a good knowledge of this. There was a lack of direction. We've since been told that there has been a legal opinion

that vacation, leave of absence, and such absences should be paid at the higher rate of pay; however, I believe that information is being provided to these departments now by the public service commissioner, as a result of this observation.

MR. CHAIRMAN: Mr. Campbell.

MR. CAMPBELL: Yes, recommendation no. 20:

It is recommended that where employees receive salary increases, the departments in which they are employed should ensure that overtime subsequently paid relating to hours worked prior to the salary increase, is paid based on pre-increase salary rates.

Why?

MR. ROGERS: That is the wording of the present agreement. That's what they were not doing. The master agreement between the government of the province of Alberta and the Alberta Union of Provincial Employees says that they should be paid at the rate that existed at the time the overtime was worked, not at the increased rate, in the instance where there is subsequently a retroactive pay increase. So what we are really saying is that they must be careful to pay people in accordance with the existing agreement.

AN. HON. MEMBER: Agreed. Good point.

MR. CHAIRMAN: Mr. Pahl.

MR. PAHL: Thank you, Mr. Chairman. In looking at recommendation no. 20, going with the idea of variance, it would seem to me that you're talking about your sampling here; there was almost a 5 per cent variance or error factor in the payment of overtime in the sample. In other words, \$1,082 represents closer to 5 per cent of the total overtime paid. Perhaps you could explain the mechanics of how this would happen. I assume it would be in only a two-week period -- is that correct? -- that there would be a rate change? That's the first question.

The second part of the question: with that sort of variance, is it perhaps a bit much to expect that the pay roll systems of departments should in effect have their clocks turned back to reflect that variance? My understanding is that it's the two-week period where different rates would come into effect that this variance occurs, or am I misunderstanding the mechanics of the problem?

MR. ROGERS: We did just take a sample, of course. We didn't . . .

MR. PAHL: Assuming the sample is accurate. I accept the 5 per cent.

MR. ROGERS: That's right. The whole point is that there is provision in the system for manual calculation of the overtime, or it is possible to let the computer do it. Now if you simply give the number of hours worked, the computer will apply the rate that is in the program it has; in the master file, I should say, for that person. Therefore, in such a situation, it will cause a payment of overtime that is not in accordance with the agreement. So for that particular time, when there's a retroactive increase being implemented, there should be a pre-

calculation on the forms, of the amounts of overtime to be paid at the old rate, in order to comply with the regulations.

MR. PAHL: I guess I'd raise the question: one, whether that's cost effective, and if this is a criticism and a recommendation, would it not be directed specifically at Treasury, not at those departments, because Treasury would be the service department on pay roll, would it not?

MR. ROGERS: Yes, this is true, but in such a situation Treasury would find it much easier if the departments which originate the documents were to pre-calculate the overtime pay, because as I said earlier, the system provides for automatic payment at the rate that is already implemented for the retroactive period.

MR. PAHL: With respect, Mr. Chairman, if I could pursue this just a little bit. That means that when there is a rate change, the departments in question would then have to revert to a manual system for the period of time for the rate change in order to accommodate the manual calculation of overtime, if I understand what's happening. I would just question whether the cost implications to the departments in terms of doing those manual calculations, and I suppose, equally importantly, the delay to those people who were entitled to those overtime payments would put into question the practicality of this recommendation and, in effect, the savings to the public purse nominally, by responding to this recommendation.

MR. ROGERS: I think then that instructions to that effect should be given by the public service commissioner, and perhaps it should be included in the agreement, because it is technically a violation of the agreement.

MR. PAHL: But you wouldn't necessarily argue that in terms of cost effectiveness, the technicality may not be well served financially -- or observing the technicality may not serve the public purse very well financially, given . . .

MR. ROGERS: I think that in any given time when there is a retroactive pay adjustment, we have no way of knowing before the fact how much overtime or the value of that overtime. I still think that the agreement should be complied with.

MR. PAHL: Okay. That was the question I was going to ask. There are two options here. You said, either change the agreement or comply with it, and your view, notwithstanding the points I have made, or perhaps not made, you would still opt for complying with the agreement as it now exists, rather than changing it?

MR. ROGERS: Yes.

MR. PAHL: Thank you.

MR. ROGERS: So consequently the payments in lieu of overtime I think is being dealt with by the public service commissioner.

The next item under the salary pay roll has to do with pension contributions. These items were picked up in our review. We observed instances where the Department of Social Services and Community Health failed to deduct pension contributions from salaries paid to married

female employees who had applied for inclusion in the operation of The Public Service Pension Act. Again, we are simply recommending that the department's review procedures with regard to employees' pension contributions . . .

The item on travelling expenses . . .

MR. CHAIRMAN: Mr. Notley.

MR. NOTLEY: Before we pass on, how was that resolved, then, in the case where the department had failed to deduct pension contributions? Was that subsequently resolved between the people in question, or did they just . . . How was it handled?

MR. ROGERS: The individual instances that were brought to the attention, Mr. Chairman, were all resolved, yes.

MR. NOTLEY: They were. So the employees are now satisfied and you are satisfied.

MR. ROGERS: That's right, but we recommended here that they look at the whole picture, because we were in effect looking only on a sampling basis. But they were made aware of the situation and did undertake to resolve the situation completely.

MR. NOTLEY: Thank you.

MR. ROGERS: Mr. Chairman, 4.2.11 deals with travelling expenses. Although we did find some items, I would like to stress that the main purpose for the inclusion of this item is to highlight the policy of the government with regard to the payment of travelling expenses and the fact that there should be guidelines in the departments that would tend to minimize travelling expenses as an expenditure. In effect, we found very few instances of abuse of these expenditures. But we did find there was a lack of standardization of guidelines and procedures. This is the main thrust of this section.

MR. KNAAK: Mr. Chairman, a question to the Auditor General. Was a comparison made between the average expenses per trip for an Alberta official compared with officials in other provinces? In other words, are we out of line in terms of expenses with officials of other governments?

MR. ROGERS: We've not actually made a study, Mr. Chairman, with that thought in mind, partially because we don't have the detailed information you would need to have to make a valid comparison.

MR. KNAAK: Was assessment made or a numerical count of how many senior officials fly first class when not accompanying a minister?

MR. ROGERS: No. In the testing, we did note some instances where persons had flown first class without obtaining the necessary deputy minister's authority, which the regulations call for. This is not to say they were not entitled to travel first class; they had simply not complied with the regulation.

MR. KNAAK: That's an interesting comment. You're suggesting, then, that an official can fly first class without getting approval, even when he

doesn't get approval. That was your comment. It doesn't mean that he wasn't entitled to first class flying; he just didn't get the approval. But surely he's not entitled until he gets the approval.

MR. ROGERS: That's right. What I said was, if he had gone and obtained -- in those instances where we found they had travelled first class, there was no reason to believe, at least in most instances, that they would have had any problem getting the approval, is what I meant. But they had short-circuited the approval.

MR. KNAAK: Is any estimate made of the total expenses incurred by Alberta government officials compared with total expenses incurred by officials in any other government?

MR. ROGERS: No, sir. And I don't think it would necessarily be completely meaningful to make such a comparison because of geography. No two provinces would be close enough to have a valid comparison.

MR. KNAAK: I agree with that comment. But I think we could get some idea if we compared Saskatchewan and British Columbia. I know a significant number of trips have to go to Ottawa and back, so we would get some assessment there. Thank you.

MR. R. CLARK: Mr. Chairman, Mr. Rogers, what's the present procedure and what were your findings on the approach used for major trips? I suppose I would be forgiven somewhat if I were to think back to the Export Agency and some of the junkets they were on. But I hope you didn't find anything like that. I note in the recommendation here this question of, when we get into major trips, that there should be some estimate as to what the cost of that trip is going to be. Then if it greatly exceeds that, there should be some justification for it. What problems led you to make that recommendation, Mr. Rogers?

MR. ROGERS: I missed the last part of that.

MR. R. CLARK: What problems led you to make that recommendation?

MR. ROGERS: In the review of expense accounts, we did find that there were instances where no estimate had been made ahead of time of what the trip would cost. Here we are simply recommending a procedure which we feel should be in place to enable management at the departmental level to control travelling expenses. We do not have examples of the nature you just mentioned.

MR. R. CLARK: Mr. Chairman, a supplementary question to Mr. Rogers. So I understand what we're talking about, you mean that if I were an official of a department and indicated I had to go on government business to Mexico, then Brazil and Argentina, somehow it's possible to get that approved without giving the anticipated costs to the senior accounting person in the department? Is that what we're talking about?

MR. ROGERS: I think the trips you just mentioned -- actually very few departments get involved in those kinds of trips.

MR. R. CLARK: I hope that's right.

MR. ROGERS: Generally they have in place a control mechanism because of the fact there has been so much travelling. We're looking at other departments where people usually go east, this kind of thing.

MR. R. CLARK: So this recommendation would be primarily based on the lack of guidelines as far as travelling to Ottawa and things like that?

MR. ROGERS: Yes.

MR. R. CLARK: Not aimed as much at travel outside the country.

MR. ROGERS: Right. The main purpose for this is to bring across the recommendation that there should be uniform guidelines and that there should also be uniform procedures within departments for approval of travel expenses.

MR. KOWALSKI: Mr. Chairman, my question to the Auditor General deals with the first sentence in his recommendation no. 24: "It is recommended that those departments, which have not already done so . . ." Sir, how many departments have not done so? I'm trying to assess the magnitude of the concern you're raising in 4.2.11.

MR. SMITH: We don't know exactly which departments have guidelines, but several of the departments that do a lot of travelling now have that in place. I would suspect that at least half the departments have some form of standard procedures in place at this time.

MR. KOWALSKI: That's very interesting, because my past experience in another position than the one I currently have is that my feeling always was that most departments of our government really very stringently apply these guidelines that are in existence. So I go back to the basic question again. I guess you responded to me by indicating that you weren't really sure how many did have guidelines or how many didn't. It had always been my feeling that the guidelines are there, and rather stringent for anyone assessing or attempting to travel outside Alberta.

MR. CHAIRMAN: Mr. Hiebert.

MR. HIEBERT: Thank you, Mr. Chairman. To the Auditor General. You note "widely divergent claims for meals and other expenses". To your knowledge, did this exist from department to department? In other words, were certain departments more at fault with regard to this, or was this generally throughout all departments? And if it was in all departments, was there any indicator, based on the status of the employees within that organization?

MR. ROGERS: The situation of this nature that I'm aware of -- I don't think you could give a pattern to it. I think it depended more on the individual. It seemed to revolve for the most part around meals and things like this. I simply think it's a matter that should be given attention by management, and there should be guidelines to the employee before he goes on the trip.

MR. CHAIRMAN: Did you have a further question, Mr. Hiebert?

MR. HIEBERT: No, thanks.

MR. CHAIRMAN: The Leader of the Official Opposition.

MR. R. CLARK: One of the last comments you made caught my attention, when you said it tended to -- I'm not sure which words you used -- but tended around some individuals. Was that what you said, Mr. Rogers?

MR. ROGERS: No, I don't mean specific individuals. It was an individual thing, was what I . . .

MR. R. CLARK: Because I was wondering if there were some people who were in a situation of their accounts, rather . . . But I see a shaking of the head over there. Very good.

MR. CHAIRMAN: Did you want to continue with your report, Mr. Rogers?

MR. ROGERS: Mr. Chairman, 4.3.1 deals with system weaknesses and deficiencies with health care insurance fund premiums. We noted there that there was a significant backlog in the reconciliation of premiums relating to the employer groups. As we say here, this actually "affects the interests of many employers involved in the collection of Health Care Insurance Fund premiums". This situation has persisted since 1969, with variations over the intervening years of the seriousness of the backlog. We are simply recommending that measures be taken to cure this situation once and for all; which is very easy to say, but much more difficult to do, and I fully appreciate that. But I think it is a problem that should be addressed yet again.

4.3.2 deals with incoming mail and cash receipts. This was a fairly frequent observation made during the course of audits; it was very pervasive. This simply is to improve the control over incoming remittances at the time mail is opened, so that proper action is taken to restrictively endorse cheques, and so on. It is preventive, and simply is that two people should be involved in opening mail and that all cash and remittances should be recorded.

MR. CHAIRMAN: Mr. Campbell.

MR. CAMPBELL: Thank you, Mr. Chairman. I wonder if maybe Mr. Rogers could go back to 4.3.1, and maybe give us a little more detailed explanation of just what the meaning of this recommendation is, or what the problem is as it exists.

MR. ROGERS: All individuals are charged a premium. If the individual is not employed, he or she pays the premium on their own behalf. If they are employed and a member of an employee group, the employer deducts the premium from the salary and then remits that to the health care insurance fund. It is a case of reconciling the amounts remitted by employers, with the premium that was receiveable by the fund, realizing that the amount of the premium varies with the number of dependents, whether the person is married, and so on. It is the mechanics of doing this that is subject to the lack, in some cases, of a number of months. The problem then is that it's difficult to relate subsequent changes in the status of the individual and keep the records up to date. This is the big problem. It is an in-house problem, if you will, but one that has an impact, both on the employers and on the individual.

MR. CAMPBELL: Thank you very much.

MR. CHAIRMAN: The Leader of the Opposition.

MR. R. CLARK: My question was on the same recommendation and much along the same line. Mr. Rogers, is there help that can come from either the computer people in your office or in what used to be the government computer centre, who can make the necessary adjustments in the programs to do this? If that isn't the case, what has to be done to get this straightened around, because I know it's been a problem for a long, long time?

MR. ROGERS: I believe the action that has to be taken is a system study. We're not talking about a small undertaking. It is a very large operation, if you will, as you can realize, because all Albertans are involved in this group area, or a very large proportion. But I think it should be studied, and a system devised. As I say, that is easy to say, but very difficult to do. But I think it should be tackled.

MR. R. CLARK: And if such a . . .

MR. ROGERS: It isn't something that's capable of a short-term fix.

MR. R. CLARK: Mr. Chairman, a supplementary question to Mr. Rogers. If such a system is developed, then individuals, when they get their health care benefit bills and so on, would be far more up to date than they are now, I take it. That would be the major benefit. Is that right?

MR. ROGERS: The main effect would be that fewer problems would be encountered by employers. And in some cases, fewer problems encountered by individuals, because in some cases individuals do find they have problems as a result of this lack of reconciliation.

MR. R. CLARK: Very good. And just one last question. Mr. Rogers, do you know if the department has embarked on the developing of such a system?

MR. ROGERS: I have no knowledge on that at this time.

Both 4.3.2 and 4.3.3 deal with basically the same thing; that is, internal control that is achieved through segregation of duties. In both instances, that segregation is spelled out in the Treasury Department's accounting and financial control manual. The observations, which as I say in both instances are fairly pervasive, represent failures to comply with the prescriptions of that manual.

4.3.4 is really a comment on work that is under way at this time.

MR. CHAIRMAN: Mr. Pahl, do you have a question?

MR. PAHL: Thank you, Mr. Chairman. To the Auditor General. On 4.3.2 and 4.3.3, I see the noted lack of compliance, but does that imply that there were either losses of cash or theft, or whatever, stemming from the lack of following the procedures?

MR. ROGERS: Mr. Chairman, no, sir. No losses were detected. As section 4.3 deals with system weaknesses and deficiencies, there is simply an exposure, or the possibility of loss, and in effect, a failure to protect the individuals concerned, who are exposed as a result.

MR. PAHL: I guess the point I'm trying to make to the Auditor General, Mr. Chairman, is that perhaps if the procedures are not being followed to the letter, and if there were no misdemeanors or exposures that people found themselves in, perhaps the manual might be a little bit stringent. You know, there are two ways to ensure compliance: one is to make sure the rules are appropriate to the circumstance. I wonder when you make an observation like this, whether you would, as part of the process, invite someone to question the system and procedure as well. Because if, generally speaking, people have a good reason for following the system that they do -- it comes back in my view, sir, to being penny wise and pound foolish. There's always a balance between providing a system that protects the individuals using it and the public purse, and making the system so cumbersome that it would take a saint to follow it through every requirement outlined.

MR. ROGERS: Mr. Chairman, if I could comment on that. The observations made in both instances were situations where there was an exposure, where there was a weakness of internal control, and where there should have been compliance with the manual. You'll notice that the recommendation says, "It is recommended that, where necessary and appropriate . . ." You see. I quite agree, that if a secretary is opening mail and normally no remittances are ever encountered, there's no purpose or reason to have two people open the mail. We're talking about work stations where it is a normal event for mail to contain cash, cheques, and so on. I fully agree that there must be judgment in the cases where this segregation of duties should be in effect.

MR. PAHL: Thank you.

MR. CHAIRMAN: Did you want to continue with the report, Mr. Rogers?

MR. ROGERS: Thank you, Mr. Chairman. The main purpose for including 4.3.4, which is really ongoing work and will be one of the matters dealt with in the next report, was: one, to give some information on the work that was being done, but mainly to give a backdrop to recommendation 28, because it has become apparent to us that it would be advisable if:

the powers granted by section 79(1) of The Financial Administration Act [that] the Treasury Board issue directives governing standards to be observed when contracts are entered into by or on behalf of the Crown or a provincial agency.

There is a lack of uniformity, if you will, from jurisdiction to jurisdiction, and I feel very strongly that directives of this nature would be an advantage to all concerned.

MR. CHAIRMAN: Mr. Notley.

MR. NOTLEY: Mr. Chairman, I wonder if we could just take a moment or two on this particular recommendation. Mr. Rogers, I note that in the first paragraph you observe:

The statements of "Guidelines and Suggested Contract Format for the Selection and Use of Consultants" issued in June 1979 under the authority of the Cabinet Committee on Finance, Priorities and Co-ordination, partially addresses this situation.

Perhaps you could just expand. Are there deficiencies, as you see it, in that statement of guidelines?

MR. ROGERS: I think it is because the guidelines do not address the whole problem, but are limited in the population, if you will, that is covered by those guidelines. It's a very limited guideline, as opposed to what we're suggesting, that guidelines should cover the rendering of all services, and the buying or selling of goods to the Crown or a provincial agency. In other words, we are looking at something that is far wider in its application than those particular guidelines.

MR. NOTLEY: Mr. Rogers, are you in any position to advise the committee what the initial response of the Treasury Board was on the question of a comprehensive policy, basically on consulting fees?

MR. ROGERS: I'm anticipating discussions and consultation between my office and Treasury, and possibly the Treasury Board, in the near future. But realizing the session was on when this report was issued, we have not really had any discussions at all on this point.

MR. NOTLEY: I see. Mr. Rogers, you list matters of particular concern being addressed during the audit office examination. A couple struck me as being rather interesting. Have we had some real problems that have been brought to your attention with respect to cancellation agreements, for example, whether contracts had been entered into under proper authority, reasonable selection procedures being utilized. During the course of your investigation of the books of the province, have you come across instances that have caused you, as Auditor General, to become concerned about some of these procedures?

MR. ROGERS: This was the scope of the examination we are undertaking, and in undertaking this examination, which looked to us like an area that should be examined -- and there has to be some judgment in these things -- we decided, what were the salient points we should be looking at? As I say, I think our findings would be in our next report. We wanted to have some exposure to the kinds of things we were looking at.

MR. NOTLEY: I can understand that, Mr. Rogers, and I certainly respect your recommendation. I think it would be a good one for the government to move on. The question I would put to you is: is this as a result of a theoretical review of the present procedures to determine whether there should be a better overall policy, or is there evidence of serious problems in the issuance of contracts for professional and other manpower services, which led you as Auditor General, to make this recommendation?

MR. ROGERS: I think to answer that I have to say it is, in a way, a theoretical review, but it was triggered by some of the work we did with some of the departments, as we state here: "Following these discussions" -- which have just been mentioned above --

and recommendations, in some departments, particularly the Department of Environment, considerable strides have already been made in establishing improved management control systems in the area of contract administration.

In that department, we were able, together with the senior officials of the department, to come up with some recommendation, which they adopted, which I believe considerably improved their contract control systems. It was that

which then triggered the thought that we should be looking at all departments and the provincial agencies in this area, which is of course a very large job. So it's really saying that these conclusions we arrived at here and the recommendations we made, really have applicability elsewhere. That's really what triggered this.

MR. NOTLEY: Thank you.

MR. CHAIRMAN: The Leader of the Official Opposition.

MR. R. CLARK: Mr. Chairman, to Mr. Rogers. Mr. Rogers, just so we're on the same wavelength on this matter, I take it then, from what you said, that some concerns were expressed, by whatever means, about the Department of Environment. The Department of Environment, after discussion with senior officials, made changes in its awarding of contracts in professional services. And simply based on that -- I shouldn't say simply -- totally based on that, Mr. Rogers, the Auditor's office has decided to look at this on a far broader front. Is that a fair assessment, that it was totally based on the experience with the Department of Environment?

MR. ROGERS: No, not entirely. We have, for some time, felt that controls over the payment of accounts, once the invoice is received, is good. I think that was mentioned in 5.1.11. Internal control over the payments has improved over recent years . . .

MR. R. CLARK: In the Department of Environment?

MR. ROGERS: In all departments. I think an area that has perhaps not been given by the audit the attention it deserves is the way the expenditures are incurred. This is the area we are looking at under our extended mandate. This House has given us the mandate to look into and audit management control systems and those that relate to efficiency and economy. Under that section, we are now looking at areas that were never looked at previously by the audit.

MR. R. CLARK: Mr. Chairman, a supplementary question to Mr. Rogers. I believe you indicated that the concern wasn't totally within the Department of Environment. What other departments?

MR. ROGERS: No. The Department of Environment happened to be a department that actually asked us to work with them in this area. It was out of that work that, as I say, thinking evolved that we felt could be applicable to all departments.

MR. R. CLARK: So that would it be accurate . . .

MR. ROGERS: It was not a particularly bad situation in Environment. They were looking at all their processes and procedures, and we sat down with them. After a series of meetings with them, we were able to come up with some recommendations, and we carried out audit work on their contracts. As a result of that, we were able to assist them by making recommendations which they wholeheartedly accepted and complied with, and are happy with that area. But it did lead to a train of thought, if you will, that led us to consider how applicable this would be in other areas.

MR. R. CLARK: Mr. Chairman, to Mr. Rogers. Mr. Rogers, did you indicate that the Department of Environment took the initiative and came to you, sir, or

your office, to look at this whole area? Because if they did, I think that's highly commendable of the department. Is that what happened?

MR. ROGERS: Approaches were made in the very first instance, yes. They had some problems, and they referred it to our office. Actually, this was perhaps while we were still Provincial Auditor. I believe it goes back that far.

MR. R. CLARK: Could I just ask one last question, Mr. Chairman? Mr. Rogers, have any other departments taken that approach, coming to the Auditor's people and saying, look, we're having a problem in this area . . .

MR. ROGERS: The realty and accommodation point we dealt with earlier originated this way; Housing and Public Works, the realty division. They approached us. This does happen. Senior management feels they would like assistance, and they approach our office. Then, of course, once we're in there, it becomes one of these funny situations where we've in effect been invited in, and yet we're still auditors with our audit hats on, and any findings would end up in this report.

MR. R. CLARK: I suppose at one time down the road, one could be auditing one's own advice, couldn't one?

MR. ROGERS: Yes.

MR. CHAIRMAN: Mr. Notley.

MR. NOTLEY: Just before we conclude, Mr. Chairman, number 3 of the concerns:

were procedures in existence, seen to be in existence, and supported by appropriate documentary evidence for the equitable review and evaluation of alternative bids, and the awarding of contracts . . .

And then just before that, "were reasonable selection procedures utilized . . ." Do we have any evidence that would lead you, Mr. Rogers, to be concerned about the procedures used? I suppose this would particularly relate to contracts in those areas where you have quite a number of firms that might wish to make their expertise available to the government. Do some departments at this stage have fairly reasonable selection procedures, or is it essentially a do it by thumb approach at this stage?

MR. ROGERS: I would reiterate that this is really based on a hypothetical set of considerations, not on anything we had observed, particularly. We feel these conditions should be satisfactorily met, in all instances.

MR. NOTLEY: I realize that, Mr. Rogers. I guess there are just two reasons I point this out: we're talking about a very large amount of money, and we're talking about a system of handling money through professional consultants and management contracts that has multiplied very substantially over the last eight or nine years. We've always had some use of consultants, but the substantial use has certainly been the byproduct of the last eight or nine years. It strikes me that with that in mind, the question of whether we have developed reasonable procedures in the departments, is a legitimate question that we should have some feeling for now. If it were just a new thing we were embarking on, one

would appreciate that it might take some time to develop procedures, but it isn't.

MR. ROGERS: I think that, as I say, the results of our audit work will be in next year's report. I do know that some departments have guidelines that have been developed in the department and we feel they're quite adequate in that particular area. But others don't. Our feeling is that these guidelines should in effect come from the Treasury Board, in view of the specific provision in The Financial Administration Act.

MR. NOTLEY: Thank you.

MR. CHAIRMAN: Mr. Pahl.

MR. PAHL: Thank you, Mr. Chairman. It's actually a supplementary to Mr. Notley's question, and perhaps more of an observation. Wouldn't the amount of contracts for supplies and services vary considerably from department to department, so that the sophistication and procedures for tenders, contract awards -- there would be a varying need across the departments in this area?

MR. ROGERS: That's recognized, and I think that's one of the reasons why some guidelines should be in place to help the smaller departments that don't have the in-house expertise, or perhaps do not give thought to some of the factors involved.

MR. PAHL: Thank you.

MR. CHAIRMAN: Mr. Clark.

MR. R. CLARK: I need a bit of direction from Mr. Rogers or Mr. O'Brien. It seems to me, if I were a deputy minister in a department and I could see some problems on the horizon, that I would have a number of options, but certainly a couple of the options I'd look at pretty seriously would be . . . Would I go to the Provincial Controller, who, I assume sees that there's the proper documentation for payment, or in the future, will the normal route be to go to the Provincial Auditor's office? And I raise the question not knowing what the situation is myself. But sometime down the road, I can see how there's the logical follow-over, like the Department of Environment -- and, Mr. Rogers, I commend the Department of Environment again for taking the initiative of going -- but it seems to me that sometime down the road, would the Department of Environment, with our present situation, not have gone to Mr. O'Brien's office, rather than to yours, or is this the kind of two-way street, Mr. Rogers, that you see continuing? I suppose I'm being somewhat devilish in thinking, if I were a deputy minister and I really wanted not to find myself in the book too often, there might be some temptation to go that way. I'm being somewhat facetious, Mr. Rogers, but I think it's also important for the committee to have some feel as to how that kind of thing will happen. Mr. Chairman, I'd welcome some reaction from Mr. Rogers, and also from Mr. O'Brien, on that matter.

MR. ROGERS: I think that the year under review was a transition year, in any event, and both situations referred to earlier were quite early in that year. There's always a lag in these things. I believe people are going -- the Controller can speak for himself, but my understanding is

that people are going to the Controller's office for advice, and that is one of his responsibilities, I believe. Perhaps he can comment on that.

MR. O'BRIEN: Mr. Chairman, that describes the situation.

MR. R. CLARK: So that, using the matter that, Mr. Rogers, you'll be giving us a rather extensive review of next year, in the future, you'd expect the Department of Environment to go to Mr. O'Brien's people.

MR. ROGERS: For current advice, for advice on systems that they should have in place, because in the year under review, we had the Treasury manual published. That really sets out the systems that should be in place in departments. Consequently, I would see any deputy minister refer any problems he would have with systems to the Controller. However, because we audit on a concurrent basis -- and I think I referred to this earlier -- rather than letting 12 or 18 months go by before any action was taken on a matter, there is a good ongoing interchange between the two offices.

MR. R. CLARK: But you would find, in the future, Mr. Rogers, that likely you would have few deputies beating their way to your office for issues dealing with financial control issues; they'd be going to Mr. O'Brien.

MR. ROGERS: This could be.

MR. R. CLARK: So that in the future, you or your people wouldn't be in a situation of making a judgment on advice that your people primarily had given them?

MR. ROGERS: I think, though, that it's fair to say that we are familiar with those matters that are brought up, and do get involved on a cooperative basis, in some instances where it seems appropriate. I don't think we've lost anything by the new situation. Whether we do in the course of time, only time will tell, of course.

MR. CHAIRMAN: Looking at our time, and we do have a number of recommendations to go through yet, maybe we should adjourn our committee meeting.

MR. NOTLEY: I move we adjourn, Mr. Chairman.

HON. MEMBERS: Agreed.

The meeting adjourned at 11:30 a.m.