

[Chairman: Mr. Martin]

[10 a.m.]

MR. CHAIRMAN: I'd like to call the meeting to order. The first item is the minutes for May 8. I believe they have been circulated.

MR. NELSON: I move that they be accepted as circulated.

MR. CHAIRMAN: Any errors or omissions? Seeing none, all those that agree to accept the minutes?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Mr. Salmon, assistant Auditor General, is here. The procedure is that we will continue going through the Auditor General's report. Before we get into that part of it, Mr. Salmon has the answer to the question about the Workers' Compensation Board, that he would like to go over. We will start at section 2.5 on page 48. The first section we'll deal with goes from pages 48 to 58. Before we do that, we'll see if there are any questions flowing from Mr. Salmon's report on the Workers' Compensation Board.

MR. SALMON: Thank you, Mr. Chairman. I recognize the responsibility we have to answer for Mr. Rogers, who could not be here today. We hope we can adequately do the job expected of us.

The question came to Mr. Rogers relative to 2.4.17, which is on pages 46 and 47 of the report. We'd like to clarify the status following our 1984 audit, which I think is what the question was. We have finalized the 1984 audit except for issuing the management letter, and we have met with senior management relative to our exit conference matters. Also, since the May 1 meeting with the Public Accounts Committee, we met the chairman of the board, along with Mr. Rogers, to review some matters for clarification, finalizing the management letter. That was done about a week ago.

Relative to the first item in the report, there were five weaknesses in the board's payroll employee system. In considering those in the current audit, we found that the first three were continuing to be worked on by the board and that they were at the status where they felt there were some alternatives they needed to

consider. When those alternatives are determined and the decision made, then matters can be cleared. They expect to have those resolved shortly, although they were not completed at the end of our audit. We will look at those again before fall.

Relative to the second item, three weaknesses were mentioned with respect to pensions. During the 1984 audit we found that they are designing and working on a new pension system, which will not be completed until 1986. We expect this will also be attended to and solve the problems we pointed out in the report.

The third item in the Auditor General's report is that not all compensation payment calculations were checked before being submitted for computer processing. During our current audit we found that the board was establishing a specialized group of claims staff. They should be put together in the latter part of 1985, and this should resolve the matter. They have also continued their internal audit examination and are looking to some reorganization of the board, particularly to setting up an authorization and approval system that wasn't there before and to establishing a controller's position as well. We were pleased to see that area.

The first two items at the top of page 47 have been effectively cleared. The third item is concerned with procedural manuals concerning their operations. We talked directly about the procedural manuals portion in our annual report. The policy manuals have been completed. They have done extensive work on policy manuals and are now issuing quarterly updates. They have completed procedural manuals in the assessment area, and the manuals for the areas of financial services and purchasing will be done in 1985. They've also started an authorities manual, which is a manual for internal purposes and should help them in their crossing between the various sections of the board. This has been a fairly large project for the board, and they have taken a considerable length of time to complete the processes. But we expect that by the end of '85 we will see the policies and procedures properly documented.

The final item concerns a formal policy for setting assessment rates in dealing with the deficits. During the '84 audit we found they were in the final stages of setting down their

financial policy. The chairman told us a week ago that the board had recently approved the adoption of the goal of full funding and that the new funding and policy principles would be implemented in the 1986 fiscal year.

Of the 13 observations we made, four have been cleared and nine are still being worked on, although we know a lot of progress has been made on most of them. We expect we will have an examination of those situations before we complete the next Auditor General's report. The 1984 management letter on the Workers' Compensation Board is in the final stages and has not yet been released by the Auditor General. I believe that's all I have on the Workers' Compensation Board.

MR. CHAIRMAN: Thank you, Mr. Salmon. Are there any questions about Workers' Compensation?

MR. LEE: Mr. Chairman, with respect to a sentence I find in the middle of page 46, "The following control weaknesses could lead to unauthorized changes in the computer master file," does this computer system have a security system or program to prevent unauthorized access? Do you get hackers sneaking through the system and working their way into the files, getting access for fun and profit?

MR. SALMON: I believe there are some controls in place. We have not found anything we have been concerned about except the items we've listed. The matter of computer operations in the board is one thing we look at on every audit, and we have nothing specific to report in that area this year.

MR. LEE: A supplementary, Mr. Chairman. I'll be a little more precise. Can anybody get into the system, or is there a security code? Are there various levels of security access to get into anybody's file?

MR. SALMON: Yes, Mr. Chairman, securities are built into the system.

MR. LEE: Thank you.

MR. CHAIRMAN: Are there any further questions on Workers' Compensation? If not, would you move over to page 48 and we'll deal with section 2.5, Inappropriate Accounting

Policies and Inadequate Disclosures. As I mentioned before, that goes over to page 58. Are there any initial comments about this section, Mr. Salmon?

MR. SALMON: Mr. Chairman, I suppose we could briefly outline what this section has with respect to inappropriate accounting policies. There are only five items in this section. The first item, being the Alberta Housing Corporation, is a cleanup item relative to the 1982-83 report, which we are now satisfied has been corrected. The second is with respect to the Department of Agriculture and an error in their annual report, and the third is with respect to the Department of Manpower, which was discussed with the Minister of Manpower last week at the Public Accounts Committee. I believe that he, along with Mr. Rogers, made comments relative to that point. So it has basically been cleared.

The other two are relative to the pension liability, which has been an ongoing matter and has been reported by this office for the last five years, although there were some new events that took place this year that are reported and, of course, the timeliness of the actual financial reporting.

I believe that's all I'd like to initially comment on, because one was discussed last week.

MR. CHAIRMAN: Are there any questions on section 2.5, page 58? Seeing none at this time, we will move to page 58 and deal with section 2.6, Recommendations In Previous Annual Reports That Were Rejected Or Are Not Completely Resolved. I believe that goes from page 58 to page 62. Are there any initial comments, Mr. Salmon?

MR. SALMON: Mr. Chairman, this is what you might call the section of redundant items, where they have been moved because of nonaction or are awaiting further action. Nothing has happened this year, other than in item 2.6.7, Access to Taxation Records, which has a comment that the office has continued the practice of obtaining a measure of assurance from the audit working papers of the Auditor General. We have recently completed that process and found things to be working quite well relative to the process of relying on the Auditor General of Canada. We'll just await

further developments in the area.

MR. PAPROSKI: Mr. Chairman, please forgive me. If possible, I would like to go back to 2.5.5, on page 55, Timeliness of Financial Reporting. There are a number of suggestions in this section, and there is a quotation from the Provincial Treasurer with respect to the possibility of altering the time of issuance of the Auditor's report and a number of suggestions as to what should be done -- a committee to be struck, et cetera. I wonder about the approximate date of that quotation from the Provincial Treasurer. Secondly, does the Auditor General's department see any movement in this direction in altering the time of issuance of the report?

MR. SALMON: Mr. Chairman, I believe the quote is the reply from the Provincial Treasurer in the fall of '84. I know of no further dialogue other than some general discussions with the Treasury Department as to whether or not this is going to have any further progress. We recognize within this particular report item the possible fiscal restraint problem and are still waiting for word. We feel part of that concern might rest with whether or not the committee is really interested in trying to move the process up. We recognize that discussing these items over a year following the fiscal year doesn't make it very timely.

MR. PAPROSKI: A quick supplementary. I concur that the logistical problem is a horrendous one, but I'm also encouraged that if indeed the Provincial Treasurer reported in late '84, this is not a matter that has been mentioned to him and discussed in '81, '82, et cetera; this is something he is saying should perhaps be looked at at this time. I thank you for those comments.

MRS. KOPER: Mr. Chairman, I have a brief question regarding 2.6.4, Fixed Assets. Of course, the inventory over provincially owned furniture and equipment was evident last year. Have any concrete steps been taken to get this inventory on computer or within the Department of Public Works, Supply and Services?

MR. SALMON: Mr. Chairman, some of the departments have some controls in place

relative to some of their equipment. Treasury has laid out some guidelines with respect to fixed assets. But as far as we know, there has been no further progress on this item.

MRS. KOPER: A supplementary. Have you any idea of the cost?

MR. SALMON: I'm sorry; I have no idea of the costs.

MR. CHAIRMAN: Any other questions under section 2.6? We're moving right along today. We'll look at section 3 for more general information, starting on page 63 and going to page 70. It has to do with public accounts. I wonder if there are any general comments you want to make on this section, Mr. Salmon.

MR. SALMON: Not really, Mr. Chairman, because as you're aware, Mr. Rogers discussed section 1.3, which is at the front of the report, at one of the earlier meetings. Considerable discussion took place on the public accounts at that time, and some of those matters are also back in this, because you're talking about surplus and aspects of consolidation. So we have no further comments, other than 3.2.8, which explains that we have included this in the Auditor's report mostly for clarification but not in any way a criticism of the methods used in public accounts.

MR. CHAIRMAN: Are there any questions on public accounts flowing from section 3, pages 63 to 70? Seeing none, we'll move into section 4, from page 71 to page 87. It deals with the work of the audit office. Any initial comments, Mr. Salmon?

MR. SALMON: Mr. Chairman, I don't think this section entails a lot of explanation. Under section 19 of the Act we have laid out what we feel is the work of the office, the list of the audits we perform, describing the approaches we have made to our audits and discussing as well the agency's relationship with respect to the firms we use. It's fairly general. I think I'll leave it up to the committee if they want to ask us any general questions about the office.

MR. CHAIRMAN: Thank you. Any questions on section 4, Work of the Audit Office? Seeing none, we'll move over to the last part. Section

5 is the tabulation of recommendations we've already gone into. I don't see any point in going on.

While we have the assistant Auditor General here, are there any other follow-up questions on any part of the Auditor General's report that people would like to bring up?

MR. R. MOORE: I want to express my appreciation for the report and the explanations given all the way through from the Auditor General's area. It's been excellent.

MR. CHAIRMAN: Will you take that back to your staff from the vice-chairman? He gets the support of the chairman on that.

No further questions? I guess it's a short session today, but I'm sure we all have things to do. A reminder that next week, I believe we have Mr. Trynchy, the Minister of Recreation and Parks, on board at the usual time. Is there any other business?

MR. R. MOORE: I move that we adjourn.

MR. CHAIRMAN: All those in favour?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: It looks like it's passed. Thank you, Mr. Salmon. I know it was a short session, but we appreciate your time.

‡The committee adjourned at 10:18 a.m.‡