

[Chairman: Mr. Pashak]

[8:30 a.m.]

MR. CHAIRMAN: It is 8:30. I'd like to call this July 19 meeting of the Public Accounts Committee to order. There are a couple of housekeeping items. We have to approve the minutes of June 21, '89, and June 28. Would anyone care to move the adoption of the minutes of Wednesday, June 21? So moved by Mrs. Black. Are there any errors, omissions, corrections to those minutes, first of all?

MR. GESELL: Mr. Chairman, I indicated that I had some corrections. Now, I'm not quite clear, and I need some direction from you. We've got two sets here. We have minutes, and then there is a transcript similar to *Hansard*. I have no difficulties with the actual minutes as they are titled, but with the transcript. I'm wondering how I would deal with that portion, whether that's the same process for corrections there that we use. Should I make that amendment here or should that be done separately through the Clerk's office?

MR. CHAIRMAN: Separately. But I'll try to see if I can get a clarification of how we might do that. I think the best way for you to deal with the problem with the *Hansard* is to contact Ann, our secretary of the committee, and she will take your concern to *Hansard*.

MR. GESELL: Just for the record, Mr. Chairman, I'd like to refer to the *Hansard* copy, page 2, column 2. There is a discussion about a rider to a motion that I put before this committee, and it indicates that I'm prepared to accept that rider. Well, Mr. Chairman, if you read the rest of my comments on that particular motion, you can see that I did not, and I remember quite clearly that I did not accept that rider. I just want to make that comment for the record here.

MR. CHAIRMAN: Your comments will be entered into the record of today. Obviously, your remarks will be reported in the *Hansard* of this meeting.

MR. GESELL: Thank you, Mr. Chairman.

MR. CHAIRMAN: You're welcome. Really, dealing with the minutes themselves, are there any additions or corrections to those minutes? Any business arising out of those minutes? Then those in favour of adopting the minutes of Wednesday, June 21, please signify in the usual way. Carried.

The minutes for Wednesday, June 28: are there any errors or omissions with respect to those minutes? Any business arising? Okay. Those in favour of adopting the minutes, then, as circulated? The minutes are adopted.

Before I recognize the Auditor General and prepare a list of questioners, I'd just like to make a brief comment on the Canadian Council of Public Accounts Committees meetings that were held here in Edmonton last Monday, Tuesday, and Wednesday morning, if that's acceptable to the group. I won't take much of your time. The Canadian council does prepare quite a comprehensive document outlining the respective powers of different public accounts committees, their duties, and the way they approach the question of conducting public accounts meetings in different political jurisdictions across the country. I do have a copy of that directory, and I would make it available to any member who is interested in having a look at it.

In addition to that, the main business of the session that took place in Edmonton was to upgrade this document called Guidelines for Public Accounts Committees in Canada, and there was a motion that was accepted at that meeting that we would accept this report -- that is, not adopt it or embrace it, just accept it as a document -- with a further recommendation that we take this document back to our respective public accounts committees, have them review that document, and make further suggestions to the next annual meeting of the Canadian Council of Public Accounts Committees. So I've sent away for copies of this document, to be distributed to all members, and I would hope that perhaps sometime before next July we would maybe be able to strike a small, informal subcommittee that may review this and make suggestions to the next council meeting. By the way, the next council meeting, for anyone that might like to chair this committee, will be in Newfoundland in July 1990. With that, are there any questions with respect to the Canadian council meetings that were held?

Hearing none, then, I'd like to open the floor for questions. Auditor General, did you have any statements you'd like to make at this point as a result of the meeting that we held, I guess, two weeks ago now?

MR. SALMON: I believe, Mr. Chairman, if we just carry on -- I think you had a list of people, but I'm not sure that those people are here, so maybe just start again.

MR. CHAIRMAN: We'd have to start a new list. Okay.
Mr. Hawkesworth.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to ask the Auditor General: in going through his annual report of '87-88, he made what I consider to be a number of strong recommendations about the management of information at Alberta Mortgage and Housing Corporation. I think almost blunt might be the kind of language that I would take from reading the report. Management reports, for example, on land holdings are often late, inaccurate, or incomplete. Again, referring to: the information needed to manage mortgages . . . can be obtained only by investing considerable time and effort. This creates potential for making decisions on basis of insufficient information, or exercising inadequate control over these assets. These are fairly serious comments to be making, and it not only has to do with this present year's report but previous years as well.

I guess my question, as a former alderman on city council and chairman of the audit committee -- when we would get a report about a city department like that, we'd sometimes initiate a value-for-money audit to give the auditors a chance to go in and really get to work on some of these problems. I'd like to ask the Auditor General, first of all, whether he has any authority or mandate on his own in order to do an extended value-for-money audit or a comprehensive audit on his own initiative and whether Alberta Mortgage and Housing Corporation would be a suitable candidate for that kind of a review.

MR. SALMON: Mr. Chairman, I recognize the question and what it's about. I think that from my perspective to get the background on these particular recommendations on the corporation, these recommendations and these findings are a result of some extensive systems work that we have done covering this particular audit year. In doing that system work, in accordance

with section 19 of the Auditor General Act, we are referring to looking at the systems in relationship to accounting and management controls that they have in place. Some of the things that we've said here look strong, and they are strong. Interestingly enough the work that is done in getting this message across to the corporation is not only completing the audit work in accordance with the mandate that covers the systems -- which is what our mandate is, including systems to measure economy and efficiency if you want to consider those -- but that we have met extensively with management as well as the audit committee of the corporation.

They have recognized the need to upgrade their systems and have chosen to do a complete review of those systems and to then make some strong decisions as to how they can meet the weaknesses that we have identified in doing those systems audits. So although we don't do what you might call a value-for-money, due regard for economy and efficiency directly, we do do the work through the systems and make those recommendations to improve the weaknesses that are identified.

MR. HAWKESWORTH: Well, taking, as I understand the Auditor General's comments, then, in reply to my question, that his department doesn't do value-for-money audits per se, who does in this province in looking at the corporate organization of the province of Alberta? Does anybody have the mandate to do it? Are they doing it? Are there any examples of either a minister calling in the consultants for a value-for-money audit or somebody else? How are the procedures in place to do this, or is anybody doing it?

MR. SALMON: I believe that, if I may comment, that's a philosophical question. I would address it on the basis that there tends to be a use, a value, for money. Comprehensive audit often is thrown out into the wind without an explanation of really what they are.

The Canadian Comprehensive Auditing Foundation, which I am a member of, has defined comprehensive auditing as being three things: not only the opinion audit or the attest audit which we place on all financial statements that we do audit in accordance with generally accepted auditing standards, but it also includes compliance with authority, and it includes value for money. Now, value for money is defined by the foundation as either doing work where you would express yourself with due regard to economy and efficiency and, if possible, effectiveness or doing systems work that relates thereto. Therefore, as far as Alberta is concerned, our particular mandate does cover value for money in the sense that we have the systems audit mandate covering economy, efficiency, and effectiveness.

One can discuss that subject in detail, but it's commonly understood that the mandate of the Auditor General of Alberta does cover it only on a systems basis. You will find in a few spots -- and there are some municipalities that have now given their auditors the right to do so-called value for money, depending on how you want to define it, and we recognize that. At the same time, mandates for the auditors general across Canada are all slightly different. Some have a straight value for money and due regard only, and others do not have that mandate. Alberta has a mandate with systems. Interestingly enough, most legislative auditors tend to approach it on a systems base method rather than through the basis of evaluating and giving their expressed concern about particular things. They tend to work the systems route first. That is our mandate, and that's the route in which

we will continue to operate.

MR. HAWKESWORTH: It's still unclear to me whether, separate from the Auditor General, any government agency, Crown corporation, or ministry is actually engaged in comprehensive auditing here in the province of Alberta.

I know the frustration other members of the Assembly have with Alberta Mortgage and Housing Corporation. I've heard our colleague for Calgary-McCall in the Legislature just a few days ago again echoing his concerns. They're similar to mine.

What can MLAs do to satisfy themselves that somebody in this government -- when problems are emerging across the province and across party lines, that some work is being done to ensure that there's good management going on in these Crown corporations or government departments? We're not doing it in the Public Accounts Committee. There's a limited mandate for the Auditor General. Who else is doing it, if anybody?

MR. SALMON: Mr. Chairman, I think that I need to make a stand here and say that I don't think I am limited. I am not directed by anyone, but I believe my mandate is wide enough that I can look at any system in any organization of this government, and make my comments. I do that on a yearly basis, and I've included it in here. I can't see why this doesn't tell you something. I could spell it out for you, but I must write it this way because it follows the mandate. I'll answer any questions I can in relation to it.

MR. CHAIRMAN: I'd like to go through the list that I have, because I don't think I picked everybody up. This is the order as I saw the hands go up: Ms Calahasen, Mrs. Laing, Mrs. Black, Mr. Severtson, Ms Mjolsness, Mr. Gesell. Anybody else that I missed?

Ms Calahasen.

MS CALAHASEN: Thank you. The recommendation number 43 on page 71 suggests that:

Treasury . . . obtain legislation to constitute legally the Government of Alberta Dental Plan Trust, the Government Employees' Group Extended Medical Benefits Plan Trust, and any other trust funds that have the same legislative disability.

Could the Auditor General clarify whether he has discovered any significant problems of mismanagement of funds or poor administration within these trust funds or whether he raises the point simply because he is concerned that all trust funds should have statutory authority?

MR. SALMON: Mr. Chairman, the latter comment is correct. This is a statutory authority concern. Legal opinions of our own have indicated that there are some indications that there really isn't the right to operate the trust funds in the method that they are doing. We have no concern as to how they're operating. We do have concern with their legality.

MS CALAHASEN: Okay. If these were placed under the legislative authority, then, would there necessarily be any to change to how they are managed by Treasury, or would the general accounting and financial management procedures remain much the same?

MR. SALMON: I believe they would remain probably much the same. I think sometimes in examining the legality of some-

thing, they may decide they want to operate a little bit differently. The concern we have is in the compliance area at the present time. A review of the operations will continue on an ongoing basis to ensure that they are properly being handled.

MS CALAHASEN: Thank you.

MR. CHAIRMAN: Okay.
Ms Laing.

MRS. B. LAING: Mrs. Laing.

MR. CHAIRMAN: Mrs. Laing; sorry.

MRS. B. LAING: Recommendation 32 on page 55 encourages social services to use tighter controls on payment procedures to clients to ensure greater compliance with established standards and procedures. In the same way that our courts of law prefer to err on the side of the innocent, I believe we prefer to err on the side of those who are generally in need. I fear that such enhanced controls would slow the welfare system to the point of undermining its ability to help clients at the time that they really need it. Would the Auditor General's recommendation 32 enhance the risk that the system would bypass a genuinely needy client because of time lost to strict application of the policy manual?

MR. SALMON: I don't think it should, Mr. Chairman. I believe the recommendation is to improve the procedures. They are making some systems changes and some control modifications which should help them to have a better handle on the whole situation.

MRS. B. LAING: Would the pursuit of stricter controls on the payment procedures require greater manpower and resources? That is, would it be cost-effective when compared to how much money is being lost at present by the system?

MR. SALMON: We believe if they had the controls in place, we would have a better system operating. Therefore, there would be that saving which isn't there now, and the overpayments wouldn't be occurring quite so readily.

MRS. B. LAING: Then is a fulfillment of recommendation 32 in any way dependent upon recommendation 33, which calls for improved computer data verification procedures?

MR. SALMON: The reason for this recommendation was to try to help them to have the information before them by the computer, that would help them to make the decisions that they're making. They are implementing this as part of the other system as well. And the improvements, they have indicated, will take care of this area as well.

MR. CHAIRMAN: Final supplementary, Mrs. Laing?

MRS. B. LAING: Thank you.

MR. CHAIRMAN: Mrs. Black.

MRS. BLACK: Thank you, Mr. Chairman. To the Auditor General. On page 5, in recommendation 2 of this year's report,

the Auditor General once again urged the inclusion of provincially owned postsecondary institutions and hospitals in the consolidated financial statements. First of all, I was wondering how other governments across Canada have managed this accounting issue and whether there is any kind of consensus on how government should address it.

MR. SALMON: Yes, Mr. Chairman, I was chatting with you just before on this particular subject in another way. This is concerning the public-sector accounting and auditing statements that define the government reporting entity. The reason for the recommendation is a result of that statement that has now been issued. This statement infers that if you have control or ownership, then it should be included within the consolidated financial statements of the province. We had been looking at this for several years and felt that because of the nature of the establishment of the boards and the way in which the government handles these particular institutions, they really did constitute either ownership or control.

There has been considerable debate in this area across Canada. There are only, I believe, three provinces other than Alberta that are actually issuing consolidated financial statements. The Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants is recommending these types of recommendations to ensure some way in which there can be comparability of financial statement data with provinces as well as Canada. Although some of these things are not yet being acted upon by some of the provinces, the whole intent is that in time, even if it takes a number of years, there will be some consistency and comparability.

We have made this recommendation to the Treasury management. They have not agreed with us at the present time because they feel the interpretation of this particular standard and the method by which they exempt these institutions from the Financial Administration Act constitutes their ability to not include them in the entity question or the consolidated financial statements of the province. So it is a bit of a crossover, where we still are the auditors, and therefore there's that accountability process. The inclusion of those in the consolidated statements probably will not occur at least for the initial future.

MR. CHAIRMAN: Further supplementary, Mrs. Black?

MRS. BLACK: Yes, Mr. Chairman. According to the Public Sector Accounting and Auditing Committee, they stated last fall that the government reporting entity should comprise the organizations which are accountable for administration of their financial affairs and resources either to the minister of the government or directly to the Legislature and which are owned or controlled by the government, which is what you were talking about. The Auditor General used this statement to support his recommendation regarding the inclusion of universities and hospitals in the government's consolidated statement.

I'm interested, though, in knowing whether the PSAAC statement applies to any other government controlled bodies in Alberta that are not presently included in the consolidated statements. I think or believe, for example, that Chembiomed Ltd. under Advanced Education and a couple of Alberta telecom trust funds for technology, research, and telecommunications are also not included in the financial statement. If this is correct, why are these bodies excluded, and are there others that have been excluded? If so, why has the Auditor General only

focused on the universities and the hospitals?

MR. SALMON: In the case of all of the subsidiary companies of organizations such as AGT and those other organizations, those particular subsidiary companies are consolidated within the entities themselves into the Alberta Government Telephones statements. If you look at the notes on AGT, you'll notice the companies that have been included are consolidated within those statements. Therefore, we feel by doing the audits of those organizations and tying them in with the main statements of the parent, they're covered. In the case of the colleges and the technical institutions and the hospitals, they are not included in public accounts, yet there is some tie-in with these organizations to the government. It's basically an interpretation problem as to whether or not they should be part of it. Whereas AGT is included and along with its subsidiaries is already incorporated, Chembiomed has been a subsidiary of a university. There are also some other subsidiaries of universities. In that sense they would be included as part of these as well. So we are concerned with the subsidiary companies and their accountability process and are working on that to ensure that there isn't any slippage in that area.

MRS. BLACK: Thank you.

MR. CHAIRMAN: Thank you.
Mr. Severtson.

MR. SEVERTSON: Yes. Thank you, Mr. Chairman. At the top of page 100, sir, you offered a brief explanation for the purpose and functioning of the Alberta Capital Fund. The end result of this fund is to, I believe, spread out the costs of the projects to the general revenue over several years rather than to concentrate them in the years that the assets are required. As such, as of March 1988 the deficit of the Alberta Capital Fund had not been funded yet by the General Revenue Fund. Could the Auditor General explain how both the capital expenditures of the Alberta Capital Fund and the Alberta Capital Fund deficit appear on the financial statement of the government?

MR. SALMON: Yes. That's back to this business of the consolidation of these organizations into the consolidated statements. In the front of the public accounts there is a set of financial statements called the Consolidated Financial Statements of the Province of Alberta, and they include all of the organizations that are part of public accounts, including the Alberta Capital Fund. Because the Alberta Capital Fund is now constituted by legislation, separate financial statements are issued, and we do that as a separate audit and express our opinion on those statements per se. Then we also express an opinion on the consolidated financial statements. In consolidating financial statements of the province, any interrelated transactions between government entities are eliminated so that the consolidated financial statements show the more true picture of the actual operations of the province as a whole, including all of the Crown corporations and funds and boards and agencies that are part of the public accounts.

MR. SEVERTSON: Could the Auditor General also explain briefly how and where the contributions from the General Revenue Fund to the Alberta Capital Fund are shown on the government financial statements?

MR. SALMON: Yeah. The individual amounts that have gone from the General Revenue Fund to the Capital Fund are shown in the General Revenue Fund statements. Then when you consolidate the financial statements of both general revenue and all these others, the interrelationships are eliminated so that individually they are shown on the other side in the General Revenue Fund, if the funds have come from there to the Alberta Capital Fund, or in the case of . . . Yes, the deficit would be eliminated, wouldn't it, when we consolidate. It would be included in that lump sum.

MR. CHAIRMAN: Ms Mjolsness.

MS MJOLSNESS: Thank you, Mr. Chairman. I'd like to follow up on the questions that were asked by Mrs. Laing this morning. On page 54 we see that in overpayments made by the income security, overpayments were \$14.1 million, and I'd like just a clarification. It states that this is during the year that ended July 1988. Is that one year, or is it over one year?

MR. SALMON: It's a one-year period.

MS MJOLSNESS: July to July. Okay. I would ask the Auditor General then: has this amount increased over the fiscal year prior to this particular report? Does he know?

MR. SALMON: I believe it's been decreasing, and don't forget, too, that there are underpayments as well, and we've sort of shown them both there. I don't have last year's, but I believe this is a little less than last year.

MS MJOLSNESS: I guess I . . . Pardon me?

MR. SALMON: My colleague says it's quite a bit less. I'm not sure what the figure was; \$35 million last year? Oh. So it's from \$35 million to \$14 million on projection. These are projections, by the way, they are not actual, specific amounts that have been found. It's errors projected on the basis of the numbers they have found and are testing.

MS MJOLSNESS: I'm still not clear. Then in your opinion or in your estimation what seems to be the major problem in making these errors? I know you mentioned a better system and that we need changes in the system. Could you just clarify that for me, please?

MR. SALMON: Well, just above that statement where we talk about the overpayments for \$14.1 million and underpayments \$850,000, the identification of some of the problems in those three bullets there: duplicate payments due to administrative error, the incomplete identification of client incomes, et cetera. I think that there is a combination of matters that have occurred, and the department itself is monitoring this and is very much aware of what is happening. They have been quite concerned about this, because we have also been reporting it, and therefore they are not too happy about that part. But the efforts that they are presently making can eliminate the problems if they will make some specific control modifications on their systems and then ensure that they follow processes and don't override by any code process or anything like that and make payments for expediency. They can make those improvements, and they are

making some efforts to do that. We keep watching it, and it is coming down, but it isn't coming down as fast as we'd like it to come down. That's a big process.

MR. CHAIRMAN: Mr. Gesell.

MR. GESELL: Thank you, Mr. Chairman. I'd like to maybe expand on the questions that were asked by Mr. Hawkesworth, the Member for Calgary-Mountain View, to Mr. Auditor General. It appears to me when I look at the Alberta Mortgage and Housing Corporation report, pages 47 and 48, that you've indicated that the annual financial audit was extended, in fact, in this particular case. So you've actually taken some steps and reviewed in more detail this particular corporation. My first question is then: what prompts you, sir, to actually do that? Are there some specific indicators that would lead you to extend that audit system for one particular area?

MR. SALMON: There were some specific systems issues that we were aware of the previous year and felt a need to expand the examination of the systems in the current year to help the management to identify some of their concerns and to direct, or at least encourage them, in the direction that they could go to improve those. That's really the nature of our extensions many times: things that we are aware of and are able to identify, from previous work even, or from our examination and determining where we want to put our emphasis on certain areas, as to how much we will do within that organization.

In this particular case I believe we've been able to assist the corporation in recognizing the broader scope of some of the problems in their accounting in these areas, and they are working extensively to establish a base on which they can then move ahead and make the necessary improvements to their systems.

MR. GESELL: Further, Mr. Chairman, on specifically the control and information system within the corporation, you've indicated that there are a number of separate computer systems and also a manual accounting system to calculate gains and losses. Could you indicate to me -- I'm a little bit confused here -- are we talking about separate and apart, different hardware configurations, or are we talking about software programs?

MR. SALMON: Yes. Software programs.

MR. GESELL: It's the same computer; there are just a number of programs that are being utilized in order to generate information?

MR. SALMON: Yes. Then there are also some micro software systems as well. But the problem with the housing corporation was that they haven't made the changes with the change in the times, and the systems were not accounting for some of the situations that have occurred in the economy. Therefore, they have to make some changes to get the information they need.

MR. GESELL: Well, my question really was: is the information that's being generated by that misleading or erroneous? But let me leave that. Maybe I'll go on to the financial reporting.

Here you've indicated, sir, that some of the financial information, some of the depreciation, in fact, is related -- the long-term debt financing is related to the length of the program rather than the estimated use of the life of the assets. Are you saying

that if that were rectified, the corporation would be in a noticeably improved situation as far as their financial status? What is the situation here? I know there are some problems that you have identified in how this is done, and I appreciate that. But what would be the result if they were to correct that?

MR. SALMON: There would be a much more accurate picture of their position and better disclosure in their financial statements. Interestingly enough, the corporation has agreed to make those changes, and we'll see those in the current year.

MR. CHAIRMAN: Mr. Cardinal.

MR. CARDINAL: Mr. Chairman, my question has been answered.

MR. CHAIRMAN: Mr. Hawkesworth.

MR. HAWKESWORTH: Thank you. I'd like if the Auditor General could turn to page 8.2 near the back of the public accounts. It has to do with the statement of remissions, compromises, and write-offs. Not having served on this committee before and not, I guess, having really taken a close look at these schedules prior to this year, I'm not entirely sure what constitutes a write-off and how it's implemented and how it's accounted for. So when I see \$86 million, as an example, being written off for the Treasury Branches of Alberta and \$55 million for the Agricultural Development Corporation, \$20 million for Alberta Mortgage and Housing, et cetera, does that mean that these are figures that the corporation has determined are loans that they'll never make good on, that they're just simply going to write them off as a loss of operations? Is this the sort of thing that you would go to to find sort of the red ink at the end of the year, the bottom line of each of these corporations? Or am I reading something into it that's not there?

MR. SALMON: No. Mr. Chairman, these particular write-offs are those that are considered totally gone, and they're turned over to Treasury for final determination of whether or not there is any possibility of collection. Then they write them off if there isn't. These are the amounts that have been transferred over to Treasury and are considered in their processes of remissions and so forth and determined that they are to be written off. These are not bottom-line items or any connection with the organizations, because they've been turned over to them and gone.

MR. HAWKESWORTH: So I take it one could assume that -- well, \$200 million was written off by the province of Alberta for various activities under various departments in the course of the year, if I'm reading that one section correctly.

MR. SALMON: Yes. And too, these have already been written off by the organizations themselves; therefore, they've been removed from their own statements.

MR. HAWKESWORTH: Okay. I think I understand, then, what a write-off is.

What's a remission? I get the notion of it being sort of a rebate or somehow giving money back for various reasons or other. I'm just wondering if you could explain what we're doing giving back \$20 million under the Alberta Corporate Income Tax Act. Do I understand it, that it's money that's been col-

lected under that Act and for some reason it's been returned and a cheque given back for some reason or another?

MR. SALMON: No. The remissions are where it's built into their legislation the right to, you might say, forgive. The easiest one to understand is student loans, where you have a certain percentage of remission so the students don't have to pay the whole debt back if they do certain things. It's built into the actual, you might say, law or the legislation under which they are governed. Or by an order in council they can also have a remission.

MR. HAWKESWORTH: Perhaps the last question the Auditor General could answer, then, for me is to explain what a compromise is. I understand a compromising situation; I'm not sure that's what's intended here. It's not a lot of money; I see here \$216,000, \$217,000. But perhaps . . .

MR. SALMON: The largest one on that is the \$84,000 under the Motor Vehicle Accident Claims Fund, which is, again, where you get a claim and there's a decision whether or not you're going to go full claim, part claim, or whatever. That's the compromise difference. The difference they don't get is the compromise. The difference they don't collect under a claim under the motor vehicle accident claim is the compromise.

MR. JONSON: Mr. Chairman, one of the very broad areas of concern of the Auditor General is focused in on pages 71 and 72. This is the whole reference to what are called tax expenditures. I'd like perhaps some additional explanation here, because the term is used that these tax expenditures or tax credit schemes "distort reported revenues and expenditures." Yet almost all of our tax systems charge people differentially, if you know what I mean. Even the income tax system itself, depending on your income, has a different rate for different people. Now, when we get into tax credits or tax allowances, really isn't that just an extension of that same approach to taxation? What is the concern here that you have? Why do you say it's a distortion?

MR. SALMON: This particular subject has been in the Auditor General's report for several years. It's also been a subject that has been discussed across Canada. In fact, a few years ago the government of Ontario published a booklet listing all of their tax expenditures that they have allowed or permitted in the province of Ontario, just to give a flavour of what it really meant. Now, one of the concerns with tax expenditures when we're talking about them is in relationship to the fact that it's a netting. In other words, it's not the full grossed up figure that you have normally collected and then maybe rebated if you had actually collected the dollars. The only part that's really discussed is the net figure rather than the gross, and the disclosure of what those tax expenditures are isn't there. In other words, it's not shown or it's not known or publicly discussed what the amount is of those tax expenditures.

I guess we probably need to -- we were talking about the exploratory drilling tax credits and those kinds of things where you actually allow the reduction or the deduction before you ever get to the point of collection. How much is there that could have been collected that it was legitimately decided not to collect but the amount is not revealed? There are also some program expenditures that are netted within public accounts themselves.

We have been raising this for a number of years to try to see

whether the disclosure part would be better if they would acknowledge how much the gross figures were so that the Legislative Assembly or whoever would understand that that is the amount that is foregone. That's really what tax expenditure is. It's the portion that's foregone in a decision of whoever, particularly the lawmakers, and therefore: is this an important information figure?

Management of Treasury have chosen to very helpfully discuss this with us over the years but have felt that the disclosure they're presently using is still the method they prefer. Therefore, our indication here is that we have raised it. We've raised the visibility of it. We've discussed it a number of times in Public Accounts, which I think has been good. I think that's brought the awareness to the Members of the Legislative Assembly of what we really were trying to talk about. The auditors general of Canada, Ontario, and some of the others have also done the same.

There are some disclosures that are now taking place in other jurisdictions. There has been some small movement with Treasury in some of the netting and the grossing that has been taking place in public accounts. Some of the netting has been eliminated, but generally speaking, the tax expenditures as a whole still are not being revealed. We'll maybe raise that again in a few years and see how things go with the discussions in Canada.

MR. JONSON: Mr. Chairman, tax allowances are expenditures. And I'm aware that we've discussed this before.

But my second question would be, then, given that I doubt if this is going to change overnight -- I don't know if you'd agree -- and it's so widespread among governments: why isn't your focus more on auditing the system of providing that tax incentive or expenditure or allowance rather than trying this broadbrush approach? I know that you'd like to be able to show the gross revenue, then show how much was in fact collected, and so forth. But really, isn't the major concern to make sure that the rules of the game were followed in terms of the program? Certainly when we fill out our income tax system and we have our credits and so on to claim, the federal tax department seems to be able to examine us pretty carefully. My question, though, is: do you feel that there is a general problem in terms of the way these tax credit or tax expenditure schemes are set up? In other words, do you feel they're not tight enough?

MR. SALMON: No, Mr. Chairman, we're not really talking about that, because we are auditing those aspects when we are actually doing the systems work within the areas where there are such tax expenditures. I think it was because of that audit work that we felt the need to broad brush this a few years ago, just to bring it to the front. Periodically those kind of issues sort of arise, and we're not sure how to approach them. We will continue to monitor them on an individual basis and particularly in Energy, where there's a large sum, and, of course, on the income tax side, where we actually do monitor what the federal government is doing on behalf of Alberta as well. We'll continue to do that. We still have some concerns about whether or not it's recognized actually what they are, but I think you understand where I'm coming from.

[Mr. Moore in the Chair]

MR. DEPUTY CHAIRMAN: The Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. I'd like to ask a hypothetical question that follows in the line of questioning that Mr. Hawkesworth and Mr. Gesell were involved in, having to do with comprehensive auditing. What if a committee such as the Public Accounts Committee was concerned about whether or not a specific program of the government was really meeting the original objectives for which that program was established -- I might, by way of example, cite the Alberta royalty tax credit program -- and the committee just wanted to, as I say, ensure that the original objectives of that program were being met by the program itself. They weren't concerned about the auditing or the accounting or that kind of thing. Would it be reasonable, I suppose, to ask the Auditor General to do an audit of that program in terms of whether the program is meeting program objectives?

MR. SALMON: Well, I recognize where you're coming from. The specific request of the Public Accounts Committee, or the government, the Executive Council, whoever, to the Auditor General -- there are specific sections in the Auditor General Act that cover those type of special requests. The Legislative Assembly can request anything the Executive Council or, I assume, a committee of the House could request, and it would be up to the Auditor General whether or not he could do it within his mandate or whether he has the manpower to do it, whatever it entails. That would be his decision whether he could accept the assignment.

One of the things one should recognize in this whole business of whether or not money is being spent for the purpose for which it was intended is to have a system of accountability whereby management themselves do some type of reporting back. I think that in time there will be more of that seen. There is some suggestion that management do that now in some of the circles where research is taking place, in the foundation and in the CICA -- that's the chartered accountancy organization -- where management will make the assessment and make the report back as to what they've done, to show that they've met the criteria under which the money is being spent and, if they chose to have some additional credibility added to that report, auditors would come along, even in the case of a legislative auditor, and add some credibility by examining the basis on which they have done these things. I think the auditing profession as a whole will be changing over the next five or 10 years to more of this management representation and an auditor's additional credibility added to that representation. It hasn't arrived yet, but there are a few organizations that have tried to attempt to do that.

MR. PASHAK: Thank you very much. I think Mr. Hawkesworth is going to . . .

MR. DEPUTY CHAIRMAN: Mr. Hawkesworth.

[Mr. Pashak in the Chair]

MR. HAWKESWORTH: Thank you, Mr. Chairman. On page 3.45 -- it's not necessary for you to turn to it; it's just the reporting of the statement of expenditures for Economic Development and Trade. Under vote 3.3.1 it has to do with export support

services, and it indicated that in that year almost \$444,000 was spent for export support services. Now, I presume that somewhere in the Supplementary Information Details of Expenditure by Payee one could find who received \$444,000. Is that correct?

MR. SALMON: Yes, somehow. That's true.

MR. HAWKESWORTH: You could. So if you found a name here under Manpower, Supplies and Services, Purchase of Fixed Assets and Other . . .

MR. SALMON: That's where it would be. Yes.

MR. HAWKESWORTH: But you can't find whether it appeared under vote 3.3.1, export support services, or whether it be grants to investors, which was in the previous vote under Financial Assistance via Equity Corporations.

MR. SALMON: That's right.

MR. HAWKESWORTH: Would you know the difference? I mean, how would one . . .

MR. SALMON: No, we wouldn't know the difference either. No. Because what we've done is in our own examination, of course, we've satisfied ourselves with public accounts itself. As far as the supplementary is concerned, that is a computer process, to pull it off by name and by department, and that's the basis on which that volume was put together. What we would like them to do -- it can be done, and it's done every year -- we would like it to be shown a little bit more clearly how that supplementary in total ties back in. At the present time there's a reconciliation which is done, and we are aware of that reconciliation. So it's legitimate, and you can see it because of the payables and receivables and so forth at the end of a year, particularly the accounts payable. These figures are there, but you can't tie them directly into the supplementary.

MR. HAWKESWORTH: Well, could I ask you . . .

MR. SALMON: This is not an uncommon question though, Mr. Chairman, to be raised as has been in the past with the minister and his management as they've come and asked them specifically that type of a question.

MR. HAWKESWORTH: The next question again -- and maybe on this one I should ask you to turn to page 3.46, which is the page over. Do you see that on vote 6 there's 6.3.8 having to do with something called Coulter Radiator. Now, I don't know whether it's Coulter Radiator Limited or whatever, but in trying to do a corporate search just to see what it was, there's no such listing in Consumer and Corporate Affairs' corporate registry. Do you do any audit or ensure that when an expenditure appears in the public accounts that . . . I mean, maybe it does exist, but I haven't been able to find out whether it does or not. The only search I've been able to do indicates that corporate affairs has never heard of it. There's no listing for it or anything.

MR. SALMON: You're better than me. I don't even know what Coulter Radiator is.

MR. HAWKESWORTH: I don't believe in making assumptions, but . . .

MR. SALMON: We could go back to our working papers and probably find something in the background there, but you know, right here I couldn't tell you.

MR. HAWKESWORTH: I guess that's just on a larger basis I notice, maybe more policy related, there are all kinds of long-term investments; for example, in schedule 2.3 of the General Revenue Fund; in a similar listing of details of guarantees, schedule 1.11 for the consolidated statements. I guess my question is, just in a general sense: do you just assume that when statements are prepared and presented to you by the Treasury Department that these companies do exist and are carrying on business?

MR. SALMON: No, no. The work is all done. In fact, from a point of view of the audit, if you were in our office, we could show you a lot of things with relationship to public accounts, as to how it's been put together and this kind of thing and as long as it's legitimate, to explain it to you from the point of view of what's here, we can do so, because we are quite happy to give those explanations. But we spend extensive time to ensure that what's in this particular volume is right, or we would never be able to give the opinion that we do.

MR. CHAIRMAN: I permitted Mr. Hawkesworth an extra supplemental because there weren't people on the speaker's list at that time, but I now have another list: Ms Mjolsness, Mr. Gesell, Mr. McEachern. Ms Mjolsness.

MS MJOLSNESS: Thank you, Mr. Chairman. On page 30 under recommendation 15 and on the page prior to that it states that because of deregulation there seems to be a difficulty in accurate calculating of the royalties of the Department of Energy. I would ask the Auditor General: can he give us an indication of how inaccurate, then, are the calculations that are being done presently?

MR. SALMON: We're not able to quantify that particularly, but it was interesting as we discussed this matter with the department and reviewed the progress that they had made -- because this particular matter had been included before, and there had been some progress in it -- that they have heartily accepted this concern and are making some considerable efforts to try to ensure that there is not the problem in this area. I don't really know what else you'd like to know, because it's really a systems area and a problem of concern.

MS MJOLSNESS: In 1987-88 you stated that the ERCB data was not reliable enough for royalty and mineral tax calculation purposes, and there was a task force that was struck and different things were explored. Despite these actions it seems to me that you're stating in these recommendations that there is still a serious problem in the year following that.

MR. SALMON: It was really timing. The difficulty was that this task force and the other work that they had done didn't get everything completed until we had another year to audit; therefore we just felt we had to carry it one more year, so it was still front and centre with respect to the problem. Yet there's been

very good co-operation, and they have been working hard. The problem with the ERCB at the time was that they were doing work on the royalty area for their own purposes but were not doing it to the level of detail and information that was needed by the department for their calculations. What we did by this process was to get them together and say, "Hey, you've got to work this out so that you're satisfied as well." The ERCB was the source to get the information and get the examination done. Therefore, they actually got some additional staff because it was over and above what the ERCB felt they needed and to satisfy the department. That process is beginning to now be in operation. So we hope to see better results in the next year.

MS MJOLSNESS: Okay, but I take it that there still are problems there. I would ask you then: how does the Department of Energy calculate accurately, or is that just not being done?

MR. SALMON: Well, you have to recognize that they are getting a certain amount of information, but we're saying that overall we felt that there were definitely some weaknesses. They said, "Yes, we recognize that." And that's why they're working hard with the ERCB to pull that together. But, of course, a lot of this work that they are doing would be fine. It's just that the assurance overall wasn't there. So this is why they're doing this extra work within the ERCB, to satisfy their needs.

MR. CHAIRMAN: Mr. Gesell.

MR. GESELL: Thank you, Mr. Chairman. I'd like to just carry on with some of the discussion and make some comments about value-for-money, or comprehensive program review as it's known, particularly in light of your hypothetical question. Mine are really just comments that Mr. Auditor General might want to make some remarks on rather than a specific question.

My understanding of the process of value-for-money audit is really one that's sort of integrated, management and audit, and the emphasis really is on management -- you know, that's the way I see it -- and the auditing portion forms a small part of that. Now, just for your information and not necessarily related to the recommendations for '87-88, I believe and I should draw to your attention that there is a commitment in the Speech from the Throne about program evaluation. That's the management portion, and I think our government has taken the initiative there in moving in the right direction.

MR. SALMON: I guess my only comment is that I like what he says. I think that management does have a responsibility in the area and that the Auditor does tie in with that responsibility. So that's good.

MR. CHAIRMAN: Mr. McEachern.

MR. McEACHERN: Yes, thank you, Mr. Chairman. I'd like to just follow up on some of the oil questions asked by my colleague. One of the other problems that the Energy department has experienced over the years is the double-dipping by some of the companies setting up spin-off companies and sister companies and brother companies and whatever else so that they can double-dip into the taxpayers' dollars for oil royalties. Have you been able to determine to what extent that takes place and how much we're really losing by that kind of process going on, if at all?

MR. SALMON: I'm not sure I understand the question. I haven't heard of double-dipping.

MR. McEACHERN: Well, perhaps I can explain a little further. If a company qualifies for a royalty rebate in Alberta, all it needs to do is spin off a second company, and it also qualifies. And if that second company is really just a shell company, more or less, with very little assets or very little . . .

MR. MOORE: Point of order, Mr. Chairman.

MR. CHAIRMAN: Point of order.

MR. MOORE: Mr. Chairman, I don't know where this relates in the reports. And they're hypothetical, this line of questioning. The Auditor General said he was a little confused. I think the mover is too, and I'm getting more confused the longer I listen to him. So if he could relate it to the book, the Auditor General's report here, I could catch up to what he's talking about.

MR. McEACHERN: Well, basically, we're talking about the income and revenues from oil companies. They pay royalties, as everybody knows.

MR. MOORE: Where is that in the book?

MR. McEACHERN: It's the section on . . . We were just looking at it a minute ago. There's no specific reference there. He does refer to the fact that it's difficult to decide how much money oil companies . . .

MR. CHAIRMAN: What page number?

MR. McEACHERN: Oh, I'll find it here, if you must. The section on energy is page 30, I guess, and 31, all through there, and it's talking about the kinds of money we get from royalties. One of the things about the royalty rebates is that the company, if it qualifies, gets a certain amount of its royalties rebated. Now, in the present situation in this province a company can easily spin off a second company or buy a second company or form a partnership with other companies and therefore can -- and the term double-dipping is used in the oil industry. So some companies that really should only qualify for one set of rebates sometimes qualify for two or three sets of rebates by a number of different techniques.

MR. CHAIRMAN: Can I just interrupt you? This is an extremely hypothetical question, because there's not any real evidence that in fact companies have been doing that. But in any event, if the Auditor General wishes to comment on that question, that's . . .

MR. SALMON: Just one comment. I think maybe the member of the committee is probably saying: well, when these different companies go and apply, if they have the right to do it legally and if all of the compliance issues are taken care of, there's no way we would recognize that anything was wrong. I suppose if there was a particular situation that looked a little suspicious, we may tend to look a little harder at it. But, really, it becomes a compliance issue I think is what you're getting at; I'm not sure.

MR. McEACHERN: And it's probably one that you don't get to deal with, then, in a sense is what you're saying. Okay.

My second question is sort of back to what I wanted to ask you about myself. On page 1.7 of the main book you outline the notes to the consolidated statements, and in section A you outline the five different sections, I suppose is the best way to say it, that you count in setting up the audited consolidated statement for the province. In this particular year, on page 1.4 you'd see the figure \$1.386 billion as being the net expenditure for the year, and you put that into the net assets of the province statement. That \$1.386 billion compares to \$1.062 billion, I believe, of what the Treasurer would like to call the consolidated statement, which included the heritage trust fund.

MR. JONSON: Point of order. Just something that I'd like clarified, and that is that I believe we have a question and two supplementaries. Is that right?

MR. CHAIRMAN: That's correct.

MR. JONSON: So the gentleman is now on his second question. I don't mind that much right now, but I do think . . .

MR. CHAIRMAN: Oh, I see what you mean. No, we've been allowing a degree of latitude in allowing questions, even if they're supplementary, to touch on distinct issues. If it gets to be a problem and the committee wants me to be rigorous in ensuring that the supplementaries are connected to the original question, I can do that. But for the moment, can we proceed?

I've tried to suggest to members that they do try to keep their supplementaries related to the main question, but we'll allow some flexibility. I'll allow the member flexibility on this occasion, if he can get to the question.

MR. McEACHERN: Okay. Taking the year . . .

MR. MOORE: We treat you pretty good here. I hope you know that.

MR. McEACHERN: Well, this is really my main question. Okay? The other one was a supplementary following somebody else's questions. Okay? All right? Just bear with me.

AN HON. MEMBER: Change the rules.

MR. McEACHERN: No, I knew that one was allowed to do that from discussions previously. I wasn't bending any rules.

Anyway, what I'm trying to get at is the difference between the consolidated statement and what the Treasurer likes to call the combined statement and the budget deficit itself. Now, the budget deficit in the 1987-88 fiscal year was \$933 million. The combined deficit was \$1.062 billion, and the consolidated deficit, which is the figure you have in here on page 1.4, is \$1.386 billion. Right? Okay. Anyway, what I would like to know is, looking at number 1(a) on the notes to the financial statements, 1.7, if you were to add in all those things that you list that are not there that you think should be there -- the boards of universities under the Universities Act, interim governing boards, et cetera: the list (a) to (k) under section 1(a) -- what, in your estimation, would be the net effect? I don't expect an exact number, but what would be the net effect in terms of the

consolidated deficit? Would it be bigger or smaller? Because some of those institutions, of course, have a little surplus funds at the end of each year.

MR. CHAIRMAN: I think the Auditor General has enough information.

MR. SALMON: There's one figure I can't find because I think you're taking it out of the budget document.

MR. McEACHERN: Yes, I think there's one thing. The figures were given by the Treasurer on December as factual figures for this year.

MR. SALMON: Yes, but not in here.

MR. McEACHERN: No. But it was \$1.062 billion as the combined deficit, meaning . . .

MR. CHAIRMAN: This question, I think, is -- I don't know whether it's out of order or not. It seems to me that it's trying to tie in the public accounts with the budget, and I'm having a lot of trouble following it. I don't know. Maybe the Auditor General -- do you have . . .

MR. SALMON: I guess I can make a general statement. The net asset figure would increase on the balance sheet, but on the operating statement I'm not sure. We have not actually taken all those figures and thrown them together to see what really happens with respect to all of the ones that are left out. It's a year-to-year figure, and that's why we haven't done that. You'd have to do that individually. There are some that have surpluses; that's true. So there may be an effect, but there are also some that are maybe on the line in that particular year. I know the University of Alberta ended up with a deficit this year. In fact, we commented about that deficit, because they set up a reserve. That's in my report. So you'd have to take them all into consideration, and we could, of course, do that -- they're all tabled in the Legislative Assembly -- but we haven't actually done that. We do know that the assets would be increased.

MR. CHAIRMAN: Final supplementary.

MR. McEACHERN: Yes. The other question, then, is: does changing the accounting technique over the last several years, first to eliminate the Capital Fund figures from the budget figures -- I think that was done in 1984-85 or '85-86; I'm not sure which -- and then dropping the heritage trust fund capital projects division figures make it so that comparing from year to year in the public accounts and if one just goes to the consolidated deficit figure . . . I guess that with the consolidated deficit it should still be okay.

MR. SALMON: Yes. Your public accounts will be all right. Where your comparability, where you have to take it into account, where the difference is, is the budgeted year-by-year figures, rather than the results figures, because the results figures have been the same.

MR. McEACHERN: The result figures would include all the same things through those years, say, '84 to '89?

MR. SALMON: Yes.

MR. McEACHERN: Okay. Thank you.

MR. CHAIRMAN: Thank you.
Mr. Payne.

MR. PAYNE: Thank you, Mr. Chairman. I was concerned to read on page 17 of the Auditor General's annual report that the Southern Alberta Institute of Technology still hasn't come to grips with his recommendation made in the previous year regarding more than a half million dollars of funding received but not spent, either because it's in excess of requirements or because the programs are inactive. Now, as I understand it, SAIT has been treating such funds as revenue by SAIT without the Department of Advanced Education's concurrence. My question to the Auditor General is: why is it taking so long for SAIT and the department to resolve the matter, and does the Auditor General expect to report that the matter has been satisfactorily resolved this time next year?

MR. SALMON: We do know, Mr. Chairman, that the department is taking an active interest in this area of deferred revenue, because there are some fairly substantial sums if you go through -- there are other areas where we've reported these particular amounts as well. The question as to whether or not it's going to be resolved in the current year, we're not sure. That's a matter for our present audit, and we certainly will report whatever the status is. It has taken some time for the department and these organizations to really get together and try to have this thing discussed and resolved. The reason we included this in the past as well as in this current year, although not in a formal way with a big recommendation, is because of the work they are doing. We do now know that action is being taken, and we hope it's resolved. We'll certainly be able to report whatever the status is when we come forward, but we're not sure at the moment.

MR. CHAIRMAN: I might just add that it seems to me that that question might be at least as appropriately put to the Minister of Advanced Education, and I would just inform the member that we expect him to be with us two weeks hence.

MR. PAYNE: Well, thank you, Mr. Chairman.

Now, in view of the latitude extended to the previous questioner, I wonder if I could not only shift gears to a different subject but revert simply to a comment rather than a question. As the initial minister responsible for the Wild Rose Foundation, I did want to mention in passing, for the record, how pleased I was to see on page 35 of the Auditor General's annual report that his annual audit "revealed no instances of grant payments not complying with legislative requirements." I felt that was important enough to leave it here today for the record.

MR. SALMON: We appreciate the member making that comment, because I think it's nice to bring out the fact that the Auditor does make a positive comment occasionally.

MR. CHAIRMAN: Mr. Lund.

MR. LUND: Thank you, Mr. Chairman. I found some positive comments as well on page 64, but I do have a couple of questions relating to the Alberta Research Council, 2.25.4. In there

you mention that there is long-standing failure of the Alberta Research Council to produce clear records as to the ownership of fixed assets. You also indicate that the matter was apparently resolved this past year when you say: "eliminate substantially all uncertainties." I guess that little phrase kind of bothers me. I don't quite know how you eliminate "substantially all." But I'm wondering if the solution was really satisfactory, and maybe rather than this, if you should have been possibly recommending implementation of some kind of policy that would make sure that we don't slip back into some kind of poor record keeping or whatever was the problem in the prior years.

MR. SALMON: Yes, that's a good point. What's not within the Auditor General's report here is the correspondence between myself and the head of the Research Council. I want to assure the committee that it's been very positive, and we also recognize that there have been a number of changes within the organization as well. So they've been positive, and we feel very good about the relationship. We are also able to report that there's been excellent co-operation with respect to the audits in the last couple of years as well.

MR. LUND: I trust, though, that you will be watching this closely in the future as well.

MR. SALMON: Yes, we'll continue to monitor that.

MR. CHAIRMAN: Okay.
Ms Mjolsness, please.

MS MJOLSNESS: No, I didn't have my hand up.

MR. CHAIRMAN: Okay.
Mr. McEachern.

MR. McEACHERN: Yes. I'd like to start by following up on the answer to my question about if you changed the items that you included in the consolidated statement by adding those ones that you suggest should be audited and included in the consolidated statement. You said that the result would be an increase in assets, but it would depend year to year, I believe, as to what would happen in terms of expenditures. Surely you would not get an increase in assets. Wouldn't you just include these -- you know, hospitals and the medical research foundation and all those things -- as just a dollar? Aren't these things that the government is not going to sell? Aren't these just like listing the Legislature as worth a dollar or something?

MR. SALMON: There is a considerable amount of liquid assets there, such as cash and accounts receivable and so forth, that would have come in, and that would have had an effect on the bottom line of the assets.

MR. McEACHERN: And not just be included in the yearly flow of money?

MR. SALMON: No, that's the asset part; that's the balance sheet part. Therefore, that would increase the bottom line on the overall assets available.

MR. McEACHERN: Well, the Alberta Heritage Foundation for Medical Research is already included in another section as an

asset, is it not?

MR. SALMON: Oh, yes. We're talking mainly universities, colleges, technical institutions, and so forth. You'd take in current assets and so forth rather than the actual buildings and so forth.

MR. CHAIRMAN: Mr. Severtson. Oh, no; sorry. It's Mr. Thurber; sorry.

MR. THURBER: It's all right, Mr. Chairman. To the Auditor General. It's noted on page 99 in, I believe, section 3.5.2 of the report that a deficit of \$1 million-plus for the Ag Development Corporation and \$22 million-plus for the AOC were not reflected in the General Revenue Fund. Could you explain this statement? There don't seem to be any reasons laid out there that are clear to me.

MR. SALMON: Are you asking the question of why these deficits are not included in the GRF?

MR. THURBER: Yes.

MR. SALMON: Oh. These particular organizations -- as you are aware, in other parts of the public accounts these financial statements are included. The General Revenue Fund is also a financial statement, which is page 2 in the public accounts. Because these are separate entities, these losses or these deficits are shown within those entity financial statements themselves, and there are opinions on those statements. It's only when you get to section 1 of public accounts in the consolidated financial statements that the entities are brought in under the consolidation process, and these deficits are accounted for at that time.

MR. THURBER: So then it doesn't really matter that deficits can accumulate in these provincial agencies, rather than . . .

MR. SALMON: I don't want to say it doesn't matter. They're there because legally they can do it on the basis on which they're doing it. But as a whole, until you pull them into the consolidation and show the bottom line for the government under the consolidation process, you really don't know the true picture of the province. Then, of course, the other aspect is whether or not we include these other organizations that another member was talking about.

MR. CHAIRMAN: Ms Calahasen.

MS CALAHASEN: Thank you. On page 57, number 35, you're concerned about improving the procedures to check on the adequacy of day care programs. Then on the previous page you also acknowledge that a computer-based day care information system is currently being implemented by the department of social services. Once fully in place, however, the Auditor General seems to feel that this new computer system will alleviate only some of his concerns. What else, then, besides a new information system is needed to improve checks on the adequacy of day care programs?

MR. SALMON: One has to consider that the system itself will not remedy all situations. You also have to get the people on board to operate that system and ensure that things are in place.

I think that's really the reference there, as to the expansion of the overall management of the organization and what is happening within the department to ensure that monitoring of those things is taking place. The system itself will lay the groundwork, but the people that are operating that system have to be the kind of people that'll make it happen.

MS CALAHASEN: So basically we're talking about the problems being with manpower and training more at the root of the problem?

MR. SALMON: Once you've got the system in place, that's right. They'll have to do some training.

MS CALAHASEN: Would the Auditor General then consider this information system a key step toward better monitoring of day care programs in Alberta?

MR. SALMON: Definitely.

MR. CHAIRMAN: Thank you. Is that line of questioning finished?

MS CALAHASEN: Yes, I am.

MR. CHAIRMAN: We have time for at least one more set of questions.

Mr. Jonson.

MR. JONSON: Yes, Mr. Chairman. I'm referring to recommendation 38 on page 61 and the previous explanation. The recommendation sort of points direction, but it would seem to me that this might be an area in which the Auditor would also suggest a solution. My question is: when we're dealing with this growing and very complex area of funding technology and research -- and I might add by way of a note that you've been at a conference over the last three or four days which maybe comes up with some solutions to these kinds of problems -- do you have a format or a set of criteria to recommend that should be complied with when dealing with these types of projects and applications?

MR. SALMON: Actually, what happened in this particular case was that we were examining the area and having some extensive meetings with people involved and ensuring that management was on board with which approach we were taking before we reported this, with not only an excellent conference with management and then the exchange of management letters, including the reply to us on this particular area. I've just made a note here, and I can share this; I'm sure it'll be all right. They have actually gone ahead on the recommendation and have established a committee to review this again internally. They will then be making recommendations and setting some standards. We felt that it was management's responsibility to do that. We discussed generally some ideas with them. But as far as saying, "This is the way you go," the Auditor tends to not do that. We really want management to make the move. We were very pleased with the reply and the indication that they would actu-

ally make the recommendations and establish the standards, and we'll monitor those once they've got them in place.

MR. JONSON: Just one quick supplementary. Would I be correct in assuming that this is quite a common problem across Canada, or North America for that matter, with this very burgeoning area of government involvement?

MR. SALMON: I'm not aware of the other areas, but I'm sure that it's fairly common. Yes.

MR. CHAIRMAN: We have time for one question, no supplementals, from Mr. McEachern.

MR. McEACHERN: Which one [inaudible] On page 3.74 of the supplement document you record an expenditure to a Christina Hoover of \$1,200,900 under the Economic Development and Trade portfolio. Again, these documents aren't very helpful and don't tell us under what program that was. Can you tell us? Do you know whether that was SBEC funds or not?

MR. SALMON: No, we can't tell you specifically because we don't have that kind of information in front of us. This is the detailed payment listing, isn't it, you're looking at in the supplement? Yeah.

MR. McEACHERN: Would you be able to look that up and get it back to me in writing later from your department?

MR. SALMON: It would be better if you asked that to the department, because we're going to have to go the department to get the information.

MR. CHAIRMAN: I'd just like to make a quick announcement. Mr. Adair was at the top of our list, and he's going to be with us one week from today. Mr. Elzinga, I take it, was number two. He can't be with us one week from today, and so we've brought forward the next name on the list, which was Mr. Gogo. The order, then, is that next week we'll have Mr. Adair, the Minister of Transportation and Utilities; two weeks from today we'll have the Minister of Advanced Education.

I recognize Mr. Moore.

MR. MOORE: Mr. Chairman, I move we adjourn until next week at 8:30. That's July 26, when Mr. Gogo will appear before us.

MR. CHAIRMAN: No, Mr. Adair.

MR. MOORE: Mr. Adair. Oh, you've got him back in for next . . .

MR. CHAIRMAN: It's Mr. Elzinga who can't be there.

The motion is that we'll adjourn until next week at 8:30, at which time Mr. Adair will be with us. No debate.

[The committee adjourned at 9:55 a.m.]