

8:30 a.m.

Wednesday, April 17, 1991

[Chairman: Mr. Pashak]

MR. CHAIRMAN: Okay, I'd like to call the meeting of the Public Accounts to order and welcome the Auditor General, Don Salmon. We have just a few items of business, and then I'll invite the Auditor General to introduce his guests and make a statement.

The first item of business is the adoption of the minutes of our April 10 meeting as distributed. Are there any questions? Mr. Paszkowski has moved that we adopt the minutes as distributed. Are you agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Agreed.

There are a couple of items of business that arise from the minutes. First of all, we did establish a number of ministers that we've asked to appear before the committee and have agreed to do so, so we could distribute those.

In addition, there's one minister left off the list, the Minister of Federal and Intergovernmental Affairs. I would entertain a motion to have him added at the bottom of the list.

MRS. BLACK: So moved.

MR. CHAIRMAN: So moved by Mrs. Black. Any discussion? Agreed.

Well, Auditor General, we're . . .

MR. PASZKOWSKI: Mr. Chairman?

MR. CHAIRMAN: Mr. Paszkowski.

MR. PASZKOWSKI: Just for the record, I think there was a feeling at the last meeting that the minister of Occupational Health and Safety had not appeared since 1986. That indeed is not the fact. He was here last year. I would just like to have that incorporated into the records.

MR. CHAIRMAN: Well, we seem to have . . . He appeared before the Heritage Savings Trust Fund Committee. Well, we'll check this out. Anyway, we appreciate the information, and I'll try to get to the bottom of this. He doesn't show on our records as having appeared; that's the problem.

MR. PASZKOWSKI: You should check the records, then, because I personally asked him. I was sure that he was here last year from my own . . .

MR. CHAIRMAN: Maybe that could be the first question we'll put to the minister when he appears before us.

MR. PASZKOWSKI: I wonder if we could clarify that, please, and enter it in the minutes.

MR. CHAIRMAN: We'll do that and report back at the next meeting.

I'd like to welcome the Auditor General and invite him to make any introductory remarks he chooses to make. Perhaps you'd introduce your guests as well.

MR. SALMON: Thank you, Mr. Chairman.

MR. CHAIRMAN: I'll start recognizing people if they indicate they want to get on a speakers' list.

MR. SALMON: Mr. Chairman, on my right is Andrew Wingate, senior assistant Auditor General, and on my left is Vivek Dharap, director in our audit support division, who is here to assist me if there are any details we need to dig out for you.

I'd like to make some opening remarks and just get the stage for some of the matters we feel are important to ensure that there's a clear understanding of why we reported some of these things in the annual report this year. Of course, the report was tabled on March 22 following the tabling of the public accounts for 1990. The report is similar to previous years, except the layout is somewhat changed and will make it easier for those who are looking for specific things to read. It contains 39 numbered recommendations addressed to the government, and in due time the Provincial Treasurer will provide this committee with formal government responses, as he has done each year.

The findings and conclusions and recommendations in the report have been discussed with management of the audited organizations or departments, and they're fully familiar with all the materials that are contained in the report. My summary conclusion for all the financial and management control systems we examined appears on page 1 of the report, and apart from the observations reported, I am satisfied that the systems do contribute to the sound financial administration of the province.

For every financial statement audited, I have issued an Auditor's report. In accordance with the Act, I have included on page 118 a list of 12 auditor reports that had reservations of opinion. Ten of these reservations were of a technical nature related to donation revenue. I have continued to have a reservation on the Alberta Heritage Savings Trust Fund, and this year I was not able to audit some of the revenue of the Alberta Resources Railway Corporation.

I would like to just comment briefly about seven matters that are in the report. On page 3 of the report I have included a recommendation addressed to this committee. The recommendation has to do with the accountability of Crown-controlled organizations. It reads:

It is recommended that the Public Accounts Committee consider the question of Crown-controlled organizations and consult with the Provincial Treasurer with a view to making a recommendation to the Legislative Assembly on any necessary legislative amendments to achieve appropriate accountability, including the disclosure of financial statements.

I've made the recommendation to the committee because I believe it is the Assembly that is best able to define the accountability of these organizations. As the number of Crown-controlled organizations continues to change, the question of their accountability becomes more important. I would point out that under my Act I can include in my annual report Crown-controlled organization financial statements that have not been made public. However, I would do this only if the matters reported in the statements were considered to be significant and if it were not possible to achieve a more appropriate method of disclosure. I believe it is properly the responsibility of management to make its financial statements available and be accountable for its use of public resources.

On page 6 of the report I have indicated that "the Province continues to exclude from the reported net debt the full liability for pension obligations." I have repeated my previous recommendations that this liability should be recorded. The public accounts for 1990 include information on total pension obligations; however, the information relates to the actuarial valuations carried out at March 31, 1988. Given the magnitude of the

obligations, I believe it would be useful if the public accounts provided more up-to-date information.

In my annual report on page 8 I have included some estimates which project the 1988 actuarial valuations forward in time. Based on the projections which use the 1988 assumptions, the total obligations of the six major plans administered by the province increased by \$2 billion over the two years to March 1990. The market value of the pension fund increased by \$1 billion in the same period. The public accounts do show more current information for the Teachers' Retirement Fund, and this fund is in addition to the six major plans that I have just mentioned. The actuary has estimated that the unfunded accrued liability for the Teachers' Retirement Fund is approximately \$3 billion at March 1990. On page 8 of the report I have combined all the projections to show an estimated unrecorded pension liability of \$9 billion at March 1990.

On page 10 of the report I recommended that the Treasury Department include in the General Revenue Fund's financial statements the total cost and liability arising from agreements to support credit unions.

At March 1990 the minimum unrecorded liability of the fund amounted to \$295 million. The credit unions have received assets in the form of debentures from the province, and the assets are correctly reflected in their financial statements at a value of \$335 million; however, the corresponding liability has not been fully recorded by the province. In the case of the debentures issued to the credit unions, the province did not receive in exchange assets of equal value, and the difference of the \$295 million should have been expensed, thereby establishing a liability of an equal amount. Since this was not done, the liabilities and expenditures of the province have been understated by \$295 million; thus, the true cost of providing the assistance has not been included in the public accounts.

On pages 10 through 13 the report includes the results of the work of my office regarding a review of the commitments made through guarantees as well as several recommendations regarding them. One of them, recommendation 4, talks about improving financial administration by having the government record losses on guarantees as soon as they are incurred and can reasonably be estimated. At present the province's annual losses arising from guarantees are understated, and under the present accounting practice the loss is recorded only when cash is paid to make good a loss previously incurred by a third party. The disadvantage, of course, with using a cash basis is that it can mislead because it postpones recognizing losses when they occur. The appropriate practice is to accrue a loss when the liability has been incurred and the amount of the loss can be reasonably estimated.

In the section of the report on technical institutes I have made recommendations regarding the Southern Alberta Institute of Technology. I'd just like to point out that the audit of the institute's financial statements to June 1989 was not completed before my previous annual report was issued. Consequently, a number of matters reported this year are concerning the 1989 audit, included on pages 37 to 42. The recommendations are directed towards improvements required in the institute's financial management and in financial information with respect to fixed assets and inventories. I also recommended that the institute re-evaluate the risks and costs and benefits of the operations of its international educational department.

8-40

At present the Western Canada Lottery Corporation is making payments on behalf of the province out of the province's share of lottery revenues. Consequently, these payments are not

subject to the review and approval of the Assembly and are not disclosed in the public accounts. On page 65 in the report I had repeated my recommendation that to comply with existing legislation, all lottery revenues should be deposited in the General Revenue Fund and that all costs should be paid under the authority of a supply vote and that the net lottery proceeds after deducting all these costs should be transferred from the General Revenue Fund to the Lottery Fund. My position is based on legal advice that lottery revenues are public money and should be handled in this manner. On page 66 of the report, however, I have suggested that the Legislative Assembly consider amending the Interprovincial Lottery Act to allow the Western Canada Lottery Corporation to administer gross lottery revenues and certain expenditures. The corporation could then transfer the net lottery proceeds to the Lottery Fund. However, to ensure complete accountability, administration costs arising in Alberta could be paid from supply votes or from the Lottery Fund if the Interprovincial Lottery Act were further amended.

On page 106 of the report I reported the findings arising from a systems audit performed in the Department of Technology, Research and Telecommunications in April 1990. The overall conclusion was that

The Department lacks co-ordinated and defined objectives and the systems needed to monitor properly the activities . . . of organizations to which it provides assistance.

The department had started to develop a computer-based system to keep track of its monitoring activities, and in a management letter to the deputy minister at the conclusion of the audit I recommended that the department define its objectives for monitoring the activities of the organizations and to provide assistance and improve the systems it uses to monitor those activities. I was pleased that in October 1990 the department met my staff and indicated that it had acted on my concerns. However, until my staff has had the opportunity to examine the results of the changes made, which will be done at the time of the next audit in this year, I cannot comment further on the improvements that have been made.

Mr. Chairman, some of those areas I felt we needed to cover verbally, and I would now be pleased to turn the time back to you for any questions of the committee.

MR. CHAIRMAN: Well, thank you very much for your statement. I'm sure the members appreciated it.

Mr. Paszkowski.

MR. PASZKOWSKI: Thank you, Mr. Chairman. The issue I'd like to deal with is the services provided by hospitals. First of all, I'd like to thank you for your overview, and I'd like to compliment you for the ongoing work you and your staff provide as far as the functioning arm of government and all the constituents in Alberta.

My question basically is referring to recommendation 29 on page 85. You state that there are no checks by the Department of Health for services at hospitals that are provided free of charge only to people registered under the Alberta health care insurance plan. How serious is this problem, and do you have any statistics showing how many individuals are receiving services without being registered under the Alberta health plan? How much, indeed, is this costing us?

MR. SALMON: Mr. Chairman, that's a good question. The fact is that this is a systems matter that could be easily corrected by amending the system so there could be some checks against these costs being incurred in the hospitals. It is acknowledged

by the department that revenue could be lost from not having all these patients properly accounted for. We don't know specifically the amount, but we do know that there are cases where they have not properly been billed for those individuals who were not registered. The check just isn't being done, and we felt that by doing so, there would be more assurance on the part of the department that the proper revenue was being recovered in these cases where they are not eligible for free service.

MR. PASZKOWSKI: Thank you, Mr. Chairman.

Has the department given you any explanation as to why they have taken no action in light of the fact that the recommendation was made last year?

MR. SALMON: I think one has to take into account the magnitude of the systems the Department of Health has. Several of these recommendations that we did make last year are still here; that's true. They have not yet got their systems to the point where they can do that work. I do not believe they are ignoring us. They're just saying it is going to take them some time, and the projected time of correction was not in this last year, and hopefully they will do something in the near future.

MR. PASZKOWSKI: Okay. Thank you.

My final supplementary is: what types of systems do other provinces have in place to ensure that health services at hospitals are provided only to those who are registered under the health care plans?

MR. SALMON: I'm not sure of the systems that are in place in other jurisdictions. Ours is a universal system, and they have been making some specific improvements in certain areas. Certainly this is of concern to us, because it does relate to the overall recovery of a revenue that should be billed. We certainly will follow this up again with the department.

MR. CHAIRMAN: Mr. Drobot.

MR. DROBOT: Yes. Referring to recommendation 30 on page 86, you state that there are no procedures to check that fee-for-service claims for physicians, for services provided to patients at hospitals, agree with hospital records submitted to the Department of Health. What are the implications of not having adequate checks?

MR. SALMON: Really what we're talking about here is that we're not talking about the physicians themselves. Although this was a repeat from last year and there was some concern by some professionals that we were referring to the doctors themselves, we make clear in this one that we are not referring to them. We are referring to the fact that with the services performed by the doctor at the hospital, there is no verification by the department that those services were rendered at those hospitals before those billings are actually paid to the doctors by the department.

Now, the systems are not designed to do that check. The information, though, is being supplied to the department, and they just haven't prepared a system that would help them verify that fact. What this would do, if they would put in this change - which would not be large from our perspective, and it would not be costly - would be something that would help them have the assurance that those billings they are paying the physicians are for services rendered. Yes, everything would appear to be so. But there's that extra check that can be made because the

information is available to the department that is not being made, and this would be the assurance that they were paying for those things they had verified.

MR. DROBOT: I notice that you made this recommendation last year. Has the department responded, and in what way?

MR. SALMON: We haven't received a reply on this particular management letter, but verbally, within our discussions at the exit conferences, they acknowledged this would be an important check for them, but they haven't put it on their priority list. They're developing a fairly extensive system which hopefully will take care of the matter, but it will not be until a future year.

MR. DROBOT: A final supplementary, Mr. Chairman. Could the Auditor General please describe to the committee what systems and procedures are in place to ensure that other types of fee-for-service claims outside the hospitals are accurate and legitimate?

MR. SALMON: That is a pretty big question to answer here in this particular meeting today. We could probably do a summarization of some of the things that are available, if that would be helpful to the committee member. We could supply that, if he'd like.

MR. CHAIRMAN: Thank you.
Mr. Chumir.

MR. CHUMIR: Thank you, Mr. Chairman. I would also like to welcome the Auditor General and his associates again.

I'm interested in his observation in his annual report that the loss on loan guarantees has been understated as a result of a delay in recognition of such losses. I'm wondering whether he is in a position to quantify the amount by which there is an understatement in the financial statements for the year ended March 31, 1990, and if he can provide us with further information on that.

A-50

MR. SALMON: Mr. Chairman, we really are not absolutely sure of the number of the actual loss. These things are coming through individually. The only item we've discussed within the report is on the bottom of page 10 where we sort of just project the total amount that exists. Our examination for this current year was to do with the actual systems in place with respect to the guarantees and indemnities and to see what was happening. What's reported here is from that examination. We don't know the actual amount.

MR. CHUMIR: I note that there is an analysis of a situation relating to Alert Disaster Control. I'm trying to find here the Southern Alberta Institute of Technology, that the chairman is somewhat familiar with, I believe. Maybe the chairman could answer this as well as anyone. I believe it's pages 41 and 42. I'm noting here it relates to the subcontractor on a SAIT project in southeast Asia. Alert Disaster Control received \$4,452,000 to construct and equip a training barge, and this apparently went sour. In May 1990 the project was totally terminated, and we're advised that the province of Alberta has honoured the guarantee plus interest for Alert Disaster and has taken control of the training barge. I'm wondering if this is one of the instances in which the loan should have been written off in the year ended March 31, 1990, although it was some short while after that that

apparently the inevitable was finally recognized with the loan paid off and the barge taken over.

MR. SALMON: Now, what's the question please?

MR. CHAIRMAN: If you'd make the questions a little bit more succinct and think them out in advance, it might help.

MR. CHUMIR: Is that too detailed a question to ask, whether Alert is one of the loan guarantees you feel should have been . . .

MR. SALMON: My particular understanding is that this particular one was paid out by the government after the year end. I'm not sure that it was paid during this year, but I think it is paid. It was necessary for them to implement the guarantee, so that the loss with particularly this project, which we've indicated on page 42 at the top as \$10.7 million, includes that \$4 million by the government and the \$6 million by SAIT.

MR. CHUMIR: Sorry. Which numbers were you referring to at page . . .

MR. CHAIRMAN: Page 42, at the top.

MR. CHUMIR: Is this one of the items? Because on the accrual basis it should have been written off in the earlier year even though the actual payment only took place.

MR. SALMON: In public accounts in the guaranteed listings, this \$4.45 million as listed there, these are based on the fact that the government records the guarantees on the basis of when they're paid. We are making this recommendation, which was over on . . . I forget what number it is. Anyway the guarantee recommendation - we're suggesting that the loss be recognized, and it will be a case of the Treasury Department making the decision whether they want to change their accounting policy or not. Certainly this is the kind of thing where if the loss was known before the end of March, we would have preferred if they'd recognized the loss in the year rather than when they actually make the payment on the cash basis.

MR. CHUMIR: On a related matter, if I could bring your attention to the public accounts at page 1.11 . . .

MR. CHAIRMAN: I think this is your fourth question, hon. member.

MR. CHUMIR: No, it isn't. I clarified that I've only asked . . .

MR. CHAIRMAN: Mrs. Laing.

MRS. B. LAING: Thank you. Also, I'd like to welcome the Auditor General and his staff.

On page 19 of the report the Auditor General again notes the issue "of including deemed assets and deemed equity represented by deemed assets on the balance sheet" of the Heritage Savings Trust Fund. Each year reservation of opinion is made regarding the deemed assets, and each year the Treasury Department maintains that there are no generally accepted accounting principles appropriate for this type of asset. The Auditor General refers to the Canadian Institute of Chartered Accountants' handbook regarding this matter. Could the Auditor

General please explain the nature of generally accepted accounting principles, if any, concerning this type of asset?

MR. SALMON: Mr. Chairman, you won't find the specific reference to deemed assets anywhere other than in Alberta. The principle behind it is the fact that it is inappropriate because it tends to mislead, and because it tends to mislead, we have asked that it just be removed from the balance sheet. I repeated this how many times, and we will have to leave it that way because of that until it is taken off the balance sheet. I don't quite understand why they don't simply do that and leave all the other statements just the same so they're all clearly indicated there. I even indicated they could make a reference on the bottom. As soon as they put the reference on the balance sheet itself and you can be misled into thinking there's \$15 billion in the heritage fund, I say, "Well, we'll leave the reservation on." It's as simple as that.

MRS. B. LAING: Thank you. Are there any similar assets' positions arising in the other provinces that would provide some indication as to how other governments have dealt with the recording of deemed assets?

MR. SALMON: I know of no other situations where anyone has a similar type of asset.

MRS. B. LAING: Thank you very much.

MR. CHAIRMAN: Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. Welcome to the Auditor General and your staff.

I'd ask you to turn to page 108 in your report, please, Mr. Auditor General. In there there's a reference to the Alberta Government Telephones Commission and also the fact that you audited the financial statements of the several companies listed there. Now, the annual report of AGT consolidates all those financial statements in a very fuzzy manner, in my opinion, that really doesn't disclose the net assets and business expenditures and so on. I wonder if the Auditor General could tell me a little bit. I'm most interested in NovAtel Communications because of the recent problems there: when a financial statement for NovAtel is going to made public. Although I understand he's seen it, when is NovAtel Communications going to be publicized?

MR. SALMON: If I understand the question, Mr. Chairman, with respect to the consolidation, the consolidation process is in accordance with generally accepted accounting principles of the Canadian Institute of Chartered Accountants, so I would have to disagree that it was fuzzy. It may not have the information that the member's looking for - okay? NovAtel Communications Ltd. was consolidated on the basis of the equity method, which is a normal practice for such organizations. All other corporations included in the AGT statements were incorporated in the full consolidation method. This is not unusual, and this is described in the notes to the statements.

As far as the current year, that's a whole new ball game. The financial statements of NovAtel, of course, are presently being involved. Of course, that has nothing to do with this particular thing. When we had this done and we made the comment in here that we were satisfied with what they had done because we made sure we were, we had no further comments to make on Alberta Government Telephones because of the Telus situation.

Obviously, come another year's report we'll have to make some comments about NovAtel, because as of December 31 of this year we became the auditor. Of course, that changes the picture again.

9:00

MR. BRUSEKER: Another company I'm interested in, which you had the opportunity to look at, is on page 15 of your report, and that is Northern Steel company. In the last sentence there the statement is that "the audited financial statements indicate that the company's ability to continue . . . is dependent on the Province." I'm wondering if the Auditor General has made any recommendations to the government as to what would be a likely direction for Northern Steel.

MR. SALMON: That particular reference in the report on page 15 is also included in the Gainers comment and in 354713 Alberta Ltd. Those references were on the financial statements in the notes by the auditors of those organizations, so I'll answer them all together. We felt it was significant enough, in the fact that Gainers had a reservation, Northern Steel had a reservation, and that reference there was in the notes to the statements the auditors had placed the audit reports upon, to include it here in view of the fact that we had reviewed the financial statements and the auditors' working papers. We had no further comment on that other than the fact that that's what we had observed in our examination under section 16 of the Auditor General's Act and have not discussed this further other than when this report was discussed in the audit committee prior to it being published, when the Provincial Treasurer happened to be present.

MR. BRUSEKER: Just working backwards, I'm looking at page 3 now, sir. If you could turn to just below the reference to those four companies - Gainers, Northern Steel, et cetera - it says that section 19(3) permits you "to comment on any matter contained in the financial statements" and, in fact, to release the audits of companies which you are reviewing. Yet you haven't done that. Given the amounts of money we're talking about with respect to those companies - Gainers, Northern Steel, North West Trust, and 354713 - my question is: why are they not included in your report?

MR. SALMON: I chose to look at these particular Crown-controlled organizations in the light of the information we obtained in reviewing the auditor's working papers. Weighing that, considering the nature of these organizations and feeling there was nothing specifically I needed to raise other than what I have included by making reference to the reservation and making reference to the need for provincial support, I came to the conclusion that it would be worth while to have the Public Accounts Committee consider the question, and that's why the recommendation that is not numbered at the bottom of page 3.

MR. CHAIRMAN: Thank you.

Mrs. Black, followed by Mr. Gibeault.

MRS. BLACK: Thank you, Mr. Chairman. I'd like to go back for a minute to the question asked by the Member for Calgary-Bow, Mrs. Laing. She dealt with the Heritage Savings Trust Fund that you deal with on page 19. You make this annual recommendation that the "deemed assets be removed from the balance sheet." I guess I've asked this question of you not only in this forum but in the heritage fund: how you can justify doing that when those are actual investments from the Heritage

Savings Trust Fund that have been spent money and investments in things such as medical research programs, et cetera, that have been disclosed under a separate title on the balance sheet as deemed assets and have not been mixed up with the other assets of the Heritage Savings Trust Fund; how you can then with the whip of a pen decide to wipe that out and not have the disclosure of the investment of that fund show up on the balance sheet of the Heritage Savings Trust Fund. I don't understand the accounting principle involved there.

MR. SALMON: Shall I do it again?

MR. CHAIRMAN: Do it again.

MR. SALMON: I must say that balance sheets in my understanding as a chartered accountant include assets, liabilities, and equities of an organization. I say that the deemed assets are not assets, liabilities, and equities of the organization but are expenditures of the heritage trust fund. The asset portion of those expenditures is included in other financial statements mostly within the government. If you want to turn to public accounts and look at the scholarship fund, if you want to turn to the medical foundation fund and look at the assets there, that's where the dollars are. The very dollars, the asset portion of it, are sitting in those financial statements. All the deemed assets are is a full disclosure - and I totally agree with it - of the expenditures made by the heritage fund. They're listed in the back of the statements, and that's absolutely legitimate. But they are not assets.

MRS. BLACK: Okay; if that's the case, then I will refer you to recommendation 2, where you talk about the long-term disability plans, the actuarial values as a liability being listed on the liability side of the balance sheet, when in fact there hasn't even been a layout of the cash involved in those liability plans. You want to list those on the actual balance sheet when there hasn't even been a cash layout. There's not even a potential for a cash layout until the plan has actually been exercised by the person with the plan. Now, what happens in the case if you set up a liability on the balance sheet and somebody retires or leaves the position and the plan has not been put into effect? On one hand what I'm saying is that you want to eliminate assets that have actually been paid for - in the Heritage Savings Trust Fund you want to eliminate those - but you want to put in liabilities on the balance sheet that may never be occurred. I don't find there is any consistency there, and I'd like an explanation of that.

MR. SALMON: Mr. Chairman, if I had a blackboard, I think we could probably have an accounting lesson here about cash accounting and accrual accounting, and we could talk about liabilities and assets. Now, it's quite obvious that we're talking about something entirely different when we talk about the liabilities of long-term disability or a pension than when we are talking about deemed assets, which are your expenditures of the heritage fund.

These liabilities in recommendations 1 and 2 are liabilities of the General Revenue Fund. They are actual amounts that would be owing by the government at some time in the future. They are not commitments but liabilities. We're now into accrual accounting. The Provincial Treasurer's accounting policies are listed in the General Revenue Fund. There are notes to the financial statements. There are items in that particular set of accounting policies that are cash, but that

doesn't mean the Treasurer could not change his mind and decide to record these liabilities, which would be on an accrual basis. You cannot talk about liabilities being something similar to deemed assets which are expenditures.

MR. CHAIRMAN: I appreciate the answer from the Auditor General. We're not here, I think, to enter into debates about principles of accounting. I think we're here to ask the Auditor General questions. If we could just move in that direction a little bit, please.

MRS. BLACK: Well, then I guess my final question is: do you feel a provision for loss is essential to be set up on these long-term liabilities even though they may never occur? If they don't occur, do you propose that a credit be put through to that provision for loss account each year?

MR. SALMON: I believe one has to recognize the accounting policies of the institute in that they talk about the fact that these are liabilities established by actuaries based on assumptions that have been determined over consideration of these particular plans. You say that they may not occur. A specific thing might not occur, but a provision for a loss on a financial statement with respect to accounts receivable or whatever is based on estimates. This is an acceptable accrual accounting process by accountants in developing financial statements. Even in those cases where provisions are placed on financial statements, they don't necessarily always occur. Certainly, based on the study of backgrounds in relationship to those particular items, it's a fair estimate, and it can be justified on the basis of professional judgment of the accountant.

MR. CHAIRMAN: Mr. Gibeault.

9:10

MR. GIBEAULT: Yes. Thank you, Mr. Chairman. I'd like to ask a couple of questions related to the Auditor General's recommendations with respect to the Workers' Compensation Board on page 67 of the report in which the Auditor General says that "claimants have a high rate of successful appeals" and, further down, that the high rate of successful appeals is due to some extent "to incomplete or misunderstood information in claims files, and ineffective communications between claimants and adjudicators." I think there's an implication there that with some of the changes that may be taking place at the WCB, one, there should be fewer appeals, and two, there probably will be fewer successful appeals if more of the cases are dealt with appropriately at the initial stage. I'm wondering if he could quantify that for us in any way or give us any estimate. If these changes are made that he refers to, is there any estimate of how much reduction of appeals there may be and what might be an appropriate rate of successful appeals?

MR. SALMON: Okay. Mr. Chairman, I believe that the recommendations that are made - I believe the Workers' Compensation Board agrees that on the basis of those recommendations there would be a better process in effect. The reason for the problem was that the original assessing was probably poor, just as you commented, and by tightening up on the way they handle things, they should be able to improve that area and not have so many appeals taking place. The quantification of this I couldn't tell you. It's a case that we were examining the system and recognizing what was happening and the numbers of appeals, and it was of concern to us. In reviewing

that with the management and the board, they have not disagreed with us but are proceeding with some changes which we'll be looking at in the current year.

MR. GIBEAULT: I'm wondering, then, how we might evaluate a year from now? If there's a reduction of 5 percent of appeals, are we going to consider that progress or success? I certainly agree with the recommendation, and I'm glad to see there's some effort on the part of the board to try to reduce these, but how do we evaluate whether the progress has been made?

MR. SALMON: I hope there would be a significant drop. Now, if that isn't the case, maybe there's something else we need to examine. But I would certainly like to see what happens when our audit staff are back in there and examining what has occurred this past year.

MR. GIBEAULT: Would you care to tell us what you think significant might be?

MR. SALMON: We'll be prepared to comment on it if we feel it's worthwhile in the next year. I couldn't tell you right now because they're presently going in because it's just the end of March.

MR. CHAIRMAN: Mr. Severtson.

MR. SEVERTSON: Thank you, Mr. Chairman. My question is on recommendation 35 on page 92. You state that the Foothills hospital in Calgary has an inadequate system for billing patient charges. What are the deficiencies in the current system?

MR. SALMON: Mr. Chairman, I believe if one examines this particular item in the report, as we went through using our particular office software, we identified these unbilled patient charges. Certainly this was of concern to the hospital as well, and they have recognized where some of their problems were. We didn't list the actual problems. We recognized that by reporting this, because of the significance of the unbilled patient charges of about half a million dollars there would be some reaction. There has been, and we expect the problem will not exist in the future year when we go back in. I'd have to dig to be able to give the details. I didn't include them in this particular item because we were really trying to get the nature of the problem across rather than the specifics of what they could do to correct it.

MR. SEVERTSON: My supplementary. How much additional revenue would the hospital collect using an improved system? You say that they lost an estimated \$500,000. Would the improved system cover all of it?

MR. SALMON: This would cover the vast majority of them, and then where they could they would be billing for this \$500,000 as well. It wasn't a case that they would just ignore them. Once we could identify them through the system we had, they would take that information and actually go ahead and try to collect them.

MR. SEVERTSON: My final question: do other hospitals in Alberta have inadequate systems for billing patient charges as well, or just one hospital?

MR. SALMON: Probably some. We are only involved in the provincial general hospitals and the University hospital, so we're not aware of the general matters of hospitals throughout the province. We have about six or seven; that's all we're involved with. We had similar problems with a couple of the others, which also corrected their situations as well.

MR. SEVERTSON: Thank you.

MR. CHAIRMAN: Next, Mr. Thurber.

MR. THURBER: Thank you, Mr. Chairman. Sir, on page 79 of your report you observed that a particular bank account opened by Alberta's London, England, office was not in compliance with the Financial Administration Act. Could you tell us what action has been taken to rectify this situation, if any?

MR. SALMON: Yes, Mr. Chairman. In this particular situation, because of the nature of it, being a noncompliance issue in three or four particular situations, we had senior management including the deputy minister come into my office and discuss the matter with us. One of the reasons for doing so was so we could, from the audit point of view, actually review the status of all these things, the documentation, where it was happening, and how they were going about correcting it. The nature of it was such that we felt we needed to report it, but we were delighted with the co-operation and the intent of the department in correcting the matters. All the situations with respect to the bank accounts and the sublease, et cetera, have been corrected. The systems were adjusted and management was notified of those things they could or could not do. Maybe it was a case that they had not been fully instructed as to what they could or could not do with respect to bank accounts. The relationship of the correction was such that we were able to identify that they had followed the requirements of the Financial Administration Act and Treasury's directions with respect to these types of bank accounts and could resolve the matter before we finished this report and made no recommendation because they had fully complied.

MR. THURBER: So you're satisfied right now that total compliance exists in that area?

MR. SALMON: Yes, we are.

MR. THURBER: My final, Mr. Chairman, would be to look at the other areas in other foreign offices. Has the Department of Federal and Intergovernmental Affairs gone through the whole system with the other foreign offices and looked at this? I believe you mentioned that you'd done it somewhere. Have they done them all, do you know?

MR. SALMON: They were concerned and did some contacting of those offices and were aware whether or not there was anything of this nature, and they didn't find it. They're quite satisfied that things are operating well that way. We'll continue to monitor though. Of course, it's not an easy matter to monitor because our staff don't run to the foreign offices; we only see what flows into Edmonton. But we'll keep watching this as well.

MR. CHAIRMAN: Mr. Cardinal, followed by Mr. Clegg.

MR. CARDINAL: Thank you very much, Mr. Chairman. I, too, would like to welcome the Auditor General and his staff here today.

The question I'm going to ask was touched on briefly by the Member for Calgary-Buffalo. It's in relation to the legislative authority of the Southern Alberta Institute of Technology. On page 42 of the Auditor General's report of 1989-90, recommendation 14 states that SAIT should "not enter into agreements or transactions that are outside its legislative authority." After examples of this type of transaction were outlined, could the Auditor General clarify whether the authority for these matters is simply a technicality, or do these activities involve dealings that are legally beyond the capability of the institution?

~~220~~

MR. SALMON: Mr. Chairman, in this particular case, this is a particular tie-in with the international aspect of the previous recommendations. Our legal counsel, in examining the legislation under which the technical institute operates, determined that there was no authority for entering into a joint-venture agreement. The institute had gone ahead and been involved with this particular type of transaction not knowing that and not recognizing that some of their general provisions within the Technical Institutes Act did not give them that authority. Now, when we get into the legal matters, we tend to double-check all these not only with our own legal counsel but also with outside legal counsel before we ever include them within the report. This has been confirmed by our outside legal counsel as well. Our concern was because of the nature of the loss and because of the nature of this whole process and the amount of dollars involved. It was worth while making a recommendation and a warning to the institute to be cautious and not overstep the bounds of legislative authority. Now, we made it in the sense that this is the example but they need to be careful of other areas, too, that they may be involved in where they really don't have the authority to do it. This is not just a technicality.

MR. CARDINAL: My supplementary: does the Auditor General have any evidence suggesting that SAIT is continuing to make transactions outside its legislated authority? Or have his recommendations alerted the institute to the potential problems associated with these activities?

MR. CHAIRMAN: That may be asking a legal question, Auditor General.

MR. SALMON: I can just answer generally in the sense, Mr. Chairman, that certainly the institute and the new administration, because there is a new administration in there now, are concerned and have indicated their intention of being very careful in regards to this type of transaction.

MR. CARDINAL: That was my final question. Thank you.

MR. CHAIRMAN: Mr. Clegg, followed by Mr. Lund.

MR. CLEGG: Well, thank you, Mr. Chairman. Firstly, I want to welcome the Auditor General to this meeting, and secondly, I can already see that you are a great chairman. This, as many of you know, is my first meeting of Public Accounts, and I look forward to being able to question the Auditor General and all the ministers. I'm sure it will be a very interesting committee to sit on.

My question to the Auditor General. On page 3 of your report you recommended that the Public Accounts Committee consider the question of accountability of Crown-controlled organizations. Why do you recommend that the Public Accounts Committee be involved in this matter when you could make this recommendation directly to the Provincial Treasurer?

MR. SALMON: I believe the reason for this stems back to an answer I had given earlier, and that is that this whole matter of accountability of Crown-controlled organizations is a bit of a concern from my perspective in that if I am going to release the financial statements that have not been made public, I become the one who is first issuing. The Auditor General is always commenting on those things that have already been made public or involved in the actual audits where we dig into matters and find things of concern that we consider significant. If there were a process whereby in time or when there are particular concerns the government had some process whereby they released this information, I could comment on the information without being the one who releases it, inappropriately in some cases. One has to weigh the fact that if some of these Crown-controlled organizations were to be sold tomorrow, it might not be the wisest thing. I'm not familiar and I'm not involved in policy, I'm not involved in any of that type of information flow or work. And rightfully so. I'm independent of that. But if that were the case and I came along and, because I'm the Auditor, felt there was something significant there and chose to release it, I may cause some harm that I shouldn't cause.

Therefore, I felt that because Public Accounts is the committee that does account to the Legislative Assembly for these organizations and for public accounts, et cetera, it would be worth while for some consideration between this committee and the Provincial Treasurer - because you can't really leave him out in that he has direct involvement with these kinds of organizations, or his staff do in some way - and there should probably be some verbalization as to what could or couldn't be done. I guess I'm saying I don't want to put myself in a position of doing something that would not be proper. I guess I could check, but I don't want to check with the government because I want to be independent of that. Once I hear what you decide to do on this recommendation, whether you reject it or whether you decide to do something about it, I might then know how to handle what my Act particularly says about Crown-controlled organizations.

It's taken us a lot of debate internally as to what to do with this. In view of the growth with Northern Steel, which we didn't really know about until just in the fall - and, of course, Gainers has been around longer than I wish it was, and some of the others as well - maybe there is time for some consideration in regard to what is appropriate accountability for them.

Sorry for that long . . .

MR. CHAIRMAN: No, I think it's important that you made that statement.

Just before I recognize you for your supplementary, I'd like to just point out to members of the committee that we have a notice of motion on this topic to be debated next week, and hopefully we'll have time to go into the matter more thoroughly at next week's meeting.

Supplementary, Mr. Clegg?

MR. CLEGG: Thank you, Mr. Chairman. Certainly I am glad to hear that you feel you are independent from government. In making your recommendation, are you of the opinion that the

government does not adequately monitor Crown-controlled organizations?

MR. SALMON: Mr. Chairman, the question talked about monitoring. We must turn now to page 16, where I made a recommendation with respect to monitoring the activities of each Crown corporation. Again, this particular one was in last year's. We've amended it slightly; we're really concerned with the actual way in which they document what they do. We are not suggesting that the Treasury Department does not monitor; we're suggesting that it's difficult for the staff of the Auditor to really know exactly what is being done. They give us lots of insurance from the point of view of discussions and so forth, but we would like to have some basis on which we can measure through documentation what the procedures are.

MR. CHAIRMAN: Mr. Clegg, you have a final question?

MR. CLEGG: Well, thank you. My final supplementary question is: in general, do you feel that the financial accountability that exists within the government and the Legislative Assembly is adequate?

MR. CHAIRMAN: You've got a week?

MR. SALMON: I guess my comment would be that there is legislation in place in my Act to do some of these things, but when the Auditor General Act came in 1978, I don't know that there was any anticipation of the involvement of Crown-controlled organizations as they are today, and I think maybe I'm just asking for a second look at what type of relationship the Assembly and the government should have in relationship to releasing this kind of information. It might not be the statements; it might just be some type of information release rather than the statements themselves at times, or it would be decided that this is adequate the way it is. Now, it would then be back to me to decide what to do in the future, but I felt it was worth while sort of stopping and having a re-examination of it.

MR. CLEGG: Thank you.

MR. CHAIRMAN: Thank you.

Mr. Lund, followed by Mr. Jonson.

MR. LUND: Thank you, Mr. Chairman. Good morning, gentlemen.

On pages 9 and 10 you discuss the government support for credit unions and go into some discussion on the cash rather than the accrual basis. Now, keeping in mind the comments the Chairman made on Mrs. Black's comments, I'll try not to stray into that. However, recommendation 3 does cause me a little bit of heartburn. You say that

it is recommended that the Treasury Department include in the General Revenue Fund's financial statements the . . . cost and liability arising from agreements to support credit unions.

I can certainly understand the cost bit, but I still am really having trouble with that liability bit. Would you expand further on the validity of doing that, please?

9:30

MR. SALMON: Mr. Chairman, I'm sorry; this is back to the accounting. This is not an easy one to explain without a chalkboard. It's a case of the credit unions have the assets recorded. There's an organization called S C Financial that has \$40 million recorded in it. It's to grow equal to the amount that

the credit unions receive, and these debentures will then be paid off. The fact is that the liability does exist and there has been an expenditure take place, and it's not recorded either in S C Financial or in the General Revenue Fund.

Again we're back to accrual accounting versus cash. That's where the debate is and will be with the Treasury Department on this particular one. We've had it in the fall, we had it in the audit committee meeting, and we will have it further as the March 31, 1991, financial statements are discussed. The reason it's there is that it's a major item. Yes, they may not choose to do this right now, but it's certainly worth the debate, and we felt it was important to include it in here.

MR. CHAIRMAN: May I make a suggestion? When we get into these matters that have to do with the technical aspects of audits, I know that the Auditor General is a very busy person, but on occasion I've been able to go and talk with the Auditor directly, and that's something you may wish to consider doing, Mr. Lund, on some of these technical points.

MR. SALMON: We would welcome someone who wanted to call the office and come over. We'll take him into the boardroom and explain any of these in detail from the point of view of getting a background on them, if you would be interested.

MR. LUND: Thanks, Mr. Chairman, for that suggestion.

In the discussion and in the report on those pages, you do indicate that the credit unions have received the benefit. To what cost to the province is that benefit?

MR. SALMON: That is the point. The fact is that it's cost the government. Forty million dollars was paid out by the General Revenue Fund. That portion has been recorded because it was an expenditure of the General Revenue Fund. Forty million dollars was placed in S C Financial towards the eventual payment of the debentures in 2010.

MR. LUND: Yes, I see that. You're stating that the province is understating both the cost of its support and the corresponding liability. What currently, then, is that understatement as based at the end of this fiscal year?

MR. SALMON: Well, we're saying that the General Revenue Fund does not include the \$295 million. It's a liability. Even though it's not payable until future years, it's still a liability.

MR. LUND: Maybe it won't be.

MR. SALMON: If the credit unions do well, there's a recovery to this, you know.

MR. CHAIRMAN: Okay. Thank you.
Mr. Jonson.

MR. JONSON: Yes, Mr. Chairman. I have a number of questions with respect to this whole issue of unfunded pension liability. Actually, I could use about six, but I'll have to stay within the rules.

First of all, on page 8 of the Auditor General's report there's a listing at the top. My first question has to do with the Teachers' Retirement Fund. You indicate that there is an unfunded accrued pension liability of \$3,300,000,000, I guess. Why is there no reference there to the Teachers' Retirement

Fund? You do discount the liability for the six other major plans by \$5,200,000,000.

MR. SALMON: This \$3.3 billion is the unfunded accrued pension liability of the Teachers' Retirement Fund. This particular amount is shown in the notes to the financial statements of the General Revenue Fund. The \$5.2 billion is the value of the pension fund that's applicable to the six plans of the government. The \$5.2 billion does not relate to Teachers' Retirement Fund. There is no fund for teachers' retirement other than their own funding. They have their own investments, and this is the excess to those investments, the liability over and above those investments. So they're separated from this although their liabilities are the responsibility of government.

MR. CHAIRMAN: If you have five more questions on this topic, I'll recognize you first in the second round.

MR. SALMON: The \$5.2 billion above for the six plans is the equivalent to the \$3.3 billion for the TRF.

MR. JONSON: That's fair enough, except that if we were laying everything out, one could have acknowledged that there is a fund in existence which relates to the whole pension agreement.

MR. SALMON: Yes, right, but the Teachers' Retirement Fund statements are in the public accounts, and because we treat the six plans as being government plans fully and the Teachers' Retirement Fund as a guarantee by the government, we've treated it differently in that regard. I agree with what you say though.

MR. JONSON: My second question, Mr. Chairman, is: I would request that the Auditor General define "unfunded accrued pension liability."

MR. SALMON: The simplification of the definition in its general sense would be the amount of liability that the fund or the government has regarding future pensions that will have to be paid.

MR. JONSON: Well, the point I wanted to make is, Mr. Chairman, that that's a general definition. To put this in the context of just what the liability is to the government, am I correct in saying that that is the liability if all of the pensions, with a couple of assumptions included, of the people currently in the employ of the government in these various categories had to be paid today?

MR. SALMON: I believe you're right. Yes. Okay, I'll go along with that. It's discounted to present value of course.

MR. CHAIRMAN: Okay.
Mr. Chumir.

MR. CHUMIR: I'd like to bring the Auditor's attention to the General Revenue Fund statement on page 2.5 of the public accounts. There is an item near the bottom listed as a budgetary expenditure which is entitled "valuation adjustments." It's a very significant sum. The budgeted amount was \$119 million. It's page 2.5, statement 2.2. It's valuation adjustments: budgeted, \$119 million; the actual amount expended was \$223 million. I might note that that includes significant amounts. It's not just loose change in individual items. There is a \$20 million item in

respect of a write-off of a loan to Syncrude which is footnoted at page 1.11. I must say that I'm experiencing a great deal of frustration in finding large items of \$223 million put in there in a holus-bolus category without any listing or indication definition of what those amounts are made up of. I'm wondering whether or not the Auditor General would be in a position to advise whether in his opinion there should be further, more detailed information provided to Members of the Legislative Assembly in respect of what is constituted by that \$223 million.

9:40

MR. SALMON: Mr. Chairman, that \$223 million is also listed on page 2.34, where Treasury has broken that down to four items. I'm not sure whether the committee is aware of that or not. It shows \$172 million, which is provision for doubtful accounts and loans. Write-downs are \$34.4 million, with amortization of \$16 million, and provision for reduction of marketable securities about \$614,000. That breakdown indicates the type. Now, whether or not we could persuade Treasury to break down the provision for doubtful accounts would be a question that could be asked of Treasury. Certainly, if that information was desired, I'd have no problem as long as the Treasurer is the one that releases it. It's just within our working papers, so it becomes, you know, in that sense not public.

MR. CHUMIR: Well, that's a matter that's of some concern, because we note the statement of guarantees and indemnities, page 8.13, specifies that.

MR. SALMON: You're right.

MR. CHUMIR: Then in terms of that one item I referred to earlier, the \$20 million write-off set out at page 1.11 in respect of the Syncrude loan, I'm wondering why that is set out as a valuation adjustment as opposed to being listed as a write-off under section 27 of the Financial Administration Act, which deals with implemented guarantees, loans, and advances, of which there is normally a listing at page 8.2. Why just a valuation adjustment rather than a write-off, or is there a cross-referencing whereby that valuation adjustment is somehow . . .

MR. SALMON: Andrew will answer it.

MR. WINGATE: The reason it's treated as a valuation adjustment is that the amounts originally provided to Syncrude were provided by way of advance. Therefore, they treated this write-off as a valuation adjustment. That's the normal procedure with an advance.

MR. CHAIRMAN: Do you have a supplementary, Mr. Chumir?

MR. CHUMIR: I understand that, but perhaps we might get an explanation then. The write-offs are supposed to be reported under section 27 of the Financial Administration Act, which are set out at page 8.2, which are apparently intended to designate implemented guarantees, loans, and advances. If this is an advance, why is it not set out, and why would other write-offs in respect of those valuation adjustments not be spelled out? We have write-offs for amounts as low as \$250,000 for Continental Canal Systems and \$963,000 for Norstar Recreation Products.

MR. SALMON: I believe there may be some confusion. See, most of the valuation adjustments are provisions, whereas if you refer to 8.2, you're talking about the specific and actual write-

offs under section 28 of the Financial Administration Act. So these are write-offs; the others are provisions against loans or estimated losses. Okay? I think that's the difference.

MR. CHAIRMAN: Mr. Drobot.

MR. DROBOT: Yes. On page 30, recommendation 7, the report calls for the Alberta College of Art to "refrain from making loans to its employees." Despite the changes made in 1990, you claim that the college continues to make loans beyond its legislative authority. Does the College of Art disagree with your interpretation of their authority, or is it simply unaware of the problem?

MR. SALMON: No, they disagree. They disagree with our legal opinion. It would appear, though, that in the latter part they are making an attempt to recover, and possibly they will not increase. I'm not sure. We were concerned with the principle. The legal counsel had indicated that there was a concern with the legality of it, because they've gone beyond what you would really see with respect to this organization. The amounts are not large, but the principle was the concern, so we felt we needed to report it because it's a compliance issue.

MR. DROBOT: Okay. This year you included a qualifier that the college should not be "making loans to its employees for purposes unconnected with the College's operations." Is it now mandated under legislation that the college may make loans for purposes directly connected with the college's operations?

MR. SALMON: Yes. That's now within their Act. For the purposes of the operations of the college they can borrow or loan. In this case, these particular loans are very close to being in the nature of personal matters with respect to employees and nothing to do with the operations of the college.

MR. DROBOT: Well, I'm still curious. Do you have any information pertaining to the current value of the outstanding loans that are outside of the college's authority?

MR. SALMON: Yes; it's under \$100,000.

MR. CHAIRMAN: Thank you.
Mrs. Black.

MRS. BLACK: Thank you very much, Mr. Chairman. I'd like to go back with the Auditor General again to recording the accrued liabilities as they exist or may potentially exist from guarantees or indemnities that have been placed by the government with traditional lending institutions such as banks, et cetera. On page 11 guarantees have been given for farm credit stability, small business term assistance, and student loans, in which case the government has promised commercial banks that they will make good on the loss if any of those fail to be repaid. Then further down you talk about:

The financial administration of the Province could be improved by the government acting on the following recommendations for guarantees which deal with:

- recognizing losses,
- reporting losses, and
- disclosing the total authorized amount.

In the public accounts section they are listed on there as a disclosure that the arrangement has been made. Would you want to see individual loans for farm credit stability and student

loans listed out on an individual basis in a summary? You want a total amount and then an estimate?

MR. SALMON: Are we referring to the total authorized amount?

MRS. BLACK: No, I'm taking about disclosing an estimate on the total authorized amount of the potential loss.

MR. SALMON: Oh, the main recommendation. Yes. No, we're not talking about listing details; we're talking about the Treasury Department considering the fact that when a guaranteed loan has gone bad, the amount of the loss can be reasonably estimated. Say it's February and you know that it's a million dollars, yet for various reasons the payment is not going to be made until May. They would actually recognize that loss at the end of March because they know that it actually exists, and it would be taken into account in the General Revenue Fund in that year.

MR. CHAIRMAN: Do you have a supplementary?

9:50

MRS. BLACK: Yes. Well, I was wondering, again in a general sense. Each year you go through problems with systems within departments of recognizing control. I guess I'm going to ask you the question again this year, because we've gone through another audit procedure and you have looked at some of the specific systems. Are we winning on the system control?

MR. SALMON: Yes, we feel we are winning. We are improving in many areas.

MR. CHAIRMAN: Could you transfer some of that success to the Calgary Flames?

AN HON. MEMBER: We could talk about hockey, Pat.

MRS. BLACK: Well, no. The Chairman asked me why I was testy today, and I guess it's because my team lost last night.

MR. SALMON: I was delighted.

MRS. BLACK: Oh. Well, on second thought then, I guess I'll get testy again.

In keeping with the control, and if we are winning, I noticed on page 70 you were talking about incorrect benefits being paid and overpayments and underpayments being made by Family and Social Services as they pertain to recommendation 20. Do you feel that we're getting a grip on this? At this point you almost commend the department for their efforts. Are we winning there, to get that under control?

MR. SALMON: Yes, we feel that there has been a steady decrease. We think improvements are being made. Yes, it's a very large area. I was asked the question at the time the report was released whether or not they would get to a point where this amount of overpayment could get to where I would be satisfied with dropping this point. I said, "Yes, it could get to that point," but I still felt \$12 million was not low enough. I think we are going in the right direction.

MR. CHAIRMAN: Mr. Gibeault, I think we have time for one more set of questions.

MR. GIBEAULT: Thank you, Mr. Chairman. On page 86 the Auditor General talks about hospitalization charges recoverable from the Workers' Compensation Board, pointing out that no action has been taken on this for at least a year now. I'm wondering if the Auditor General can give us some estimate of how much money is involved in this practice of hospitals not recovering the total cost chargeable to the WCB.

MR. SALMON: Mr. Chairman, we cannot quantify this, but in our examination and in our involvements with this system there are instances where we do know that they could have recovered from Workers' Compensation and didn't. What we're asking them for and what they acknowledge that they would like to do is to have the system designed so that these matters come out of that computer system without any difficulty so that the sharing of these costs between the department and the compensation board are proper. They still haven't got that particular matter resolved with the system, so the WCB is getting away with not paying all that they probably should be paying in some cases.

MR. GIBEAULT: We don't have any idea of how much that might be though.

MR. SALMON: We don't, no.

MR. CHAIRMAN: I think we have time for one more question.

Mr. Bruseker.

MR. BRUSEKER: Thank you. Just a quick question to the Auditor General. I'd like you to just turn to page 1.5 of the main public accounts book. At the bottom of the column for 1990 there's a net expenditure of \$2.3 billion, which of course is the deficit for 1990. When you turn back to the previous page, 1.4, that \$2.3 billion figure shows up once again near the bottom, and we've got a figure of \$24 billion, et cetera, at the very bottom of that column. My question to the Auditor General is: does that \$24 billion represent the total debts of the province including unfunded pension liabilities, accumulated deficits, et cetera?

MR. SALMON: I'm going to let Andrew answer it.

MR. WINGATE: That represents the total net expenditure or deficit. Obviously, the question of the pension funds hasn't been reflected in the consolidated financial statements, so you'd have to modify that deficit by the deficit on the pension funds.

MR. BRUSEKER: The \$24 billion is a total accumulated deficit? The figure right at the bottom of the column on page 1.4?

MR. WINGATE: Are you talking about the \$24 billion?

MR. BRUSEKER: Yes.

MR. WINGATE: Sorry, your question again was?

MR. BRUSEKER: Well, I'm not sure what the \$24 billion really refers to. Is that the total accumulated deficit or debt of the province?

MR. WINGATE: No, it isn't. It's the total of the liabilities and net assets.

MR. SALMON: This is the consolidated statement.

MR. BRUSEKER: Well, I'm puzzled then. I'll have to come and talk to you later, I'm sure.

MR. SALMON: Well, actually, it's just simply that in doing the balance sheet the assets are - this is the consolidated. You're not in the deficit position with the consolidation. So you're looking at the assets at \$24 billion, the liabilities at \$15 billion, and the rest of these things are listed here, coming up to the \$24 billion again. It's just a balancing figure. The net assets at the end of the year were \$2.7 billion on consolidation without, as Andrew said, pensions or anything like that.

MR. CHAIRMAN: Okay. I think at this point I'd like to adjourn the proceedings. We'll thank the Auditor General, first of all, and his associates for appearing before the committee today. We would look forward to seeing you again one week hence.

Mr. Jonson.

MR. JONSON: I would move, Mr. Chairman, that we meet next week on Wednesday with the Auditor General again and, further, that at this time we adjourn.

MR. CHAIRMAN: Are you agreed?

HON. MEMBERS: Agreed.

[The committee adjourned at 9:57 a.m.]