

8:30 a.m. Wednesday, October 26, 1994

[Chairman: Mrs. Abdurahman]

MADAM CHAIRMAN: I'd like to call us to order. Before we have approval of the agenda, if we can have an addition, I'd renumber it 2(a) and 2(b), and 2(a) would be Approval of the Agenda and 2(b) would be Approval of the Minutes. Could I have a motion to have that addition to the agenda?

MRS. BURGNER: I so move, Madam Chairman.

MADAM CHAIRMAN: Thank you, Jocelyn. Any discussion? If not, all in favour? Agreed.

Could I have a motion to approve the agenda as amended? Mike. All in favour? Agreed.

Approval of the Minutes. Are there any errors or omissions? If not, could I have a motion to accept the minutes? Moved by Jocelyn. Thank you. Any disagreement? If not, all in favour? Carried unanimously.

It's with a great deal of pleasure that I welcome two members to the Public Accounts Committee. Carol Haley, welcome, and Peter Sekulic, welcome. Thank you.

We're here this morning with our Acting Auditor General, Andrew Wingate, once again to review the annual report of the Auditor General 1993-94. With Mr. Wingate this morning are Mr. Nick Shandro, assistant Auditor General – I believe he's to Andrew's right, if I've got the gentlemen correct – and also Merwan Saher . . . Have I pronounced that correctly?

MR. SAHER: Yes, that's very good, Madam Chairman.

MADAM CHAIRMAN: . . . senior director for the Auditor General's department.

At this time I would like to open it up for Mr. Wingate to make opening comments.

MR. WINGATE: Thank you, Madam Chairman. I welcome an opportunity to make some introductory comments on the '93-94 annual report. The report contains 32 main recommendations and 57 other recommendations, some 89 in total. You'll notice that the colour of this year's report is different. We have changed to black and white and shades of gray. I hope members of the committee will recognize the symbolism. It's an Auditor's job, of course, to detect what is black and white in a sea of gray. There's also a good reason for the change: it's \$2,100 cheaper.

Before we talk about the recommendations in the report, I think it essential that I explain two concepts. Throughout the report we talk about the need to measure the cost and effect of outputs, and we say that MLAs, ministers, and managers need that information to improve the decision-making. First, I would like to explain what we mean by costing outputs. I'm going to use an analogy. Imagine yourself entering a restaurant. You take your seat; the waiter approaches and with a flourish hands you an impressive looking menu. You open it to find a list of prices – just prices, nothing else. You come to the conclusion that this is a bit perverse and call the waiter over. You point out that it's a bit difficult to make a decision based on the list of prices. The waiter instantly recognizes your problem and states that you obviously need the other menu. When the other menu arrives the waiter says that it contains a complete description of the meals, and it does. There are well-written, vivid descriptions of each meal. There are no prices. What should you do? Select a meal that you like, not knowing the price, or select a price, not knowing what you're

going to get? You remember what your father told you, that in life there are no free lunches, and you want good value for money. The answer, of course, is that you need to price each meal. When you have that, you have costed outputs and people can start making rational decisions.

Public accounts is a bit like the first menu: lots of prices but little information on outputs. Many annual reports are like the second menu: descriptions of outputs but very little information on their cost or effect. In my opinion, a major focus of the work of the Public Accounts Committee and the Auditor General should be to encourage government managers to improve the connection between costs, outputs, and effects.

To drive the point home about costing outputs, I'd like to use as an example the statement of revenue and expenditure of the office of the Auditor General. You'll find the statement on page 270 of volume 2 of this year's public accounts – that is, if you've got volume 2 with you.

The original and enduring purpose of financial statements is to measure and report on an organization's performance. That's what financial statements are for. They're to report on an organization's performance. In the private sector there is competition, and therefore the simplest way to assess an organization's performance is to measure its profit or loss. The accounting profession has for generations refined the process for quantifying and measuring profit and loss. The problem in the public sector is that there's little competition and no profit. However, there is still a requirement to measure and report on performance. That doesn't disappear. Financial statements fail a basic test if they fail to satisfy that requirement. Now, I'm going to use the Auditor General's statement of revenue and expenditure as an example so that I can't be accused of picking on anyone, but the problems I will identify with our statement are endemic in the public sector; they go right across the system.

The 1994 expenditure of the office is shown at \$10,527,000. Is that the total cost of operations? The answer is no. Over half a million dollars of rent and utilities are not included because those costs are borne by Public Works, Supply and Services. You will notice that the consumption of capital assets is not recorded in the form of amortization, since capital assets are expensed when purchased. This can significantly distort operating expenditures. Had we been amortizing our capital assets, our expenditures would have been a hundred thousand more in 1994.

Let's now turn to the revenue recorded as \$1,011,000. What is that exactly? Do we charge all our clients? Do we charge all our clients the same rate? The answer is no. What are we attempting to do? Well, I'm not sure. For example, we use agents to perform most of our irrigation district audits. We pay the agents and then recover considerably less from the irrigation districts. With some clients we attempt to recover our direct salary costs only; with other clients we attempt to recover our full cost. However, in the majority of cases we don't charge audit fees to our clients. The reason for this complicated state of affairs is buried in history and, frankly, it's not important. What is important is that all our clients should be charged for their audit and those charges should be reflected in our clients' operating costs.

Having dealt with some of the minor problems with our financial statements, I would now like to turn to the major problem. Guess what? It has to do with costing outputs. Returning to the menu analogy, our statement is currently an incomplete price list. Our office has two main outputs. The first output is audit opinions on the financial statements included in public accounts. The second is the Auditor General's annual report. Our statements don't tell you how much either of those

outputs costs. You don't know the cost of our larger audits. You don't know how our hourly rates compare with the private sector; therefore, you don't know if we're competitive and whether the cost of the annual report is worth it. In fact, based on the financial statements, it's difficult to make rational decisions about the future of the office. You know that our costs came down by a million dollars, and you probably suspect they can fall further, which indeed they did. But the point I'm making is that when the expenditure in 1993 was standing at \$11,680,000, you had no way of knowing whether that was reasonable or excessive because our outputs were not costed and the effect of our outputs was not measured.

You'll not have a problem with future financial statements of the office of the Auditor General. Next year you will be provided with the information that is required to understand the cost and effect of the office's outputs and operations.

8:40

As I said at the beginning, the lack of useful information in financial statements is repeated throughout the system. To effect change will not be easy. It will certainly challenge the capabilities of the office of the Auditor General and the Public Accounts Committee. Going back to the example of my office, as an assistant Auditor General it has taken me 15 years to persuade people in the office that we must charge our clients and that we will only be accountable when we do. I have no doubt that the effort required to change is worth it. The reward is a significant improvement in the services provided, coupled with a significant reduction in costs. For example, health care professionals in the United States and Canada are beginning to realize that health care costs can be reduced by as much as 20 percent by the simple expedient of measuring the cost and effect of the treatments provided.

Madam Chairman, with your permission I will ask Nick Shandro to introduce our first five recommendations to the government.

MADAM CHAIRMAN: Certainly, Mr. Wingate. If you'd like to proceed, Mr. Shandro.

MR. SHANDRO: Madam Chairman, as Andrew said, government managers must measure the cost and effect of the services they deliver. The message is straightforward: to improve performance you must measure it. In the private sector most successful organizations know the cost of the goods and services they provide. This is definitely not the case in the public sector. Presently public sector costs are mainly associated with inputs such as salaries and capital asset purchases; they are not associated with services or other outputs the government provides. That is why in recommendation 1 we say that "plans, annual reports and financial statements [should] provide information on outputs."

In recommendation 2 we recommend that "financial reports include supplementary performance information." Supplementary performance information measures the effects of an organization's outputs. For example, performance information in a publicly owned college might include graduate employment success of each program of study offered. With respect to social services, an important measure is the number of people who become financially independent as a result of the department's activities. The costs of those activities must also be reported so that cost effectiveness can then be assessed. These sorts of performance measures are the ones that truly influence decisions. Supplementary performance information in the public sector is the equivalent of the private sector's bottom line.

In the interests of establishing the full cost of all government services, including the cost of capital, it is necessary for each government department, such as transportation, to prepare a set of financial statements. These financial statements would show the assets and liabilities used by each department. Hence our third recommendation that departments "prepare a full set of financial statements."

To obtain a comprehensive view of a minister's responsibilities, it is necessary that the results of various organizations reporting to the minister be consolidated to assess the cost effectiveness of the ministry. This is the reason for recommendation 4, which talks about ministerial consolidations.

The fifth recommendation is designed to encourage the development of "an Alberta Accountability Framework." It will take time for the measurement of cost and effective outputs to be implemented. As best practices emerge, it needs to be captured and perhaps legislated.

Madam Chairman, we believe the implementation of the first five recommendations is critical. They build on the recent accountability initiatives of the government, such as the inclusion of salary and budget information in the province's financial statements and the preparation and release of three-year business plans. Improved accountability will result in a more economic and efficient public sector.

Merwan Saher will now take you through a few examples of where we applied the general principles we have been talking about.

MADAM CHAIRMAN: Thank you, Nick.

Merwan.

MR. SAHER: Madam Chairman, defining outputs is the starting point of performance measurement. We believe that is where Athabasca University should begin, which is why recommendation 9 says, "It is recommended that Athabasca University define and cost its outputs." Presently neither the university's financial statements nor its annual report taken individually or together adequately explains the cost and effect of its operations in the postsecondary educational sector. The university does not provide the information necessary to assess its cost effectiveness. The university's financial statements are published in volume 4 of the public accounts. These statements focus on the inputs used by the university – salaries, materials and supplies, and travel costs, for example – in terms of the menu analogy, a costing of the ingredients rather than a description of the actual meal and its cost.

The university's latest annual report was tabled in this House in May of this year. It contains much detail, but it lacks the essence of accountability information, a clear linkage of planned outputs to effects and their cost. In our report we indicate that the university's efforts in helping students obtain the necessary course credits to graduate from other educational institutions is an output, yet this activity is not well described in the annual report. A reader could not be blamed for concluding that in 1992-93 the university graduated 132 students at an annual operating cost of approximately \$22 million. That amounts to a per student cost of \$167,000. This conclusion is obviously wrong, so the question is: what's right?

Incidentally, members of the committee may be wondering why we are talking only about Athabasca University. Athabasca University was the first university that we selected to assess the extent to which outputs are related to their cost and effect. It should not be assumed that a similar recommendation would not apply to other institutions.

The next specific recommendation I want to draw to your attention is number 13. We recommend

that the Department of Education require school boards to include in their financial statements information which links costs with [effects]. School board financial statements, like many financial statements, present costs in broad, functional categories like instruction, operation and maintenance, administration, and transportation. With this presentation it is not possible to relate costs incurred to the results generated by the education system. For example, a desired result of the education system is elementary, junior high, and grade 12 graduates who have attained the education standards set by the department. However, it is not possible to link these desired results with their costs. In other words, the department does not know what it costs each school board to produce graduates at various levels. If the costs were known, then comparisons with other provinces and between school boards would be possible, thereby identifying areas where savings could be realized.

The last specific example from the report is recommendation 21. Even though the recommendation is directed to the University Hospitals Board, which will be amalgamated into a regional health authority, it has relevance wherever the effects of health services costs are being evaluated. What we are recommending is that patient costs should be accumulated by treatment rather than by the patient's most significant diagnosed condition.

The board is to be complimented for introducing a system to improve the economy and efficiency of service delivery through the use of better cost information. We believe the system has been useful, particularly in identifying differences in physicians' clinical practices. However, the system is not achieving its full potential due to the way costs are grouped. A patient's costs are attributed to his diagnosed condition. The trouble with this is that treatment costs vary for any given condition based on factors such as age and complicating factors such as diabetes. As a result, the diagnosed condition costs vary widely and averages for comparison purposes are not useful. The problem can be overcome by accumulating costs by treatment provided. Such information will identify excessive treatment costs.

Madam Chairman, I have provided you with a brief overview of three recommendations to illustrate accountability in action. Andrew will now conclude the introduction to this year's annual report.

8:50

MADAM CHAIRMAN: Thank you very much.

Mr. Wingate.

MR. WINGATE: Measuring and reporting on performance in the public sector is in its infancy, and I don't want to create the impression that it can be done quickly. It will take several years to fully implement. However, performance is improved the moment you start measuring it. The last example is a case in point. The University Hospitals Board has benefited from its improved systems.

I was delighted to receive yesterday the government's initial response to our recommendations. They have accepted all of our recommendations dealing with Executive Council and the Treasury Department, and that's very good news as far as we're concerned.

Madam Chairman, that's the end of my beginning, if not the beginning of my end.

MADAM CHAIRMAN: The Chair is impartial, so I won't comment. We'll now open it up for questions.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman. I'd like to commend the Auditor General and his staff for the annual report. I think it will be a benchmark by which such reports across Canada will be assessed, particularly the first part outlining mechanisms of accountability in a structure. Certainly it's a very impressive document, and I sincerely want to commend the Auditor General and his staff.

I'd like to turn to a specific example, then, of assessing program effectiveness. That would deal with the Department of Transportation and Utilities, where many of the mechanisms of accountability that you set out in the framework to Executive Council should be applied. The discussion in Transportation and Utilities – I would briefly summarize them, where you say on page 108 that the department lacks

- Province-wide criteria to rank construction projects;
- consistency in the criteria used to evaluate projects . . .
- a method of assigning weights to criteria for the purpose of selecting projects.

I'd just add parenthetically that in light of the questions I had put to the minister when he was last here, I was very surprised for you to come out with this, because he had assured us that was not the case.

MADAM CHAIRMAN: Get to the question, please.

DR. PERCY: You point out on page 108 that there were nine projects that were basically driven by ministerial discretion. Can you identify those nine projects for the Public Accounts Committee?

MR. WINGATE: Yes. This question came up yesterday in the media, and we concluded that revealing the identity of the nine projects didn't really add to the point we were making. In other words, the point had par without disclosing the individual projects involved. We were just using those numbers to illustrate that significant changes in the priority setting had occurred within the department. The person I was dealing with in the media was really quite upset by the fact that I wasn't willing to reveal the individual projects. My own view is that there has to be some degree of confidentiality between our clients and ourselves, and if the information in our opinion is not germane to advancing the point, we would be reluctant to provide that information.

DR. PERCY: When you make the statement of confidentiality, I guess the issue is that these are projects done within constituencies or across constituencies with taxpayer dollars. Don't you think it's relevant for the Public Accounts Committee to know? In fact, from looking at the projects, one can in a sense get an idea of the rule or what drove the discretionary decisions?

MR. WINGATE: I think it would probably be best if the minister were asked to disclose the nature of the projects. This is the minister's area; he understands the projects involved. I see no reason why he shouldn't disclose that information. As I said earlier, I think it's somewhat inappropriate for an Auditor to disclose that sort of information.

DR. PERCY: With regard, then, to the criteria that were used in the department, were you satisfied with the broad grounds by which projects were chosen. Of over 400 that came to the department, what shortcomings do you still see in terms of the choice of projects within that list of 400?

MR. WINGATE: Well, I think that gets you back to the bullets on page 108. "The Department's system for ranking highway construction projects lacks," and then we have three bullets,

- Province-wide criteria . . .
- consistency in the criteria . . .
- a method of assigning weights to [the various] criteria.

I think those are still significant problems within the department.

Nick, do you want to supplement my answer?

MR. SHANDRO: Yes. We're not saying that the criteria are inadequate. What we're saying is that there needs to be some sort of a ranking process, because any time you're faced with many, many projects and fewer dollars than can support the projects which can meet criteria, you then have to take the projects which meet the criteria and rank them appropriately in terms that the projects that have the greatest merit are the ones that are selected. Otherwise it's very difficult to assess which projects should have priority in the number you're looking at.

DR. PERCY: Thank you.

MADAM CHAIRMAN: Thank you.

Gary Friedel.

MR. FRIEDEL: Thank you. I am going to refer to page 4 where you comment on performance measures. My first question is a bit of a double-barreled one. You noted in the second paragraph on page 4 that "accounting professions in Canada and other countries are wrestling with the issues involved" in "including performance information in public sector financial reports." This must mean that there certainly are some pros and cons to this approach. Can you tell us briefly what some of these primary issues are that the profession is wrestling with in including these, and do you foresee that there could be some negative consequences in bringing in performance measures?

MR. WINGATE: If you go back to the question of recognizing profit, financial statements have for a very long time been concerned with quantifying and reporting profit. The accounting profession has debated that subject for a very, very long time and has had great difficulty in certain areas in defining when a profit is a profit and when a loss should be recognized. Now, here we're moving into a completely different area. We're not talking about the assessment of profit; we're trying to express performance in terms of outputs and achievements and effects. That brings with it a whole raft of complications which the accounting profession is not used to dealing with. Hence the debate as to how to set about this.

Now, my own view is that to begin with, performance measures were to be talked about first in annual reports rather than in audited financial statements, but once clients have confidence that the performance measure being talked about is appropriate, has substance, and will continue, then at that juncture I think it's likely that the performance measure will be moved into the financial statements, at which juncture you're talking about auditing that performance measure. For instance, if you take something simple like the tire recycling plant, which could well report on the cost and number of tires recycled under its administration, that information, if reported in the financial statements, would have to be audited. I think the problem the professions are wrestling with is: how do you audit some of these performance indicators? Auditing profit is difficult enough; moving off into these other areas is clearly going to create problems.

But several auditors are saying, "Look, this is absolutely essential." I mean, Sweden is saying this has to be included in the financial statements, and providing these are sensible pragmatic measures that are capable of being audited, they should jolly well go in there. I think to an extent he's moving ahead of the accounting profession in Sweden. He's saying it's very important to have the stuff in to make sensible judgments. In Canada I've already written to the institute to say that I think there should be far more information concerning performance included in general purpose financial reports. They're in the process of replying and are pointing out that there are a number of pitfalls to doing that, not the least of which is that some of these things are quite difficult to audit. My view is that if it's impossible to audit, it should remain in the annual report and should never migrate into the financial statements.

9:00

MADAM CHAIRMAN: Supplementary, Gary?

MR. FRIEDEL: Yeah. On the same issue, you talk about performance measures most easily identified when the program is started because that's the time when people focus on what needs are to be achieved. Do you have any suggestions as to how existing programs might best identify performance measures, realizing that it's not possible to have done the assessment because we're talking about a time when it wasn't identified? Do you have any suggestions as to how those kinds of programs could be brought into a performance measured system?

MR. WINGATE: Well, it's difficult to talk about these things in theory. The best way of tackling that task is when you're faced with a specific client with a specific mandate. The job of our office, I think, will increasingly be to look at the financial reporting of organizations and say, as we do with Athabasca, "What are your outputs?" and then gear the systems behind costing those outputs and measuring the effect of those outputs. Now, we started in our own office. I think we can provide quite a lot of assistance by making recommendations in a large number of our clients, and in some instances we might be able to get to a solution we can share with a number of clients. For instance, in the college system, if we come up with an appropriate definition of what outputs are and how they should be costed, then I think that can be shared throughout the college system. Maybe the same with universities and hospitals.

Nick?

MR. SHANDRO: Yeah. Could I make a supplementary here?

One of the difficulties that arises when you get to measures is: what is it you want to measure? For example, in the private sector when people are looking at prices of stocks and looking at income statements, quite often they look at the financial statements, and those are based on a historical model. They don't necessarily represent the economy, because interest rates can have a great effect on prices of shares apart from the financial performance within a company. Therefore, our suggestion is that we look very, very carefully at measuring those performance issues that arise within an organization as opposed to trying to measure outcomes and those sorts of things that the organization itself does not have an influence on. If you confuse the two, the usefulness of the performance measure is diluted.

MR. FRIEDEL: Still on that same page, you're suggesting, for example, that in order for Alberta Health to develop performance measures, systems are needed to measure this. You go on to say

that initiatives such as preventative education programs – and you use the example of decreasing smoking – should be measured in terms of sickness-free days. I'm a little concerned, I guess, that the benefits of preventative programs are certainly not immediately evident, and they're not easy to trace definitively, in any case, to one particular cause. What kinds of suggestions might you have that would help a department like Alberta Health measure these outputs in performance for these kinds of programs?

MR. WINGATE: I think the point we're making here is that decisions are being made on this type of expenditure. People are allocating funds to these various activities, so decisions are being made. We're saying that we need systems to measure the effect of those programs to establish whether that expenditure is worth while or not. I mean, ultimately that has to be done. I'm going to repeat myself. The point is that these decisions are being made. Funds are being allocated to these various types of activities, and yet no real effort is made to measure the effectiveness of that expenditure. Now, sooner or later we'll have to get to grips with the effectiveness of that expenditure, because some expenditures are more effective than others and obviously you want good value for money.

MADAM CHAIRMAN: Debby Carlson.

MS CARLSON: Thank you, Madam Chairman. Good morning, gentlemen. I certainly enjoyed the frankness of your opening comments. It leads to hope, I think, for this committee to eventually receive the kind of information that will make it a more effective committee.

My questions today are regarding the telephone calls you outlined on page 19 of your report. During the week of December 5, 1992, there were 225 calls made as compared to a yearly average of 64 calls per week. How were you able to determine that there were 225 calls made from a legislative office during that week?

MR. WINGATE: Well, the invoices themselves indicated the incidence of calls. It was just a simple question of going through the bills and totaling the number of calls made and then comparing that with a base period, which is how we arrived at those statistics. We didn't really go beyond that.

MS CARLSON: Would you be prepared to make that information available to this committee, given that we do need to account for the expenditure of public dollars and there have been some serious questions raised around that incident? I'm asking for the phone lists or the invoice lists.

MADAM CHAIRMAN: Do you understand the question? I have difficulty with the question. I think you'd have to clarify what you're asking for.

MS CARLSON: I'm asking for this committee to be able to take a look at the phone lists or the invoice lists.

MADAM CHAIRMAN: Do you wish to answer that question, Mr. Wingate?

MR. WINGATE: Yes. Our view is that that would be confidential information and not appropriate to disclose. Indeed, we were careful in the way we reviewed the information.

MR. McFARLAND: A point of order, Madam Chairman.

MADAM CHAIRMAN: I will certainly rule that if you're asking a question, that clearly is an area of confidentiality. Mr. Wingate has answered it.

MR. McFARLAND: Unless, of course, you're willing to provide all the receipts for your leadership campaign.

MADAM CHAIRMAN: I can't hear what you're saying.

MR. McFARLAND: I just want to know if we're just playing a game here, Madam Chairman. I know it's in the Auditor General's report here. If the Member for Edmonton-Ellerslie wants to have the actual invoices here, then maybe we can have the actual invoices over the past month from the opposition members' offices in relation to activities that may or may not be taken on here.

MADAM CHAIRMAN: Your point is well made, hon. member. I believe Mr. Wingate answered that it's a confidentiality area, and I think we should respect that.

If you'd like to proceed with a further question.

MS CARLSON: Thank you. Your comments are well placed. I think these are areas where privilege can be undertaken. They're significant and not to be lightly taken, as they have been by some of my colleagues here.

My final question: can you indicate, please, what provisions are in place within your office to ensure that these situations do not occur on an ongoing basis?

MR. WINGATE: Well, in concluding on the point, I think we suggested that the advice provided by the Ethics Commissioner was in our opinion appropriate. I think it's a question of all MLAs understanding what the Ethics Commissioner had in mind when he made those remarks. Beyond that it's difficult to see what our office could do. I think the best advice is to follow the advice of the Ethics Commissioner.

MADAM CHAIRMAN: Thank you, Mr. Wingate.  
David Coutts.

MR. COUTTS: Thank you, Madam Chairman. Good morning, gentlemen. I'd like to deal with your recommendation I on costing of outputs. I know in information you provided to us in your report and your verbal report here this morning you spent a great amount of time trying to explain the outputs. It's a difficult measure for sure. I loved your restaurant analogy, because I have had considerable experience with five departments within one building and trying to also relate those outputs.

In relating these outputs to long-term results, it is difficult, yet monitoring these results and efficiencies are important goals of this government. In view of it being so complicated, do you know of better ways to monitor long-term results than during the costing of outputs?

9:10

MR. WINGATE: Well, I think there are two elements. The first stage is obviously to define what the outputs are, and the second stage is to cost those outputs. The third stage, I think, is to measure the effect of those outputs. I'm not sure that this is answering your question, but for instance, in our office we had a great deal of debate in establishing what our outputs were. Several people in our office felt that a useful output of the office was qualified accountants, and we had to say, "No, that's not some-

thing the Public Accounts Committee or the MLAs, who are the people we're trying to serve, are particularly interested in." I mean, they need assurance that the office is staffed by competent people, but what they're most interested in are the recommendations in our report and the opinions we provide on financial statements. Those have to be the two main outputs of the office. But tremendous debate within the office: no, no, no, there are all sorts of other outputs. Maintaining client goodwill, exit conference points which never make it into the management letter, management letter points which never make it into the Auditor General's report: all those things are important. When you get down to it, at root they have some benefit, but they're not anything like as important as the main outputs, which are audit opinions and this report.

The next debate, having settled on those two as being the outputs, was: how are we going to cost them? I mean, I have an office full of accountants, and when you ask an office full of accountants how something should be costed, you've got one heck of a debate on your hands because they've all got conflicting views. Anyway, that was the next debate.

Then it's a question of measuring effect, and there again that's difficult. It's difficult, for instance, to measure the effect of this report. It's encouraging if your recommendations are accepted by government and implemented, but somehow you want to quantify that benefit. It's not good enough that someone just accepted your recommendations.

With our audit activity you can quantify the significant material changes that occurred to the financial statements you audited. In other words, how much did the Auditor's intervention move the financial statements? That's something that I think we'll total up and publish in future years so you as members of the Public Accounts Committee can look at our financial statements and say, "Well, these chaps moved the published financial statements by N number of dollars before they put their opinion on it."

It's those sorts of things that have to be debated through, and it isn't easy. I mean, it's simple to say, "Establish your outputs, cost them, and then measure their effect," but it's enormously complicated to do, which is why all these cautionary comments about don't expect this to happen in a few short years, because it won't.

I see a lot of determination within the system to get to grips with this sort of thing, and the nice thing is that as soon as a department sees genuine savings, real savings, that of course encourages them to further efforts, and that's occurring.

I'm not sure if I answered your question.

MADAM CHAIRMAN: Supplementary, David.

MR. COUTTS: Thank you. In assisting with that, then, and for the sake of putting words in your mouth, would you recommend that the Provincial Treasurer maybe provide guidelines for the inclusion of outputs in order to ensure a smooth and uniform application of this concept to some future plans, annual reports and financial statements?

MR. WINGATE: As you'll notice from the report on page 10, our contribution to the development of an Alberta accountability framework, which is what we've chosen to call it, is those guidelines. Backing those guidelines is a small book our office has prepared which is designed to give substance to some of those bullets and to explain what we think are the important elements of an accountability framework. Now, that's just our contribution to the ongoing debate about what an accountability framework should look like. With the permission of Madam Chairman, I would like to introduce that pamphlet to Public Accounts next week when we

can discuss some of the elements of that publication. But it leads to capturing best practice as soon as it emerges and having a central group helping other agencies to implement an accountability framework.

MADAM CHAIRMAN: Thank you.

A final supplementary?

MR. COUTTS: No other supplemental. Thank you.

MADAM CHAIRMAN: Peter Sekulic.

MR. SEKULIC: Yes. Thank you, Madam Chairman. Mr. Wingate, I appreciate your annual review. I think it's one of the tools Albertans have as insight into the work of their government, and it certainly is a far cry and a betterment over the public accounts we have, volumes 2, 3, and 4, which are sometimes hard to compare from year to year. My question pertains to the Alberta Special Waste Management Corporation, and it's on page 62 of your '93-94 report. Specifically, I would ask: can you indicate why the obligation to provide a loan guarantee by the Alberta Special Waste Management Corporation was not reflected as a contingent liability in the financial statements between 1986-87 and 1992-93?

MR. WINGATE: It was an oversight both by management and by us as auditors. There was a contingent liability built into the agreement where under certain circumstances that contingent liability could become a real liability. Of course, it didn't. But as I said in the reply to the Premier's letter, it would have been helpful if that contingent liability had been disclosed. It was just an oversight. It was no more than that from our standpoint.

MR. SEKULIC: Okay. So I'm to understand that this oversight was with the Auditor General's department?

MR. WINGATE: Well, certainly it was a fault in our audit, because we should have detected that the financial statements didn't contain this note on the contingent liability, but I guess you can also say that it's management's primary responsibility to identify contingent liabilities and record them in notes to the financial statements. So it was a sort of shared responsibility. Management didn't put it in their notes, and we as auditors didn't spot that they hadn't and that it should have been.

MADAM CHAIRMAN: Barry McFarland.

MR. MCFARLAND: Thank you, Madam Chairman, and good morning, Mr. Wingate and everyone else. My questions will deal with page 77 in your report under Health. I'm rather interested because prior to the election I was involved with a pilot project where we were trying to do a lot of things that we see happening today in terms of regionalization and combining active treatment centres, long-term care, and the whole ball of wax. It's interesting to see what's happened over the past couple of years. I don't want this to sound like a regional problem or a regional opinion, but my question has more to do with where you've got an area that in a regional health authority will now provide a tertiary level of care, whether it's active treatment and auxiliary care, long-term care, nursing home care, coupled with the different factors we see throughout the province, whether it's in Edmonton or Calgary or some of the other major centres as opposed to a rural area where there's a larger geographic area, fewer people, but maybe a higher rate of aging population as happens in the south. Are we fine-

tuning this thing or allowing any factors to be considered when we talk about the cost of treatment that would recognize, if you will, the very different and unique problems you would have delivering a tertiary level of care here in the city as opposed to 150 miles north of here or some other part of the province?

9:20

MR. WINGATE: I don't think there's any question that regional costs will vary for all sorts of reasons, demographics and that sort of thing. So one's opening presumption would be that regional costs will vary, and providing you understand the reasons for those variances, I think you've got it made. I mean, it's just a question of understanding the reasons for those variances.

Nick, do you want to supplement that reply?

MR. SHANDRO: I think you've basically covered it. What we're interested in is understanding what the cost is of the outputs that are being delivered. Of course, you've already mentioned that tertiary procedures may not be done in all areas, so there would be a different mix of treatments offered in various facilities. I think it would be quite useful to know what the costs of the treatments are in various facilities, and I think an allowance has to be made for transportation costs and distance and those normal sorts of factors.

MADAM CHAIRMAN: Supplementary, Barry.

MR. McFARLAND: Thank you, Madam Chairman. Along that same line then, should a region not have access to some of the special and unique care that's required, things such as ambulatory costs which would be charged by the receiving hospital back to the point of origin, if that's the proper way to say it. Mental health may not be available in one area and they have to rely on a different region to provide the service. Alcohol and drug abuse treatment centres obviously aren't in all regions. The actual measurement of the output as defined by the treatment that I think you're identifying in here – I don't want to be crude, Mr. Wingate, but if the operation is a success but the patient dies, how are we going to actually determine the cost of that treatment? Or is it merely the actual treatment itself, and am I reading you wrong on the output? The healthy person that walks out isn't really the measure or the guideline; it's the cost of providing the service that got him out the door.

MR. WINGATE: Yes. That's a complicated question. I find it difficult to see how the treatment could be successful if the patient died.

MR. McFARLAND: The operation might have been a success procedurally.

MR. WINGATE: Right; okay. But are you talking about a transfer of pricing thing here that . . .

MR. McFARLAND: Well, just as a concern, Mr. Wingate, yes. I can understand some of the regions will be apprehensive about costing outputs and measurements if they have to rely on another region to provide the service. They're actually invoiced by the region giving the service, but they have to report the cost of that treatment in their own financial statements. Correct?

MR. WINGATE: Yes.

MR. McFARLAND: So they're not totally in control of the cost that's being charged to them for the service they can't provide.

MR. WINGATE: Well, they are in control in that they're paying the bill. I mean, presumably if they don't like the charge, they can start arguing. But yes, I would have thought that some sort of transfer pricing mechanism is necessary to get the treatment costs for the region reflected in the region. I mean, I don't want to build a bureaucratic nightmare. It's really a question of what makes sense under the circumstances, what is the quickest way to get a better system and better management.

Actually, one of the things we say at the beginning of the report is that the last thing we want is armies of accountants measuring everything in sight and clogging up the system with far too much detail. The essence of all we talk about is that it should be simple, it should be clear, there should be candour, and it should be easily understood. If it's not easily understood people aren't going to take very much notice of it, and above all else you want people to take notice of what we're talking about. So in this transfer of pricing thing I don't want to suggest a whole maze of complicated bookkeeping to keep tabs on something that isn't a significant problem in the first place.

MADAM CHAIRMAN: Final supplementary, Barry.

MR. McFARLAND: The final is a really general comment, Auditor General. Out of ignorance on my part, why have governments in general never put depreciation into their accounting function as a small business would?

MR. WINGATE: I think it all goes back to the days when the exchequer was run on a cash basis. I mean, there weren't credit cards and there weren't bank accounts. The only money was cash and, you know, the king divvied the tax up to Parliament. Everything was done on a cash basis, so if you had a capital asset, all you did was expense it. This whole question of getting to grips with the cost of service delivery is a comparatively new thought. In the old days it was a question of how much money we have got, how much money we can afford to spend: "That's it; no more. We don't want to spend money we haven't got." It's very difficult to do if all you can spend is coin. That's the way governments were run, but in today's environments things are very much more sophisticated. These new concepts of measuring the cost of service delivery are only just beginning to come in. Its time has very definitely arrived, because right across the world governments are wrestling with this problem. I think there's widespread recognition of the fact that we've got to become more businesslike in the administration of the public purse.

MADAM CHAIRMAN: Alice Hanson.

MS HANSON: Thank you, Madam Chairman. Good morning, Mr. Wingate and friends. In your report on page 69, you made recommendation 18 in that section. It's with regard to acceptable alternatives when you're figuring out the most appropriate method for supporting children in protection; for example, the costs of day care, day care services provided to parents who are searching for jobs. Then you mention also the department's failure to access the \$8.5 million from the CAP program under AISH. I want to ask you: what systems does Family and Social Services have in place now to assess acceptable alternatives for the delivery of child welfare programs in particular? In other words, how can they assess efficiencies and effectiveness when they can't even measure the outputs in the current delivery system?

MR. WINGATE: Okay. The first point to be made here is that the cost of supporting children by the government – this is not in

family care; this is support provided by the government – varies enormously. There's enormous variance, and when people make decisions on how a particular child should be cared for, all sorts of factors are considered but cost isn't one of them. Cost does not figure. We're saying cost is a very significant element and should figure and the decision-makers should obviously provide the level of care that's appropriate for the child involved but at the most reasonable cost. In other words, going back to the menu, you can't choose the best meal without having any idea of how much it might cost. You must factor in the cost of that care when making the decision. That's essentially what we're saying.

MADAM CHAIRMAN: Supplementary, Alice.

MS HANSON: Yeah. I guess my question wanted to know: since they don't measure now, how can they even attempt to look at effectiveness? My understanding now – I have asked questions about it before in Public Accounts – is that there isn't follow-up on a lot of these things, so if you don't follow up, you can't measure. Then how can you measure the effectiveness in order to decide whether the expensive program is worth it?

9:30

MR. WINGATE: You can measure effectiveness, ignoring cost – in other words, was the job done? – but obviously you can't measure cost effectiveness because you're not factoring cost in. So if you're satisfied that this particular course of action is highly effective and then you attach a cost to that procedure, you can start making value-for-money judgments. You can assess cost and effect, hence our recommendation that costs should be associated with the various alternatives presented.

MADAM CHAIRMAN: Final supplementary, Alice.

MS HANSON: Yeah. Can you comment, Mr. Auditor General, on what improvements could be made in order to assess the CAP funds on a timely basis, at least assess the AISH expenditures on a timely basis so we can access the CAP funds rather than leave \$8 million or so sitting there? I think this has happened in other years too.

MR. WINGATE: Yes. Could you just help me? Which page are you referring to?

MS HANSON: Sorry. I didn't write that one down. It starts at page 69. I can't remember . . .

MR. WINGATE: Well, on page 73 we do talk about CAP and we talk about \$5 million. Is that what you're referring to?

MS HANSON: Yeah; page 73.

MR. WINGATE: Okay. The cost of providing certain eligible services to clients in need could not be identified on a child-specific basis, and that was by agencies who were handling the provision of these services. So it was the agencies who couldn't provide the data. As a result of them not being able to provide the data, the province forgave or was unable to claim some \$5 million under the CAP claim. That's my understanding of the situation.

MS HANSON: So it's the system where the government contracts out that needs to be improved.

MR. WINGATE: Yes. I think we need better information flowing from the agencies to social services.

Now, right at the bottom of the second paragraph we say that the Auditor General has been informed that a computer system capable of capturing all that needed information will be developed in the current year.

MS HANSON: Yes. I saw that.

MR. WINGATE: So I think we're satisfied that this problem is being dealt with.

MS HANSON: You feel that the computer system will fix it.

MR. WINGATE: Yes. But the essential thing is that the information should flow from the agencies and be captured within the computer system.

MS HANSON: You know, that's what I was wondering. The agency information needs to be developed in the agencies, and all the computer systems in the world and the government system aren't going to fix that.

MADAM CHAIRMAN: Madam, we're going to have to cut you off.

MS HANSON: Sorry.

MADAM CHAIRMAN: I've been very permissive this morning with most of you, but if you'll let other people have their opportunity . . . I think I'm going to have to be stricter, to be quite frank with you.

Moe Amery.

MR. AMERY: Good morning, Madam Chairman, and good morning, gentlemen. Referring to page 18 of your report, sir, you recommend that the WCB stop making loans to employees to purchase computers. I wonder if this program is the same type of employee purchase plan other companies offer to their employees to allow greater computer literacy, or is there a special purpose for this initiative?

MR. WINGATE: No. I think the purpose is to improve the computer literacy of the staff involved. The unfortunate thing here is that we're not commenting on whether that's a good idea or a bad idea. I mean, probably it's a good idea to improve computer literacy. What we're simply saying is that they haven't got the mandate to do it, so if they want to provide that training and advice, they've got to come up with a different method of doing it. They can't provide loans for people to go off and purchase computers. We've debated this with them in the past. They're not happy about what we're suggesting, but from our standpoint there's absolutely no question they haven't the authority to do this.

One of the interesting things is that a number of these people of course were laid off when the organization was downsized and a number of these computer loans were forgiven at the time of the downsizing, which is another dimension to this point. I mean, I think the reason it persists is that the WCB thinks it's a very good idea. It probably is. It's just that they can't do it. That's the law.

MR. AMERY: What happens when these employees are laid off or lose their jobs due to downsizing? Do they go after them to collect the loans?



MR. WINGATE: No. That's what I was saying: when they did downsize and laid off some staff, they forgave the loan. In other words, they said, "Fine, we'll call it quits; you needn't repay the loan."

MADAM CHAIRMAN: Supplementary, Moe?

MR. AMERY: No, that's fine. Thanks.

MADAM CHAIRMAN: Mike.

DR. PERCY: Thank you, Madam Chairman. Gentlemen, I'd like to return to the Alberta Special Waste Management Corporation and the issue of contingent liabilities. Am I to understand from your comments to a previous question that there was a failure on the part of management to outline in full detail the contingent liabilities that existed which, in your letter to Premier Klein, you said could be construed as an obligation?

MR. WINGATE: Yes, I think that summarizes it well. Our reading of the agreement indicates there was a contingent liability, and under those circumstances that contingent liability should have been disclosed in the financial statements for a number of years. Since it wasn't, we as auditors should have required that it be disclosed. Of course, the current situation is that the guarantee for the \$100 million is now reflected, which replaces any contingent liability under the original agreement. So things are as they should be now, but they weren't. That's absolutely true.

DR. PERCY: In your letter to the Premier you said that were certain things to occur this contingent liability could be construed as an obligation for a loan. Did those things that ought to have occurred occur in order for it to be a contingent liability that was realized as a loan guarantee?

MR. WINGATE: No. My understanding is that it never ceased being a contingent liability. I mean, this is accountant talk, but it never became a liability. If it had become a liability, there's no question we would have insisted that that be booked. So throughout the course of the years it involved it was always a contingent liability.

DR. PERCY: On page 62 of the Auditor General's report you note the contingent liability for environmental cleanup and that that is not reported in any way, shape, or form on the books. Whose responsibility is it, then, to come out and ensure that this is part of the financial statements of the Alberta Special Waste Management Corporation?

MR. WINGATE: Well, I think we're exerting increasing pressure. Our view is that the first thing to be done is to quantify the potential cost of environmental cleanup at the end of the project's life cycle and then in a systematic way start providing funds to set aside so that when the restoration has to take place funds are available to do the work. The CICA handbook says that you should provide for that liability over the life of the project, which is quite a sensible thing to do, because the ultimate cost of cleanup is essentially a cost of doing business. So we're pressing harder to ensure that our various clients get to grips with some of their environmental liabilities. I mean, it's a bit like guarantees: it's appropriate every year to assess whether you have a potential liability under an existing guarantee. You have to assess that potential, and having assessed that potential, it's a question of how

much you charge the books and reflect it in your cost of operations.

MADAM CHAIRMAN: Carol Haley.

MS HALEY: Thank you, Madam Chairman. The second point under the guidelines on page 10 is: "the cost of providing accountability information should not exceed the . . . benefit." Is there an acceptable margin – for example, a percentage of total budget – that can be expected to be spent on accountability information?

9:40

MR. WINGATE: I don't know. At the moment I think we're dealing with fairly agricultural guidelines with this. I mean, in some instances it's quite clear that the cost of gathering this information will far exceed its potential benefit. In other instances it's quite clear that the cost is marginal. I think we're still operating with those sorts of parameters. Now, I think in due course we'll probably develop some criteria and some ground rules for this. You know, if it approaches this percentage, then it's probably not worth while. But at the moment, no, we haven't got any guidelines on what is an appropriate cost of gathering information.

MS HALEY: Can you think of any situations where accountability information would not be desirable simply because the costs would outweigh the benefits?

MR. WINGATE: Okay. I'm on the not-for-profit task force of the CICA, and one of the recommendations is that capital assets should be capitalized and amortized to income. We've got all sorts of organizations right across Canada – 70,000, 80,000, 90,000 of them – who are saying that the cost of amortizing capital assets far exceeds the benefit of that information. So we are proposing to give them a dispensation saying that if their revenues are below 250,000 they needn't capitalize and amortize their capital assets. Now, there's an example where a very large group of people is saying that the benefit of the improved accountability information stemming from having amortization figures rather than the crude cost of capital additions is just not worth it, and the institute has gone along with that. It's unusual but, yes, it does happen.

MADAM CHAIRMAN: A final supplementary?

MS HALEY: Yes. On page 13 of the report it says it will take time to develop an Alberta solution for the accountability framework. What would be considered reasonable progress by next year?

MR. WINGATE: Right. I think things are moving very rapidly, and my own view is that the progress made in the past year has been very significant. The three-year business plans are not things to be underestimated. That is a very significant move – I don't think that sort of thing is happening in other provinces – and it's a move that can be built on. I think the pace of development is very rapid. I mean, it's a subject whose time has come, and we must move on this. I appreciate that's not answering your question.

I think we'll be aware that things are not going fast enough because we're not getting answers fast enough. To make rational decisions you need this information. Personally, I think if we had outputs identified from various organizations, that would be

tremendous progress. If organizations could just agree on what their outputs are, what it is they're trying to influence, what it is they're trying to do, that would be tremendous progress, because once you've got that you can then build in the costing systems and start measuring effects.

MADAM CHAIRMAN: Debby Carlson.

MS CARLSON: Thank you. My questions are with regard to the Alberta Mortgage and Housing Corporation, pages 98 to 100. You made a number of comments there relative to the failure of AMHC to verify the property taxes paid based on the appraised market value of the housing portfolio. In some cases here the property tax assessments were substantially in excess of the appraised market values, and the AMHC had also made some inaccurate valuations of the net realizable value of its land holdings and, as a result, you made a \$33 million adjustment. Can you explain why the corporation is unable to properly assess the value of its land holdings?

MR. SHANDRO: They have not been reassessing those things on a regular basis, and they need a system to regularly reassess. They should be looking at where the changes are in values because fluctuations in market don't occur that often. So I think there needs to be a little more diligence in getting those assessments.

MS CARLSON: Did your department actually recommend what kind of additional systems would be required for a more accurate determination?

MR. SHANDRO: When I use the word "systems," I think of procedures for identifying where the potential is for change in market values. More attention has to be paid to that risk.

MS CARLSON: No specific recommendations?

MR. SHANDRO: I don't think anything more specific is needed over and above the recommendation we're making.

MADAM CHAIRMAN: Final supplementary.

MS CARLSON: Yeah. Here it looks like AMHC may be paying agents that are contracted to manage their properties at rates above comparable industry costs. Were you able during your audit to determine whether the department has established appropriate benchmarks to indicate whether they should be moving toward management bodies here?

MR. SHANDRO: Our review of this area was to take a look at the cost they were paying and whether or not there were appropriate benchmarks. We were not concerned during this audit in terms of the form of how they deliver the service. That wasn't the focus of our audit. Our focus was on getting value for money in this area, were their systems adequate. As a result of looking at their systems, we made the recommendation that they compare these costs with the private sector.

MS CARLSON: So their systems are not adequate?

MADAM CHAIRMAN: You're pushing another question in there and we're getting short of time, so I'm going to move along.  
Jocelyn Burgener.

MRS. BURGNER: Thank you, Madam Chairman. It's been a very productive morning. I want to go back to opening comments

about the shades of gray. I'm on page 50, on Education, recommendation 14. You're just going to have to bear with me a little bit, because I think you've touched on something that I see as a progression in the reporting process you're involved with now.

You talked in your opening comments about how this was a new initiative to look at outcomes and it's coupled with all the other things that have been going on: you can't measure outcomes if you don't have information; we're working on the information side, but we're in a gray area. I am concerned about the accounting model, which is financial and is inherently dealing with dollars, determining what our outcomes should be as a society. You're taking on particularly the special-needs students. I'm not quibbling that it shouldn't be done. I just have to get this in my head. You talked in your opening comments in recommendation 21 with the hospital issue that you shouldn't just measure what you do to the patient; you have to talk about how healthy they are at the end. Special-needs students have the same situation – and you cite some dollars that go to the program – but they're all different students. My question to you is: are you suggesting that student achievement is the measurable outcome in the academic sense for special-needs students?

MR. WINGATE: The key sentence, as far as I'm concerned, is the first sentence of the fourth paragraph, "Consistent financial reporting which relates costs to the level of services provided and the numbers of students served." In other words, this is a cost-driven thing again. I don't think we're yet into assessing the effect of these costs. We're merely saying let's first start off by talking about the cost of the services provided and the number of students served. That would put us way ahead of where we are at the moment, because what happens at the moment is that this funding seems to disappear into the system and is absorbed and subsequently you can't really get a handle on where it went, what happened to it. So we're saying the first starting point is to relate the costs to the level of the services provided and the number of students who have been served.

Now, having got that information, it's probably necessary to go further, and I think that's where your question comes in: what is the output; what is it you're trying to do with this expenditure? I think that's a very relevant question. Perhaps it should be addressed at the same time, but we felt on safer ground to talk about cost to begin with. So that's why we did that.

9:50

MRS. BURGNER: My first supplemental. Maybe you know this already. Many parents who have special-needs students ask for an academic expectation, so it's not something that's foreign to them. My next question, then, would be: if we identify dollars going to students, is the outcome that you expect academic achievement? You have determined what our policy should be whether you wanted to do that or not. The outcome for me, reading this, is that I now have a policy issue that's been determined within your document.

MR. WINGATE: No, I don't think so at all. I mean, we're just accountants; we're not about setting policy. We're just saying: let us identify what's being done with the money being provided, and how many students are being served. What you're intending to do and achieve with that expenditure is not our concern. That's management's concern, and they should define what it is that they're attempting to achieve. Then you can align the cost and the number of students served with that objective and start measuring whether you're being effective. But those are later stages. The

first stage, I think, is to measure the cost and the services provided.

MRS. BURGNER: I don't disagree with you. My last question, though, would be: as a government are we going to be reviewed by the Auditor General that we did not produce results from a cost perspective? Because in this case – I'm not saying it doesn't deserve attention – the outcome should be academic achievement. Students who access some of these dollars are not necessarily going to ever reach academic achievement, so our outcome will not be number of graduates, number of students who complete 6, 9, 12. We will have missed the targets that are in the outcomes; we will have spent the money. Is the office of the Auditor General then going to come back and say "You missed your mark"? How are you going to deal with assessing us when our outcomes can't necessarily be defined in dollars?

MR. WINGATE: There are a couple of important points here. I don't think the Auditor General ever makes that sort of assessment. It's MLAs, the public, the Legislature, and ministers that make that sort of assessment. It's not part of an Auditor General's job to do that. That's number one.

Number two, we have termed this special-needs educational funding. Now, if these are special needs, then we're going to have special objectives. These are special needs, not general objectives, therefore you're going to have a set of desirable outcomes and effects which are appropriate to this category of people you're trying to assist. So to say we're spending this money to achieve exactly the same objectives as we are for all the other students seems to me a bit of nonsense. What we're identifying here is the importance of setting objectives for this group. But that, I think, comes later. Our first pass at this was to suggest, "Look, let's find out what services are being provided, at what cost, and what number of students is being served?" That was just our opening gambit. Because what's happening at the moment is that this money is funneled out there and then everyone loses sight of it; no one knows what happens to it essentially.

MADAM CHAIRMAN: If no one objects, Barry, do you still want a point of clarification?

MR. McFARLAND: If you don't mind.

MADAM CHAIRMAN: If no one objects, I'll certainly allow it.

MR. McFARLAND: Mr. Wingate, I'd like to clarify a response you had to Calgary-Currie on your fourth paragraph where you talked about the costs related to the level of services provided and the number of students. I just have a bit of a dilemma. You've got a basic requirement for a special-needs program regardless of the number of children served by it. The other gray area we've got is where the courts intervene and say, "Thou shalt provide the service." The clarification I want is: are we running a fine line here? There was a case years ago that dealt with special needs in the county of Lamont. I think today the board would feel that the student would be better served in a facility that has more programs and equipment and so on, but the courts ruled no, the home board should provide the service. Now, purely from an accounting point of view, it doesn't make sense to provide service for one individual in a school board when the neighbouring board can provide it because maybe they have 10 or 12 students. Okay?

MR. WINGATE: Right.

MR. McFARLAND: Am I reading you wrong when you say that we should be making the decision based on the efficient expenditure of money on the program regardless?

MR. WINGATE: You do ask very difficult questions.

MR. McFARLAND: I'm not trying to. That's a gray area that will always be there, because you may have one objective and we may have the best of objectives, but if you've got a court ruling that says, "We don't care; this is the way it will be," it really makes it difficult to be financially accountable to people.

MR. WINGATE: Right. You know, chances are this is not a really material expenditure. I think under those circumstances you just do what makes the best practical sense and perhaps depart from pure, rigid theory and come to a sensible decision to accommodate this particular incidence. On the other hand, if it's a material expenditure, then obviously someone needs to sit down and decide what is appropriate. I don't think I can provide a better answer than that.

MR. McFARLAND: Thanks.

MADAM CHAIRMAN: Thank you. We have two minutes. I believe Peter has one question. If you can answer it very concisely, we might get it in.

Peter.

MR. SEKULIC: Thank you, Madam Chairman. Mr. Wingate, I appreciate your earlier comments where you said that rapid change, even if it is needed, without timely and accurate information makes rational decision-making difficult if not impossible. I think that's an important theme through your report. My question pertains to the cost of investment management, and it's found on page 125. What steps would you advise be taken by the department of Treasury to determine the costs of investment services?

MR. WINGATE: I think that's a straightforward bookkeeping exercise. I don't think it's a difficult question. We feel that the cost of their services should be quantified and also passed on. I mean, this is consistent with our philosophy that all users of services should be aware of how much their services cost. We don't anticipate that being a problem.

MADAM CHAIRMAN: Thank you, Mr. Wingate.

Because of the hour I would remind members that the next meeting is November 2 and will be a continuation with the acting Auditor General. Thank you all for your questions and attentiveness. Thank you, gentlemen. We'll look forward to seeing you next week.

[The committee adjourned at 9:59 a.m.]

