

8:30 a.m.

Wednesday, November 1, 1995

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: I'd like to call the Standing Committee on Public Accounts to order, and at this time I would like to ask for approval of the agenda. Moved by Julius. All in favour? Carried unanimously.

Approval of the October 25, 1995, committee meeting minutes. They've been circulated. Could I have a motion to accept them?

MRS. BURGNER: Agreed.

THE CHAIRMAN: Jocelyn, are you moving it?

MRS. BURGNER: Yeah.

THE CHAIRMAN: All in favour? Against? Carried unanimously.

Once again, I would welcome our Auditor General, Mr. Peter Valentine, and his staff. I'd ask if you have any further comments to make at this time, Mr. Valentine, and also if you could introduce your staff once more. Thank you.

MR. VALENTINE: Thank you, Madam Chairman. Good morning, ladies and gentlemen. Again with me today are the senior members of my office: Andrew Wingate on my right, Mike Morgan on my left, and on his left, Jim Hug. I'm also pleased this morning to introduce Nick Shandro, assistant Auditor General. As you will remember, Nick was unable to be with us last week due to a client commitment, and I'm pleased that he's here today. In addition, a number of the directors in my office are in the gallery, and I'm pleased that they are able to be with us this morning.

With your permission, Madam Chairman, I would like to start by asking Nick Shandro to introduce to you our recommendations in the Health, advanced education, and transportation ministries. Nick will also provide some information requested last week in connection with disaster claims and gravel inventories.

THE CHAIRMAN: Thank you, Mr. Valentine, and welcome, Mr. Shandro. Would you like to start?

MR. SHANDRO: Thank you. Good morning. First, I'll brief the committee regarding our work in the Health area. We continue to focus on systems to improve the effectiveness of funds provided for health care. The thrust behind recommendation 23 on page 127 is that the Department of Health can improve the effectiveness of health expenditures by linking funding more directly with "enhancing the health of the population." Health services have three basic components: prevention and treatment of illness and palliative care.

An effective health system would balance the cost of preventive services against the cost of treatment, to take advantage of any savings which could be realized through the prevention of illness.

Services related to prevention of illness are generally not demanded by those who can benefit from these services. On the other hand, there is high demand for palliative care from those who need it.

Due to the differences in the demand for services, different funding systems are probably required. Otherwise, illness prevention services which can reduce overall health care costs may not be adequately promoted. We say on page 129 that

if regional health authorities are to be held accountable for the cost and effects of health services within their regions, they should be able to assess whether the effects of [all costs, including physician service costs and drug costs,] are meeting the health needs of their communities.

We believe that an analysis of such costs by the RHAs would lead to a better understanding of the services delivered in a region which, in turn, would give rise to improvements in economy and effectiveness. Provided RHAs have information on the services provided, it is not important that they pay for the service.

On page 129 we recommend that

the Department of Health, with the participation of the regional health authorities, review the progress made by the authorities in establishing effective governance with a view to promoting best practice.

Our purpose in making this recommendation is to draw attention to the fact that effective governance over time will contribute to successful performance, although it will not guarantee it. By the same token, we are sure that poor governance leads to poor performance. It is therefore critical that we review whether the health authorities are developing appropriate performance targets for the regions and linking these targets to the activities and budgets proposed by management and whether reliable and relevant information is provided by the region system to report on the performance of management in relation to the targets.

Recommendations 26 and 27 on pages 134 and 135 flow from the fundamental concept that performance information must be relevant. Where there are alternative accounting methods, we will always advocate the method that matches revenues with costs and allocates all costs to the period of consumption. In this way, we can clearly see the extent to which external resources were sufficient to meet the annual costs of delivering outlets.

Turning now to advanced education, our main recommendation is number 7 on page 62. We recommend

that the Department of Advanced Education and Career Development continue to work with post-secondary educational institutions to develop a system which links educational outputs and costs to expected effects.

The fundamental issue is the same as in Health, that of providing information to permit understanding of the cost and effect of outputs. Members of the Legislative Assembly and the public need performance information to relate costs, educational outputs, and effects. We intend to continue assisting the department and the institutions in promoting this objective.

I want to acknowledge the work of the Southern Alberta Institute of Technology in developing performance information which it will include in its future audited financial statements. The performance information will include annual costs for a full-time student, costs for a graduate, and the success rate of students in finding employment. I believe such information is useful to the Members of the Legislative Assembly, students, and the public. In due course, statement preparers and auditors will need to hear back from users as to how such information can be further improved.

In the transportation ministry we have an important recommendation on page 159. It's number 31. It says

that the Department of Transportation and Utilities require municipalities that receive grant payments for construction and maintenance of roads to demonstrate the effectiveness of use of public funds.

We reason that without this reporting by municipalities, the department cannot know whether its grants actually contribute to its transportation objectives.

In our discussion we report that the department provides grant funding to cities based on their population and to rural municipali-

ties based on their population and other factors such as the number of kilometres of roads. It is not clear, however, that these attributes are appropriate indicators of funding needs. For example, municipalities with a higher proportion of heavy truck traffic will need to spend relatively more funds to maintain their highway infrastructure. I believe the answer to these reasonable questions can only come from better understanding of the cost and effect of transportation programs.

Madam Chairman, there are two matters from last week which we undertook to provide further information. First, the tornado disaster claim. The Department of Transportation and Utilities needs to provide satisfactory evidence to the federal government that the payments are made in accordance with the eligibility requirements. The department has not yet produced the documentation required by the federal government. I understand that this is because there is an ongoing debate on the eligibility criteria.

In passing, I should mention that *Hansard* incorrectly recorded the amount foreseeable from the federal government regarding costs incurred in 1988 for flood damage in Slave Lake and in 1990 for flood damage in western Alberta. The amount foreseeable at March 31, 1995, was \$10.7 million, not \$.7 million as recorded last week.*

With respect to gravel inventories transferred to municipalities, these were actually transfers to improvement districts. I can inform members that the ownership of gravel was transferred at no charge to the improvement districts.

Thank you.

MR. VALENTINE: Madam Chairman, with your leave, I would like to follow up on a statement I made last week and also clear up a misconception that has arisen from my use of the word "mandate."

Dr. Percy asked me for the exact date of the December 1992 decision to exempt oil field waste from the application of the waste control regulation. I replied that it was made on December 11, 1992, and that it was a decision of the department of the environment and it was published by way of a press release. Madam Chairman, I had been led to believe that there was an actual press release about the decision. I'm now advised that in fact there was no press release. My evidence that the decision was made public on December 11 is departmental documentation that the decision on oil field waste was communicated to the participants of a hazardous waste regulation workshop on that date.

8:40

Just a few words with respect to my use last week of the term "mandate." I used the word in the sense of the scope of the audit work undertaken on the Swan Hills project. I did not use the word "mandate" in the sense of my legislative mandate. When I announced on August 15, 1995, that I would undertake an audit of the government's involvement in the Swan Hills special waste treatment facility, I made it clear that my audit was intended to produce recommendations for improvement in the systems used to achieve economy, efficiency, and effectiveness. In other words, my audit was designed to examine processes. In performing my audit, I obtained all the information I needed, and I have reported all relevant matters in my 1994-95 annual report. My audit was aimed at the government's involvement. As I informed you last week, I looked at the public corporate records of Bow Valley Resource Services Ltd. and found nothing which, in my opinion, required mention in my report. We have chronicled factual events

in terms of the decisions made and the information available to those making the decisions. We did not set out to discover motive. We are auditors and would not have been able to substantiate such data had we obtained it.

In summary, the mandate I formulated was to produce a factual account of the key events that occurred, to draw conclusions, and to make recommendations for improvement. This I saw to be a good use of my office's resources.

Thank you, Madam Chairman.

THE CHAIRMAN: Thank you.

I'll now open it up for questions. Jocelyn.

MRS. BURGNER: I'd like to look at section 3 of the Auditor General's report under the Treasury, and I believe it's on page 173. Following the meeting last week, we talked about some of the concerns of Bovar, and I think the concerns were structured around the fact that there were some sort of what ifs and the best decision made at the time with the best information. I'm looking at the issue of the new implementation with respect to technology, and you have outlined for us, Peter, a number of very alarming statements, in my opinion, which all government members should be very concerned about. Halfway down the page when you talk about the new implementation system with respect to the financial systems, you've listed several risk factors, not the least of which is the fact that you've even stated that we may be unable to deliver what we are committed to doing if this computer system and information technology fails to materialize as planned. My question is: having now identified that there is a key problem, how do we address it? How on earth can we find out in a timely way whether or not this problem is developing?

MR. VALENTINE: Well, my information and discussions with officials would lead me to believe that this province does not have a great track record in implementation of major computer management information systems, and the reason we created a numbered recommendation with respect to the Treasury Department's proposed new accounting system was that very track record. I would think you should properly make inquiries of the Treasurer to ensure that the concern we have raised here in this report is being addressed in a timely manner.

MRS. BURGNER: If you turn over to page 174, at the top there is a suggestion that we basically run two parallel systems for a while, and I'm concerned in terms of the expense, et cetera. Is that an acceptable practice when implementing such a system, to fully fund and run two information systems on a parallel track?

MR. VALENTINE: Well, answering your question in a short way, yes, it is the accepted practice. Until you're prepared to accept the new system, which in this case is being developed by a software design house, and accept the obligation of running and maintaining it, you need to ensure that you can function properly. This particular function involves the payment of the government's bills, and were the new system to fail, for whatever reason, at the outset, you would have a difficult time paying your bills. I don't think I need to go into the consequences that arise from that.

THE CHAIRMAN: Final supplementary, Jocelyn.

MRS. BURGNER: My final question then. I share your concern about the track record. With particular respect to the issue of

*See page 134, right col., para. 3

technology, would you have any evidence that this concern could be shared in other departments as they also move to implementation utilizing technology, not just in their ability to pay their bills but perhaps to do some of the accountability that they . . . I'm thinking of Education specifically, but advanced ed also had some serious tracking issues that they're looking at.

MR. VALENTINE: The report discusses in the section on Energy a similar problem to deal with the mineral revenues information system on page 101 and continuing. In that particular situation they are very committed to what's known as the MRIS system and don't really have a backup at this point. They're so far down the road with the development of this system which flows from the government's intention to simplify the royalty structure, and it only deals with the one side, the gas royalty side.

As I said earlier, the track record of the government is not great in this area. So I would have to say that wherever major systems implementations are going on where the systems are somewhat custom designed or, for that matter, entirely custom designed, there is a high risk that unless the project is managed properly with all the safeguards, you can have difficulty with the ultimate implementation, and that's something we don't want to see.

THE CHAIRMAN: Thank you, Mr. Valentine.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Auditor General, in your review of Swan Hills you focus extensively on the joint venture agreement and the perverse incentives that existed there for too large a capital base and too high a level of operating costs. I want to follow up on the Member for Calgary-Currie's questions with regards to Treasury. PSC is a joint venture between the provincial government and ISM. Have you examined that contract and the nature of the incentive structure of that contract in terms of whether it in fact sends out the right signals for cost minimization, expeditious delivery of services, or does it have some of the perverse types of incentives that existed with the joint venture agreement between the Special Waste Management Corporation and Bovar?

THE CHAIRMAN: Mike, your reference point.

DR. PERCY: It would be page 173 or 174, PSC and the contract.

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: Thank you, Madam Chairman. I personally have not examined that contract, but let me confer with a colleague here. I'm advised that at this point in time we have not looked at that contract, but that doesn't say we won't. As I understand that system, that method of outsourcing a function is relatively new, and it would certainly be on our agenda to have a look at it.

DR. PERCY: I guess my second question would be: in light of the concerns you've raised about fast-tracking of technology, it would be extraordinarily important, then, to see who ultimately bears the financial risk when negative outcomes emerge. So has your department looked in any way, shape, or form at that structure or just taken it as a given? I know you said you haven't looked at this specific contract – but the nature of the operation: who does what at PSC? What is the role of Treasury or the government as a 40 percent owner in this system?

MR. VALENTINE: Dr. Percy, I would be pleased to put that on my agenda, and if you have any specific information, I would be pleased to receive it and deal with it.

8:50

DR. PERCY: My final sup, to shift back – and there is a linkage here – is in terms of contracts and incentives. As I initially stated, your review of Swan Hills spends a lot of time on the joint venture agreement. Why is there no recommendation that any form of joint venture agreement be vetted publicly before such a contract is signed? That type of transparency would certainly help weed out a lot of the problems that subsequently emerged here and potentially exist in PSC.

MR. VALENTINE: I'm going to ask Mr. Wingate to respond to Dr. Percy.

MR. WINGATE: I think in a project such as this, we felt that the three-year business planning process provided a lot of public information on what an organization proposed to do and gave plenty of early warning of unfolding events. Here we're talking about a very large capital project which is spread over a number of years, and it was felt that the systems that exist now didn't exist at the time some of these decisions were being made. The system existing now probably gave adequate warning of the intent of the organization and plenty of opportunity for public commentary if necessary. So, as we said in the report, we felt that the three-year business planning process and standing policy review committee process probably would have dealt with a number of these problems.

THE CHAIRMAN: Thank you, Mr. Wingate. Thank you, Mr. Valentine.

David Coutts.

MR. COUTTS: Thank you, Madam Chairman, and good morning, gentlemen. Mr. Valentine, I'd like to look at page 89 of your report dealing with the Department of Economic Development and Tourism. A particular recommendation applies to the Alberta Tourism Education Council. In that item you recommend that the Alberta Tourism Education Council restrict its operations to programs and activities that relate to the tourism and hospitality industries as required by legislation.

In that year the council "financed the provision of services" and, as you say, received revenue from two organizations which you considered to be outside these industries. I wonder if you could indicate for me and the committee what these two organizations are and how they fall outside the tourism and hospitality industries.

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: Thank you, Madam Chairman. The two organizations were quite diverse in their objectives. One was a municipal-level authority which delivers a service quite unrelated to tourism and was anxious to use the Alberta Best program – if I have the name right, and I believe I do – to, from their point of view, improve the service capability of the people in their organization that met the public. The location is remote. As I say, the business has really nothing whatever to do with tourism, which view was confirmed by counsel that I sought.

The other entity was a large utility owned indirectly by the public but not through a provincial agency, and they run a small retail operation for some certain hard product. They were anxious

to improve their customer service capabilities in their retail operation, and they used the program also. Now, I want to make it perfectly clear that these services were paid for. The problem was that this agency, this entity, the Alberta Tourism Education Council, did not have the authority to deal with the public outside the tourism industry, and therefore we made our comments.

MR. COUTTS: So it was then that you obtained the legal counsel to describe what is tourism and hospitality.

In having you describe the remote municipality and the major utility, I guess I'm having some difficulty in maybe why this wasn't looked at prior to this, because my small apartment here in the city that I've had for the past four years has . . .

DR. L. TAYLOR: Then it's not subsidized?

MR. COUTTS: No, it's not subsidized. I'm very careful on that one.

It has been endorsed by the Alberta Best program for the last four years. I guess in the legal opinion, would that be outside the tourism and hospitality mandate too?

MR. VALENTINE: I have no idea, because one thing I don't do is practise law. If you want to give me the circumstances, I'll be pleased to present them to the counsel I have, who is well qualified in the field of parliamentary law to advise me.

Don't misunderstand me. I don't have any particular problem with the Alberta Tourism Education Council providing services on a cost-recovery or profit basis, however they want to work it. I simply am saying that in order to deal with the public in this manner, they have to have the legislative mandate to do so.

THE CHAIRMAN: Could I request that when you do get an opinion, it could be done through the administrative assistant's office?

MR. VALENTINE: Well, no, I don't think so, Madam Chairman. The opinion is part of my working papers, and my working papers are not available to this committee, as you well know.

THE CHAIRMAN: No. In response to the question by the member.

MR. VALENTINE: Oh. If you want to pursue that, I'd be pleased to. I don't know whether it's appropriate to do it through this committee structure or for us to meet separately. Either way.

THE CHAIRMAN: It's the practice of the past that we all get a copy of the answer to a question.

MR. VALENTINE: I'm not sure I understand. Have I been given a factum situation that you want me to deal with? I'd be pleased to. I mean, I don't know how to answer this question, because I don't really know what the facts are.

MR. COUTTS: I guess because you've identified, sir, the two areas that you feel are outside the tourism and hospitality area and it's not covered under the legislation – those two identities that gave the Alberta Tourism Education Council some dollars to perform a duty and it's outside the legislation – in view of that fact, my main question was to determine how far back you go into these things and if there has been some history put into what is really being identified as tourism and hospitality. I was using the example of the apartment building in the downtown core, if that

really qualifies under the term "tourism and hospitality." All I'm looking for is some sort of balance there to justify that.

MR. VALENTINE: I would be pleased to respond to the first two questions you gave me. I don't know all the facts in the case of the particular apartment you're speaking of, but if the answer to the first two questions leads me to want to look at that apartment, I'll do that too, if that's acceptable. Then I'll provide a response.

THE CHAIRMAN: Thank you, Mr. Valentine.
Final supplementary.

MR. COUTTS: I'm thinking in the legal context.

My third supplemental, Madam Chairman, has been answered in the second answer, sir. Thank you very much. I'm just looking at it from the legal context.

THE CHAIRMAN: Thank you very much.
Peter Sekulic.

MR. SEKULIC: Thank you, Madam Chairman. As I go through the report, I pick up that the theme is accountability and performance measurement. One area I'm curious about is: we have annual reports from the Auditors General and a series of recommendations, but I have yet to see a clearly outlined explanation or description as to how many of the previous years' recommendations have been implemented. Now, obviously, you have the answer there somewhere. What I'm looking for here is a description of fully implemented, partially implemented, and not at all implemented. I guess I'm looking for it from one specific area: where it really does measure performance of the government based on your recommendations to them.

9:00

MR. VALENTINE: Could I refer you to page 226, which is schedule 2 to the financial statements of my office?

MR. N. TAYLOR: What was that number again?

MR. VALENTINE: Two hundred and twenty-six.

Here is a first, initial attempt to provide readers of the financial statements of my office with some accountability, performance measurement information. We've categorized the recommendations on a focus-of-work basis, five different focuses: four and a miscellaneous. Then we've analyzed those in relating to the recommendations which require a response on the part of the government, both new recommendations and repeat recommendations. You can see, for example, in the '93-94 report there were five repeat recommendations. Then we took those and we analyzed the response that we get: accepted, accepted in principle, under review, and rejected. You'll note there are none that are rejected.

We could put in that 1994-95 column fairly easily if that would be of assistance to you. The numbers I gave you last week were 38 main recommendations, all of which are numbered. There are 36 other recommendations in this year's report. Of the 38 main recommendations, 10 are repeat. They break down into categories the same as those at the top of page 226. Forty percent as to the first: accounting, management control, and information systems and processes. Improved use of resources is 20 percent. Performance measurement, or measuring and reporting costs, is 30 percent. Five percent is in connection with compliance.

THE CHAIRMAN: What page did you mention, Mr. Valentine?

MR. VALENTINE: The page I'm referring to is 226 of this year's report.

THE CHAIRMAN: Thank you.

MR. VALENTINE: The numbers I've given you are the numbers that come from this year's report. You'll appreciate that when our financial statements are done, it's in June. So the column with respect to the '94-95 report is not on this page, but I could certainly have it updated and circulated if that's information to you.

THE CHAIRMAN: Thank you.

MR. SEKULIC: Thank you, actually, for pointing out where it was, because I certainly hadn't come across it. My oversight.

The next question which I would have is: in terms of those that are accepted in principle, I guess I would equate that to partially or under review. I'm not sure how to interpret that. Has the government provided you with an explanation as to what the status is on those?

MR. VALENTINE: I would ask my colleague Mr. Wingate to respond to that.

MR. WINGATE: Madam Chairman, accepted in principle very often conveys the sense that to action the recommendation will take some time. In other words, it's not a quick fix to implement the recommendation. Considerable debate, some systems redesign is necessary, or extensive discussions have to take place: this sort of thing. We feel that accepted in principle has been used wisely. It conveys a sense that they agree in principle, but it'll take time to implement, which I think is a satisfactory way of dealing with it.

THE CHAIRMAN: Final supplementary?

MR. SEKULIC: That's all.

THE CHAIRMAN: Thank you.
Moving to Barry McFarland.

MR. McFARLAND: Thank you, Madam Chairman. Good morning. I'm on page 154 of your report dealing with Public Works, Supply and Services, Auditor General, and I'm in the bottom two paragraphs following recommendation 30. On that page you mention that 9,000 square meters of office space was subleased for additional revenue of \$820,000, but I haven't been able to get in my own mind whether or not through your recommendation that space could have been sold off. Would you please explain to me whether or not it's better in your opinion to hold this space and sublease it for the additional revenue, or should it be sold outright?

MR. VALENTINE: If I remember correctly, this is space that the government holds on a long-term lease basis and is committed to that long-term lease in any event. The optimization of the financial position of the province is to sublease space that is in excess of existing requirements. I suppose if you wanted to get out of the lease, you could negotiate a payment that would represent the present value of whatever those future lease arrangements are, but that might be a sizable number, and at least in the short term you might be better off to sublease. We look at the cost-benefit analysis they do in making these decisions. We

don't have anything to report to you in that context, but they do go through a process of evaluation of the decision.

MR. McFARLAND: Although I haven't been able to determine the total number of sublease spaces available out of the report that I've seen here, have you an indication of the nature of these sublease spaces, the percentage that would be long term or short term?

MR. VALENTINE: Mr. McFarland, I'm sure we do. I'm sure there's information in our work papers with respect to that amount of information we need in order to satisfy our audit reporting requirements and the support for this particular recommendation. If you needed further details, I would recommend that you go to the department itself for the particulars to ensure that you get completeness with respect to your question.

THE CHAIRMAN: Final supplementary, Barry.

MR. McFARLAND: Yes. Thanks, Madam Chairman. The comments that you make on page 155 in respect to cost-effective use of this space I think are very commonsensical. To add to your recommendations, do you feel there's a need for the department itself to do an assessment of the needs of the clients they're subleasing to in formulating the direction they're going to go to achieve the cost effectiveness, or should they stay out of individual client specifications, you know, for lease space?

MR. VALENTINE: Well, let me respond to that by giving you a practical instance in my own circumstances, and they are two. Firstly, as some members of the committee will know, we renewed our lease for our own premises late last fall. The negotiations were ongoing when I accepted this appointment. I was pleased to see the kind of activity that was occurring in my office with respect to those negotiations, and we were assisted substantially by the public works people. We concluded a very favourable long-term lease arrangement for our own premises which involved giving up some space, so we used their space planning people in addition.

It's no secret that I'm critical of our space in Calgary, and I want to improve the working conditions of a very important aspect of my office down there. I have been assisted so far by public works in analyzing what our needs are and looking at opportunities in the Calgary environment to get us to the right location.

9:10

MR. SHANDRO: In the last paragraph of that section we say that the department is not in a position to make these determinations of the users' needs. I think the department has to be in a position where they're there to serve the users themselves, and for that reason, we think there has to be some sort of collaboration with the users and with the department in order to maximize the use of the space so they can consolidate into some of their vacant space and be able to sublease it or make better use out of it. As it is right now, many users haven't been accustomed to factoring space into their cost of programs and therefore consider it to be free space. They don't look at it from the economic point of view.

THE CHAIRMAN: Thank you, Mr. Shandro.

MR. McFARLAND: Madam Chairman, may I just seek clarification on the answer then?

THE CHAIRMAN: Certainly, for clarification purposes.

MR. McFARLAND: I guess what I was getting at, Madam Chairman, is if the Auditor General would feel a future need to recommend that distinction, where the department takes an active role in assessing the potential client's needs and seeing it off to the wants and wishes of the potential client. All I'm wanting to know is if the Auditor General in the future is going to lay out clear parameters on how far either of the parties can go in achieving that cost effectiveness?

THE CHAIRMAN: Do you want to try that one more time, Mr. McFarland?

MR. McFARLAND: I think he understood me. I just didn't ask it clear enough.

MR. VALENTINE: Getting at the same subject in a slightly different way: we, as you know, are advocates of full costing of financial statements, and therefore the rental charges for space occupied of particular departments and agencies and corporations should be allocated to those entities by public works and put in the financial statements so there is an accountability of those rental charges. We believe that will bring the discipline to the occupant, agency, department, or corporation in an appropriate manner.

MR. McFARLAND: Thanks very kindly.

THE CHAIRMAN: Thank you.
Nick Taylor.

MR. N. TAYLOR: Thank you. Good morning, Mr. Auditor General. I'm sorry I slept in this morning, but I hope the questions will be up to their usual calibre. To follow up your answers of October 25 on pages 133 and 134 and your report on page 42 or so, I'm still bothered, sir, by your statement that you examined the financial statements of Bow Valley and Bover in '89, when the transfer of the ownership occurred from Bow Valley into Bover because of the restructuring the Royal Bank had asked for, and saw nothing to look at. As you know, you've been through a number of restructurings. Unfortunately, I've been through them too but on the other side from where you would have been. I know a contract of the value of what we had in Swan Hills, which later turns out to be worth hundreds of millions, certainly would be a terrific asset when the Royal Bank is considering the restructuring. It would've had to have a comfort letter, as the lawyers so quaintly put it – it's really a discomfort letter – showing that the contract was indeed a valid contract. Now, taken in view of the fact that in your report you said that in '89 it had to be reviewed, surely you would've looked for that letter from the government to the Royal Bank or to the securities authorities saying that the contract was valid and was okay.

MR. VALENTINE: I'm having difficulty with your question. I could start at the beginning of your remarks and ask you if you were out Halloweening last night, but I don't want to do that. Can you give me a reference, Mr. Taylor, to my report?

MR. N. TAYLOR: It's in your answer on the top of page 134 in the minutes. I asked you, starting on page 133 last week: what did you find in the transfer from Bow Valley Resources to Bover of the ownership of this hazardous waste company? You said that you saw a change in the ownership and that it was

a role for the legal counsel advising the shareholders of BVRs and the creditors of BVRs who included a debenture group and the Royal Bank.

That's about three inches down on page 134. Now, all I'm saying is that if you saw that that was a role for the legal counsel – and you're quite correct; you took me that far along – you must know that the legal counsel would have to have given a comfort letter to the creditors to say that this contract, that incipient contract you're involved with, was valid. Now, didn't you ask for that, or did you look? I mean, the government has to do something. In other words, Bow Valley couldn't just say, "Well, I got a good contract worth a hundred million dollars when I transferred." They would have to have had some proof in their files that this was not going to be reopened, because it was up for reopening.

THE CHAIRMAN: Nick, could we let Mr. Valentine answer the question that you asked?

MR. N. TAYLOR: That's it. I'm just asking him: did he ask for a look at the comfort letter?

MR. VALENTINE: No.

MR. N. TAYLOR: I see. And why wouldn't you ask for a look at the comfort letter?

MR. VALENTINE: Because I don't think it's relevant to the issue at hand.

MR. N. TAYLOR: My God. This is the whole deal. I mean, the thing wouldn't go through to Bover.

THE CHAIRMAN: Could we have the final supplementary, Nick?

MR. N. TAYLOR: So you did not ask for what the government had sent in the way of a comfort letter. Okay.

I'll go on to another question. All through the answers when I go through here, in '92 and other areas when they had chances to redo the contract, you've always surmised, I notice, from news releases and such. Did you ever ask the department of environment for copies of letters that they sent out at that time? Did you ever ask for letters? You've always taken your conclusions from news releases on what happened. Did you ever examine the correspondence?

MR. VALENTINE: Mr. Taylor, I have the requisite support for this report in my working papers.

MR. N. TAYLOR: Do you have that in front of you?

MR. VALENTINE: I have the requisite support for this report in my working papers.

THE CHAIRMAN: Thank you. You've had four questions already, Nick.

MR. N. TAYLOR: Well, I've had a lot to do with auditors.

THE CHAIRMAN: I'm sure you have, but I'd like to move on now.

MR. N. TAYLOR: I have one more, I think. Just a very quick one.

THE CHAIRMAN: No. You've actually asked four questions out of three.

MR. SEKULIC: One was a clarification.

MR. N. TAYLOR: One was a clarification.

THE CHAIRMAN: Yes. So we've had three questions. The Chair's ruled that we'll move on.
Julius.

MR. N. TAYLOR: There's lots more where that came from anyhow.

THE CHAIRMAN: I'm sure.

MR. YANKOWSKY: Thank you, Madam Chairman, and good morning, Auditor General and support staff. My questions today all pertain to Environmental Protection revolving fund, found on pages 109 and 110 of your report. On page 110 of your report you are recommending

that the Department of Environmental Protection establish accounting systems to enable reforestation levy revenue and expense to be recognized appropriately in the Environmental Protection Revolving Fund's annual financial statements.

If I'm reading the report correctly, I see that companies that elect not to do their own reforestation pay . . . a levy . . . of \$6 per cubic metre of timber harvested.

It then becomes clear that the \$6 levy is not sufficient to cover costs. You note that presently

the Department cannot demonstrate that [this] levy is sufficient.

My question to all this is: are there some obstacles that the department has in gathering this information?

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: Thank you, Madam Chairman. I would ask my colleague Mr. Morgan to respond to this question.

THE CHAIRMAN: Mike.

MR. MORGAN: Thank you, Madam Chairman. The questioner assumed that the \$6 per cubic metre is an insufficient amount to pay for the ultimate reforestation. We don't know that. It may be exactly right; it may not be. Unfortunately, the information is not available to confirm or deny it, and therein lies part of the problem. If the \$6 is an inappropriate amount, then deferring it until such time as the expense occurs, which could be as much as 14 years down the road, may be inappropriate. For example, to use an extreme case, if it was instead \$12 per metre, then in fact at the time when the levy was collected, they should set up a liability for the other \$6. It's because we're unsure as to the correctness of that point that we're making the comment relative to the financial statements and the matching of revenue with expenditure.

9:20

THE CHAIRMAN: Thank you.
Julius, supplementary.

MR. YANKOWSKY: Thank you again, Madam Chairman. In that same recommendation you comment that there is a further problem with matching levy revenues to the related reforestation costs. Could this be because the department records levy revenues by permit number? Reforestation costs are recorded by

cut block area, and the permits do not correlate exactly to cut block areas. Is it not possible for the department to connect the permits to cut block areas for this purpose? How much effort would this require?

MR. MORGAN: It is not possible. Indeed, it is not. The effort it would require is currently being looked at by the department. They do indeed recognize that they have a problem here. It's a problem which originated because for many, many years this whole area has been part of the general revenue fund, the department; it has not been part of the revolving fund. Because the general revenue fund is much, much larger, this wasn't a material amount in the financial statements of the GRF. They're looking at this at the moment. They appreciate they have a problem, and certainly a cost-effective solution is what they're looking for rather than one which might involve a lot of expense merely to satisfy a small amount of dollars.

THE CHAIRMAN: Final supplementary, Julius.

MR. YANKOWSKY: Thank you, Madam Chairman. Let's turn to page 109, and here you are recommending that the Department of Environmental Protection eliminate the numerous accounting inaccuracies and delays which resulted in its revolving fund not meeting reporting deadlines. The question here is: what are some examples of these inaccuracies and accounting issues that need to be resolved?

MR. MORGAN: It's a question, really, which should be put to the department. The largest one by far is the one we've already discussed in your first two questions: this business of matching the revenues and the expenditures. There were also problems related to the tree nursery, which was transferred into this revolving fund, and inventory problems which in the past because of the different accounting principles employed by the GRF hadn't been a problem before. Just from memory now, they have rental units for movable properties, et cetera. There were problems relative to the leases and the collections of the rents on them. They're all matters which by and large are caused by bringing these various operations - and I believe there were nine of them - into this revolving fund and then subjecting them to the more detailed scrutiny that's required of being part of a smaller entity.

THE CHAIRMAN: Thank you, Mr. Morgan. Thank you, Julius.

MR. KIRKLAND: Madam Chairman, my apologies for arriving late. To the Auditor General and his staff, also my apologies for my late arrival. I'm looking at page 154, and we're dealing with the Department of Public Works, Supply and Services. When you undertook the report here, was there any comparison of some of the lease rates paid for government space to market variances at that point? In other words, is the space that's leased and addressed in this particular page 154 leased at market rate, reasonable rate, or was there a comparison done to other lease rates?

MR. VALENTINE: I would like Mr. Shandro to respond to that question.

THE CHAIRMAN: Mr. Shandro.

MR. SHANDRO: Thank you. The leases were negotiated at various points in time. As we indicated earlier, these are long-term leases. At the time they were negotiated, I believe they were at market value. However, the market has changed since the time

they were negotiated, and the rates are far different now than they used to be.

MR. KIRKLAND: Okay. I understand.

Moving over to page 222, we show that when we look at lease commitments and note 8, it seems to flatten out in 1998 and remain constant from that point forward. Is there an explanation as to why it doesn't continue to diminish?

MR. SHANDRO: You're now referring to our financial statements of the office of the Auditor General. Is this correct?

MR. KIRKLAND: That's right; on page 222. That's simply your office space in this particular case then; is it?

MR. SHANDRO: Yes, it is.

MR. KIRKLAND: Okay. That lease comes to a standstill in 1997 and remains at \$197,000 for the remaining three years. Is that just the way the lease is written up? I ask that based on the fact that the first year you have \$250,000 and show a reduction down to that year, and then it remains flat at that point.

MR. VALENTINE: Madam Chairman, this is the lease for the premises that we occupy, and this is the result of the negotiations we entered into to renew our lease this year.

MR. KIRKLAND: Thanks. No further supplementals.

THE CHAIRMAN: Thank you.
David.

MR. COUTTS: Me again?

THE CHAIRMAN: Well, you were on the list, unless you enlist some of your colleagues.

MR. COUTTS: I'll relinquish my time and be last then.

THE CHAIRMAN: The next person is Moe Amery.

MR. AMERY: Thank you, Madam Chairman. Mr. Valentine, on page 157 you state that the Alberta government network service should be extended to all government entities such as schools and universities, requiring Public Works, Supply and Services to double the size of their existing network. You estimate that there would be a potential saving of about \$15 million per year for the extended stakeholders and the government. Do you have any indication of what the network upgrades would cost?

MR. VALENTINE: No, at the moment I don't, but I'd be pleased to get you that information.

MR. AMERY: Well, then, you say that additional savings could be reached by converting the 1-800 numbers to the RITE number that we use, the 310-0000. Do you have an idea how many 1-800 numbers are used at this time by the government and what the nature of their use is?

MR. VALENTINE: We have sufficient background in order to make this comment, but I think your question is properly directed to the department, who could give you the precise details of the information you require.

THE CHAIRMAN: Final supplementary, Moe?

MR. AMERY: That's it.

THE CHAIRMAN: Mike Percy.

DR. PERCY: Thank you. Mr. Auditor General, your opening comments with regard to the mandate, specifically with regards to Swan Hills, were that it was a factual account and that it was a focus on process. My first question is: you did not view it, then, as part of the mandate to assess responsibility for decisions made or to hold various bureaucrats or political officials accountable for decisions made? That was not part of the process you had entered into?

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: Thank you, Madam Chairman. I think I indicated that we didn't set out to discover motive. Had we thought that we had discovered it, we likely could not have audited it. We weren't there when those decisions were made. We were looking at the documentation of those decisions.

9:30

DR. PERCY: My supplementary question is: in light of those comments that, you know, you couldn't audit it and it really wasn't part of the report, would you not agree, then, that there would have to be another forum for a review of decisions made, why they were made, and who made them other than what you undertook in this report?

MR. VALENTINE: Dr. Percy, we received all the co-operation and all of the necessary information that we required to support this report.

DR. PERCY: How, then, can members of the Legislature or of the public, since you did not view motive or responsibility as being part of the mandate as you undertook your review of Swan Hills, assign accountability and motive? Only, I would think, through a public inquiry.

THE CHAIRMAN: The first part of the question's in order. No comment, Mr. Valentine?

MR. VALENTINE: No comment.

THE CHAIRMAN: Thank you.
Moving on then, Hung Pham.

MR. PHAM: Thank you, Madam Chairman. I have read through your book, Mr. Auditor General, and there's one area of concern that I cannot find anywhere. It has to do with immigration. I understand that today in Alberta immigration programs are delivered by two departments. One is advanced education; the other is economic development. Economic development looks after business immigration, and the rest is looked after by advanced education. Some people believe that there is duplication of service in this area. When you were doing the auditing of the two departments, did you find any duplication at all in this area?

MR. VALENTINE: Madam Chairman, I have no direct or specific knowledge of that concern, and if the member of the committee has such information, I'd be pleased to receive it and consider it.

MR. PHAM: Okay. My next question. Last summer immigration became an issue to many people. Some people believe that we spend too much on immigrants, and there is another school of thought that we spend too little on immigrants. I don't think you have the information right now, but in the future could you put it on your working agenda to do a review of how much money we spend per immigrant in Alberta and compare that to the other jurisdictions?

THE CHAIRMAN: Are you specifically speaking to Health and advanced education?

MR. PHAM: I'm talking about the total amount of money spent per immigrant in Alberta from the provincial budget.

MR. VALENTINE: Madam Chairman, I would have to observe that I think the question should first go to the departments responsible and the ministers responsible. Our role is to attest to the province's financial statements and then to carry on and do those things in accordance with section 19 of the Auditor General Act, which involves itself with the systems of running the business of government. I think his question should properly go to the operative departments. If he has some reason to suspect that there are either systems not in place or not functioning or there's some missing accountability, we'd be pleased to look at the issue.

THE CHAIRMAN: Final supplementary, Hung.

MR. PHAM: Yeah. Before I ask my final supplemental, I would like to clarify the reason why I want to ask the second question. Every department only looks at a portion of the service, and I think that with your mandate you have a better understanding of the whole government and how different programs are delivered within different departments. So that's the reason why I asked you the question. Instead of going to all 17 different departments, I only need to ask one question.

My last supplemental question deals with a different issue. When I look at your review of the Bovar agreement, you have done a very good job of outlining all the major activities and the reason why you think the costs occurred. But as far as I remember, this thing went back to as early as 1979, and I wondered if there was any involvement from the Auditor General's office to audit these things before this year, in 1989, 1993. Has the Auditor General's office looked at this issue at all, and did they have any concern at the time? Did they raise any flack at the time?

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: Thank you, Madam Chairman. In each and every year of the existence of the Alberta Special Waste Management Corporation we examined the accounts of that corporation and rendered an opinion thereon. Last week I advised the committee that I had personally reviewed those financial statements in light of the substantial concerns that had arisen over the last number of months with respect to the announced intention of the government to withdraw itself from these fiscal arrangements.

The conclusion that I came to after reviewing those financial statements was that the opinions rendered at the time were appropriate and that there was no reason to recall the opinion, which is an alternative that I could have used if there was some reason to believe that there was a fault in the auditing of those accounts. We relied on work conducted by other professional firms in connection with the conduct of that work, particularly the

joint venture itself, which is audited by a private-sector firm. Again, in looking back, we saw no reason to alter our view with respect to the opinions that were given at the particular time.

THE CHAIRMAN: Thank you, Mr. Valentine. Thank you, Hung.

Nick Taylor.

MR. N. TAYLOR: Thank you. Back again to the answers you gave last week to Edmonton-Manning, page 135, basically saying that you didn't rely on correspondence, that you relied on the assertions of the executive of Chem-Security and didn't look into written correspondence. Did the government at any time ever refuse a request of yours to get correspondence on those decisions?

MR. VALENTINE: Madam Chairman, I have advised this committee – and I'm doing it now for the third time – that I have received all of the information I required to render my report.

MR. N. TAYLOR: That wasn't my question, though. He maybe misunderstood. I asked whether the government at any time ever refused him access to any information. Maybe he received all he wanted, but did they refuse him?

MR. VALENTINE: The answer is no. I have all the information and explanations I required in order to render my opinion.

MR. N. TAYLOR: To go on further, there was a question from Edmonton-Manning again as to why hazardous waste was changed, and Edmonton-Manning asked what you were backing up your information on or what you did to pursue the information on why oil field waste was exempted, and your answers says, "We didn't go below the press release." Does that mean, therefore, that that was all you wanted, that you were satisfied with the press release, or that you were refused any access to negotiations?

MR. VALENTINE: Madam Chairman, I have received all the necessary information and explanations I have required in order to render my opinion.

MR. N. TAYLOR: Second supplementary. I go again to Edmonton-Manning's question on page 137. You said in the middle of the page – there again throughout you made this statement, you remember, on page 30 of your report that throughout the four and a half years of negotiating, the Province's negotiators continually surrendered their bargaining positions. Edmonton-Manning asked you what you had to back this up, and you said

One can make their own presumptions or conclusions from this, and that's all we've been able to do, is to give you this and let you draw your own conclusions.

Well, would you then say . . .

MRS. BURGNER: Point of order, Madam Chairman.

9:40

THE CHAIRMAN: There's a point of order.

MR. N. TAYLOR: No, no. I want to ask my question.

THE CHAIRMAN: There's a point of order.

MR. N. TAYLOR: Oh, I'm sorry.

MRS. BURGNER: What part of no don't you understand, Nick?

Madam Chairman, in the interest of time and the fact that we only have two meetings slated for the Auditor General – I think that he has clearly stated now to the point of frustration where his information has come from and the extent to which he has reviewed his material. To pursue this line of questioning is a waste of this valuable committee's time. I'd like you to rule Mr. Taylor to cease this line of questioning.

THE CHAIRMAN: Would you like to speak to the point of order, Nick?

MR. N. TAYLOR: Actually, I could finish the question faster than answer the censorship question, the authoritarian idea of trying to shut down any questions. My question is very simple. In view of the fact, then, of what I've mentioned before . . .

MRS. BURGNER: Madam Chairman, there's a point of order.

THE CHAIRMAN: Nick, could you stick to the point of order so that I can make my ruling. Are you finished speaking to it?

MR. N. TAYLOR: Well, the point of order's very simple. I was just trying to finish asking the Auditor General the reason he has to go on presumptions. I'm just trying to develop the point of why he has to rely on his own presumptions and conclusions. They'd been able "to give you this and let you draw your own conclusions." That's his own statement.

I'm going to ask: when he says this, is he trying to point out that we need another forum or some other independent inquiry because he can't go beyond presumptions and conclusions?

THE CHAIRMAN: Thank you. I rule that the final supplementary continue.

MR. N. TAYLOR: That's all it is. [interjections]

THE CHAIRMAN: Would you like to take the question? Mr. Valentine?

MR. VALENTINE: I'm just waiting for order. Thank you. Dr. Percy's question is:

When you examined the paper of this four, four and a half years, could you determine why the negotiators in fact concluded such a lopsided deal?

That's the question.

He goes on, and he says:

It's clear why Bovar pushed hard, but what was the process by which the government negotiators yielded so much territory?

I responded that the short answer was no. Dr. Percy said: "When you say no, is it because it is outside your mandate?"

I responded:

No, it's not because it's outside our mandate. It's just that what we discovered in the course of our work is disclosed to you here with examples, and we are not able to get ourselves in the minds of the people at the time. One can make their own presumptions or conclusions from this, and that's all we've been able to do, is to give you this and let you draw your own conclusion.

Let me conclude, Madam Chairman, by saying that I am satisfied that we have received all the explanations and all the documentation that we thought were appropriate to render the opinion that's contained within my 1994-95 report.

THE CHAIRMAN: Thank you, Mr. Valentine.
David Coutts.

MR. COUTTS: Jocelyn's next.

THE CHAIRMAN: Well, you were actually next on the list, and then Jocelyn.

MR. COUTTS: Okay. On page 177 of your report for '93-94, it is recommended that

in keeping with the government's initiatives on accountability, the goal of the Alberta Royalty Tax Credit Program be restated to include the expected result and the related performance measures.

You also report that the officials from the departments of Treasury and Energy are developing "a more appropriate goal and relevant performance measures" and that they have involved your staff in this matter. Could you please give us some more details regarding the development of the goal and the performance measures for that program?

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: I would ask, Madam Chairman, that Jim Hug respond to that question.

THE CHAIRMAN: Jim.

MR. HUG: Thank you. I can't add a lot to the information that is here. I can only say that we have met with the representatives in the department, and they have indicated that they have a group together that is revisiting the question, taking a look again at the objective of the program. We have not seen anything further in the way of revised objectives for this program at this time. Basically what we have is a commitment to do something further.

MR. COUTTS: First supplemental. In discussing the special forces pension plan on page 175, you comment on a new actuarial valuation changing the previous estimates of unfunded liabilities of the plan. Before these new estimates the unfunded liability was pegged at \$129 million and was expected to grow to \$2.6 billion by the year 2036. Now the numbers grow from \$13 million to \$540 million by the same year. This was achieved as a result of the use of "more favourable assumptions." What were these assumptions? Are they reasonable, and are there any cushions built in to ensure that the unfunded liability does not dramatically change?

MR. HUG: The main change which caused the decrease in the unfunded liability was a more favourable assumption with respect to the net real rate of return which is earned on the investments, and that had a significant effect, as I indicated, on the amount of the liability. We looked at the number that was being used, and it is comparable with what other pension plans are using. So to answer your question – are we comfortable with it? – yes. We thought it was a reasonable assumption.

MR. COUTTS: You also comment on progress being made towards accounting for capital assets, and I'm referring to page 168. You note

the implementation of a common capital asset system for the Departments of Public Works, Supply and Services, Economic Development and Tourism, and Transportation and Utilities.

Have other departments made progress in this area, and do you know if there are any plans to eventually place all departments under that accounting system in the future?

MR. VALENTINE: The ones that are listed are where the principal assets lie. Now, Andrew may want to add to that.

THE CHAIRMAN: Mr. Wingate.

MR. WINGATE: Thank you, Madam Chairman. There are differences in the types of assets held by various organizations; for instance, at the last paragraph of the piece we're talking about the Department of Transportation and Utilities. Asset management systems in that area are likely to be different. We make the point here that the use by heavy trucks on a highway influences the life of that highway more than almost anything else. Therefore, it's likely that if we're to accurately reflect the consumption of the highway in the annual financial statements, then we'll need some specialized systems to handle that.

So in answer to your basic question – will there be one system covering all capital assets the province earns? – I think that's unlikely, but I think that increasingly there'll be efforts put in to harmonize capital asset systems because it removes an awful lot of complication if they are harmonized. But it'll take time, I think.

THE CHAIRMAN: Jim.

MR. HUG: Thank you. Perhaps I could just add to it. It may be somewhat misleading to talk about a common system. By using that terminology, what we really mean is that they have accepted common definitions, they have a common methodology, but to suggest that they're all using the same computer system would be incorrect.

THE CHAIRMAN: Thank you, Jim.
Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Auditor General, my questions will relate to page 33 of your report for '94-95. In the paragraph on conclusions you refer to the committee review process that was set up by Premier Klein, and recommendation 1 refers to the three-year business plans. The inference one draws from both the recommendation and that paragraph is that these processes would have prevented much of the waste or overexpenditure that we see associated with the Swan Hills project. I mean, from my perspective and I think from that of the opposition, it's like having the foxes guard the chickens, because these committees are all Tory, and the business plans go through a process that is not transparent and open in the Legislature. It's after the fact. So my first question really is: wouldn't a better alternative be for such contracts to be tabled in the House? Then any of the perverse types of incentives would be readily available and readily seen.

9:50

MR. VALENTINE: You may view it that way, Dr. Percy, and in your position that may be most appropriate. We came to the conclusion that the three-year business plans and the publicity of those plans and the committee review process was an appropriate process that would have in our view brought this issue under a scrutiny that did not occur in the circumstances. In light of the process that now exists, we believe it would have caused a focusing on this thing and this issue sooner rather than later and in an appropriate way.

Mr. Wingate can maybe elaborate on my response.

DR. PERCY: My second supplementary . . .

THE CHAIRMAN: Sorry. Mr. Wingate.

MR. WINGATE: Well, it's almost a question, I think, and that is that I don't think the Official Opposition would regard themselves as part of the management of the Swan Hills project. What we're talking about here is the management process that was undertaken for making the various decisions. The three-year business plan is management's three-year business plan.

Now, one of the other recommendations we make in the report is that the form of the estimates should be reviewed with a view to integrating to some extent the results of the three-year business planning process with the estimates process. I think in future it would serve the House well if there was a high degree of integration between business planning and the estimates processes.

Getting back to your basic question, which was that the opposition don't really get to see the three-year business plans ahead of the expenditure being approved, we were exclusively commenting on the management process, the process used by management, of which the government is part, to make these decisions. We feel that the three-year business planning process would have improved the quality of the decisions made, largely because of the extended period over which those decisions were made.

The difference between what was originally intended from this project and what was ultimately delivered is profound. That difference occurred over a number of years, so there would have been plenty of opportunity to observe the change and to quantify the change and ask questions about it. So I think the point is valid. I think that ends my observations.

THE CHAIRMAN: Thank you.

DR. PERCY: With the MRIS in Energy, which we only learned about after the fact, with PSC and the contract in place, which again we don't know the structure of, the risks associated with it – the business plans are in place, there is a series of policy committees, yet we're no better off. I mean, you've told us that these things should in fact act in a way to preclude negative outcomes, but we're looking at one negative outcome with MRIS, potentially another negative outcome with PSC.

THE CHAIRMAN: Your question, Mike.

DR. PERCY: From my perspective, what's in place doesn't appear to work.

MR. MAGNUS: That's not a question, Madam Chairman.

DR. PERCY: Okay. The question, then, is: where in this system would PSC have popped up? It hasn't popped up in the business plans and it hasn't popped up in the standing policy committees. [interjections]

THE CHAIRMAN: Could we have some order, please. Mr. Valentine, the time is running out. If you could make a quick comment.

MR. VALENTINE: My comment would be: it's popped up in my report.

THE CHAIRMAN: Thank you.

Because of the hour I'd like now to move on and thank Mr. Valentine and his staff for making themselves available both last week and this week to deal with the Auditor General's report.

Is there any other business? If not, based on the motion that is before the House, I think it would be a correct assumption that this will be the final Public Accounts meeting for this fall session. Also, the fact is that there was no one booked; no ministers were available for next Wednesday's Public Accounts. If by any chance the House doesn't adjourn, as of yet we do not have anyone to appear before Public Accounts.

Could I have a motion to adjourn, please? Moved by Barry. All in favour?

HON. MEMBERS: Agreed

THE CHAIRMAN: We stand adjourned. Once again, thank you very much.

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