

8:32 a.m.

[Mr. White in the chair]

THE CHAIRMAN: Good morning. We have distributed an agenda, which is before you today. We have a couple of suggestions for modification or amendment to that agenda. You'll recall that last week we had a notice of motion from the Official Opposition with some discussions between the mover of the motion and the chair and the vice-chair. We have concluded that we should put a period of time at the end of the agenda to deal with the matter, with one or two speakers from each side at the most, and move on to the business at hand.

We have also received notification that there is a motion by a member that could be dealt with, an administration matter that the chair and the vice-chair would like to have some direction on from the committee. We'll also do that at the end of the meeting.

So my suggestion is that we conclude our questions of the Auditor General at about 9:40 in order to allow 20 minutes to deal with those administrative matters. If we could have a motion to that effect and to accept the agenda as amended, that would sort of tie things up. Might we have a motion to that effect?

MS BLAKEMAN: I'll do that.

THE CHAIRMAN: Is it agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: It is carried.

Now, we have with us today some guests, and I'd like to call upon our vice-chairman of this committee to do some proper introductions.

MR. SHARIFF: Mr. Chairman, I have the pleasure of introducing to you and through you to the members of this committee visiting delegates from our sister province in South Africa, the province of Mpumalanga. The delegation is headed by the Speaker of the House of Mpumalanga, the Hon. S.W. Lubisi; the Deputy Speaker, Mrs. Mabena; the committee clerk, Ms Thabane; the deputy directory of parliamentary proceedings, Mr. Sithole; the acting secretary, Mr. Mwale; and the head of *Hansard*, Mr. Shabangu. I welcome you all, and I hope you have a wonderful experience of the Alberta model of Public Accounts.

I have personally been to the province of Mpumalanga, along with I believe Mr. Valentine. You've also been -- no? Okay. I have been to that province. It's a wonderful, warm, hospitable province with wonderful people out there. So I encourage Albertans to cooperate with our sister province in promoting partnership between the two regions.

Thank you, Mr. Chairman.

THE CHAIRMAN: Now we have one other formality. Normally at this point in the agenda we have the approval of the minutes. The difficulty we're having is that the *Hansard* staff that cover this meeting are also the *Hansard* staff that cover all of the other meetings. There happens to be, I believe, a justice summit and a FOIP review committee at the moment, which has loaded up the staff. Consequently, we will not have the minutes for the last meeting. They will be circulated hopefully before Christmastime, and if you have any errors, omissions, additions, or deletions, if you could report those as soon as possible, we'll do the best we can to adjudicate those amendments between the vice-chairman and myself.

Now, we have with us today again the Auditor General of the province. If the Auditor General wishes, he may dive in, or as he has a number of staff present, some that are here for the first time I suspect, he may want to introduce them. In any event, the floor is yours, sir.

MR. VALENTINE: Thank you, Mr. Chairman. The lineup in front of you this morning, ladies and gentlemen, is the same as last week. On my far right: Brian Corbishley, Ken Hoffman, Nick Shandro. On my left is Jim Hug and Merwan Saher, and in the gallery, eight or nine of the senior staff of the office.

THE CHAIRMAN: Thank you, sir.

You'll recall that this is a continuation of the agenda of last week, and we had on the speakers' list in this order: Dr. Pannu, who had one supplementary that he was still due, then Mr. Yankowsky, Mr. Sapers, Mr. Stevens, and then of course it's the opposition again. We did have another one in there, but it's now Ms Blakeman, and then, I'm afraid, we'll have to start over. Okay? Good. All right.

Dr. Pannu.

DR. PANNU: Thank you, Mr. Chairman. I want to start by extending warm greetings and welcome to our visiting guests today. Good morning to all of you.

It's always a little difficult, Mr. Chairman, to pick up from where I left off a week ago. I'll try my best in my supplementary to link my question to my first question of this committee during this sitting of the Legislature.

My supplementary question is to the Auditor General. The uncertainty that exists with respect to the renewal grant use I think was my first question. I hope in the course of time I'll receive information from the minister, and I talked to the minister about that yesterday. Replacement costs of the renewal grant are certainly related to the whole issue of long-range planning, that you draw attention to on page 41. What will be the consequences of the department failing to engage in serious long-range planning for the quality of education in our postsecondary institutions, Mr. Auditor General, in your view?

MR. VALENTINE: Can you repeat the question, sir? What is the long-term . . .

DR. PANNU: If the government fails to seriously address the issue of long-range planning with respect to both replacement and renewal of facilities at the universities and colleges, are there any implications of that failure for the quality of education that our young Albertans deserve and indeed demand?

THE CHAIRMAN: Allow me to interject. As I recall, the questions were related to deficit and capital works and the capital side of the budget, the deterioration of the capital asset and the long-range effect of that on the quality of education. I believe that's sort of the context there. I remember the questions.

MR. VALENTINE: Well, I suppose the obvious is inevitable. If you fail to maintain your plan, someday young people are going to be sitting out on a quad on a snowy, cold day trying to read a textbook. Now, that's a bit facetious. Nonetheless, in order to appropriately deliver a service, one needs the requisite infrastructure, and part of that includes buildings and classrooms. Although I suppose if you want to dream a bit, you can envision that it will all occur from a web site and it will all happen through the medium of a laptop which won't be connected to anything and running on infrared transmission. I guess that's where it might be. I don't know. You're a more

learned man than I am.

THE CHAIRMAN: Mr. Yankowsky, followed by Mr. Sapers.

MR. YANKOWSKY: Thank you, Mr. Chairman. Good morning, everyone, especially our friends from South Africa.

I have some comments and I guess a question or two on your year 2000 report, pages 10 and 11. I want to thank you for the concern that you expressed regarding the year 2000, or so-called Y2K, computer glitch problems. I must admit that I was somewhat skeptical about the possible seriousness of this problem until I began seeing warnings from credible sources such as major banks, financial institutions, industry, and business. Yesterday, in fact, I received a notice from my insurance company absolving themselves of certain claims if certain things happen, and so on, and indeed even giving me some advice here as to who I should contact to make sure everything is year 2000 compliant.

8:42

I also attended what is called a university 2000 seminar taught by a very knowledgeable and credible man. He came from the small business preparedness aspect, and he really drove home the need for not only service providers but everyone, including governments, to be at least informed of this potential crisis. The question I have here is: has your concern diminished; that is, are you feeling more comfortable following some response from the Alberta government and industry regarding the year 2000 compliance readiness, or are you still very concerned?

MR. VALENTINE: No. I think we continue to be concerned. I think what's changed from the first time we raised this issue, which was in the '94-95 report, is that there's no longer sufficient time to fix but rather that the time remaining needs to be dedicated to determining what your contingency plan should be. Various organizations are approaching that in a variety of ways. I hear amongst our clients that the issues of heat, light, and water are now the critical issues for being able to conduct business in a normal way on January 3, 2000. That's changed from earlier concerns about: "Who should we hire? Who can we hire? Who can rewrite the code, and who can do this, that, and the other?" Now, there's more concern about: what are your contingency plans?

In all that I read I don't think there's any assurance that anybody is giving to the public or to interest groups as to exactly what will happen. I think it's still a big, open question. The problem is that there's no practice, no rehearsal; it's all just going to happen. If we're in the dark for a number of days and it's 30 below, that'll be one thing, but if we're in the dark and it's zero, that's another thing. Just as an aside, I have a daughter who is involved in research and uses animals in her research in neuroscience, and she has been advised not to have any ongoing experiments running at the time of the end of the year 1999. That's just a cautionary issue.

MR. YANKOWSKY: A follow-up question. Are you planning to continue in kind of an ongoing follow-up regarding the government's and Alberta's readiness in this issue? Can we expect another report from you next year, or will you have some reports in between?

MR. VALENTINE: Yes, you can expect another report next year. Yeah. I think it's something that nobody should let go of.

MR. YANKOWSKY: Good.

MR. VALENTINE: I might also add, you know, that there is a

propensity in the private sector to say: "Oh, what's government doing? They're not ready yet." You can turn that around, and as the major business of this province you need to ask the questions: "Is industry ready? Is the private sector ready?" Those questions get battered back and forth a lot. Frankly, I don't think there's much difference between the public sector and the private sector.

THE CHAIRMAN: Thank you.

Mr. Sapers, followed by Mr. Stevens.

MR. SAPERS: Thank you, Mr. Chairman. Good morning to our guests. I hope we can make this somewhat entertaining to justify the early hour that you got here. Mr. Valentine, I guess part of that is going to be up to you as well.

My questions relate to part of the report dealing with Executive Council, pages 16 and 17, particularly some of the margin notes which really caught my eye: "Planners should confirm assumptions for years one and two." "More attention is required for the second and third years of the business plan." "Reviewers should concentrate on the third year." "Emphasis on the third year is needed to gain benefit of longer-term planning." In any business or enterprise that I've been involved with, if those were margin notes attached to an audit, I'd sure be sitting down with my management team.

I'm wondering if you could just give us a little bit more detail about your concerns regarding the planning process that's governmentwide but is highlighted in your comments on Executive Council. For example, could you tell us what deficiencies were identified by your office that have resulted in ministries not focusing on the third year of their three-year business plan? What are the consequences of that lapse? Perhaps in your answer you could reflect on what steps might be taken by government departments in their planning process to ensure that the appropriate attention is paid to the third year of these three-year plans.

MR. VALENTINE: Well, first of all, I think that three-year business plans are the linchpin in the process of bringing government expenditure under control. Had that kind of a concept not been introduced and become operative, the chances of success in fiscal management would have been much reduced. That isn't to say that everybody is an expert three-year planner, and not so surprisingly we found that there seemed to be a greater emphasis on the current year than there was on the third year out. In order to fully use the planning exercise and to have sufficient confidence on the third year, the same level of confidence as you have on the first year, one needs to pay attention to that third year. Actually, the third year in a sense is the first year because it's going to grow up. It's going to become one year more mature next year, and then it'll be the immediate year coming in the following year. Unless the assumptions and fact situations are challenged in the development of the third year, then it tends to be just a roll-up procedure that doesn't have any foundation to it.

Also, I think it's worth noting that business managers hadn't been introduced to this form of government planning until a relatively few years ago, so one could say that there was a lot of scrambling and learning how to perform this function. But I would say that in many respects the learning process is over and they've got a number of years under their belt, so the planning process becomes one of a certain amount of repetition. Now, in that repetition one can become complacent, and it's that complacency that we don't want to see creep into the planning process.

Ken Hoffman may wish to supplement this.

MR. HOFFMAN: I'd just like to add that when we were visiting the various ministries and talking to them about their three-year business

plans, it became clear that in the first go-around they had a very clear three-year agenda, and there was this clear commitment to three years out. But as that was being met, it became less clear as to what you're going to do with that third year. So there's, as we've said in here, a tendency to shift back to a one-year focus, the current year. Thus that's the need for the recommendation, to try to mitigate that tendency. Otherwise, you're not going to get that benefit from looking three years out. That was the whole point behind the exercise: to bring in the need for initiative, the need for change and accountability.

One of the difficulties that contribute to the emphasis on the first year is the fact that at the end of the day you have a one-year budget. That's what's debated in the House, the one-year vote. So there is an emphasis even in the review process back to that one year; thus the margin note or the paragraph with respect to reviewers looking at it. Perhaps when it's looked at in Committee of Supply or what have you, there might be some questions around the third year as well.

**8:52**

MR. VALENTINE: I think even three years is a relatively short period of time. If you think, a number of expenditures that you will make have a contributory life to the business of government for a much longer period of time. Take a major highway. That investment in year one will have a contribution for a goodly number of years. How old is the Calgary-Edmonton four-lane highway? It's not young, yet the roadbed stands up very well.

MR. SAPERS: Well, I'm actually glad you mentioned the longer term, because I was thinking, as you were making your comments, about the fact that we're locked into a current-year budget debate but trying to provide a vision of service for the future, and there is an inherent contradiction in that process. In my earlier question I had referenced a request for some of the implications of failing to be forward-thinking or treating those three-year business plans seriously. I guess I'd expand on that and ask if you have looked at the feasibility of developing an even longer term framework for the budget process. I understand that New Zealand uses a 10-year fiscal and economic strategy to help guide their government departmental business plans. Would there be benefit, in meeting the concerns you have raised about the lack of attention to the three-year business planning now, in working with the government to develop a 10-year, let's say, planning horizon to provide a framework for those rolling three-year business plans to fall under?

MR. VALENTINE: Well, if you look at recommendation 2 on page 18 and the dialogue that follows from that, you'll see that we are in fact encouraging a longer term plan for capital expenditures in relation to the budget. Now, we haven't looked at the feasibility of doing that. I rather think that's someone else's job, to figure out the how to. We're saying that that sort of planning as a matter of principle ought to go on, and the how to should come from those who are doing the planning. How that should relate to the estimates and the like is a matter, I would think, of some study that needs to be done by Treasury, for example.

THE CHAIRMAN: Thank you, sir.

Mr. Stevens, followed by Ms Blakeman and Mrs. O'Neill.

MR. STEVENS: Thank you, Mr. Chairman, and good morning, everyone.

I was very interested in the discussion last week surrounding your recommendation 44 on page 215 dealing with the province's consolidated financial statements. There was a comment that was

made in response to one of the questions dealing with the consolidated statement of Bell Canada, or BCE, including its interest in NorTel, which was not a wholly owned but a partially owned entity, and that got me thinking. I know that at page 215 you state:

At this point, in summary, my view is that there is a need to include in the Province's consolidated reporting several entities which are presently excluded, such as Provincially owned universities, colleges . . .

and there's a list.

There are lots of organizations which receive provincial funding in whole and in part. In the part, some receive a majority of their funding from the province; some receive less than a majority. There are organizations which have a board that involves an appointment of all board members by the province but in some cases less than a majority or less than all. I was wondering if you could comment on where the dividing line is between those organizations which receive provincial funding in whole or in part, where the board is appointed in whole or in part, for the purposes of consolidation as you have proposed.

MR. VALENTINE: The dividing line is a matter of professional opinion based on the authorities for rendering that opinion, which are substantially contained in both the CICA handbook, referred to commonly as the blue book, which has general application to the private sector and some application to the public sector, and in the public-sector accounting and auditing standards, which are contained within what's referred to as the magenta book. I'm going to have Merwan Saher speak to you about the definition in a minute, but there's one aspect of the definition that you haven't discussed, and that is the control and responsibility to the minister. The entities that we believe should be included within the entity are entities that in our view come under the control of a minister. There's a variety of actions that a minister can and does take which demonstrate that kind of control.

What I want to emphasize is that we believe that our view is correct in relation to the accounting literature of the day, and the government doesn't agree with us. Rather than sit in on what I referred to last week as a Mexican standoff on the issue, we are proceeding to see if we can't move the issue forward such that I can continue to sign a generally accepted accounting principles audit opinion on these financial statements at the same time that we're dealing with a realistic accounting standard. It may be that the present accounting standard needs alteration. It is somewhat lacking, if you like, if you have an accounting standard that's not followed. On the other hand, if someone is not following an accounting standard that has received the requisite due diligence and exposure to the public such that the phrase "generally accepted" is true, then those who don't follow those standards ought to receive some sort of reservation in their audit report.

So with that, I'd like to turn it over to Merwan to just give you a little amplification on the definitional issue of the government entity.

MR. SAHER: Thank you. Peter has just said that the general rule is that an organization should be consolidated when there is evidence that that organization is accountable to a minister and is either controlled or owned. So the definition really has two parts, the first being accountable and the second part being owned or controlled. Both of those conditions have to be present.

I'm going to just quote directly from the accounting standard, where it states:

A government controls an organization when, without requiring the consent of others or changing existing legislative provisions, it has the authority to determine the financial and operating policies of that organization.

So that essentially is the framework in which a discussion of control

would take place using the accounting literature.

The literature goes on to suggest that there are various factors which might be present which would suggest that control exists. For example, evidence of control may be found in legislative provisions, including regulations and bylaws, that provide the government with the authority to either determine the revenue-raising, expenditure, and resource allocation policies of the organization or -- and I stress "or" -- appoint a majority of the organization's governing board or its senior management.

There's an interesting part in the standards that goes on to say, essentially, that that control does not have to be exercised on a day-to-day basis in the sense of direct involvement. It's the fact that that authority exists, that the government has the authority to determine revenue-raising, expenditure, and operating policies, the fact that the possibility, the potential of exercising control exists which is the guiding factor. So it's really that background that we use to support our position that the entities referred to should be consolidated.

Last week I think in much of the discussion from us I had concentrated, if you will, on the output, the result of doing a consolidation. We tried to focus on the fact that there is, in effect, better information available to users of financial statements. So we were really in a sense trying to demonstrate that these technical, if you will, provisions do in fact have a practical outcome in much better accountability information. I'd just like to say in closing that I think the guiding principle is the fact that an organization is accountable to a minister and that it's controlled.

**9:02**

MR. STEVENS: Thank you very much for that.

The examples of universities and colleges I can understand. It's beyond that that I'm trying to test. So it's not that I don't appreciate the point you're making. It's simply just that I'm trying to get some sense in practical terms, because I'm not an accountant and don't really appreciate the subtlety of the words you're using in application.

Take, for example, the education field. There are private schools which are not-for-profit organizations which are created as a result of compliance with legislation of this province, that become accredited as a result of complying with certain things, that are accountable to the minister in the sense that they have to do certain things under the legislation and policy, including the provision of a budget, financial statements, and so on and so forth. If they do all these things in general, they are entitled to a certain level of funding.

Now, if they don't do those things, the minister has the ability to take certain steps with respect to that organization, which could include, depending on what they fail to do, taking away their right to operate. So from my perspective, in gross terms there is a level of control relative to the continued existence of the organization. Part of the failure could be the failure to provide financial information. Now, in those circumstances would that be the kind of organization that might qualify under the current definition?

MR. VALENTINE: Well, I think you have to in all situations take into account all of the facts or circumstances, and while you enumerated a few that would lead you to control, let me suggest that the fact they don't get any capital funding from the public purse starts to whittle away at that concept of control. There's no general public access to the institution -- you must belong to some other organization in order to get into the institution -- and there's no control over the board appointments. The board appointments come from within their own group, however that in some sort of democratic process works. So those things erode the control argument that you might build up on the basis that the minister has the right to have a hatchet over their head if they don't behave or something.

So when we get to an institution like one you've described, I

would think there's more of a franchise relationship than there is an ownership relationship. The Tim Horton franchise on the south trail doesn't get consolidated into Tim Horton. Neither does the Coca-Cola bottler in southern Alberta get consolidated into Coca-Cola, because at the end of the day the fiscal decision about what happens with the leftovers is a decision that rests with that board and nobody else. The board of the Coca-Cola bottler makes the decision when and how to pay a dividend. That's one of the reasons why the ultimate test of control is not there in the private-sector sense.

Could my colleague supplement that, please?

THE CHAIRMAN: Oh, certainly.

MR. SAHER: Mr. Chairman, thank you. In the particular example raised, with the facts as you set them out, I think the conclusion would likely be that that organization would not qualify. But as Peter said, the judgment can't be just instantly made. Your example, in my opinion, points to an entity that would not form part of the consolidation. The thing that drives me to that conclusion is that in your example the minister was not, in effect, directing the day-to-day activities and, I think the point is, did not have the power to direct the day-to-day activities.

An example that I might use, moving to another area, is the Tire Recycling Management Board. This is an entity that we studied during the last audit cycle to form our views as to whether we should be advocating that that entity be brought into the consolidation. Our conclusion on the facts available was that that was not an entity that should be a part of the consolidation. The entity is certainly accountable to the minister, yet the factors that point to the minister's ability to control its activities day by day are not present.

MR. VALENTINE: Albeit some people think that four bucks is a tax.

THE CHAIRMAN: I think it may prove to be so under this continuing redefinition of tax versus fee, but that's beyond our scope here, sir. As much as we'd like to have the power to do that, we do not.

Ms Blakeman, followed by Mrs. O'Neill and Ms Olsen.

MS BLAKEMAN: Thank you very much. I once again welcome the presence of the Auditor General and his staff and the staff joining us in the galleries. Of course a special welcome to our guests from South Africa.

I have tried to speed-read the *Hansard* that came out from the last time we gathered here, and I'd like to follow up on the conversation about the Alberta Treasury Branches and connecting accounts. The specific reference is page 223. I note that as of the end of the fiscal year we're discussing, which would be March 31, 1998, the Alberta Treasury Branches had a little over 208,000 customer loan accounts. I'm wondering what the estimate is on the number of connected loan accounts that were held by the ATB as of the end of the fiscal year we're examining. Are the majority of those connected accounts contained inside the commercial and other loans portfolio?

MR. VALENTINE: I'm afraid I can't tell you. I don't have that information here, and there's a good chance that we wouldn't have retained that kind of information in our files. That's a factual situation of the business of ATB and I think could be properly addressed by the management of ATB.

MS BLAKEMAN: Okay. Would the concerns that are laid out in your report apply to any of the I think \$401 million in guarantees, whatever the end amount is, that are held by ATB?

MR. VALENTINE: Well, the guarantee is accounted for in an entirely different way than the loans are. Loans are receivables on the books. They appear on the left-hand side of the balance sheet, and they're valued at their collectible value. The guarantee is at the moment a contingent liability subject to a provision for a potential loss on it, and that's information that has become available, to the best of my knowledge, through the court process. I can tell you that I have not read every page of the court documentation at this point in time, although I may before the end of the year have read it all. The connected accounts issue is in connection with loans made, loans receivable, on the left-hand side of the balance sheet. That's what the dialogue in this report speaks to.

9:12

MS BLAKEMAN: Let me try the question, and you'll tell me whether or not it's possible to answer it. How do the guidelines that were established by ATB to review the adequacy of their security and cash flow prior to the approval of the connected accounts compare with the stringency of the guidelines that are used in the charter banks?

MR. VALENTINE: In a very general way I would say that there's not a lot of difference.

MS BLAKEMAN: Not a lot of difference?

MR. VALENTINE: No. I think dealing with connected accounts is an issue for every financial institution, whether it be a credit union, a trust company, an insurance company, a bank, a near bank, any organization that's in the financial institution business who'd know the implications of the variety of businesses that a particular lender may represent.

MS BLAKEMAN: Okay. Thank you.

THE CHAIRMAN: Mrs. O'Neill, followed by Ms Olsen and Mr. Shariff.

MRS. O'NEILL: Thank you, Mr. Chairman. Welcome to the guests and to our panel. Again, I appreciate your being here and responding to our questions.

My question revolves around risk management and your recommendations, in particular on page 172, with reference to the Department of Labour, but my question is not just restricted to it. Could you tell us whether you saw a need for the recommendation to reach not just to Labour but to those services that have been outsourced as a result of, if you will, privatization in a number of departments? The question with regard to that outsourcing: is it just monitoring, or is there a recommendation that it also be advised that that kind of risk management, if you will, even insurance be put in place? If you could speak to it, I would appreciate your observations.

MR. VALENTINE: Well, I would observe, firstly, that every situation of contracting-out or devolved authority will necessitate probably a slightly different approach. In the case of liquor distribution, you have determined that that can be done by the private sector, yet there are some rules that still need to be enforced. You can't have minors going in and buying liquor -- that is against the law, to the best of my knowledge -- and you can't have indigents and drunks doing it either. So you're now relying on the retail, private-sector delivery system to provide that enforcement of not dealing with minors and not dealing with people that shouldn't have access to alcohol.

If you take a major landlord who has a substantial number of

buildings and a concentrated workforce internally -- and there are lots of those kinds of companies around -- they've all got elevators in those buildings, and there are a lot of people going in and out of those buildings every day, up and down on the elevators. Now, if you compare the risk of inspection there with the risk of failure to inspect in a one-off building that's not well maintained, that perhaps is partially vacant, a variety of other things, you'd say the higher risk of someone having an accident in an elevator would be the building that is in disrepair. So would you not focus your activities about assurance that the policies are being enforced to those areas where the risk is higher? I happen to think that the Hudson's Bay Company must be pretty low risk, because every time I go in, the escalator is not working and I've got to walk up. So they're inspecting them a lot.

MRS. O'NEILL: Thank you. I have no second.

THE CHAIRMAN: That's delightful. I guess the completeness of the answer negated the reason . . .

MRS. O'NEILL: Well, the sharpness of the question too.

THE CHAIRMAN: Yes, of course. Thank you kindly. The breadth of the question certainly makes a difference too.

Mr. Shariff, followed by Dr. Pannu and Mr. Stevens. Oops, I'm sorry. I missed that. Ms Olsen was in line. I'm sorry, Mr. Shariff. We have to go back and forth here. I'm sorry. The chairman was so taken by the last one.

MS OLSEN: It's a matter of fairness, Mr. Chairman.

DR. PANNU: I'm third in line, Mr. Chairman?

THE CHAIRMAN: Yes, sir.

MS OLSEN: Welcome back today to the Auditor General and his staff and certainly to our guests. I'm going to take you to your report for '97-98, last year, to Health, and I'll be referring to pages 127 to 131.

In your report you recommend that the Department of Health:

- improve the quality and timeliness of the information used in the population-based funding formula;
- improve the consistency and predictability of the formula;
- analyze reasons for utilization and cost differences between regions;
- review the continuing application of the no-loss provision, and
- develop better methods of forecasting funding requirements.

In that vein, I'd like to talk about the funding pools.

You say in your report that the RHA is not necessarily required to spend its dollars that are allocated for one specific service, that it can go somewhere else. So I guess my question is: what explanation was provided by the RHAs with combined expenses of \$300 million for failing to provide MIS information that would provide the allocation to the service pools under the population-based funding formula? That would be referred to on page 128 of your report.

MR. VALENTINE: The population-based funding formula is a subject that gets a great deal of attention in the health sector. Nick Shandro is the guru in the office on the population-based funding formula issue, and I'm going to have Nick respond.

MR. SHANDRO: Your question was: what was the explanation we

got for not submitting the expense totaling \$300 million? We did the audit at the Department of Health. We didn't visit the RHAs in this regard, but I know that some of the RHAs have consciously decided not to put the effort into providing this information because they keep their expenses in a format that is not compatible with the reporting requirements that Health wants the information submitted in.

MS OLSEN: Okay.

MR. SHANDRO: I'm not sure that's the case across all of them; I know that it's the case for some of them.

9:22

MS OLSEN: It seems to me that there seems to be a problem in how the government sector itself reports, and now we have a nongovernment organization not reporting in a manner that in essence ends them up noted in your report as a deficiency. Has there been any consultation in relation to this that's going to help correct that in the future?

MR. VALENTINE: Well, first of all, I guess my general observation would be that there's probably more control over RHA financial reporting by Health than there would be by any other group in any other ministry. There is a very large manual that directs them on how to report. Essentially, issues that we've raised over the past historically the department has dealt with one way or another with the RHAs.

Nick, you may want to add to that.

MR. SHANDRO: First of all, I want you to know that the population-based funding model was a creature that was created in conjunction with a lot of representations from the regional health authorities, and on the whole they're satisfied with the model as it is. It needs to be refined. Information in all cases is not well developed. It's an evolving process. So far, the attention has been given towards allocating money. That's the approach that's been used.

What hasn't happened is developing an information system at the RHA level and getting the information to manage with in terms of the use of that money, while they're not required to use it in the way that it was allocated. They have the choice. We believe that they ought to have a good feel for how they are actually using it and, if the provincial funding model is a so-called benchmark, how they are doing against that benchmark. That utilization of information currently is not available at the health authorities. I think that's another project that needs to be undertaken by health authorities in conjunction with the department.

MR. WHITE: Thank you.

Mr. Shariff, followed by Dr. Pannu and Mr. Stevens.

MR. SHARIFF: Thank you, Mr. Chairman. Welcome back to the Auditor General and your team. I have three questions pertaining to the process with regards to the recommendations you make with different ministries. If it's okay with you, Mr. Chairman, I'd like to ask all three questions together, because the answers are probably going to be very short, either yes, no, or we will consider them.

My first one is in regards to recommendation 16 on page 76 where you are recommending that "the accountability framework for grant expenditures made from the Lottery Fund be improved." At the conclusion of that statement you are offering yourself "to review proposals for change and provide advice and assistance, if required." My question with that point is: are you getting any response from our ministers, and are any time lines established?

My next question is with regards to recommendation 18, and that

has to do with the Department of Education, where you do talk about the achievement tests and other tests that are carried out for special needs. An observation that I'd like to bring to your attention for consideration in subsequent analyses is the high dropout rate of ESL students. In Calgary it is reported that 70 percent of them drop out of school, which relegates them to perpetual poverty and low-income jobs. You may want to take that into consideration

Finally, the third one is in regards to recommendation 24 where you are making recommendations to the Department of Family and Social Services. I go to the last section therein where you talk about contract tendering policies and that in 1997 you recommended "that tendering policy and procedures for major contracts be improved." What I'd like to know, for my information, is what the deficiencies are that you are identifying and whether these recommendations apply to the new CFSAs and if the minister is responding to that recommendation.

Thank you.

MR. VALENTINE: Are you all right with 3?

In answer to your first question, the answer is yes. We've seen evidence of a substantial amount of work being conducted by the gentleman responsible for the Alberta Gaming and Liquor Commission.

With respect to recommendation 17, this recommendation was made with particular emphasis on special-needs children. It didn't cover ESL. We've done some work, which is not yet complete, in the native student population area. Thanks for the suggestion about ESL. We are in the process at the moment of scoping out our activities for the next year, and we'll take that into consideration.

In the case of the child and family services authorities, as you may well know, there's only one up and running. That's Calgary. The boards have been appointed for all of the others. I and two of my colleagues spoke to all board members in two sessions, one in Calgary and one in Edmonton, on the matter of governance and accountability. We know we have the department's attention on that issue, and we've been involved in a serious way in trying to see that they get off to the right start, because the ounce of prevention is worth much more than the pound of cure.

MR. SHARIFF: Thank you. If I may just put this here. I don't need a response; it can come afterwards. I'm looking at the *Hansard* for the last minutes. Mr. Shandro is responding to a question; therein he makes reference to his wife being a registered nurse in the blood collection system and advising him that two-thirds of the nursing time is spent on information collection and management. I just want to, for my satisfaction and for the satisfaction of Albertans, be reassured. Is this backed up with other studies? If so, let us know. If not, then maybe you may want to reclarify that this is only one person's opinion and doesn't apply to the entire nursing profession.

MR. SHANDRO: That's true. It is an example that I heard about. The point of our discussion was that with the increases in risks resulting from things like high-tech drugs, you need to track the information far more if you want to be diligent. Nurses today have to have a lot more information in terms of drug reactions, things they have to monitor. They have to communicate this vast amount of information to the doctors who are coming on shift and so on, much more than used to be the case in the past. There needs to be some studies of where the time is going, and we believe that just putting additional staff without having proper information systems supporting these staff is just going to drive up more and more manual collection and frustration. I can tell you that while maybe I don't like to do bookkeeping, my wife hates it.

THE CHAIRMAN: That ended up being four questions, Mr. Vice-Chairman. You and I being the guardians of the process, we should be a little more careful.

Dr. Pannu, followed by Mr. Stevens and Mr. Sapers.

DR. PANNU: Thank you, Mr. Chairman. I hope that once in a while you will be as generous towards me as you've been to my colleague there.

My questions, Mr. Auditor General, have to do with the part of the report that deals with the Department of Community Development. It starts on page 63. On top of page 64 obviously you note that you "conducted an audit of the financial statements of the Ministry and Department of Community Development for the year ended March 31, 1998." In previous days some arm of the government looked after that function. Now, if there is a large risk of distribution of alcohol to those who shouldn't receive it, then it seems to me that becomes a risk one wants to ensure there's a mechanism for controlling, whether it's a large risk or a small risk. I would suppose that it's a larger risk in some communities than it is in other communities. Again, the enforcement aspect of it would be directed to those areas where the higher risk would be. So what we're essentially saying is that one needs to analyze the risks of the issues you're dealing with and then put in a mechanism to monitor it or police it, depending upon what the circumstances are.

9:32

Now, you'll recall, sir, that you had received by written letter a request from Ms Barrett, the leader of the New Democrats, concerning a particular contract between Monaghan and Associates and the Department of Community Development. This letter was sent to you on October 15, which you very kindly replied to on October 21, 1997. You had suggested in your letter that you had instructed your staff to include an examination of the contract to which Ms Barrett's letter referred, and you said that it would be done as part of the work that you are conducting at the Department of Community Development and the Alberta Sport, Recreation, Parks and Wildlife Foundation.

I notice there's no mention in your work of any work completed by your department with respect to that particular request. The questions that were asked perhaps I should put on record, some important ones that I think deal with broader public policy; several questions that were outlined in Ms Barrett's letter to you. There were seven questions. I'll simply read into the record the last two questions, because they deal with broad issues for which you, I think, would be responsible.

THE CHAIRMAN: Dr. Pannu, there is . . .

DR. PANNU: A preamble is necessary, Mr. Chairman, and I request that you let me just add these two questions, otherwise the question won't make any sense to anyone.

THE CHAIRMAN: But the nature of your questions is not dealing with the accounts per se; it's dealing with the direction of the Auditor General, as I understand it. It's traditionally been beyond this committee's responsibilities, as delegated from tradition in this House, that we do not have the power to direct the Auditor General. I'll allow the question, but the Auditor General need not answer directly or indirectly this question. So long as you're aware that you're putting on the record . . .

DR. PANNU: Thank you, Mr. Chairman. I'll depend on the good judgment of the Auditor General for this.

The two questions that I want to read into the record: was this particular contract between Monaghan and Associates and the

Department of Community Development tendered as required under the provincial government rules, and if not, why not? Did the Ministry of Community Development in fact violate its own tendering policy as alleged? The second question: how widespread are these contracting practices within the government of Alberta and provincial agencies? Are you satisfied that taxpayers receive value for their money from these types of contracting arrangements?

THE CHAIRMAN: That was the end of the quotation, then; right?

DR. PANNU: Yes. That's the end of the quotation.

THE CHAIRMAN: Okay. I think the Auditor General understands.

DR. PANNU: My question to you, sir, is: why is your answer absent from your report here? That does bear on particular expenditures and expenses paid out as part of the contract to this particular company.

THE CHAIRMAN: Dr. Pannu, you might have missed the import of my direction, and you're within your rights to challenge the chair. Quite frankly, the asking of that question may be in order, but I must tell you that the Auditor General need not answer a question directed from this committee why something is not in his report, because that could be and should be rightfully construed as direction in this report or future reports. So long as you understand the Auditor General's response.

DR. PANNU: Thank you, Mr. Chairman. I defer to the Auditor General in this respect. I look forward to hearing what he has to say.

MR. VALENTINE: The response that I would make to the first question is that that information was taken into account in the course of our work for the year ended March 31, 1998, and I have nothing to report on the matter.

THE CHAIRMAN: Thank you.

Mr. Stevens I assume will have to wrap up. We'll have to apologize to Mr. Sapers and Mr. Johnson.

MR. SAPERS: But I have a half a dozen questions that I want to ask.

THE CHAIRMAN: That you'll try to ask in one question. Thank you kindly.

Mr. Stevens, in your usual brief fashion.

MR. STEVENS: Thanks, Mr. Chairman. My questions this time will relate to your report in the health area. The first one will relate to some matters that appear on page 155 under the heading Regional Health Authorities and Provincial Health Boards. I note that you state that you've been appointed auditor of nine of 17 regional health authorities and that you are the statutory auditor of both provincial health boards. Later on at the bottom of the page you indicate that "for the most part, financial statements were prepared on a consistent and comparable basis," which to me means that in some cases they were not. I was wondering if you could comment on why that is so. Like, what are the exceptions? Is that significant? Is there a benefit that is being missed as a result of not having the financial statements being prepared on a consistent and comparable basis in all cases?

MR. VALENTINE: With respect to that comment, it applies principally to the area of how the regional health authorities are accounting for their involvement with their foundations. There is a variety of reporting those matters. If you look at the foundation in

relation to the regional health authority as a whole, they're generally not that material. Some rather complex and detailed rules for how one accounts for that information were brought into the CICA handbook a year and a half, two years ago. That we're just starting in this year ended March 1998. I think we saw the first of the reporting under those new rules, and people are having to grapple with the issues. Again, because of the substantial consistency, direction in the application of accounting principles that's given by the Department of Health, one would expect to see this problem disappear.

MR. STEVENS: Thank you. My other question is also in the health area, and it relates to a point that is made on page 143, where there is some discussion regarding the development of a business plan for Wellnet. In particular, there's a comment in the last bullet on that page where reference is made to "Physicians' business processes have to change" as part of this Wellnet initiative. I was wondering if you could elaborate upon some of the things that you mean by that statement.

MR. VALENTINE: I'm going to have Nick respond, who's the Wellnet expert.

MR. SHANDRO: Actually the work was done in conjunction with Brian on this, so Brian may want to have a say as well. In order to have a provincewide information system -- that means that if you travel through Lethbridge and have an accident there, your medical records can be transferred there effectively so that you can have the attention you need within a very short space of time -- the necessary medical records are going to have to be collected and transmitted.

Now, with the model that is being proposed under the Wellnet initiative, records are going to be kept by the various organizations, including physicians' groups, that produce this information, and therefore some network system is going to have to be in place to be able to extract that from the various organizations and service providers and communicated appropriately. So it means that physicians are going to have to be a major player in documenting electronically the records on a timely basis. For example, there's going to have to be more reliance by physicians on an information system in terms of drug dispensing and knowledge of what has happened to the particular patient of other physicians, much more of a networking than currently exists.

Brian, you may want to supplement that.

9:42

DR. CORBISHLEY: I'd just like to add that in many cases physicians' systems are still manual, both their medical records and their office systems. Even if they are computerized, they may not be compatible with an eventual integrated network system. Another area where they would have to also integrate is in making claims for physician fees. So there are several areas, as Nick has mentioned, where in some cases physicians would have to adapt their systems.

MR. STEVENS: Thank you very much.

THE CHAIRMAN: Thank you.

As we started off earlier, we are now in a position where we must stop the questioning of the Auditor General and thank he and his staff a great deal for their forthrightness to the questions and sometimes having to deal with tricky questions from our members here that are wise enough to know the difference generally.

We'll move on to the business at hand of our internal organization. Now we have, as agreed, notice from Ms Blakeman that she has a motion to put at the request of the chairman, I might add. You

might commence with that.

MS BLAKEMAN: Indeed. Thank you very much. I would like to move that

the Public Accounts Committee ask the Speaker to look for unexpended funds from the current year's Legislative Assembly budget for the purpose of the deputy chairman to attend the biennial conference of the Public Accounts Committees in Perth in February 1999 in order to present the Canadian Council of Public Accounts Committees subcommittee's findings about the development of a Commonwealth public accounts committee.

I have that in writing for the Clerk.

THE CHAIRMAN: Members of the committee, may I, with your leave, pass the chair without physically moving the chair to the vice-chairman so that I can add something to fill the committee in as to what's going on? Is that sort of generally agreed? The chair is now passed to the vice-chairman.

[Mr. Shariff in the chair]

MR. WHITE: By way of explanation, we found ourselves in a very interesting position in the last two years in conventions and conferences that your chairman and your vice-chairman and staff members attended. The last one was held in Yellowknife, which three of us attended. The one before that was here in Edmonton, which we played a major role in hosting, you'll recall.

It's interesting that we have guests today from different parts of the world. This particular motion and the sentiment started here in Edmonton and centered around the sharing of this committee's work and the definition of this committee's work in other parliamentary systems and how they differ and how they are similar in the fundamental function of being a check and balance on the history of the governance of, in this case, the province's funds. That led to some further discussion and a great deal of discussion amongst, privately I might add, not formally but privately, members that got to know each other and that explored this much more fully in an international context because there were a number of attendees here in Edmonton from Australia. They also attended a delegation in Yellowknife from Australia. It's their contention, and through a larger organization that our Speaker belongs to, that our work here and the other work in similar committees could be of a great deal of benefit internationally to Third World countries, recognizing that the difficulty always in those countries is the public scrutiny of accounts and how that is managed. Whether you understand it or not, we have a delicate balance here with the opposition being chair.

The resolution was to study the question, and your delegates selected the vice-chairman to sit on a special committee of the Canadian interest. It was made up of a federal member, a member from British Columbia, and our member from Alberta, to study the Canadian context to determine (a) whether it has some relevance internationally and (b) the costs to Canada holistically -- because it would be different governments of course -- to contributing internationally. So the essence of the request to the Speaker is if he can find some money this year to send a Canadian delegate from this committee to the conference next year in Australia -- that's early in 1999 -- in order to report the Canadian context.

It sounds like a long-winded -- and it is -- explanation of why I feel that it's reasonable for this committee to ask that consideration of another committee. Some questions?

I guess the chair may be assumed back, unless you want to ask questions of me. Or you could ask questions of the . . .

MS BLAKEMAN: No. I'd like to speak on the motion.



[Mr. White in the chair]

THE CHAIRMAN: Okay. Good. Terrific. The chair is assumed then. Thank you.

MS BLAKEMAN: Thank you very much. Members will appreciate the irony in this particular member's moving this motion to send the deputy chairperson to attend this conference. I am in favour of this happening, but I also would like to include a request and/or a warning, given the previous attempts by members of the Liberal caucus on this Public Accounts Committee to expand and update the policies and procedures of the Public Accounts Committee and particularly to have this committee sign on to the Canadian public accounts committee guidelines, which has repeatedly received no votes from the members of the Conservative caucus on this committee. I was one of the members that was fortunate enough to attend the conference when it was held here in Edmonton in the summer of 1997. I found it a most beneficial experience in that I was able to speak with a number of members of Public Accounts from other provinces and indeed other countries, particularly the Australians, and was able to learn what I believe are much more efficient and open ways to have public accounts committees operate.

Given that, I am in favour of a delegate from this Public Accounts Committee traveling to the conference noted, because I think there is a good possibility that we would be able to learn more about how to be more effective Public Accounts' members and to be a more effective Public Accounts Committee. To be able to participate in that larger field of the Commonwealth opens up those possibilities for us to learn as well as to share our own knowledge. For that reason I was willing to put forward the motion.

Thank you.

9:52

THE CHAIRMAN: There being no further questions, it has been moved. Is it agreed? If there are contrary minded, please indicate by saying no.

Well, we can assume that the motion is now unanimous. Thank you very much for your consideration. It will be so recorded and so forwarded to the Speaker.

We now have a notice of motion that has been forwarded to you in the proper form. We ask that Mr. Sapers now move his motion.

MR. SAPERS: We've got a few precious minutes left, and I'm hoping that we can have as quick and as unanimous support for these motions, which may serve the interests of the people of this province as well. I move that

the Standing Committee on Public Accounts conduct a special review of government involvement in loans and guarantees provided by the Alberta Treasury Branches, including the ability to call witnesses and subpoena relevant documents.

Quickly, Mr. Chairman, I'm calling for this committee to hold such a review for a number of reasons. Number one, there is a review that's ongoing at this present time, the review, coincidentally, being conducted by the office of the Auditor General. The Auditor General does not have the ability to compel witnesses or subpoena documents. I'm asking that some broader powers be accorded to a review.

The nature of the review would also specifically relate to government involvement in loans and guarantees provided through Alberta Treasury Branches and not simply in one circumstance. The Auditor General's review, as I understand it -- of course, we don't know for sure because the Treasurer won't tell us particularly what the Auditor General has been requested to do -- is looking at the loan guaranty provided by the Alberta Treasury Branches to the West

Edmonton Mall. This motion, if passed, would allow a review of government involvement in the totality of the operations of the Alberta Treasury Branches, as the Alberta Treasury Branches have provided loans and loan guarantees to many commercial entities other than the West Edmonton Mall.

So, in sum, it is this committee having the ability to live up to its role in overseeing the expenditure of public dollars as those dollars flow through the Alberta Treasury Branches and having the ability to compel witnesses and subpoena documents.

THE CHAIRMAN: As per our informal agreement, I must regretfully inform the third party that in order to conduct this, we decided it would be one speaker from each side and then a vote. It doesn't negate your comment outside, and I'd suspect, from knowing your past history, you'd be in agreement with the motion.

DR. PANNU: Mr. Chairman, how did this agreement between the two parties come about, and why was I not informed about this agreement? If I'm a party to it, I must be informed. I'm rather surprised that I was excluded from consultations that led to this agreement between the Official Opposition party and the governing party.

THE CHAIRMAN: Well, the alternative, sir, is not getting to the motion, the second motion, at all.

DR. PANNU: That's not the issue, Mr. Chairman. There's a question of equity. There's a question of proper consultation on this matter.

THE CHAIRMAN: The chair stands corrected. You have the floor, sir, but recognizing that the second motion will not be before us. If that's what you so desire, weigh it carefully.

DR. PANNU: We could carry on to the next meeting, Mr. Chairman.

THE CHAIRMAN: We shall, if there'll still be a meeting. Okay. The floor is yours, sir, to speak on the motion.

DR. PANNU: Thank you, Mr. Chairman. I want to speak very strongly in favour of the motion. Here are the reasons for my strong support for the motion. The Standing Committee on Public Accounts is one of the most important standing committees of this Legislature. It holds the government accountable for every dollar of public money that is spent in this province. We are obligated as members of this committee to take up this challenge and look closely and minutely and spend as much time as necessary to answer questions that are raised by events of the last few years with respect to the loan guarantees that have been taken over by Alberta Treasury Branches and the relationship between the decisions made by Alberta Treasury Branches to take over those loan guarantees and any instructions that the ATB may have received, may have been given by the government of Alberta. It is of the utmost importance, therefore, that this committee have the authority and have the opportunity on behalf of the people of Alberta to engage in a thorough investigation of the matters that are included in this motion.

THE CHAIRMAN: Thank you.

Mr. Shariff, and then the chair must comment on some of the form of the motion.

MR. SHARIFF: Thank you, Mr. Chairman. I would like to make a very brief statement that this committee operates under an agreed-to

Standing Order, and the Standing Order pertaining to this committee, under section 50, reads as follows: "Public accounts, when tabled, stand referred to the Public Accounts Committee." The proponent of this motion is the Opposition House Leader, and he does understand that we follow through with the Standing Orders that have been agreed to by all the parties. At this stage we don't have the mandate to proceed with such a request, according to the Standing Orders. I encourage him to take such requests into consideration when they renegotiate the next Standing Orders, and that will be the time when we could entertain similar motions.

For the present time, I regret that our mandate doesn't allow us to follow through with the motion that's on the floor. Therefore I recommend that we reject this motion.

Thank you.

THE CHAIRMAN: The chair must interject here also. This goes to the heart of the questions that were raised by the member of the third party earlier and this committee's direction of the Auditor General. That's precisely what this motion says. It's beyond our mandate certainly, so the best that the chair could decide is that the only way the mandate of this committee can be modified at all is through someone's recommendation to the House at large.

Now, the chair cannot see how it can be anyone other than this committee to give that kind of advice to the Assembly at large. The ruling of the chair is that these two motions in fact in the normal case would be out of order, except for the fact that they would be, if passed, only referred to the general Assembly through the Speaker's chair. That's all. It could not be construed that if these motions were passed, they would be then acted upon by the Auditor General or by any other department of the government. So that is the context. These are advice to the Assembly at large. It's understood? Any challenges to that position we can deal with now.

First Mr. Sapers, then Mr. Shariff.

MR. SAPERS: Thank you. As my colleague from Calgary-McCall indicated, I do have a certain familiarity with the Standing Orders of this Assembly. It seems to me that there's some other legislative authority that we may consider when we review the mandate given in Standing Orders, including the long-standing parliamentary tradition that when Standing Orders are silent on a particular matter, the rule of thumb applied is usually to allow the debate; in other words, to allow the freedom in a democratic system to pursue legitimate questions.

So I would in fact argue that our Standing Orders do not contemplate the kind of pursuit which is the subject of this motion before the committee. Therefore, it is very much within our right as a committee, because we are sovereign to that extent, to determine the nature and the course of our work as it pertains to providing accountability to the taxpayers of this province. If this motion is defeated simply because of a procedural wrangle, I think it will be generally interpreted that there was not the political will to pursue a sensitive subject, and I think Albertans deserve much fairer treatment than that.

THE CHAIRMAN: Mr. Shariff, for a wrap-up rebuttal here. Then we can get on with the voting.

**10:02**

MR. SHARIFF: Well, Mr. Chairman, I would maybe advise the Opposition House Leader to reconsider his motion and consider withdrawing it since it does not meet the mandate under which we operate presently. If he would like to make that change, there is a process and procedure in place that could be applied to change the Standing Orders, that have been agreed to by all parties. Quite frankly, at this point in time I don't even see this motion as being

appropriate. I encourage him to withdraw it. However, if the chairman rules that we have to vote, then I once again strongly recommend that we reject it.

Thank you.

THE CHAIRMAN: Thank you. On the motion as put by Mr. Sapers, I suspect it's probably best that we have a show of hands so we make sure that we have an exact count here. All those in favour of the motion as presented, please raise your hand. That would be four. All those not in favour of the motion as put, please raise your hand. That would be six by my count. The motion is lost. Thank you kindly for your consideration.

Under a three-party agreement we will deal with the second motion at a subsequent meeting.

There being no other business to be conducted, I'd like to thank those present for the lively debate. We stand adjourned.

[The committee adjourned at 10:04 a.m.]