

[Mr. MacDonald in the chair]

THE CHAIRMAN: Good morning, everyone. I would like to call to order this meeting of the Standing Committee on Public Accounts. Can I have approval of the agenda, which has been circulated, please? Thank you.

The next item is approval of the minutes of the Public Accounts Committee meeting of November 14. Mr. Goudreau. Thank you.

This is our second meeting with Mr. Peter Valentine and his able and capable staff to deal with his latest report, but before we get to the meeting, may I have the indulgence of the committee. If I could ask the vice-chair, Mr. Shariff, to come forward. On behalf of the committee we would like to make a small presentation to the retiring Auditor General, Mr. Valentine.

MR. SHARIFF: Sir, we'd like to present to you a permanent invitation to attend our Public Accounts meetings, a lifetime invitation.

MR. VALENTINE: Well, look at this. Jelly beans for the bean counter. Well, thank you very much.

THE CHAIRMAN: You're very welcome.

Thank you very much, Mr. Shariff.

Now, if we could proceed. Ms Blakeman, do you have a question this morning?

MS BLAKEMAN: Yes, indeed I do. Thank you very much, Mr. Chairman, and thank you again to the Auditor General and his staff for returning today to continue to answer our questions and enlighten us. I'm especially pleased to see that we again have some sports fans and fun seekers that have joined us in the gallery to watch the proceedings. Actually there are also some in the members' gallery. Welcome to those people. Thank you very much.

Now, my questions are directed around what's appearing on page 299 of the annual report of the Auditor General. This is specific to reservations in the Auditor's report. The first half dozen of them are around the child and family services authorities. I'm wondering if the Auditor General can give any indication of the approximate value and what these direct costs were that were omitted. I think what I'm trying to get at here is if you could expand more on what these reservations mean and what impact they'd have on the child and family services authorities' budgets.

MR. VALENTINE: The principal problem, particularly with respect to child and family service authorities, is the failure to record costs that are incurred by other departments on the accounts of these authorities. If all the costs that are attributable to the service are being provided by these authorities, then you'd know the full costs of the program, but because a variety of costs including occupancy, salaries, and others are in fact recorded on the books of others, such as infrastructure and the ministry, then you don't know the full cost of the program delivered by one or more of these organizations.

Ken, do you want to provide some more detail about the nature of the costs that have been allocated?

MR. HOFFMAN: Sure. If I could direct you to page 71, there's some information there, a little more elaboration on those. One of the problems that affected all the CFSA's was the services provided by the shared services organization, the ACSC, through the regional service centres. That cost was absorbed entirely by the department and not allocated out to the authorities, even though they were doing the human resource management function, accounting function, IT

function on behalf of the CFSA. There are a number of cases where the capitalization policy, that \$15,000, caused a misstatement. I don't have the specific numbers here, but they would be in the actual audit reports of those particular financial statements that had that error.

Then in one or two cases there were some unique problems where – I'll see if I can find an example of this. There's something called surplus retention reserve agreement where they pay out money to a funded agency and they're required to retain that surplus, and that surplus belongs to the CFSA, the unspent grant, if you like. So we felt that was an asset of the authority because they can direct its use and claw it back if they want. There are a few cases where that wasn't reflected in the financial statements of the authority, in one case where the revenues were incorrectly calculated.

MR. VALENTINE: I should point out that the allocation of costs has been a significant problem for a number of years. Within the allocation amongst the ministries we have come to a solution to that problem in the current year, so ministries are reporting within their financial statements costs incurred by other ministries on their behalf.

What hasn't happened here yet is to shove it down a layer so that it gets on the records of the 18 child and family service authorities.

MS BLAKEMAN: Okay. You're right. The Auditor General has been talking about these costs and the allocation of them for some time, and I can certainly attest to that. I'm wondering if there is something in the structure of Children's Services with its second layer of the child authorities that makes budgeting and reporting more difficult than in other departments.

MR. VALENTINE: If you were to ask me if it is more difficult to budget in child and family services than it would be in Health, I would say that I don't think so. Is it easier to budget in Intergovernmental Affairs than in Children's Services? I think likely it would be. So that's a sort of macro look at it. We do know that the systems to manage the businesses of child and family service authorities and regional health authorities are wanting in producing reliable output information, and that's not a new subject either. The goal would be to have the appropriate management information system in place such that it assisted service providers in the Ministry of Children's Services and, in turn, in the regional authorities with current information about alternative costs or costs of alternative care, of services, as well as the historical costs of delivering service on a case-by-case basis such that when they come to do their budgeting, they have a firmer grasp on what their past has been. But we're not there yet.

THE CHAIRMAN: Thank you.

Mr. Goudreau.

MR. GOUDREAU: Good morning, sir. Mr. Valentine, last week I didn't have a chance to express my appreciation for all the hard work you have done, so on behalf of my constituency and the province of Alberta, I certainly want to express my most sincere appreciation for the work you've done as a public service and initially as an Auditor here. I certainly want to wish you the very best as you encounter health challenges for yourself and your particular family.

My question revolves around the areas of charitable fund-raising. On page 105 you state that "over the past few years there has been an increase in the number of charities soliciting contributions from the public." As a result Government Services has had a much larger

market to regulate. In your opinion, are the ministry's regulatory efforts satisfactory, especially with regard to the enforcement and inspection of records of charitable organizations who are fund-raising businesses?

8:42

MR. VALENTINE: I think the short answer is no, and I think we see that in a variety of ways. There's been some considerable press about certain kinds of charitable fund-raising organizations in Canada since 9-11. We have our own particular legislation in Alberta. When you see statistics like 500 inquiries were made and only 40 investigations were performed, you wonder whether or not the appropriate due diligence is being done on these organizations. I think it's true to say that once you establish the entity and get it registered, there's very little follow-up on what goes on with these organizations and reporting of their financial statements and the like. I think Canada Customs and Revenue Agency has a similar problem. So I guess the short answer is that I'm not surprised this is the condition today.

MR. GOUDREAU: As a supplementary: should we have more legislation, or do we not have sufficient legislation, then, to properly monitor complaints?

MR. VALENTINE: I think you have the legislation. I just don't think it's being administered at the level which would be appropriate in the circumstances. You know, once an organization is authorized by whatever the regulatory agency is, then in my view whatever that organization collects becomes public money. You would like to think that public money gets the appropriate scrutiny as it's collected and spent, just the same as you have a responsibility in the Legislature to provide scrutiny over the expenditure of public funds.

MR. GOUDREAU: Thank you.

THE CHAIRMAN: Mr. Mason, followed by Mrs. Ady.

MR. MASON: Thank you, Mr. Chairman. I wanted to ask about the racing industry renewal initiative. I really didn't want you to leave without me getting a couple more questions in on this.

MR. VALENTINE: Sorry. I didn't get that.

MR. MASON: The racing industry renewal initiative. Remember last year there was, I think, \$17 million or \$18 million that there was no legal authority for the collection of by Northlands Park and the Stampede and the Racing Corporation. Can you fill us in on whether or not the government has corrected that situation appropriately, from your point of view?

MR. VALENTINE: In the past year there were some new agreements signed between the government and the racing entertainment centre operators. As I understand it, those agreements caused a variety of things to happen yet in the coming periods, and we won't be in a position to follow up on this until our current year's work occurs, which will be in 2002, somewhere before the next report comes out. So I would say we have a careful watch on the issue. As you also know, we made some comments with respect to the return on the investment of operators with respect to certain kinds of equipment, and I understand there have been some changes to the fiscal arrangements between the operators and the government, namely AGLC, and that will be on our agenda this coming year.

MR. MASON: Okay. Just so I can be clear, there have been some arrangements made to correct this, but it doesn't fall in the scope of work that you've had a chance to examine. It really has to wait until the next report?

MR. VALENTINE: It's not unusual for an item that we report on to take two years to see the write-out of that item in the report. But the philosophy of how this report is prepared is that once an item is raised and a recommendation made, we hang on to it until there's a resolution to that, and then we tell you what has been the result of whatever action was taken and whether or not we think it was the appropriate result. So you will always know that once an item becomes an issue with us and the subject of a recommendation, at the end of the day either we'll have it on the outstanding list, which is in here, or we will write it out of the report because we're satisfied with the action that was taken. So that works for every recommendation.

THE CHAIRMAN: Thank you.

Mrs. Ady, followed by Dr. Taft.

MRS. ADY: Thank you. On page 129 you state that adults and children with PDD "were provided services that do not meet the definition of developmental disability under the Persons with Developmental Disabilities Community Governance Act," resulting in excess costs to the health system of \$4.5 million. Can you elaborate on exactly what these services were?

MR. VALENTINE: Well, the services were the kind of services that are provided by the ministry. It's just that they are not authorized to provide those services to children. Do you want to expand on that, Ken? Who did that work?

MR. SHANDRO: Actually, I don't think I can expand on it. The legislation is limiting in who they can provide services to, and they had provided services to people outside the legislative limit.

MRS. ADY: If that's true, are there any significant cases where health services are provided that fall outside the scope of legislation, and what are the costs of those? Beyond the PDD and the health area, do you find the same thing happening?

MR. VALENTINE: We don't have any evidence of that that I'm aware of.

MRS. ADY: No evidence of that as well?

MR. VALENTINE: No. This is a case where an activity is being conducted and they don't have the legislative authority to do it. Somebody else does. So it doesn't properly belong in here. It should be over in the organization it properly belongs to. But there's a fine line, and there's a problem with the service delivery issues between Health and Children's Services and Justice. We all know that.

MRS. ADY: But this is a case where you see it going over the line.

MR. VALENTINE: Well, one of the things I'm charged with doing is telling you whether or not the expenditures we review have the appropriate authority to support the transaction, and I'm telling you here that they don't have that authority. So there's one of two solutions: either move the activity to the ministry where they do have the authority or change the legislation that affects this authority. But something has to happen, because it's not right now.

MRS. ADY: Thank you.

THE CHAIRMAN: Thank you.

Dr. Taft, followed by the Member for Red Deer-North.

DR. TAFT: Thanks, Mr. Chairman. On page 133, the top two full paragraphs on that page, the top paragraph refers to the need to address risks inherent in increasing vacation pay liabilities. Such risks include a work force not in balance with workload, paying vacation benefits at higher rates, increased overtime, or greater use of other leave.

My first question would be: can you elaborate on that? When you're referring to risks, how are you using the term, and can you expand on the second sentence of that paragraph a bit?

8:52

MR. VALENTINE: Well, the risks inherent in ever increasing vacation pay liabilities have to do with workplace safety, internal controls, general health of your employees, and when they don't get their vacation, then some other things can happen. For example, in the area of internal controls, one of the essential things is that, firstly, an individual take the vacation during the year and, while that person is away, somebody fills his or her job. That's a mechanism of control. Now, whether that's in managing inventories or managing money or whatever, it doesn't matter. So there are a variety of risks that come forward when people just accumulate their pay.

The other issue will be that you may discharge the vacation liability at a higher rate of pay than the individual earned it at. If there's a raise in the meantime and they're still entitled to 14 days – they've got 14 days in year 1, and the salary is 100; 14 days in year 2, and the salary is 105. They just got a 5 percent increase on that vacation that belongs to the prior year. I don't think that's a desirable outcome. This subject is prevalent in almost every sector we go into. The postsecondary educational institutions have a gobful of this stuff, just to name those. I would think the school boards have a substantial amount of undischarged vacation pay liability.

DR. TAFT: You're able in this next paragraph there . . .

MR. VALENTINE: Excuse me. Nick wanted to supplement that.

MR. SHANDRO: I just wanted to refer to the sentence that says: "greater use of other leave." In the health care sector there's a great deal of absence due to sickness. Now, whether that is because of burnout or some other reason – maybe it's the environment they work in – certainly the point here relates to the balance of the quality of workplaces and so on if people are unable to take their vacation appropriately. So there ought to be an optimum level where you have to hold people back from taking their vacation, but it shouldn't be a general strategy.

DR. TAFT: All right. In the next paragraph you are able to identify fairly precisely the total accrued vacation pay liabilities. Do you have any idea who would know how much is paid in overtime in the RHAs?

MR. VALENTINE: You'd have to ask the RHAs. This is information that we can gather from the audited financial statements of all the RHAs, and a line item they must disclose on their balance sheet is the accrued vacation pay liability. So it's easy to pick this number up. The number you're looking for would be within the accounts and not subject to separate disclosure.

DR. TAFT: Would it be a useful number for you?

MR. VALENTINE: Well, I suppose if one was doing a study of the issue. I mean, we wouldn't have trouble getting it if we wanted it, but we haven't had cause to have it heretofore.

DR. TAFT: Okay.

THE CHAIRMAN: Mrs. Jablonski, followed by the Member for Edmonton-Centre.

MRS. JABLONSKI: Thank you. Good morning again. On pages 60 and 61 under Children's Services you recommend that the Department of Children's Services regularly reconcile recoveries from the federal government and band agencies to the related payments to Authorities, for services provided to children normally resident on reserves.

You say that "the federal government does not reimburse certain costs." Could you elaborate on what these certain costs are, please?

MR. VALENTINE: Ken Hoffman will respond to you.

MR. HOFFMAN: There are some costs that are being delivered by the child and family service authorities to children in their areas, and the First Nations children may take advantage of those services. Those are outside the agreement between the minister and the federal government. Typically they are the early intervention type services. So those costs won't be reimbursed, but the department reimburses those costs to the CFSA on the same basis as they would any other cost that is incurred on behalf of a First Nations child. It's really predominantly in the early intervention area that there are some outside that agreement. Did that take care of your question?

MRS. JABLONSKI: I think so. That's the only area then?

MR. HOFFMAN: It's the predominant one. The other one they don't reimburse is if there's a late filing, for example. If the service is provided at one time and then the claim for the reimbursement follows too long thereafter, they'll say that's outside the eligible period. So that one won't get reimbursed. There are some of those things happening as well.

MRS. JABLONSKI: Thank you.

MR. VALENTINE: Again, reconciliations are effective tools of internal control. When they are not being performed, we become concerned about the lack of completeness of the revenue or expense stream, whichever it applies to.

MRS. JABLONSKI: Thank you.

While recommending the reconciliation of amounts received, you acknowledge that the department employs a number of controls to reduce the risk of lost revenue. What are these controls, and why aren't they sufficient?

MR. HOFFMAN: The controls that they have are examination of the individual payments. Then they have a central computer system called the child welfare information system that records all these costs. So that's information supplied by the child and family service authorities. The department takes information off that for their claims, and they would review those claims. So they look at it on a more detailed basis, but what they don't get a handle on is the overall, overarching control that you would get from a reconciliation

and then learning from that.

For example, if they were to find that they submitted claims for amounts that weren't appropriate and they had already reimbursed the CFSA for it, they wouldn't go back to the CFSA and say: "Look; you shouldn't be flagging this child as a First Nations child. We shouldn't be getting these costs." So it's overarching comfort that you would get from a reconciliation that might bring out some information that you don't have when you're looking at the details. It's sort of the forest for the trees kind of problem, and that's why we think this kind of control is a necessary add-on. The other ones reduce the risk but, in our view, not sufficiently. That's why we have the recommendation.

MRS. JABLONSKI: Thank you very much.

THE CHAIRMAN: Thank you.

Ms Blakeman, followed by Mr. Lukaszuk.

MS BLAKEMAN: Thank you. This is on the environment and the current year's recommendation 8, which appears on page 90. I also note that there was a 1999 recommendation 30 on the same issue, and there is a cross-government recommendation as well, financial security for land disturbances. In general what we're talking about here is that the Department of Environment requires companies to post a security equal to the value of the land or the cost of recovering the land that they're going to disturb, but that doesn't always happen, especially with the larger companies. They are allowed or negotiate a lower bond or a lower amount that they are posting for this. Whatever used to be in place isn't there anymore, and there doesn't seem to be a new one coming, so I'm looking for what the Auditor General's opinion is on the dollar value of the risks that are outstanding right now in this fiscal year.

MR. VALENTINE: Well, I think it's appropriate in certain circumstances, recognizing the risk or lack of risk, to ask for deposits that might not be equivalent to the cost of reclamation. On the other hand, there have been a couple of examples of situations where inadequate deposits were in place and the organization for one reason or another doesn't exist anymore. There's one of those in Grande Cache. So we're suggesting that they need to have a better model to identify the amounts they need to get in the form of a deposit to guarantee the completion of the restoration work and to watch it on a current basis so that they're aware of what's going on with respect to those operators that might be in trouble. Is that a fair summary, Ken?

9:02

MR. HOFFMAN: Yeah. Going by memory, I believe there's a liability recorded in the enhancement fund financial statement for the specific case that Peter cited, and it's around, I think, \$7 million. The deposit was deficient by about half the amount of the cost of recovery where the coal mine closed. So that's the most concrete example of it, and that came up a year or two ago. Really, this is one that they've been back and forth on in terms of what solution they want to put in place, and we're just kind of trying to encourage them to get on with it. They need a solution for this problem because the risk is out there. It's tough to quantify in dollar terms because there's so much land disturbance going on, and it's hard to identify which ones, if any, will actually cause the public purse to be drawn on for something that particular business should be doing. When you look at the oil sands area, there are a lot of land disturbances going on up there. They have processes in place within their own organizations to build up the ability to do that reclamation work, but there's always a potential that the last port of call is the government's books or the government's pocketbook in order to

meet those obligations.

MS BLAKEMAN: Doesn't the situation leave the government or the department, ultimately the people of Alberta liable to a court challenge or to a suit from a group in that they have exposed the people to a liability that they should not have? They should have taken care of it. I'm thinking – not that I know this is going to happen – that should we have a default such as the one you're talking about, where there wasn't a high enough security posted by any means and now the company is gone, the department was responsible for that. If either there's no reclamation or there was severe environmental damage, you could have an environmental group that comes forward and sues on behalf of whomever.

MR. VALENTINE: I have just passed 40 years as a chartered accountant, and I don't practise law, so I can't give you an opinion on that matter.

MS BLAKEMAN: Great. Thank you.

THE CHAIRMAN: Thank you.

Mr. Lukaszuk, followed by Mr. Mason.

MR. LUKASZUK: Thank you, Mr. Chairman. Mr. Auditor, in your recommendation 28 you state:

We recommend that the Department of Justice improve its capital asset management process by completing long-term capital asset plans, and linking this information to the business planning process.

My question to you would be: to your knowledge are there any existing models in other government departments that could be utilized in this process?

MR. VALENTINE: Yes. There are a number of different models. There's a model being used at the moment in the postsecondary educational sector. Some work has gone on in the health sector. We're only talking about the public sector now, but in the private sector there are lots of models for that sort of management practice.

MR. LUKASZUK: Fair enough. Mr. Auditor, by way of supplement: is there a role that the Finance department should play in developing this management process?

MR. VALENTINE: Well, it all depends on how you view the Finance department. If it's the central organization that is in effect the controllership of government, then yes, there is. If on the other hand you think that all of those responsibilities are within various individual departments, then probably Finance doesn't have as big a role. We've transitioned from an organization where the Treasury was in fact the controllership of government to one where departments and ministries are responsible for a great deal of their own financial affairs, and Treasury, now Finance, provides the leadership.

MR. LUKASZUK: Thank you, Mr. Valentine.

THE CHAIRMAN: Mr. Mason, followed by Mr. Cenaiko.

MR. MASON: Thanks, Mr. Chairman. I want to ask again about the racing industry. I understand that the Alberta Racing Corporation is not subject to audit by your branch, and I wonder if there's a reason for that and whether or not in your opinion it should be.

MR. VALENTINE: Well, the Alberta Racing Commission used to

be the regulator of the racing industry in this province. With the current government's devolution of a variety of activities into the private sector, that included the governance of the racing industry, and the organization that was the commission became the Alberta Racing Corporation. Its bylaws and charter provide for appointment to the board of directors of the Alberta Racing Corporation from the various segments of the industry so that it's a representational board, and the board appoints its own members.

The situation that we reported in the year 2000 report revealed what we thought were some flaws in the governance of that operation, and our observations were directed to the Ministry of Gaming. The organization continues to exist, so far as I'm aware, and is accountable to the ministry for its conduct of the regulatory affairs affecting the industry.

Now, the policy of whether or not it is appropriate to have that structure is a matter of government policy, and I don't comment on government policy.

MR. MASON: Well, just let me follow that up a little bit though. It seems to me that there have been agreements made by the Alberta Racing Corporation that you've offered comment upon. I want to know if it is legitimately a government agency that the office of the Auditor General ought to have jurisdiction over and the ability to come in and offer opinions on how the finances are handled or whether or not it's sufficiently out there in the private sector that it's not a public body and therefore not accountable through the ministry to the Legislative Assembly, which is the role you play as our servant in respect to that. I really would like to know an opinion as to whether or not it appropriately should be audited by your branch.

9:12

MR. VALENTINE: Well, it is not part of the government organization, it's not subject to the FAA, and it isn't subject to the Government Organization Act, so it's not my audit. It's an organization that the government in their policy of the day chose to devolve to the private sector, and that's the government policy. That's something that I'm not going to comment on.

Now, if the government does something that I think creates a business risk, I'm quite happy to comment on it, because I'm not commenting on the policy then. I'm commenting on the risk that arises from whatever happens. If you read our report of the prior year, you'll see that we were less than happy with the amount of funds that went to that organization and didn't get immediately disbursed to the industry. That was cured by those funds now going directly to the industry from the department. So this organization, called the Alberta Racing Corporation, doesn't have any custodial responsibilities with respect to those funds.

THE CHAIRMAN: Thank you, Mr. Valentine.

MR. CENAIKO: On page 51 of your report you indicate that "the Department should evaluate . . . grant recipients periodically in order to assess the recipient's performance." Could you expand on how frequently the department should be evaluating grant recipients?

MR. VALENTINE: Well, I'm not sure I want to say how frequently. I think that's a management decision. Suffice it to say that they need to be looking at it often enough to know that the system is working. The whole idea of our emphasis on proper grant management started as a consequence of the work that we did on CKUA some years ago, and that was a clear example of a situation where a grant, \$4.7 million, was not being administered by the then Department of Municipal Affairs, which, as I remember, was in effect the owner of

CKUA prior to its privatization. One of the points that we made at the time with respect to grant management was that those who are the grantors need to have a risk analysis being conducted on a regular basis to know which grants they need to have more involvement with and which grants they don't have to have the same involvement with and, therefore, on a risk-assessed basis make sure that the systems are working and that the right accountability is coming back.

MR. CENAIKO: Thank you. You also state on page 51 that outcome-related reporting varied significantly across the audited conditional grant programs within Agriculture. Could you please provide the committee with further information on the sort of variance that you may have found?

MR. VALENTINE: Jim, do we have sufficient information here to respond to that? We may have to look in our files to get you an answer for that.

MR. CENAIKO: That's fine. Thank you.

THE CHAIRMAN: Thank you.

DR. TAFT: I hope the Auditor General will be able to comment on this. In the 1980s when I was employed in government, if through the annual budget process expenditures were, say, 2 or 3 percent higher than was budgeted, it soon became a career move for the manager who was doing that where there was a clear annual budget and process. When I look at things now as a legislator, with the quarterly budget updates it's much more difficult, in my experience, to have a line to which I can hold the government accountable. So I'm wondering if the Auditor General has any comments on the impact of the quarterly budget update system on your ability and on management's ability to hold departments accountable.

MR. VALENTINE: The quarterly financial statements are a work in progress with this government. There are a number of difficulties in allocating the annual budget to the specific four quarters of the year, and not all of those problems are resolved yet. The consequence of it is that the quarterly financial information that you receive – I guess there's some coming today or tomorrow; I can't remember – is summary in nature and is not in the same detail as one gets from the annual accounts and the individual ministry's annual reports, where you get the traditional tables that used to form part of volume 3 of the public accounts.

I think, of its nature, interim financial reporting is summary financial information. It's not the full and complete general-purpose financial statements that you get at year-end. That's true in both the public and private sectors. Holding people to account for the quarters – in the private sector there's a very effective means of that, because the stock exchanges require the issuer to comment on adjustments that affect the various quarters.

We're leaders in Canada in terms of this kind of financial information, yet at the same time we don't have all of the tools to provide the kind of precision that one would hope that at the end of the day we'll have. I'll give you one example, and that's income tax revenues. Income tax revenues would be best if they were recorded on the basis of when they become exigible, but of course you don't know until the end of your tax year. You might have made money in the first four months, and then you lose money for the other eight. When is the tax revenue due to and is it, quote, earned by the province?

So some of those things have to be dealt with, and they will be dealt with in the fullness of time, but at the moment my comment

would be that we've got more information than others have, so therefore there's some greater accountability than would be the case in other jurisdictions.

DR. TAFT: Do you have any concerns that there is a trend developing in which, instead of an annual budget with quarterly updates, we are now getting quarterly budgets in which there's a new set of figures every three months and that the ministers may be tempted to jump up and down like that four times a year?

MR. VALENTINE: Well, I don't think I have any comment. The trouble with a budget is that if you set an optimistic budget and don't make it, you've gone in the ditch sort of thing. If you set a pessimistic budget and you make it and then some, then theoretically you're a hero. Somewhere in the middle is a system that produces rational and understandable numbers for all of the good reasons that back up that budgetary process. You participate in a process of estimates and debate on those estimates in this House, so you actually have quite a good deal of information.

DR. TAFT: But it seems to change every three months.

MR. VALENTINE: Well, it does in my house too.

THE CHAIRMAN: Mr. Hutton, followed by Ms Blakeman.

9:22

MR. HUTTON: Thank you, Mr. Chairman. I haven't had an opportunity to thank the Auditor General as I've not had an opportunity to ask a question yet. I've always thought that the Auditor General was a colourful bean counter; I just didn't realize that the beans were that colourful. Seriously, I have the utmost respect for the Auditor General, and I have experienced your strong commitment to all Albertans not only as a Member of this Legislative Assembly but as a former public servant of this province. I want to thank you, Mr. Valentine, for your tremendous service to my constituents and all Albertans, and I wish you a long and healthy and happy future.

My question is with regards to Health and Wellness and contracting of services. On page 124 of your report, Auditor General, you've noted in the second bullet that a high standard of control is needed for contracting out services. You make a number of suggestions on how this can take place, but one in particular is that "risk mitigation techniques could be more commonly used" and "verification of the capacity of contractors to perform could be used to provide assurances of service delivery." What sorts of verifications does the department use right now, and why are they deficient?

MR. VALENTINE: I'm going to ask Nick to respond to this.

MR. SHANDRO: Well, right now in terms of contracting, the health authorities submit their proposals for approval by the minister, and they provide the information that has been requested by the ministry. When we did this work, we weren't examining specific contracts. We were examining the process that Alberta Health and Wellness had set out. These were observations that we made relating to the process that we found flawed in the sense that it didn't require some of these processes to occur. So the comments that we have in here relate to the control processes that we wanted to ensure were incorporated in the processes within the department. It will be presented as a package properly for the department to assess.

MR. HUTTON: I have one supplemental. You also state that "contracts have been issued without the potential benefit of open

bidding." In which cases has this occurred? What were the reasons for not having open bidding, and how could bidding have helped?

MR. SHANDRO: I don't think we want to get into a guessing game, that every contract needs to go to an open bidding circumstance, but there ought to be clear criteria for when open bidding should be used. We think that there are situations, when there are straightforward services required, those that can be specified properly, where there is merit in open bidding.

MR. HUTTON: Thank you. Thank you, Mr. Chairman.

THE CHAIRMAN: Ms Blakeman, followed by Mrs. Ady.

MS BLAKEMAN: Thank you. I am back on one of my favorites, which is performance measures. In this case you could refer to page 31 of the Auditor General's report. I notice that in this report the comment is that "the majority of performance measures were clearly defined and were outcome or output focused." I have to say that that has not been my experience, particularly when I look at the budgeting process. The majority of performance measurements that I'm looking at in that process seem to be geared to opinion polls in that they are all about user satisfaction with whatever process, in whatever department. Here specifically the Auditor General is talking about linking the goals to performance measurements, to targets. Is there a department that is more successful at tying these three things together: goals, performance measurements, and targets? Can you offer an opinion on that?

MR. VALENTINE: Well, I don't think we've gone to the extent of comparing one to the other. We haven't set up a scorecard to compare them.

MR. HOFFMAN: Can I provide a written response to that? Nothing comes to mind in terms of which department I'd like to say: here's a good example. There will probably be various departments where they'll have components of a good example. I'm also interested when they do this linking of goals to performance measures, to targets also to go back to their core business and back further to their costs by core business. You want the whole stream. So if I could respond in writing to that and go back and see if I can cite some examples for you, I'd appreciate that opportunity.

MS BLAKEMAN: Thanks. That would be helpful. I'm just trying to get a feel for what you folks think is a good example to help me understand where this should all be going. The flip side of that is: who's least successful?

MR. HOFFMAN: Fair enough. Yeah.

MS BLAKEMAN: As a supplementary I'll go back to this idea of opinion polls. In the work being done by the Auditor General's office, are these performance measurements helpful in the work that you're doing? I don't find them helpful in the work that I'm doing, but perhaps they're useful to you. It seems that almost every department does – certainly in the budget documents that I examine in the spring, the performance measurements that are outlined are opinion polls. You know, the level of satisfaction has been 85 percent and their target is 92 percent. Can you comment on that?

MR. VALENTINE: Well, it is true that opinion polls or satisfaction indices are a form of performance measures. Let me say that the emphasis in our office has been to provide some sort of assurance

around the performance measurements that are being used by government. Heretofore that form of assurance has been on specified procedures, where if you look in any particular annual report of a ministry, you will see a report and we'll tell you what we did and what the results of those procedures were. We haven't reached the point where we can provide an assurance opinion on the performance measures. We're striving very hard to get there, and I think that we are measurably further along the road than, say, five years ago.

The most significant issue to deal with is to determine the criteria for determining the relevancy of a measure. If we could crack that nut, I think we'd be all the way there to giving a standard assurance opinion on nonfinancial information. There are lots of people interested in this subject and there's lots of work going on, so I'm confident that in the fullness of time we'll have a resolution to that issue and we'll get on with providing the usual "presents fairly" type of opinion on performance information.

The question you raise is at the heart of the relevancy issue, and that is: is an opinion poll and the results of it relevant? I'm sure that when you read about a certain kind of poll, you would agree that the poll is relevant, and others you'd probably think: well, no, I don't think that measure is relevant. But we need the criteria to base it on.

THE CHAIRMAN: Thank you, Mr. Valentine.

I would like to apologize to the committee. I should have called Mr. Shariff instead of Mrs. Ady.

MR. SHARIFF: It's okay by me if she goes and then at the next allocation I be assigned that question.

THE CHAIRMAN: Okay. Fine.

9:32

MRS. ADY: On page 197 you recommend that the Department of Learning continue to assist charter schools in developing measurable outcomes so that there is a base from which to measure and evaluate charter school results against their mandates.

In your view, "progress has been unsatisfactory since the recommendation has yet to be fully implemented four years after it was made." Could you elaborate on possible methods for the department to use to encourage charter schools that have been unable to develop measurable outcomes over the last four years?

MR. VALENTINE: Well, if you concur that some sort of assessment has to be made of the success or lack thereof of a charter school, then you would think that that assessment would be made before the charter school's charter is renewed. At least that's my sort of simple approach to it. The fact of the matter is that they don't have any measures, so when they're renewing these charters, what criteria are they using to assess it and renew them on? And my argument would be: none.

MRS. ADY: So it might make my next question rhetorical. You also state that the consequences from lack of measured control of the charters is that they're "not providing the appropriate accountability for public moneys." So you're saying to withhold charter until they become accountable?

MR. VALENTINE: Well, you know, that's the punishment in other things.

MRS. ADY: A simple method is what you're suggesting?

MR. VALENTINE: Well, I think the charter school issue is perhaps a little bigger than that, and by some measures the charter school initiative has not been successful. Having said that, you know, I think it's a fact that there's no longer any supervision of a charter school by a public board in the province. I think they're all under supervision of the ministry now. If that's not the case, there's only one that is. So developing these innovative schools within the existing school structure apparently has not worked, and then we have a group of existing charter schools that don't have any measurable accountability. So in the continuum of providing funding to charter schools, you have to ask the question: have we had the appropriate accountability? And my argument was that we haven't.

Now, don't misunderstand my remarks. I think there are some superbly dedicated people involved in the charter school system, but when asked once before about the competency of board members, I said that I had a real concern about it. They have a huge interest in their children's education, but whether they're competent to be treasurers of school boards is a question, and if you don't have the criteria to measure it against, I don't know how you answer the question.

MRS. ADY: Thank you.

THE CHAIRMAN: Mr. Mason, followed by Mr. Shariff.

MR. MASON: Thanks, Mr. Chairman. In note 6 of the Ministry of Gaming's financial statements the amount of legal claims has doubled to about \$140 million last year, and I wonder if you can offer a comment on what's responsible for that increase.

MR. VALENTINE: Well, number one, I don't have the statements here. Number two is that I think it's a question you want to ask of management. Management will be here at some scheduled time, and you can direct your question to them.

MR. MASON: All right.

MR. VALENTINE: I'm happy that we've done the audit work that supports that number in the financial statements – that's true – but I can't tell you what the details are.

MR. MASON: Okay. It's hard to make a supplemental to that, Mr. Chairman.

THE CHAIRMAN: Okay. Thank you.  
Mr. Shariff.

MR. SHARIFF: Thank you, Mr. Chairman. Mr. Valentine, when I went to university, we used to have some very interesting discussions about George Orwell's *Nineteen Eighty-Four*. In those days the computer was not as much accessible, and I recall using finger typing to do my assignments. My question is in regards to the joint audit of Alberta Registries issues that you raised on pages 104 and 105. I'm concerned about the information issue that is being raised. You mention five recommendations regarding the disclosure of personal information by Alberta Registries that were initially made in 1997-1998 and that have not been fully implemented. You go on to further say that your office is being kept informed on a quarterly update basis, and they inform you about time lines and actions that they are taking. My question is: do you have a sense of when these five, in my opinion, very implementable recommendations will come to fruition?

MR. VALENTINE: Jim Hug was responsible for that joint engagement with the office of the Information and Privacy Commissioner, and I'll let him respond to the question.

MR. HUG: I think it would be risky to indicate that we feel that there is a date by which this would be implemented. My sense is that there is progress being made, but there are a lot of different stakeholders who are involved in the process, and to try and deal with the concerns of all the stakeholders and then also to gain consensus is proving difficult. My sense in talking to senior people at the ministry is that progress has been made, but I wouldn't dare indicate even when I think it would be actually finalized.

MR. SHARIFF: I'm quite concerned that my information may be ending up in the wrong person's hands, so let me ask you this. Are you aware of any violations of privacy laws or regulations as a result of the delay in fully implementing these recommendations?

MR. VALENTINE: No, I'm not aware of any. There were some very bad habits that we found at the time we did the work. An example would be that if in the process of you renewing your driver's licence they took some credit card information for identification purposes, left it on a piece of paper, threw it in the wastepaper basket or left it lying around, others could see it. Those kinds of things were cleared up. These are more fundamental issues that need to be addressed, and in part, as I remember, Jim, they're system driven. As members will know, the motor vehicle registration system is at capacity and needs some future attention to redevelopment.

THE CHAIRMAN: Thank you.

Dr. Taft, followed by Mr. Broda.

DR. TAFT: Thank you, Mr. Chairman. This is a general sort of question for the Auditor General. When we're looking at performance measures – and I'll stick with the regional health authorities – is there any attempt to look at the efficiencies or the achievements of one RHA in comparison to another so that if, say, one is particularly good at X, we can encourage the others to achieve that level or to follow in the footsteps of that RHA? Do you do that sort of comparison at all?

MR. VALENTINE: Well, there's supposed to be a high degree of co-operation in sharing of best practice information and the like. The fact of the matter is that I don't think a lot of it happens. There need to be a number of inducements so that these organizations do use it, and there has been conversation that I've read over the last few months about a renewed emphasis on that sort of thing.

Do you want to add to that, Nick?

MR. SHANDRO: I think what Peter has said is absolutely correct. I think systems such as business planning, performance reporting, and so on are looked upon yet as additional add-ons for other people as opposed to things that we use to manage with. From our perspective, we'd like to see those systems being used not just for external reporting but for internal focus on results, so proper planning for results. What we've noted in the past has been the lack of evidence that there's linkage between the targets that are being set and the actual utilization of the performance information at the end of the period. They're not consistent in terms of what was set and what is being reported on and the like, so there's evidence that the system isn't working as well as it should be.

9:42

DR. TAFT: Yeah, it's frustrating.

I'm thinking of a case that I've raised a number of times, a situation in which I have been provided with solid information from at least two different regional health authorities on their costs in relation to cataract surgeries. Their information suggests that they're using procedures that are much lower than what's being done in the Calgary health region. Is that the sort of thing that you ever would comment on, efficiencies in one health region that perhaps should be adopted or examined by another health region? I'm thinking of that case in particular just because I have so much information on cataract surgeries. If one region or two regions or several regions are doing it far more efficiently than another, is that your concern?

MR. VALENTINE: Well, as you know, the third leg of the mandate of my office is to report to the Legislature as to whether or not there are systems in place to manage the business, and if there are, are those systems working. We're not so much interested in the actual item of information as we are in if the systems are there. Determining whether or not your information is reliable will depend upon the sophistication and integrity of the system, so that's where our emphasis is placed.

Now, if a regional health authority is not using the tools that they're sort of given to manage the business, then it will show in inefficiencies, I would think. On the other hand, I'm circumspect of a lot of these numbers because it's recognized that we don't have a management information system that produces the appropriate output information to manage the business, and it's particularly true in health care.

So when you tell me that getting a wart fixed on my left toe in Barrhead is half the price of getting it fixed in downtown Edmonton, you know, I'm suspect of the system that gathered that information at the outset, because we do know that we don't have good systems. That was a legacy that came from the old board-governed multihospital system that we had.

THE CHAIRMAN: Mr. Broda, followed by, time permitting, Ms Blakeman.

MR. BRODA: Thank you, Mr. Chairman. I, too, would like to congratulate you on your retirement and the job that you've done. You've been fair with your answers and comments and in the submissions of your reports as well. So I wish you the best in your retirement.

My question. On page 75 you state that the Ministry of Community Development "needs to include in its consolidated financial statements, its volunteer society generated revenues and expenses." Why is this necessary given that in not reporting these figures, my understanding is that the ministry is in compliance with Alberta financial regulations?

MR. VALENTINE: Well, it's our view that those organizations are part of the government entity and that the financial results of those operations – the two notable ones are the Friends organizations that run the two auditoria in the province. We believe that those organizations are controlled by government; therefore, the financial results should be included in the consolidation. It's a matter of professional opinion.

MR. BRODA: Great. Okay.

My supplementary question: does this sort of accounting practice in not recording these transactions to comply with financial regulations occur in other departments as well, aside from



## Community Development?

MR. VALENTINE: Well, I make the same argument with respect to school boards, I make the same argument with respect to postsecondary educational institutions, and I make the same argument with respect to regional health authorities. Those entities, in my view, are part of the government entity, and their results should be consolidated with those of the rest of government. Having said that, I also recognize in fairness to the people in finance that there are a number of difficult issues to resolve before you would have an accurate consolidation. One of them is disparate year-ends, because the public school system, for example, the publicly funded school system, as I remember, has an August year-end and the government has a March year-end. So you would have to deal with that difference. But those things have been solved before, and they'll be solved in the future.

MR. BRODA: Thank you.

THE CHAIRMAN: In light of the time and the fact that on the agenda we have a motion to deal with at 9:50, I would like to conclude this part of the meeting. In concluding, as chair I would like to wish Mr. Valentine the very best in the future, and also to his staff present with him today and those in the gallery, the very best in the future. We look forward to the next report next fall.

At this time, before we discuss the motion as presented by Ms Blakeman, if Mr. Valentine and his staff would like to address the Assembly, please feel free to do so.

MR. VALENTINE: Thank you very much, Mr. Chairman. I haven't issued my report on the number of burnt-out lightbulbs yet, but I'm going to do that before I finish. We're at a score of 3 at the moment, and we've had two meetings.

THE CHAIRMAN: Okay. As indicated in item 5 on the agenda, I would now ask the clerk, Corinne Dacyshyn, to read the motion, please, for the benefit of all members.

MRS. DACYSHYN:

Moved by Ms Blakeman that funds which were budgeted for attendance at the Canadian Council on Public Accounts Committees conference but which were unexpended due to cancellation of the conference be used by the Public Accounts Committee to hold meetings outside of session until March 31, 2002, in order that all ministries may appear before the Standing Committee on Public Accounts on the 2000-2001 annual reports.

THE CHAIRMAN: Thank you.

Now, for the benefit of all members, there is \$6,000 that could be used, and if all 17 members of this committee each attended the meetings, we could afford three out-of-session meetings. That's roughly \$1,800 per meeting if everyone appeared and claimed the minimum committee allowance; okay?

In light of the hour I will quickly get a speaking list, but Ms Blakeman to start. If you could be concise and brief I would be grateful, because there are other members who would like to speak as well.

9:52

MS BLAKEMAN: Thank you. I'm making this motion having looked at the legislative authority for this committee, that being Standing Order 50, which I see as an enabling process rather than a limiting one. It simply says that when the Public Accounts are tabled in the Legislature, they shall be referred to this committee. So

there's nothing in Standing Order 50 which restricts us from being able to expend this money as we see fit.

I'm mindful that traditionally the money was set aside for travel to this particular conference. However, because of circumstances this year, the money is available for us to use. I am most concerned that this committee is charged with scrutinizing the budgets, the public accounts of the ministries of the government and that we are unable to fulfill our complete duty in doing so in that this committee only sits while we are in session. Increasingly, the government calls for us to be in session for less and less time, so we are scrutinizing fewer and fewer ministries. Last year we scrutinized nine ministries out of 24. This year, depending on, of course, how long the government calls us in for, we could be scrutinizing half. I think it's important that we do everything in our power to fulfill the obligations of this committee and our obligations to the citizens of Alberta to scrutinize the public accounts of all ministries. So if we have money that enables us to meet additionally, I think we should use it for that purpose. That's why I brought the motion forward.

I am more than happy to waive my committee fee if that helps us get a few more meetings out. I think we need an additional nine to 10 meetings in order to cover every ministry by the end of sitting of the spring session. So I ask people to support this motion, and I hope they will do so.

Thank you.

THE CHAIRMAN: Thank you, Ms Blakeman.

Mr. Cao, followed by Dr. Taft.

MR. CAO: Thank you, Mr. Chair. Some thought regarding accountability. Having the Auditor General's report already in our hands, we can always make the government accountable based on that at any time. It may not necessarily be in the session or in the committee. You can ask questions; you can write. You can do many things throughout the year, day and night. So I think the information is available there.

Number two is considering the fiscal situation of our province. Right now it is not in good shape with the downturn of the economy. So I would probably venture that any funds we don't expend we just return.

THE CHAIRMAN: Thank you.

Dr. Taft, followed by Mr. Shariff.

DR. TAFT: Well, I'm afraid, Mr. Chairman, this is going to have a predictable outcome, but I would appeal. I look here; there are a number of rookie MLAs. We are here first and foremost as representatives of Albertans. This is a government that's spending \$20 billion or thereabouts of public money. This is the only opportunity of its kind in which we can ask the minister and his staff and the Auditor General these kinds of questions. That is ultimately and historically the responsibility and the role of a Legislature and a parliament, to hold the government accountable.

I hadn't thought about waiving my fees, but I'll do that too. I just feel it's a duty at a time when the fiscal situation in Alberta is tight. I have a \$6 billion department here in which there's an adverse audit opinion. That's pretty serious, and one or two well-placed questions would certainly more than save \$30,000. So I think we need this opportunity. Indeed, it's our responsibility.

THE CHAIRMAN: Thank you, Dr. Taft.

Mr. Shariff.

MR. SHARIFF: Thank you, Mr. Chairman. I just want to make a

couple of quick comments on this matter. First and foremost, the amount we are referring to was budgeted for the conference purpose and wasn't budgeted for anything else.

Secondly, the figures that were quoted with regards to expense unfortunately do not include a number of additional expenses. Let me mention a few. For example, the traveling costs of all the members that will have to attend this, the traveling costs for all the ministers that will have to come forward, the traveling costs for the staff that will have to come forward, the cost of the security that we'll need in this building, the cost of providing *Hansard* service, and so on. The list goes on and on. Given the long-term planning process, it is an issue of co-ordination as well. But most importantly I suggest, I humbly submit that just because we budgeted the amount doesn't mean we have to spend it. It's okay to return it. As a matter of fact, it is fiscally prudent to do so, and I humbly recommend that we reject this motion.

Thank you.

THE CHAIRMAN: Thank you.

Are there any other speakers to this motion? The Member for Red Deer-North.

MRS. JABLONSKI: I just want to make a short comment, and that is that we do have this information available to us at all times. We are free to ask the ministers at any time any of these things that bother us, so I think the doors are open and we have good communication and are able to access that. I don't feel that extra meetings are necessary.

THE CHAIRMAN: Thank you.

Ms Blakeman to close, please.

MS BLAKEMAN: Thank you. Just a couple of rebuttals to what I've heard briefly. I think the argument that we can ask the government these questions at any point – in fact, if that were the case, we wouldn't have a Public Accounts Committee set up to do exactly this function. Therefore, it must be a worthy function because we do have the committee.

Secondly, question period is for questions that are of an urgent nature. Examining the public accounts is in the past, so question period is not appropriate. There are very few opportunities in the legislative process or proposed legislation to ask the specific questions about public accounts. The budget debates are about forward looking, a forward expenditure of money, so there is no other opportunity to question ministers in public about the public accounts.

Now, there were a number of suggestions about how this meeting would cost us a whole bunch of extra money. Not true. The travel costs – members have 52 trips a year. I'm assuming that they're using them. They can certainly use one of their 52 trips to get themselves here for this meeting and arrange their schedule for other meetings at the same time they're brought to Edmonton. Security is not necessarily a factor because this committee is supposed to be meeting over in the Annex, in a different room, which doesn't require security.

So out of the excuses I've heard thus far, it really does appear that there is some desire on the part of other members of this committee to not fulfill the duties of the committee. Once again I urge people to take advantage of the opportunity that's been given to us to fulfill our duty to Albertans as regards the scrutiny of the Public Accounts Committee. I have not heard an argument that justifies not meeting. I have heard a lot of excuses but no good arguments.

Thank you.

THE CHAIRMAN: Thank you, Ms Blakeman.

I would like now to call a vote, please, on the motion as presented this morning. Those in favour of the motion please raise their hand. Duly noted. Those opposed to the motion? The motion is defeated. Thank you.

Now, the next item. The date of our next meeting, I would like to remind all members, is next Wednesday, November 28. The hon. Minister of Children's Services will be here at 8:30, providing, I will remind members, we are still in session.

Now I would ask, please, for a motion of adjournment.

MR. HUTTON: I move.

THE CHAIRMAN: Mr. Hutton. Thank you.

[The committee adjourned at 10:01 a.m.]