

**Title: Wednesday, November 16, 2005 Public Accounts Committee**

Date: 05/11/16

Time: 8:31 a.m.

[Mr. MacDonald in the chair]

**The Chair:** Good morning, everyone. I would like to now call this meeting of the Standing Committee on Public Accounts to order. On behalf of all members of the committee I would like to welcome everyone who is in attendance this morning. Particularly, I would like to welcome Karen Sawchuk, committee clerk, who is filling in for Corinne Dacyshyn for a few weeks this fall.

I would like at this time to note that the agenda packages were mailed out to each member on November 3 and that two additional reports from the office of the Auditor General were circulated to members last week at the request of the Auditor General. Of course, those two reports are the one on Alberta Social Housing Corporation land sales systems, and the other is on BSE. We have extra copies of both those reports if you need them this morning.

There have been also follow-up responses from spring meetings that were sent out over the summer. The response from the hon. Mr. Coutts, Minister of Sustainable Resource Development, is outstanding but will be forwarded to members when available.

At this time I would start with our vice-chair, and we will quickly go around and introduce ourselves for the convenience of everyone.

Thank you.

[The following members introduced themselves: Rev. Abbott, Mr. Bonko, Mr. Chase, Mr. Eggen, Mr. Griffiths, Mr. Lindsay, Mr. MacDonald, Mr. Oberle, Mr. Rodney, Mr. Rogers, Mr. VanderBurg, Mr. Webber]

**Dr. Taft:** Kevin Taft, MLA, Edmonton-Riverview.

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn, Mr. Hoffman, Mr. Hug, Ms White, Mr. Wylie]

**Mrs. Sawchuk:** Karen Sawchuk, committee clerk.

**The Chair:** Now, could I please have approval of the agenda that was circulated?

**Mr. Rogers:** I so move, Mr. Chairman.

**The Chair:** Thank you. Moved by Mr. Rogers that the agenda for the November 16, 2005, meeting be approved as distributed. All in favour? Thank you.

Now, could I also have approval of the committee meeting minutes, please, that were circulated? Moved by Mr. Chase that the minutes of the meetings held on April 13, April 20, April 27, May 4, May 11, and May 18, 2005, be approved as distributed. All in favour? Carried. Thank you.

Now, I would please like to proceed to our meeting with our Auditor General, Mr. Fred Dunn. He can certainly start and give us a brief overview of his respective reports. I must say, Mr. Dunn, before you get started, that I was very pleased to see you and your staff the other day at 10 to 1 going into the treasury building. I certainly hope your calculators were charged up. It's a pleasure to see you moving around and getting some work done.

Thank you.

**Mr. Dunn:** Thank you, Mr. Chairman. I'm going to take a few minutes to introduce my 2004-2005 annual report. It comprises the main volume, which is the large book that you have, released on

October 3, and the two supplements that the chair has just referred to that were released officially on October 20 and 27. You should all have copies of these reports. The reports are the annual report for 2004-2005 and, as referred to by the chair, the report of our office on the Alberta Social Housing Corporation, the land sales systems, known as the Fort McMurray lands, and also the report of the Auditor General on the Alberta Securities Commission, the ASC enforcement system.

You have heard from the Assistant Auditors General, who have introduced themselves today. My intention is to keep my introductory remarks to a bare minimum to allow you the most amount of time for questioning. However, I'm going to comment on the leak of the content of the two reports prior to their official release.

I'm referring to newspaper articles on the content of my reports on the land sales and the Alberta Securities Commission, released on October 13 and October 25 respectively. Both of these unauthorized disclosures to the media interfere with the integrity of the audit process, thereby treating the Legislative Assembly with disrespect. The long-established legislative requirement that reports of the Auditor General be made available to all MLAs simultaneously before any public release is designed to protect the integrity of the parliamentary process, including my independence as your legislative auditor.

None of the individuals we have spoken to who received copies of the draft reports discussed by the Provincial Audit Committee under section 24 of the Auditor General Act have been able to identify to us how the content was leaked. We have no evidence that the source was a member of my office or that the leak was a result of our report finalization or distribution processes. We will be reassessing our processes for future report releases to further minimize the risk of our reports getting into the hands of unauthorized persons.

I have requested the Deputy Minister of Finance and will be requesting the Deputy Minister of Executive Council to examine their respective ministries' processes for handling confidential material from my office.

We have spoken to the Speaker of the Assembly, who has confirmed our view that unauthorized disclosure of a report from my office is an affront to the Assembly. I also note that a request has been made to the chair of the Standing Committee on Legislative Offices for a meeting of that committee on the subject of leaks to the media.

In conclusion, we are disappointed with these leaks. However, this committee will review the actual reports I released. Therefore, the work of this committee should not suffer from the prerelease of these two reports.

Now I'll turn to the main report, our 2004-05 annual report. We have continued the practice of writing an introduction to this report which is designed to assist all readers but primarily this committee to focus on the key recommendations. The government continues to implement our recommendations, and you can see this from the statistics on page 3. There's no slippage, and the rate of repeat recommendations and the number of issues more than three years old is constant. We believe our work isn't complete until our recommendations are implemented, which is why we do follow-up audits and publish the status of past recommendations, which are disclosed on page 317 of our report. More importantly, progress is satisfactory on last year's key issues. Remember, we reported on health care registration, P3s, contracting by the PDD boards, and you can read about our follow-up work and assessment of progress on these issues in the applicable ministry sections.

In addition to providing assurance on the government's financial and other performance reporting, the priority for our office is to do

audits that will result in improving the safety and welfare of Albertans, the security and use of the province's resources, or the governance and ethics with which government operations are managed. We have highlighted six current issues that are key to improving the effectiveness of government operations, and I'll review these very briefly.

#### 8:40

Recruiting and evaluating and training boards. Boards of directors govern over 100 organizations in the Alberta public sector. The effectiveness of these organizations depends on how well they are governed. We believe that effective recruitment, evaluation, and training of board members, conducted efficiently, are fundamental to successful board governance. This means capable and well-motivated individuals appointed as chairs and directors, chairs and directors getting feedback on their performance against clear expectations, and chairs and directors getting training focused on emerging governance issues and on understanding the organization, its business, its environment, and applicable legislation.

Secondly, we also commented on internal audit. We believe that the government has a role in assisting audit committees in their oversight of internal audit departments in the public sector. Therefore, we have recommended that the government "provide audit committees with guidance for overseeing internal audit departments." Audit committees need to support their internal audit departments by setting clear performance expectations, demanding that internal audit follows best practices, requiring auditors to focus on the key risks in those businesses, and ensuring that internal audit has the necessary resources.

The next section under our key recommendations deals with Agriculture. That will be the next ministry up at your committee meeting. The department has not made satisfactory progress in evaluating the performance of its grant programs, an issue outstanding since 2001. We acknowledge that over the last four years the department has had to focus on the design and delivery of emergency financial assistance programs to deal with the drought and the BSE, but it does not establish quantifiable performance measures and targets for its grant programs. If it does not do that and do postcompletion evaluations for individual grants, the department may not achieve its intended results.

The Agriculture Financial Services Corporation needs to improve the controls for awarding loans under the beginning farmer loans program and the controls over the administration of the Canadian agricultural income stabilization program, known as CAIS, which has recently received additional funding. For the lending program, we found that the corporation has increased its exposure to credit losses by not complying with its own lending procedures. For the CAIS indemnity program, we found that the corporation has increased the risk of making inappropriate payments because its controls are inadequate.

The next section deals with Alberta Treasury Branches, which is a component of the Ministry of Finance, which is the second ministry up for this committee this fall sitting. For ATB we have repeated a recommendation first made in 2003 that ATB should ensure that its lending officers comply with corporate lending policies. We found a high number of loan files with a serious breach of a key control. These breaches affect the decision to grant or renew the loan, the potential for repayment of the loan, or the terms of the loan. Our findings are supported by those of ATB's internal audit department. We do acknowledge that ATB has started to clarify, streamline, and simplify its lending policies, and we expect that this initiative should help its lending officers to more effectively manage credit risk.

The fourth area was Energy, on page 163. The Department and the Alberta Energy Utilities Board both require complete and accurate oil and natural gas production volumes to achieve their respective mandates. Industry is required to file volumetric data each month with both organizations. The department, EUB, and industry use the petroleum registry system to access key volumetric, royalty and facility data.

We have made two recommendations, one to the department and one to the EUB. Each should evaluate the assurance they need over oil and gas production volumes to achieve their respective mandates. Although there are good controls over oil and gas production volumes in total, we have made these recommendations to improve the benefits that the two organizations obtain from their respective use of the petroleum registry. We believe that the benefit of strengthened control will outweigh the cost, especially as there is an opportunity for increased efficiency from improved collaboration in meeting their respective responsibilities.

We also have addressed seniors' care and programs on page 53 of our report. You are all aware that in May of this year we released a separate report on seniors' care and programs. The report's 11 recommendations were made to the departments of Health and Wellness and Seniors and Community Supports. Our recommendations are repeated in this annual report to enable the government to formally respond to our recommendations and indicate the date by which implementation will be complete. The key finding was that standards are not current and monitoring is inadequate. We have not carried out any follow-up auditing.

On page 54 of this report we summarize the actions that the departments have taken to start implementing our recommendations and the most significant, that you're all aware of, being the creation of the government MLA Task Force on Continuing Care Health Service and Accommodation Standards. That task force is chaired by two members of this committee. The task force recently issued its report with recommendations that the departments will consider in determining their future actions.

Next I'll highlight the two recommendations in the report of the Auditor General on the Social Housing Corporation's land sales, and as the chair mentioned, you should each have a copy of that now. This audit was an examination of the corporation's systems for selling land in Fort McMurray and its land sales and grants from 1999 to the present date.

The first and crucial recommendation has to do with planning for land sales and development in Fort McMurray. We recommended on page 21 that the corporation, working with other ministries and the municipality, should "establish a long-term plan for selling land in Fort McMurray." The corporation does not have a plan to guide its land sales in Fort McMurray, and, specifically, objectives for land sales are not clearly defined or recorded, the timing of land sales has been sporadic, sales are not early enough to allow for development of the land in the year of the sale, there's lack of co-ordination between the corporation and the ministries that own land in that area, and the timing of the release of new parcels of land and development of lots may have a significant impact on housing prices.

The second recommendation deals with the corporation's systems for selling land. We recommended on page 26 that the corporation should "improve its systems for selling land to ensure that its objectives are met." The corporation could not demonstrate that it met its objectives and received appropriate value for four of its nine land sales. Page 10 has an analysis of the significant land sales. Specifically, the corporation did not include adequate conditions in the sales agreements to ensure that its objectives would be met, it relied on appraisal values without verifying the reasonableness of the assumptions in the appraisals, offered financing terms that were not

typical for land sales, did not use an open and transparent process for three of its land sales, and from November 1999 did not have an independent review and challenge of land sales and the board of directors did not hold meetings to provide oversight for these sales. The fact that certain land sales decisions are not validated by the system in place demonstrates that those systems were deficient.

Finally, I'll highlight our recommendations in our report on the Alberta Securities Commission enforcement system. As you know, this has been a lengthy exercise that we went through. The report identifies significant matters in three areas where the Alberta Securities Commission must strengthen its management control systems and processes for enforcing Alberta's securities law. In all, there are 10 recommendations.

The first area of the group of recommendations deals with improving the enforcement system itself. Bluntly, the enforcement system needs more discipline. Recommendations were made to the commission to review and clarify enforcement policies, guidelines, and standards; ensure more consistency in enforcement processes, particularly in the recording of information gathered through inquiries, discussions, and analysis to support those conclusions and recommendations made to take the cases forward; improve controls in the enforcement system to ensure that enforcement decisions are independently reviewed and files are brought to a conclusion in a timely manner; and, finally, measure and report on the effectiveness of the enforcement system.

The second area of our recommendations dealt with improving systems and processes to manage conflicts of interest at the commission. Conflict-of-interest policies are not adequate, and employee and commission member investment disclosures are not being adequately monitored. Recommendations are made to the commission to strengthen its conflict-of-interest policies and to improve its monitoring of both the employee and member compliance with those policies.

Finally, the third area dealt with the governance at the commission. Our report identifies several areas where oversight of the commission's activities by commission members should be improved. Recommendations were made to the commission to improve the oversight provided by members for human resources and the enforcement system. Also, a recommendation has been made to the Minister of Finance on the need to establish a lead, independent member for the commission. In summary, the enforcement system has to be improved.

Mr. Chairman, through you I'm going to ask that committee members' questioning of the ministers that appear before you include inquiry as to the actions and the time frame for implementing our recommendations. If you ask those questions, that is the support that we need to ensure that the matters that we have raised are properly understood and will be acted on by the respective ministries.

8:50

Finally, I'm going to take this opportunity to extend to all members of the committee an invitation to meet with us. I'm thinking of lunchtime sessions, perhaps in your caucus groupings, similar to meetings we had with the committee members at that time in May and June of 2003. We found these meetings to be beneficial in helping us to continue improvements in how we report and also to better understand your needs as MLAs and members of the Public Accounts Committee. If you're interested, my staff will deal with the details.

Mr. Chairman, that concludes my opening remarks. Thank you.

**The Chair:** Thank you very much, Mr. Dunn. Quickly, before we

get to questions, I would like to remind all hon. members that the chair would appreciate it if preambles were kept to a minimum. There is a long list of members and other members of the Assembly who are interested in participating this morning, so if we could be direct with our questions, the chair would certainly appreciate it.

The chair would like to apologize to any members if I referred to the Auditor General's report, the ASC report, as the BSE report, and I certainly apologize to you for that.

We will get directly to questions, starting with Mr. Bonko this morning, followed by Tony Abbott.

**Mr. Bonko:** Thank you, Mr. Chairman. On page 169 recommendation 29 reads: "We recommend that the Alberta Energy and Utilities Board explore ways to strengthen controls for verifying the accuracy and completeness of oil and natural gas volumetric data and for enforcing measurement standards." This comes to the question: what is the risk level for Albertans that they may not be receiving accurate royalty payments?

**Mr. Dunn:** This is the area that we want them to look at. Obviously, the EUB is responsible for administering the appropriate extraction of energy from the ground. The Department of Energy levies the royalties. As you appreciate, the royalty structure is relatively complex, and it does require you to identify the source of where the energy is removed, whether it be natural gas or oil. What we are looking at is that the tolerance level that the EUB uses on measuring the volume is quite large. At the end of the day they are not as concerned about the exactness of the source of it, but the Department of Energy should be very concerned about the exactness of the source of where that energy has come from.

We believe that it is important for the Department of Energy to look at this, and that's why we've made it a key control, because a slight difference to the royalty could be a very large number. It may not be very large as to the total quantity and volume, which the EUB may not be as concerned about, but certainly if you do not track the sourcing of that correctly, you may not levy the appropriate amount of the royalty. Clearly, industry will watch this very carefully. Should you be attributing it to a higher royalty well, they would probably let you know fairly quickly. Should you inadvertently attribute it to a lower royalty well, they may not be as quick to advise you of that oversight. Thus, why we made this recommendation to that department.

Doug, you're responsible for the Department of Energy. Have you any supplementary comment?

**Mr. Wylie:** Yeah. Recommendation 29 is directed at the EUB. I think the main point, to reiterate the Auditor General's comments here, is that one of the things that we are looking at is for them to be clear on the level of assurance that they need to achieve their objectives within the regulatory environment. As well, the Auditor General commented in the introductory comments regarding collaboration, and I think the Department of Energy and the EUB could collaborate on this issue.

**Mr. Bonko:** Okay. Then maybe a supplement, Mr. Chairman, is: what current safeguards exist to ensure that the industry is providing accurate information?

**Mr. Dunn:** Doug, maybe you can briefly describe that royalty reporting system.

**Mr. Wylie:** There are a number of checks and balances within the system. The registry system is reporting the type of oil coming out

of the ground, the nature of the well. All of these have an impact on the royalty because the royalty regime has various components to it. It's a complex system, and there are a number of checks and balances. As the Auditor General commented, there are good controls in place, so there are good checks and balances within the system.

Again, what we want to reiterate here is that the EUB and the department need to determine the level of assurance that they want on those control systems. So there are control systems and checks and balances in place. The key point is the level of assurance that they want to achieve from those, which will indicate the amount of audit work that they're doing with the production group in the EUB and, as well, the work that's going on at the department.

**Mr. Bonko:** Thank you.

**The Chair:** Thank you.

Tony Abbott, followed by David Eggen.

**Rev. Abbott:** Thanks, Mr. Chairman, and thank you, Mr. Dunn. I think you and your staff are doing an excellent job, and I definitely want to commend you for that. You definitely drill into the core, and that's what we expect and that's what we want, and I think you're doing excellent.

I'm actually going to raise a question from page 142. It's not really one of your key recommendations – it's not even a numbered recommendation – but it's one that jumped out at me. It's with regard to the Wild Rose Foundation systems for the international development program. The question in here that I have is that you talked about “obtaining third party evidence that matching funds exist before approving grants.”

I'm not too familiar with the Wild Rose grants, but I'm pretty familiar with CFEP, the community facility enhancement program, as well as CIP, the community initiatives program. I know that for CFEP, quite often the matching funds are not raised until the grant is approved. It's generally a process. The matching funds could be raised through donations in kind, for example, once a project gets started. The matching funds, again, may come in much stronger once a project actually looks like it's closer to reality. So I guess I'm questioning this recommendation and just wondering what the rationale was for recommending that.

**Mr. Dunn:** Okay.

**Ms White:** I'll respond to that. The actual policy of the Wild Rose for this program is that matching funds be available before the grant is approved. In this case we're just saying that if that's a requirement, you should have some evidence that the funds are there and existing before they approve the grant.

**Rev. Abbott:** Okay. Then a follow-up would be: have you done similar audits on the CFEP and CIP grants in the past, and, you know, how have those looked?

**Mr. Dunn:** Can you tell us what the reference is?

**Rev. Abbott:** CFEP is the community facility enhancement program, and CIP is the community initiatives program. Those are a couple of grants under Gaming.

**Mr. Dunn:** They come out under Gaming.

**Mr. Hoffman:** If you look in the Gaming section of the annual report, you'll find some audit work on those two projects. You won't find a similar recommendation. There's a point on improved monitoring, and the other one sort of escapes me. But, yes, we looked at those as well this year.

**The Chair:** Thank you.

David Eggen, followed by Mr. Webber.

**Mr. Eggen:** Thank you, Mr. Chair. My questions are to do with your report on the Alberta Social Housing Corporation land sales systems. I think that you did a very thorough job in identifying a number of breaches in existing controls concerning how these land deals were administered and, certainly, I think this morning particularly, pointed out a range of areas where there was a dearth of controls in the first place that perhaps we could see some improvement in.

I think that at the heart of the question that I would like to know – and perhaps you could provide some illumination – is: between these two areas why did this happen in the first place? Why was this land given without a price put on it, and what was the specific path of the combination of a lack of controls and, perhaps, a breach of existing controls that actually led to this land being given away for under its market value?

**Mr. Dunn:** Okay. First of all, remember that the Alberta Social Housing Corporation has been in existence for many years and that the Alberta Social Housing Corporation and I think its predecessor, the Alberta Mortgage and Housing Corporation, has had land up in that area for obviously many, many years. Some of the confusion, Mr. Eggen, that came about here was: what land was developable and what land wasn't developable?

9:00

A lot of people had forgotten that Alberta had invested a lot of funds back in the '70s in the deep infrastructure in the land, and that was all part of the federal/provincial exchange around the funding that was granted. There was a lot of deep infrastructure servicing there, which made certain of the lands much easier to develop, the surface of it, than some others. They've essentially run out of that.

When you say, “What went amiss here?” there was a series of different people responsible for the organization. There were different strategies that had been developed over time. There was a strategy back in the late '90s: just exit it all; sell everything and put it all out at one time. That strategy was rescinded and changed to: no, maybe we should be developing it on our own. There was a question also within the organization: are they actually developers themselves, or are they merely there just to try to orchestrate the timely disposal of it? There was confusion also at the municipal level around what lands should be developed next as to the continuous building in that area. So there was a fair amount of uncertainty and confusion around there.

There also became a conflict in the objectives of the Alberta Social Housing Corporation, social housing being affordable housing. If we sell the land at less than call it maximum value, that should also translate its way eventually to less expensive land on which houses could be built. So at some point in time that became a key strategy objective. We're not here to maximize the dollars that we receive but, rather, maximize the timing of the release of the land. Thus, we're not so concerned about maximizing the dollar. At other times that got overrode by saying: “Well, no. We really should be maximizing the value. Let's go deal with a group or organization that is able to invest significant dollars in the development of land.”

In the latter sales, the one that got subject to quite a bit of press coverage, and the consortium – back in '03, I believe it was, it was readily identified that there was a looming housing crisis out there. However, for the land which needs the deep infrastructure, what we're now going to be selling, a significant investment was needed, and it was argued at that time that about \$13 million to \$15 million worth of deep infrastructure had to be put into place. Who could afford to do that? It was approached by the municipality as well as a certain private sector that maybe the government should come up with the money, and it was decided that the government would not do that but, rather, that the private sector should come up and do that. So then the objective changed to dealing with an organization who has sufficient financial resources such that they could put the deep infrastructure in and then have the timely release of it.

In your opening question about, "Did they give the land away?" there were different objectives at different times, which then overrode what the strategy was and how it was sold. The one piece of land – and we looked at it very carefully – was the sale, I think it was back in 1999, where it was 231 acres not thought to be fully developable. There were wetlands on it. What we would have expected, certainly from my private-sector experience in dealing with real estate, is that what is known as a price adjustment clause would be in that agreement. The earlier drafts had the price adjustment clause in.

No one can reflect or remember or advise us as to why that price adjustment clause was taken out at the end of the day, but it seems like the direction to remove the price adjustment clause came from the corporation. By removing the price adjustment clause, when the developer was able to make use of that other 73 acres by incurring additional costs to drain and fill and all the rest of it, those 73 acres were not paid for to the government. The developer, through their ingenuity and their approach, was able to arrange to get more land available for development than originally understood, the 231 less the 73, and they actually brought more land available, which was one of the objectives. Obviously, the government never got paid or the Social Housing Corporation never got paid for those 73 acres. We don't have an answer for you because we couldn't get an answer as to why that price adjustment clause was removed.

**Mr. Eggen:** Yes. A supplement to that then. It appears, perhaps, beyond the scope of this Public Accounts Committee and your own office to investigate further at this time. Would you suggest that we should do something more to get to the bottom of this? You know, some further investigation that would perhaps provide some illumination and some better responsibility as to how public lands are dealt with here in the future.

**Mr. Dunn:** I think we met with everybody that was involved. We met with the former minister. We met with the former deputy ministers at the time. We met with the legal counsel, with them all. We met with every party. We met with the purchaser around that, and the purchaser was quite open to us. They were surprised that it was removed, but they weren't going to argue with the removal of it. So I don't think, Mr. Eggen, in all fairness, that there's anything else to be found out. I think we found that the matter is that there was a lack of continuous thought on what we were trying to achieve here and that people didn't pay attention when they finalized the agreement, that at the end of the day, should these other acres end up being developed, then we were not going to get value for it.

We also looked at the fact that the municipality was trying to look at, as I say, the overall development and provide additional green space, wetlands available for development around there. After the

sale the municipality provided permission to drain and clear and develop, which it hadn't provided before.

Ronda, is there anything else you want to supplement?

**Ms White:** Well, I'll just supplement what Fred mentioned about the municipality. In talking to the corporation, they were under the understanding that those lands were not developable. The agreement was signed on that basis, and then it was changed after. That was one explanation that we received subsequent to the sale. They said that, well, it was a surprise to them that the lands were developable.

**Mr. Eggen:** Thanks.

**The Chair:** Thank you.

Mr. Webber, followed by Mr. Chase.

**Mr. Webber:** Thank you, Mr. Chair, and thank you also, Mr. Dunn, for your presentation and for your report on seniors. I liked it so much that I read it 37 times and counting.

There are a couple of questions I have with respect to the scope of that audit. On pages 54 and 55 you indicate that you had visited about 25 long-term care facilities in Alberta. A couple of quick questions. One is: did you or your team indicate to these facility operators that you would be coming out in advance? Did you indicate to them that the assessment results would remain anonymous? Also, why would you not indicate the facilities that did not pass the basic standards of your assessment?

**Mr. Dunn:** Thank you very much, Mr. Webber. Everyone will appreciate that what we have got in the annual report is a summary of what we put out in the special report that came out in May of '05. The detail is all in there.

Regarding the scope, Ronda and Jim were both very instrumental in this work. What we were trying to do was get a snapshot of the province of Alberta. The selection criteria that we used in looking at what type of facility we should go to were the ones that would overall represent the 179 facilities. So we chose large urban, small rural, private-sector, public-sector, and charitable ones. We tried to get ones that when the 25 facilities were added up, they would represent a proportionate view of all of Alberta. We were not trying to look at one entity in and of itself, vis-à-vis doing an in-depth review of that facility. The other thing we were trying to do was also make sure that we covered all nine RHAs. We were able to cover the larger RHAs, Capital and Calgary, because there are more facilities there, but again it was not representative of just what is at one RHA because we were trying to look at the whole of the province.

In specific reference to your question, we had reviewed what types of facilities were out there beforehand and had a good overview of where they were, the complexity, matrix, how many beds, et cetera. Through that criteria and with some assistance from the RHAs we identified those that we should be able to go see. The RHAs were advised as to what we were going to see, but the facilities were not.

Your question: did you let them know in advance? No. How did you do it? We showed up. We had our select team that was comprised of medical assistance people. We had nurses assigned to our team, et cetera. We just showed up.

**9:10**

What you may also ask is: well, why did they let you in? We obviously identified ourselves, explained what we were going to do, indicated that we were here to do it and that it would take approximately two days, and the criteria through which we were going. No

one denied that we could go in. We did indicate that we would be providing to them at the end our assessment on their facility, that it would remain anonymous in the public disclosure; however, it would be made known to each of the RHAs to whom they were responsible for reporting.

So in our agreement with the ministries, the RHAs, we said that we were not here to identify one facility vis-à-vis another but, rather, a snapshot of the whole province, that if we protect the identity of those individual facilities but identify matters that they have to address obviously to the facility and also to the RHA responsible for that facility, they could then further monitor it. That was the acceptance as to the scope and how we can conduct that work.

This exercise took a very long period of time, as much on the reporting back because we had to report to each facility, agree as to the facts, our findings, their needs and requirements. Then we had to report in the aggregate to each of the RHAs as to their facilities. Calgary may have had six. We had to report on each of those to the RHA so that they understood what they had to do. Then we'd report to each respective minister, Health and Seniors. So there was a very lengthy reporting that went through there, and there were no leaks over that period of time.

**Mr. Webber:** Great. Thank you.

**The Chair:** Anything else at this time? No? Okay. Thank you.

Mr. Chase, followed by George VanderBurg, please.

**Mr. Chase:** Thank you very much. I'm following up on the concerns over long-term care. Specifically I would reference "developing and maintaining standards," recommendation 5, page 58. For the sake of speed I won't read it. Your report pointed out and highlighted the inadequacies in the spring. The task force on continuing care chaired by Ray Prins with members Len Webber and Bridget Pastoor heard the intolerable condition stories from family members, and it moved them greatly. Here we are in the fall, and my question is: have you suggested or required a timeline or deadline to correct the current glaring inadequacies in long-term care?

**Mr. Dunn:** That's the question which we really appreciate, and we appreciate your continuing to ask that question. We have asked for timelines, and that's what we are expecting from the minister of health, that there will be appropriate action and timelines given to us.

Jim, in your recent discussions with the department?

**Mr. Hug:** Well, we've discussed it with the department, and the department's response is basically that they have to await the direction that comes from the committee that is doing the fact-finding work and then look at the recommendations that come out of that. So at this point in time we have not gotten any kind of a definite time frame from them as to even what will be actioned or when it will be actioned.

**Mr. Chase:** Thank you.

My supplemental is: in this waiting process does the Auditor General's office plan on doing any follow-up auditing? Is there any way of sort of pressuring for speed?

**Mr. Dunn:** Well, Jim, maybe you can tell about that because we are getting into the scope for next year, outside this year, but we will plan on follow-up auditing. The question becomes the timing of when we can do that appropriately.

**Mr. Hug:** Yeah. Certainly, there's no point in us doing a follow-up if there hasn't been much action taken. Normally we would follow up once we get feedback that a recommendation has been implemented, at which point in time we can take a look at what was done and, you know, the processes that have been put in place – are they effective and do they address the issues?

**Mr. Dunn:** Also, Ronda, from Seniors?

**Ms White:** Well, I'll just supplement that this year our focus will be getting the timelines, getting a good understanding of what actions will be taken and when so that we can plan our work accordingly.

**Mr. Chase:** I very much appreciate your efforts. Thank you.

**The Chair:** Thank you.

George VanderBurg, please, followed by Kevin Taft.

**Mr. VanderBurg:** Mr. Dunn, I wanted to talk to you a bit about accountability, not just public accounts but public accountability. When we get into the Health and Wellness area, you've stated that you've had the opportunity to audit the financial statements of a couple of health regions. Well, the health regions here in Alberta have larger budgets than most of our ministers. I wonder if we really get into the guts of these health regions more on the public accountability side than the financial statements.

**Mr. Dunn:** Just to confirm what you're saying, we do audit six of the nine health regions. That includes the two large ones, Calgary and Edmonton, and each of those large ones has a budget, as you're saying, Mr. Vanderburg, of \$2.4 billion: exceedingly large, complex organizations. Manpower: 25,000 to 30,000 personnel in there. We do attend and meet with the audit committees of those respective organizations, generally on a quarterly basis, and we are participating, obviously, in the audits. Those audits are done through our office with agents.

Around the accountability, we made a recommendation the preceding year, recommendation 23, about the accountability of health regions to the Ministry of Health and Wellness. That is one recommendation which we continue to try to follow up with them as to how they can improve that accountability back to that ministry.

In my period of time here there have been changes where certain ministers have been maybe less hands on, some have been more hands on, and some have been more demanding of the accountability. I believe that it is now, today, an expectation that there will be a more prompt and regular accounting back to the ministry. What we do have on our current plate that we're trying to finish at this point is around the funding, the funding to the health regions, and that work we expect to be finished at the end of this calendar year.

Jim, do you have any further follow-up on the accountability and the recommendation 23 from the previous year?

**Mr. Hug:** Well, again, that's one that we haven't followed up on yet with the ministry, but I understand your question in terms of, I think, the amount of work that we're doing in the ministry. Obviously, we've just talked about the work in Seniors, which involved us in all the regions throughout the province. We're also doing work on food safety, which involves us in all the regions. There's work planned to do water-quality, water-safety work. We're also looking at the funding formula which allocates the level of funding to the various health regions.

They are large organizations, and we could devote a lot of resources to those audits. Right now we're devoting what we think is a significant amount. Could we do more? Probably.

**Mr. VanderBurg:** You know, I guess that if we're going to see some savings in this government, we've got to go after the big spenders. So I'd like to see you focus a little harder on those big health regions.

The Member for Drayton Valley-Calmar talked about some of the grants that come through Gaming. Well, there are, you know, huge grants that go out of our health regions to hundreds and hundreds of different organizations. You audit a sampling of five of those grants, and you find that two of them don't even have any reporting mechanism back to the health region. I think that I'd like to see you get into that a little bit deeper.

**Mr. Dunn:** Good. Thank you.

**The Chair:** Thank you, Mr. VanderBurg.

Kevin Taft, followed by Doug Griffiths.

For the information of the committee I would like to remind you, please, that Standing Order 53(5) states: "at any meeting of a standing or special committee, a member who is not a member of that committee is entitled to attend and participate in the meeting, but may not vote." So please proceed, Kevin.

**Dr. Taft:** Thanks, Mr. Chairman. I'm referring here to the report on the Alberta Securities Commission. The further in you go, the more interesting it becomes. On page 21 the bottom paragraph describes what I can't interpret in any other way but sort of a two-tiered enforcement. It says:

We found the most sensitive or potentially high-profile cases to be the most poorly documented, likely due to more involvement by senior level staff and Members, whose views were sometimes sought on a matter. Senior staff and Members tended to provide their views verbally.

9:20

Since the amount of documentation in these kinds of files diminishes – the more sensitive the file, the less documentation it sounds like there is in there – how do you know that proper enforcement decisions were being made? How do you reasonably conclude that no files should be reopened?

**Mr. Dunn:** Thank you, Dr. Taft, for that question. As you appreciate, my team together with specialists were involved in this area. The two people that we did select early on to advise us as to the scope and the approach to this were people who had had significant experience with the Ontario Securities Commission. One had I believe it was eight years as the executive director, and one was 12 years as the director of enforcement. They had significant experience in, obviously, Canadian as well as international securities regulation.

When we looked at the various files, we were able to identify certain names which we felt were fairly sensitive or a higher profile, and we selected those files for more in-depth review. We engaged those individuals to look at them and say: what would you expect that should be here? It was certainly clear to our own staff together with them that there should be more information contained in the file to support the reason for either not going the further step – you tried to refer to it as a two-tiered system, and we never saw that; we never came to that conclusion – or should they go further to the next step, and what would be the result if you did not properly record how your thought process was, your consideration, your rationale? How would you then look at a parallel situation in the future? We were looking at it from two perspectives. Did you do a sufficient amount of work and come to the right conclusion on this file? Also, are you properly guiding people for future cases?

In trying to come to our conclusion, we concluded that we could not look only at that which was in the current ASC files. Thus, we used the section that came into my act a couple of years ago, section 14.1, where we have the ability to compel witnesses. We used that section to compel the various witnesses to appear before us and, under oath, provide their interview information to us. We used that information to provide additional guidance for staff as to how they could corroborate the matters that had been reported to us. At the end of the day, based upon all the information that we obtained, we concluded that there was no reason to open any other file. Clearly, at the beginning when we looked at the file, it was not in very good shape. You're absolutely right. It was not in very good shape.

By extensive review and under-oath interviews with people we came to the conclusion that they did a sufficient amount of work and came to an appropriate type of conclusion at the end of the day. The unfortunate part was that the lessons that were being learned were not being documented, weren't being shared with others, and it wasn't being recorded in the file. Thus, when we looked at it in hindsight, we said it was a poor effort on their part, but once we put all the information together – and that's why it took us so long to do this work – we did not see any contrary or conflicting type of evidence to say that they should have pursued this further.

As you appreciate, in the Securities Commission all decisions that result in a sanction are made public. So if the sanction happens to have come through a hearing, those are made public. If the sanction happens to be what we might call a settlement, those are made public. For the least of all the sanctions, if it happens to be a letter of advice or a warning letter, those are also made public.

The question becomes: does the Securities Commission have the resources and the strength to make sure that it is willing to pursue cases where there is possibly a very serious question as to whether or not they would win? This was something which we debated long and hard in our own office and with our specialists. If it is a tentative case and something which you are not fairly comfortable that you could win, if you take that forward, you could damage the reputation of the commission, and you could also expend an awful lot of resources in trying to come to that conclusion.

So if you want to conclude at the end of the day – you're trying to refer to it as a two-tier system. I think they are a cautious commission. They are very cautious, and they want to make sure that they get everything in order before they go forward. What we ended up on concluding and supporting there is that at the end of the day, having received all the information and evidence, we believe that they arrived at the appropriate conclusion.

**The Chair:** Thank you, Mr. Dunn.

**Dr. Taft:** Thanks. My supplemental, then, comes straight out of your comments, Mr. Auditor General. You said that there were names, as you went through the files, that tended to make them sensitive or high profile. I know that you're not going to identify names, but could you give us a sense? Were these political persons? Were these people who were prominent because of political connections or business connections or social connections? What makes something high profile?

**Mr. Dunn:** Yeah. When I talked about high profile or sensitive, we took the information given to us by various people we met. We met with the previous director of enforcement, who was no longer there. The ones who had gone kind of public around their accusations: we met with each of those and we asked them directly, "Which are the files you are most worried about?" They said that these were the ones which were the most sensitive or that they felt could have been

considered in a different light, and we took their advice as to which ones we would go look at.

Jim, was there anything else in our selection criteria that we used in different ways?

**Mr. Hug:** No. I don't think there's anything I can add to that, Fred.

**Mr. Dunn:** Okay.

**Dr. Taft:** Thank you.

**The Chair:** Doug Griffiths, followed by Paul Hinman, please.

**Mr. Griffiths:** Thank you. I guess, rather than a direct question about your report, I'm looking for something a little more general and some advice. Probably one of the most beneficial conferences that I've ever been to was the Public Accounts conference that we had down east. I found it incredibly insightful. My question, I guess, is: rather than simply calling ministers or departments to Public Accounts to have public accountability, what do you think of calling, for instance, instead of Minister Horner and Agriculture, actually somebody from AFSC to discuss some of the recommendations that you've made, or calling the Alberta Securities Commission or the ATB or the health regions to this committee to account? It is about public accountability.

**Mr. Dunn:** Thank you very much. That is an excellent question for all the committee, and thank you for the lead-in. You are going to meet in your second meeting with the Minister of Finance. This is the Ministry of Finance's annual report, that you'll go through together with the public accounts, the consolidated financial statements, as we went through briefly last year, and all of Measuring Up stands before you at that meeting together with this big binder. This big binder does include ATB, all the pension funds, the heritage fund, and it also includes ASC. How are you going to do all that in an hour and a half? How are you possibly going to pierce the accountability in an hour and a half? How are you going to do all that?

So, Mr. Griffiths, you are absolutely right. It may have to be that you are going to have to be more selective in how you look at a ministry or a department and unbundle it. Certainly, I would support what you are looking at. If you want accountability, you're going to have to speak to the people who run the business.

As I've commented before at this committee, so I'm not going to go on too long on this tangent, you're not here to embarrass the minister. But it's impossible for one individual – and I myself find it staggering to try to stay in touch with everything – one person to know everything about all these different organizations, their conduct, their business, et cetera. Thus, it should be appropriate that the people who are responsible for running the business, because that's who you are holding to account, the public sector who expends the public sector dollars – you're holding them to account as to the appropriate use of that. It isn't the political side and public policy. You can debate that in the House. It's: did you do these things in an efficient and effective manner?

I'll pick up on the Securities Commission, and one of my fears is that this report will not get much airing at this committee. You have so much in front of you through the main report and through some of these others, the annual report, that there won't be much airing of this one. Your ability to ask questions, which is just what I've asked you to do, of the people who run that organization – and it's a small organization. Have you accepted those recommendations? Do you plan to do something about it? When will it get done? You won't

have that chance of asking those deliberate questions of the people in charge of doing that work unless they appear before you.

So thank you for the question. Sorry for the lengthy answer, but I believe it is very important, and obviously that's what we also were hearing at those various conferences too.

**Mr. Griffiths:** Yeah. I don't have a follow-up. Thank you.

9:30

**The Chair:** Thank you, Mr. Griffiths.

Mr. Hinman, followed by Dave Rodney, please.

**Mr. Hinman:** Thank you. Thank you, Mr. Dunn, for your excellent work and your revealing of details on the various areas. I think you need to be commended on all of that. I guess I'm always impressed with the very kind way but firm reprimand that you put towards the handling of many of these areas.

There are so many questions, and I agree totally with Mr. Griffiths: how do we possibly get there? So what I'm perhaps wanting to ask in a broad sense, again, is that it seems in very many cases that there's the creation of a perfect storm at the peril of Albertans to the benefit of a few and the lack of due diligence or what I would want to call breach of trust on behalf of Albertans. Would you consider making recommendations on how we enforce, as we've been talking, an efficient and effective report and in a timely manner?

It seems like in Fort McMurray you've gone, you know, for six years knowing there's a problem, and nothing is done. Is it possible in your scope to come up with some recommendations on how people are held accountable and not just that we need to do, perhaps, you know, a removal, whatever it is? Is there some enlightenment that you could give us as MLAs on what we should be doing to hold people to true accountability when that breach of trust has happened, more than just talk about it if something happens, so that we don't have six years of wait between a recommendation and an implementation?

**Mr. Dunn:** Thank you. I'm not so sure I would like to say "a breach of trust" in all.

**Mr. Hinman:** I realize that those are my words, not yours.

**Mr. Dunn:** As you appreciate, in the public sector you have some very good people, and they are trying to do a good job. However, they also need guidance, timely guidance and consistent guidance, around the objectives that are trying to be achieved. We do try to do this. One of the key themes that we have in our office is to look at governance and look at ethics, and we've been concentrating on integrity and ethics over the last two or three years by talking about contracting, conflicts of interest, those sorts of things. We have been trying to concentrate on that and this current year around governance, around getting the right people on the board. A number of you sit on different boards. Get the right people who can serve you on the boards, that have got the quality, the criteria to be good board members, independent of mind, et cetera, and also evaluate their performance. So we do concentrate on trying to do that.

As Mr. VanderBurg has just mentioned and Mr. Griffiths, this is a large corporation, the province of Alberta. There are well over 200 organizations that we audit, and to try and bring all of that to you in a timely manner and to get to all the different issues, it's a very difficult thing to do.

We did get into what I would consider to be some fairly minor areas this year, the Applewood. Those are small in the context of the

expenditure here: \$20,000 and that sort of stuff. We are also very sensitive to what the MLAs discuss, what the MLAs want some further background on. So we try to direct our time there.

So in a roundabout way trying to answer your observation, we hope that what you will do is take the time to meet with us, and we can discuss with you your needs and your areas of interest and what you expect to achieve. We'd like to be able to have that dialogue with you, say, over a lunch hour. We want to make sure that we are hitting the key areas that all parties and all MLAs want to hear about.

As Mr. Hug has mentioned, we are looking at areas that we feel are most important. You know, granting is very important as dollars go out but also the quality of our water.

**The Chair:** Thank you, Mr. Dunn.

**Mr. Hinman:** A supplement on that. I agree with you about getting excellent people in there, but perhaps on the reverse side of that, how do we remove those who aren't? I mean, it just seems like it goes on with the incompetence. Is there a way that you would recommend of removing those that aren't?

**Mr. Dunn:** We hope that management can answer that question because either the evaluation of the directors should be done through their board, or the people who report to those boards should be done through the management. If they are not providing the appropriate quality of services, then they should be removed. We'd expect that.

**Mr. Hinman:** Thank you.

**The Chair:** Thank you.

Mr. Rodney, please, followed by David Eggen.

**Mr. Rodney:** Thank you, Mr. Chair, and thank you, Mr. Dunn. Mr. Dunn, I certainly join those who appreciate the sensitivity and seriousness that you approach your job with and your staff as well, obviously. We've just heard that it's every day and a half that you have an audit completed on average. It's absolutely baffling.

I was at the conference with other members, including Mr. Griffiths and Mr. VanderBurg and Mr. Webber, and I concur. I think that we need to continue to look at different ways that we can evaluate things with this committee, and I know that we'll do that as we move forward. But I'm referring specifically in my question to the Report on the Alberta Securities Commission's Enforcement System. Very thorough recommendations, obviously, and I appreciate that there is a chance for the ASC to respond.

In the beginning you were suggesting that we ask ministers and perhaps others as further discussion is warranted about time frames. I guess my question is: what is our time frame in terms of an evaluation on the progress of these recommendations? What is the reporting mechanism, perhaps back to your office, on how these people have done as time goes on? And just as part of that question, should they be reporting to you, or do we have them in here in a year to let us know of their progress in response to your recommendations?

**Mr. Dunn:** We have a general understanding that a significant, complex recommendation should be able to be implemented in approximately three years. Ones that are less complex could be implemented in a sooner time frame. What we ask from management in their responses is (a) do you accept, (b) will you do something about it – like, who will do what by when? – and then give us that time frame. The ASC did give us dates for many of those

recommendations, some of which they did not fully support. They did give us a number of dates. We do expect in this case, because of the importance of this organization and our audit, that we'll be looking at this case and doing a follow-up audit in July of 2006. That's the time frame I'd like to get. Thus if I can get that completed at that time, I can report to you in the annual report next year, in the '06 year.

Back to your question, that's the sort of question that you should be directing to the minister through their staff: are you going to do something about it and by when? It's not up to me to say that I can accept a two- or three-year time frame. If you feel that that's not appropriate, if you feel it should be sooner, then that's your question and your discussion through the minister to their staff: why can it not be done earlier?

**Mr. Rodney:** Very good. No further questions. Thank you.

**The Chair:** Please proceed, David, and you will be followed by Tony Abbott.

**Mr. Eggen:** Well, thank you, Mr. Chairman. I just want to follow, Mr. Dunn, from your comments, which I very much appreciate, about I think a glaring problem we have in the interaction between this committee and the Auditor General's office. It's nothing to do with either; it's more to do with the procedure or the limited scope in which we have to operate. I think that, perhaps, this particular interaction that we have here in Alberta is the most limited in all of Canada. Your job is to track the spending of public monies, and our job, as you said very clearly, is for us to address specifically what should be done about the problem and when are they going to do it. So do you have any recommendations as to what we could do to improve the effectiveness of this Public Accounts Committee in regard to this obvious problem?

**Mr. Dunn:** Yeah. Thank you very much for that question. You've discussed this at your committees in the past, and other groups have been there as to the frequency that you meet and the length of time that you meet. At the end of the last meeting, on May 18, Laurie Blakeman asked the question: how many ministries have we covered? She said eight out of the 24. It's a very, very large and complex organization.

Just to pick up on your point, Alberta does not meet the least frequently. There are others who meet much less frequently. That's not a good comment on Public Accounts across all of our country. But there is that report coming out from that body called CCAF on Public Accounts and their approach to how they do their work. There may be a suggestion from us that you're going to have to break these down, if you wish to get more accountability, specifically about what's going to be done, into smaller bite sizes.

I continuously refer back to the Ministry of Finance here. This is a huge ministry you're going to be looking at. You're going to be pressed, and it's going to be very difficult for you to try to get this thing in any sort of consistent, co-ordinated manner: the types of questions, that may be all over the field, and how you can build off each other's questions and information that's being provided. To me, I think there's a danger that it could be just a scattergun.

So what you may want to do within the committee in your discussions: do we break it down into bite sizes? Do we select within the ministry the most important area that we want to discuss? If it happens to be health and Mr. VanderBurg's question about the accountability of the RHAs, do we ask for the RHAs to come here? That, I believe, has to come back to this committee to decide as to what its conduct and its approach should be.

Others do it that way. Others take an individual report – and this is the federal model – and debate that individual report versus the ministry model, which we're following here, which other jurisdictions do also follow, but it can make it very, very large and complex in any one session to go through.

9:40

**The Chair:** Thank you.  
Follow-up, please.

**Mr. Eggen:** No. That's fine.

**The Chair:** Tony Abbot, followed by Kevin Taft.

**Rev. Abbott:** Thank you, Mr. Chairman. I guess my questions are going to be around pages 252 and 253, use of government aircraft. This was certainly a big issue a while back. I notice that you did do a very thorough audit of this procedure. I noticed also that in your assessments you recommend that the old King Air 200s be replaced. I think I read somewhere in the media that we should buy a jet. I guess I'm just wondering if you could further comment on the use of government aircraft and if you did factor in the important principle that time is money.

**Mr. Dunn:** Okay. Thank you very much for this. Doug Wylie led his team on this, so I'll let Doug do some talking here. What I set out as an objective beforehand is that we're looking at safe, secure travel. So that's what I wanted to make sure came through: safe and secure and timely and efficient travel. Clearly, you can go get a ticket from a private carrier, obviously.

What we found here is that they actually do have a darn good system, and they are trying their best to make sure that these things are efficiently used. Certain departments make very good use of them. The Department of Energy, by way of example, makes very good use of them. Other departments, which are very large-spending departments, don't make any use of them. So there was an inconsistency around this.

We did come across on the criteria of safe and secure: nobody wants to have, obviously, a disaster because we have old and outdated equipment. Some of this equipment does fly very long. This equipment has been used, these aircraft, to fly up into the High Arctic to a federal/provincial conference. Just as a personal expression, why would you ever fly an aircraft like that that far over that open area? Although they are trying to modernize it with GPS and all the rest of it.

When you get back to the King Air 200s, there is a question: have they run through their life? Is it more appropriate now to look at more modern aircraft to meet those criteria, safe and secure, and ensure that our elected representatives and those senior public servants that fly on these things are protected? So we have asked them to look at that and evaluate whether or not that's the right way to go.

As to a jet, many of the airports in Alberta have short runways, and these aircraft are the most appropriate to land on those. Some of them are, like turbo jets. So the fact that they've got propellers doesn't make them, you know, unable to fly higher, but they can accommodate Alberta. Our challenge to them was: if you're going to use the aircraft to go outside of Alberta – and there is a need for that, especially if you're going to go to conferences in the High Arctic, et cetera – make sure you've got the appropriate aircraft to do that. You, of course, can charter those.

Doug, was there . . .

**Rev. Abbott:** I guess I got all my questions in that one, so I'm good unless there might be a supplement there.

**Mr. Wylie:** I was just going to supplement, I guess, on the comments with respect to the age of the planes and the configuration of the fleet. It was really to support the overall recommendation, and that is that if you're going to do a program assessment and identify the user needs, evaluate your fleet. We're just identifying the obvious here with respect to the age and fleet complement.

**Rev. Abbott:** Thank you.

**The Chair:** Thank you.  
Kevin Taft, followed by George VanderBurg, please.

**Dr. Taft:** Thanks, Mr. Chairman. Just a procedural question here. There are lots of questions we haven't been able to ask because of the time. Normally, ministers will accept written questions and provide written responses. Is that fair here?

**Mr. Dunn:** Certainly, and I think it's through the clerk.

**The Chair:** We'll do that just before the conclusion of the meeting.

**Dr. Taft:** Okay. Thank you. I'm wanting to pursue some of the investigative approaches here, starting with the Securities Commission report. Given that the Securities Commission seemed to withhold the Mack reports for a while, delayed on that, they weren't forthcoming on the fact that the chairman was sitting on the board of a publicly traded company while he was chairman, they attempted legally, as you know too painfully, to block your investigation. There was documentation missing from sensitive files. You then proceeded with interviews. How confident are you that during those interviews with, say, senior officials that they were actually telling the truth? How confident are you in those interviews?

**Mr. Dunn:** Okay. Thank you. As you appreciate, it wasn't just a one-off interview. We corroborated what they were saying by going back to the people who formerly worked there, the ones whom we call the complainants. I think most of those complainants had been identified to us. We actively interviewed them, and a number of them chose to be interviewed under oath also. So we thought that we received a sufficient amount of corroborating evidence.

What it boiled down to, I think, Dr. Taft, at the end of the day is: there was a legitimate difference of opinion between professionals. Some felt that there was more merit and that it should have gone forward. Others felt that it was too risky, put the organization at risk and it did not warrant the dollars that would be involved in trying to pursue it, so they took a lesser sanction.

We feel very confident through the people we've met from both sides of the question or argument, and we felt that we had a sufficient understanding of the whole circumstance.

**Dr. Taft:** My question, then, is really about your investigative procedures. We've heard this morning that you investigated the leak of the reports and interviewed various people. Nobody can remember how the report got leaked. We've heard this morning that your staff interviewed people around the Fort McMurray land deal. A clause, an important clause, suddenly disappeared partway through the process. Nobody can remember how that happened. We have questions around the interviews and missing documentation and so on at the Securities Commission.

When you say it's under oath, are these people cross-examined?

Is there a risk of perjury? What are the penalties? Do you ever consider calling in a criminal investigation? Clearly, somebody is not sharing information with you here.

**Mr. Dunn:** Remember what our role is. We are not a police investigative group. We're here to look at the efficient, effective use of public resources on behalf of the Legislative Assembly. We try to clearly point out here to you, the legislative elected officials, where there has been inappropriate action and there has been insufficient evidence provided to us. Should we go off and pursue a claim of perjury? I don't think so.

**Dr. Taft:** I'm out of questions, but I'm wondering how you know they're telling the truth then.

**The Chair:** George VanderBurg is next, please, followed by Paul Hinman.

**Mr. VanderBurg:** Mr. Dunn, on Education. I noticed that you had audited the financial statements of the Northland school division, and in your report you talk about funds generated in schools. You know, I know in my constituency that there were some irregularities in one of the schools that are in my community. How do we hold these local school boards and the principals in these schools, that are taking care of their budgets and their school-based money, more accountable? I want to know a little bit more about the school-generated funds because some of these schools are very good fundraisers, and they raise thousands and thousands of dollars for projects. I need to know a little bit more about the accountability on those programs.

**Mr. Dunn:** Yeah. For reference, page 161 in our large report does talk about school-generated funds. Twenty-two of the school jurisdictions – in the prior year, 17 – need to improve controls over what Mr. VanderBurg is talking about on the school-generated funds. I'm going to turn this over to Ken Hoffman, who handles the Northland school division. It is the only school division that we actually audit out of the 73 school boards, I think.

**Mr. Hoffman:** Yeah. We're the statutory auditors of Northland. I think a larger question was on the accountability around school-generated funds.

**Mr. VanderBurg:** Right.

9:50

**Mr. Hoffman:** In this particular section what we're doing is commenting on the management letters that the individual auditors of the various school boards had produced. They had recommended the individual boards that needed to take action in those cases. In my view it's the department that has to hold these school boards accountable. School boards hold the principals in the schools themselves accountable.

Within the financial reporting regime there are mechanisms for reporting school-generated funds and the use of school-generated funds, as I recall, so the information is there. How the Legislature, through this committee, may choose to hold them accountable is a very interesting question. Those are separately elected boards that govern those.

I would submit to you that it would be through discussions with the Ministry of Education. In a way, what you'd look at there is the same kind of questions that the Auditor General is speaking to with respect to our recommendations. How is the Department of

Education satisfied that those 22 school boards are taking action to improve those control systems? I can tell you that they have mechanisms within the Department of Education to do that. They would speak to the school board and say, "What steps are you taking?" et cetera, and they get reporting back and forth on actions taken with respect to recommendations. They also receive a copy of the management letter that the school board auditors produce.

I guess that that would be my advice on how you deal with it, is through those people. I can't tell you off the top of my head what the total dollar value of school-generated funds across the province is, but it's a very significant number. At one stage I heard it was \$120 million. I don't know how accurate that is, but it's up there, and it's a very significant number.

**Mr. VanderBurg:** Well, I know that in the 28 communities that I represent, there are numerous schools throughout the communities, and they all have parent councils that all have set up funds, you know, for trips and different fundraising. Are you telling me, then, that there's really no reporting back to the school divisions on these parent council fundraising groups?

**Mr. Hoffman:** No. There's supposed to be internal reporting within the school system, so the school-generated funds are supposed to be captured, as I understand it, in the school system's accounting systems and included in their reporting. Yeah, it's supposed to be part of that.

I'll make a plug at this stage. When you look at consolidating the school boards, which is a reporting entity question that's been discussed with this committee on several occasions, I think, this information would then become part of the Ministry of Education's financial statements, so you then have a better insight to it. Also, the Ministry of Education's annual report includes all the financial statements of all the school boards as well, so you can see some information around that. That's a lot of information, by the way, so it's nice to have it consolidated so you can see if you like the one lump sum. But there is monitoring within the department.

I believe several years ago, prior to my getting involved with this audit, we did make some recommendations, and I can't tell you off the top of my head when, on reporting on school-generated funds. That's quite a few years ago.

**Mr. VanderBurg:** Thank you.

**The Chair:** Thank you. In the limited time we have left, perhaps we should, starting with Mr. Hinman, read our questions into the record, please. The Auditor General or his staff will provide written answers through the clerk to all members of the committee.

Mr. Hinman, if you could proceed. There are Mr. Lindsay, Mr. Oberle, Tony Abbott also has questions as does Kevin Taft, and we have Mr. Eggen as well.

**Mr. Hinman:** Thank you. My question this time goes back to your royalty and the levies. You've pointed out that there's a possibility of this happening – did your auditing find any actual discrepancies?

The other part of my question is that we've got a very heated economy going with the oil business, and should we be looking at the royalties? You know, when the economy gets going in the country, our interest rates go up and down. Should we be looking at a more flexible royalty program where we can slow things down and speed them up rather than as it goes forward? Specifically with the tar sands, do we still need those royalty rebates in order to continue to heat up that economy, or should we be looking at changing those on a long-term, progressive, planned-out program so that the companies know what's happening?

**The Chair:** Thank you.  
Mr. Lindsay, please.

**Mr. Lindsay:** Thank you, Mr. Chairman. My question is in regard to page 66 of your annual report, recommendation 11. When you talk about standards of care, how do these existing standards compare to other jurisdictions to ensure that they're relevant?

**The Chair:** Thank you.  
Kevin Taft, please, followed by Reverend Abbott.

**Dr. Taft:** There's no chance to submit written questions then?

**The Chair:** You can please quickly read them into the record, and through the committee clerk all members will receive an answer.

**Dr. Taft:** Okay. Well, the questions I have. I was wondering if the Auditor General's office was made aware that the Securities Commission chairman was sitting as chair of a publicly traded company at the same time he was chair of the Securities Commission because this was occurring during your investigation.

I'm wondering if you investigated whether the ASC chairman was receiving any monetary compensation from his former employer, a large law firm, or from the publicly traded company on which he was sitting on the board.

If you could tell us how many revisions were done to your report before it was released officially to the public or how many drafts it went through. What kinds of recommended changes were made to the report and by whom before the report was officially released to the public, if there were any? If you could tell us who saw the revisions to the report before it was officially released; in other words, the process. You seem to share your information with, well, sometimes more people than you intended, I guess, but formally you have a process. How many people see these reports before they're released publicly?

**The Chair:** Thank you.  
Tony Abbott, please.

**Rev. Abbott:** Thank you, Mr. Chair. I guess the only other question that I had today that raised my eyebrows during your opening comments, Mr. Dunn, was with regard to the Alberta Treasury Branches. On pages 193 to 195 you talk about some recommendations that you've repeated several times, and there has been no compliance or obviously very little compliance with these recommendations.

The other thing, just on that same line, is page 199. I see an expense claim there that just is disgusting. I don't know what else to call it. I guess what I'm wondering is: how many times will you continue to repeat these recommendations? Will you do that sort of forever until they get adopted, or do you kind of give up? I don't think you do. What are the next steps that you can take after so long?

**The Chair:** Thank you, Tony.  
David Eggen, please, followed by Mr. Oberle.

**Mr. Eggen:** Yes. Thanks. I was hoping that it would be possible for your office to provide to the committee a copy of a memo that's referenced on page 30 of the Alberta Social Housing report. It's the first bullet on page 30. It's a memo, and we failed to have that disclosed to us in our FOIP request. If we could perhaps see that, we would be very much appreciative.

**Mr. Dunn:** We'll look at that. Thank you.

**The Chair:** Thank you.  
Mr. Oberle, please, to conclude.

**Mr. Oberle:** Thank you, Mr. Chair. I guess in a way I'm following up on Dr. Taft's questions about testimony of witnesses and the potential for them lying. The testimony of witnesses is but one area of evidence that you used in the compilation of your report. I guess the real question is: how confident are you that this report gives this committee and the public a true accounting of the situation at ASC, and do you stand by the two statements in your opening remarks, which are that you felt that appropriate conclusions were reached by the ASC and that you found no evidence that matters should have been pursued further?

**Mr. Dunn:** Okay. Thank you.

**The Chair:** I would like to thank the members of the committee for their time and patience with the chair this morning, and I would like to thank Mr. Dunn and his staff also for their time and patience and their diligence – I appreciate it – and all members of the committee who found time in their schedules to visit the committee this morning. That concludes this portion of our meeting with Mr. Dunn and his staff.

**10:00**

As chair I would like to note under the item Other Business that next year's proposed budget for this committee will be circulated later this week to all committee members, and if you have any questions or concerns, let either George VanderBurg or myself know. Hopefully, we can have a little time to discuss this and perhaps vote on it at the meeting next week.

The date of the next meeting, of course, is next Wednesday, November 23, and it will be the hon. Mr. Doug Horner, Minister of Agriculture, Food and Rural Development. Members will recall that the minister has agreed to discuss the report of the Auditor General on the Alberta government's BSE-related assistance programs, which the committee clerk will make sure that each of you have a copy of before next week's agenda.

If there are no other items on that portion of the agenda, I could please ask for a motion to adjourn.

**Rev. Abbott:** So moved.

**The Chair:** Moved by Reverend Tony Abbott that the meeting be adjourned. All those in favour? Thank you. Carried.

We will see you next Wednesday.

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