



Legislative Assembly of Alberta

The 27th Legislature  
First Session

Standing Committee  
on  
Public Accounts

Wednesday, October 15, 2008  
8:30 a.m.

Transcript No. 27-1-10

**Legislative Assembly of Alberta  
The 27th Legislature  
First Session**

**Standing Committee on Public Accounts**

MacDonald, Hugh, Edmonton-Gold Bar (L), Chair  
Griffiths, Doug, Battle River-Wainwright (PC), Deputy Chair  
  
Benito, Carl, Edmonton-Mill Woods (PC)  
Bhardwaj, Naresh, Edmonton-Ellerslie (PC)  
Chase, Harry B., Calgary-Varsity (L)  
Dallas, Cal, Red Deer-South (PC)  
Denis, Jonathan, Calgary-Egmont (PC)  
Drysdale, Wayne, Grande Prairie-Wapiti (PC)  
Fawcett, Kyle, Calgary-North Hill (PC)  
Jacobs, Broyce, Cardston-Taber-Warner (PC)  
Johnson, Jeff, Athabasca-Redwater (PC)  
Kang, Darshan S., Calgary-McCall (L)  
Mason, Brian, Edmonton-Highlands-Norwood (NDP)  
Quest, Dave, Strathcona (PC)  
Sandhu, Peter, Edmonton-Manning (PC)  
Vandermeer, Tony, Edmonton-Beverly-Clareview (PC)  
Woo-Paw, Teresa, Calgary-Mackay (PC)

**Auditor General's Office Participants**

Fred Dunn	Auditor General
Vivek Dharap	Executive Director
Jeff Dumont	Assistant Auditor General
Ed Ryan	Executive Director
Merwan Saher	Assistant Auditor General
Ronda White	Assistant Auditor General
Doug Wylie	Assistant Auditor General

**Support Staff**

W.J. David McNeil	Clerk
Louise J. Kamuchik	Clerk Assistant/Director of House Services
Micheline S. Gravel	Clerk of <i>Journals</i> /Table Research
Robert H. Reynolds, QC	Senior Parliamentary Counsel
Shannon Dean	Senior Parliamentary Counsel
Corinne Dacyshyn	Committee Clerk
Erin Norton	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Communications Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

8:30 a.m.

Wednesday, October 15, 2008

[Mr. MacDonald in the chair]

**The Chair:** Good morning, everyone. I would like to welcome everyone in attendance and call to order the Standing Committee on Public Accounts this morning, please. I would advise everyone that we do not need to touch our microphones. This is all taken care of by the *Hansard* staff.

Now, if we could quickly go around the table and introduce ourselves before we get further along on the agenda. We'll start with Mr. Griffiths.

**Mr. Griffiths:** Well, I'm Mr. Griffiths. I'm the MLA for Battle River-Wainwright. Good morning.

**Mr. Jacobs:** Good morning. Broyce Jacobs, Cardston-Taber-Warner.

**Mr. Dallas:** Good morning, everyone. Cal Dallas, Red Deer-South.

**Mr. Chase:** Good morning. Harry Chase, Calgary-Varsity, currently residing in Strathcona with a new MP.

**Mr. Benito:** Good morning. Carl Benito, MLA, Edmonton-Mill Woods.

**Mr. Denis:** Good morning. Jonathan Denis, MLA for Calgary-Egmont, residing with four sitting MPs.

**Mr. Dumont:** Hi. Jeff Dumont, Auditor General's office.

**Mr. Ryan:** Ed Ryan, Auditor General's office.

**Mr. Dunn:** Fred Dunn, Auditor General.

**Ms White:** Ronda White, Auditor General's office.

**Mr. Dharap:** Vivek Dharap, Auditor General's office.

**Mr. Saher:** Merwan Saher, office of the Auditor General.

**Mr. Wylie:** Doug Wylie, office of the Auditor General.

**Ms Staley:** Hi. I'm Diana Staley, research officer with the Legislative Assembly Office. I'm sitting in for Philip Massolin.

**Mr. Drysdale:** Wayne Drysdale, MLA, Grande Prairie-Wapiti.

**Mr. Johnson:** Jeff Johnson, MLA, Athabasca-Redwater.

**Ms Woo-Paw:** Good morning. Teresa Woo-Paw, Calgary-Mackay.

**Ms Rempel:** Jody Rempel, committee clerk with the Legislative Assembly Office.

**The Chair:** Hugh MacDonald, Edmonton-Gold Bar.  
Mr. Vandermeer.

**Mr. Vandermeer:** Good morning.

**The Chair:** Item 2 on our agenda. May I please have approval of the agenda for the October 15, 2008, meeting as distributed? Moved

by Mr. Chase. All those in favour? Opposed? Seeing none, thank you very much.

Item 3 on our agenda is the approval of the minutes. We have three meetings where we need approval of the minutes that have been distributed. We'll start with the minutes of the June 4, 2008, Standing Committee on Public Accounts. Moved by Mr. Drysdale that the minutes be approved as distributed. All those in favour? None opposed. Thank you.

Also, the October 7, 2008, minutes. Moved by Mr. Chase that the minutes of the October 7, 2008, Standing Committee on Public Accounts meeting be approved as distributed. All those in favour? Seeing none opposed, thank you.

Now we get further down the list here to October 8. Moved by Mr. Dallas that the minutes of the October 8, 2008, Standing Committee on Public Accounts meeting be approved as distributed. All those in favour? Seeing none opposed, thank you very much.

This brings us to item 4 on our agenda, our meeting with not only Mr. Dunn but with his officials from the office of the Auditor General. I would like to remind everyone that we have the reports from the Auditor General's office from April of this year and also from October 2008 and the annual report of the government of Alberta 2007-2008. I would note at this time also that everyone has received research material provided through the LAO research coordinator. We appreciate that. Thank you.

Now, Mr. Dunn, if you could provide us with your opening comments or statement regarding your respective reports, we would appreciate that.

**Mr. Dunn:** Thank you. We will review with the committee the October 2008 report. As you are aware, it was released on October 2, 2008. Hopefully everyone has a copy with them today.

Our public reports cover the findings and recommendations that arise from our work on the ministries, departments, regulated funds, Crown-controlled organizations, and provincial agencies that our office audits. There are a substantial number of ministries and organizations involved, well over 200 entities. All of this work stands before this committee for its review.

The members of my executive committee who are responsible for the performance and reporting of these audits are with me today, and they've just introduced themselves. They will respond to your questions and answer any matters that you have for further information.

We will start today's comments on three areas of our report that I understand are of the most interest to you: protecting information assets, AIMCo's internal controls, and Alberta's mental health service delivery system. We'll make opening comments on each of those reports, and thereafter we will take comments and questions on the whole of the October report. We'll keep our comments brief to allow as much time as possible for your questions.

I'm going to turn it over to you, Vivek, to go over the information and security matters.

**Mr. Dharap:** Thanks, Fred. Our report on protecting information assets starts on page 53. We conducted this audit through the period from January to May 2008, and we looked at three different ways that information can be accessed: over the Internet, by connecting wirelessly to a network, by physically accessing servers and databases.

Our office has highly trained and experienced staff to do this kind of work. Information systems audit team members are certified in IT security and IT audit and have had prior experience as ethical hackers, installing enterprise-grade firewalls and intrusion detection systems, implementing enterprise-level IT control frameworks, and

setting up central security offices. To supplement this internal expertise, we engaged a firm who are internationally acknowledged as experts in web application and network security and wireless security and who work with some of the largest corporations throughout the world.

These three audits identified the root cause of the state of poor information security in the government and resulted in us making a key recommendation for the need for a central security office. The deficiencies noted in all the audits can be attributed to the fact that no one person or group in the government has the authority to develop, promote, implement, and enforce adequate security standards and practices to protect the government's and Albertans' systems and data.

We noted that due to the federated model currently used by the government, security throughout the government is a patchwork of security practices and standards as defined by each individual ministry or agency. There is no assurance or enforcement to ensure that a standard baseline security policy is met by all organizations that belong to the federation. This directly resulted in the many vulnerabilities found in the testing we did. There is a high risk of unauthorized access that can and must be effectively managed.

Other jurisdictions throughout North America have central security groups that ensure that there are well-designed and consistently followed security policies, standards, and practices. For instance, Manitoba has a central security office with the authority to deny a ministry or agency the ability to deploy web applications until they have been tested and shown to be secure. This group also has the mandate to ensure that security standards are maintained throughout the life cycle of the application. In contrast, in Alberta even after notifying Service Alberta in May 2008 that Alberta's information assets were exposed to unnecessarily high risk due to the vulnerabilities in websites, ministries, agencies, and other organizations within the government continued without consequence to put Albertans' information at risk by deploying untested web applications.

We only audited a subset of the sites that we had intended to examine. We stopped due to the large numbers of vulnerabilities found. In one instance we were able to confirm within hours that a web application was not secure and that we could exploit its vulnerabilities and other associated network vulnerabilities to access key government areas, systems, and data. Through this examination we obtained evidence that hackers had uploaded tools that would allow them to try to hack their way further into the government. We have evidence of their hacking tools and footprints. Note, however, that smart hackers do not leave evidence of how far they went or what they saw, so we cannot confirm what, if anything, was taken, changed, deleted, or misused. By exploiting the vulnerabilities that we found, we confirmed that it was possible to gain access to the most sensitive of government information.

Once Service Alberta understood the severity of our findings and it was mutually agreed that sensitive information was at risk, we stopped the audit. Service Alberta immediately corrected the specific security vulnerability that we used to access the information. However, we identified hundreds of other vulnerabilities in numerous other locations that could also be used to access sensitive information, that Service Alberta is currently working on fixing. We do not know if any malicious hackers got as far as we did within the government systems.

**8:40**

This audit focused on the security of websites. We did not test Service Alberta's intrusion detection systems. We did ask for their co-operation, for the sake of efficiency and effectiveness, to let us through their outer defences. However, as we have stated above, we

have evidence that hackers were able to get through their intrusion detection systems and other defences and upload and use hacking tools within the government's shared infrastructure.

We identified numerous security issues with the way ministries, departments, agencies, boards, and commissions develop, implement, and maintain web applications. We also audited a newer technology, wireless, and found that there is a lack of policies and standards for implementing and maintaining wireless networks in the government and for identifying unauthorized wireless access points that could be used by unauthorized and malicious users.

Last in the report are the findings of our audit on physical security. We audited the physical and environmental security of over 70 different locations throughout the province, and overall we found that physical security is inadequate. Without standards or enforcement of good security practices, government organizations put sensitive and confidential information at high and unnecessary risk. Security is only as strong as the weakest link in the chain. To improve the security and integrity of government systems and Albertans' information, there must be an effective central security office.

Now I'll turn it over to Merwan.

**Mr. Saher:** Thank you. I'll brief the committee on key recommendation 32, on page 282, regarding internal control certification for AIMCo. To summarize, AIMCo can strengthen its investment management activities by taking a top-down, risk-based approach to design, implement, and certify its controls.

AIMCo, a Crown corporation, commenced its operations on January 1, 2008. It now manages investments previously managed by Alberta Finance, with a market value of approximately \$75 billion, including Alberta pension funds and the various trust funds. AIMCo has a new CEO and a new board of directors to oversee its operations.

First, what is internal control? Internal control helps an organization accomplish specific goals or objectives. It plays an important role in preventing and detecting fraud and protecting resources. AIMCo uses internal control to produce reliable financial reporting, to have timely feedback on the achievement of operational or strategic goals, and to ensure compliance with laws and regulations. Internal control activities are designed to provide reasonable, but not absolute, assurance that particular objectives are achieved.

For example, a control objective for the purchase of derivative investments, also called swaps, might be that only authorized traders can initiate a trade deal and make an entry to the swap database. That would be the objective. A typical control procedure designed to achieve this objective might be that deal-making and initial entry to the swap database is restricted to people on the authorized list, which has previously been approved and signed by the chief executive officer.

What is internal control certification? The board of directors has the ultimate responsibility for the quality of an organization's internal control and management information systems. The responsibility for designing and implementing a system of internal control is delegated to management. The board should satisfy itself that management has put in place fundamental principles and expectations to shape the internal control environment.

An effective way for the board to do this is to ask management to provide certification on the effectiveness of internal controls in the organization. Typically, a third party adds credibility to management's evaluation. Many organizations have established subcertifications, whereby the subordinates to the CEO and the chief financial officer provide formal certifications on the effectiveness of internal controls in their areas of responsibility. In this way

management compensation systems can include the need for good internal control.

Finally, why is internal control certification important for AIMCo? We believe that AIMCo, by preparing for internal control certification, a process that will take two to three years, will bring the necessary attention to the key to its continued success. AIMCo's new CEO said it succinctly in a recent talk to his clients. What he said was: we need strong IT systems, people, and controls.

AIMCo is publicly accountable to its clients, for whom it manages investments. Clients have a right to know if their investments and investment returns are protected from the risk of error or fraud by strong internal control. When senior managers make internal control a top priority and provide active leadership and when a board satisfies itself that principles and expectations for the control environment are in place, the people who are responsible for internal control will also make cost-effective control a top priority.

Thank you. Over to you, Ronda.

**Ms White:** Thank you. Our report on Alberta's mental health service delivery system starts on page 151 of our report. In 2004 the government established the provincial mental health plan to guide mental health service delivery in Alberta. In our 2008 report we concluded that the ministry did not establish strong systems to plan, monitor, and report on the implementation of the priorities in the mental health plan.

In phase 2 of our work in our October report we examine the systems that regional health authorities have in place to deliver mental health services to its clients. Our objectives were to determine whether the regions provide a continuum of care to clients, determine whether the regions are actively implementing the principles of the provincial mental health plan, and identify good practices in mental health service delivery.

Our work focused on adult mental health programs in seven areas such as hospital-based programs, community-based care, and treatment of clients with addiction issues. We audited the systems in six regional health authorities and reviewed processes in three of the authorities. Our work was conducted by a team of auditors that included contracted mental health professionals. We also had a group of external advisers with expertise in mental health to review our plans and reports and give us advice throughout our work.

As part of our audit we also conducted focus groups with mental health clients, their families, nonprofit organizations. We also surveyed physicians and psychologists for their views on the system. The results of the focus groups and surveys are included in Appendix A of our report and support the findings and recommendations we've made.

Overall we found that Alberta's mental health service delivery system faces serious challenges. Services to clients and patients can improve by making access to the system easier, reducing wait times for many programs, and co-ordinating care better.

In terms of our objectives all regions provided a continuum of care to clients but with exceptions. In every region there were long wait times. In two northern regions there are significant service delivery issues. There are also significant differences between services provided in smaller towns and rural areas and those provided in the big cities.

All regions are working to achieve the provincial mental health plan and its principles but could do so faster and more consistently across the province. We did see many examples of good practices during our audit, and we saw many dedicated employees trying to carry out the programs that are provided to mental health clients. We have made nine recommendations to improve Alberta's mental health service delivery.

In summary the ministry needs to develop standards for mental health services. The standards should identify the expected care levels for clients and operational policies and procedures. These standards are critical to ensuring that clients are provided with consistent quality care throughout the province. Alberta Health Services, the new board responsible for all the regional authorities, needs to reduce gaps in services to mental health clients. Gaps in services can be reduced by providing supportive living programs, offering integrated care for clients with addictions issues, and improving co-ordination between regions and with nonprofit organizations. Addressing these gaps in services will improve care for clients and the cost-effectiveness of the services provided. Overall, implementing these nine recommendations should help the ministry achieve its priorities as set out in the provincial mental health plan and improve the consistency and cost-effectiveness of services provided to mental health clients in the province.

Now I'll turn it over to Fred for closing comments.

8:50

**Mr. Dunn:** We highlighted the three areas that you had mentioned last week that you wanted a brief introduction on. There are many other important recommendations in the October report. The chief executive officer selection, evaluation, and compensation section, Advanced Education, Energy, Environment, and Sustainable Resource Development all have important recommendations.

Also, I'd like to refer you to the 194 outstanding recommendations that have not yet been implemented. It sounds like a lot, but this year we've made recommendations. We made 17 in the April report and 114 in the October report, so although there are 194 outstanding recommendations, it represents little more than one year's worth of recommendations from our office. These recommendations are listed alphabetically by ministry starting on page 379. Two of these recommendations are repeated in this report: number 22 to the University of Calgary on PeopleSoft security and number 33 to AIMCo on ensuring completeness and accuracy of private equity partnership investments.

We work with management to obtain plans and timetables for implementation of all recommendations they have accepted with the expectation that implementation should occur within three years. If a recommendation is not implemented in a timely manner, we repeat it. Please review our outstanding recommendations list whenever a ministry or entity appears before you. For those outstanding recommendations you should ask why they haven't been able to implement them and ask management for an update on their plans.

In closing, we appreciate the work of this committee. You help our office. We listen to your questions, and we listen to the answers that are provided to you and follow up where we believe that it is appropriate to do so. By your asking management and holding them to account for the implementation of the recommendations, I believe that you make the province of Alberta more secure, more efficient, and more effective.

Thank you, Mr. Chairman. Those are our opening comments, and we're open for questions from the committee.

**The Chair:** Thank you very much.

We have a list today with Mr. Chase at the top.

**Mr. Chase:** Thank you. My first question: what oversight or direction was provided to ATB by the department of finance regarding its exposure to ABCP before and after the market disruption?

**Mr. Dunn:** Okay. As you heard last week when we met with ATB,

we will be doing an audit on the superintendent of financial institutions in the department of finance, but I'm going to turn that over to Merwan to answer about what had taken place in the last year.

**Mr. Saher:** The detail I can give you is that I'm aware that ATB is in frequent communication with officials in the department of finance. The department of finance was fully briefed on the ABCP situation. In terms of the detailed procedures that the departmental officials might have executed, I can't give you detail on that. That will be the subject of the audit that we plan to start soon, which is to look at the regulatory of a site function to take a view on whether we have an opportunity to make any recommendations for improving it or whether we can report that it is sound as it is.

**Mr. Chase:** Thank you. I very much look forward to that investigation.

You've partially answered the second question. Did the ATB provide the department of finance with immediate information on its exposure and potential losses – that's going back in history – and how did the department respond? Do we have a sense as to what the department told ATB or advised ATB about the risks they were taking?

**Mr. Saher:** I can confirm that there was communication between the parties. I have no detail that I can share with you. I just don't have the detail on what specific actions finance officials might have taken in terms of requests of ATB or instructions for ATB to behave in a particular way.

**Mr. Chase:** Thank you.

**The Chair:** Thank you.

Mr. Denis, please.

**Mr. Denis:** Thank you very much, and thank you for appearing before this committee in your own capacity. My question just deals with page 53, protection of information assets. In your initial presentation you indicated that there were some "ethical hackers" hired. I'm wondering: would it be true to state that there were some outside parties, individuals or firms, involved outside of the Auditor General's office in conducting this audit?

**Mr. Dunn:** We did contract with another firm to assist our team, so they were involved. They were under contract to our office. They were involved in the process to look through the security system. So, yes, we did use a third party together with our team.

**Mr. Denis:** Okay. You probably want time or perhaps to submit a written response just to my follow-up here: can I get a list of all parties that were contracted in producing this report?

**Mr. Dunn:** Okay. There was only one firm, so it's not very difficult.

Vivek, you can actually mention the name of the firm right now.

**Mr. Dharap:** Yeah. Actually, we used two firms, one to do the web and one to do the wireless.

**Mr. Dunn:** Sorry. Yes.

**Mr. Dharap:** We used Stach & Liu to do the web application review, and we used EWA to do the wireless review.

**Mr. Denis:** Thank you.

**The Chair:** Mr. Chase, please.

**Mr. Chase:** Thank you. Can the Auditor General elaborate on the details of the ATB's assessment to override its policy on bonuses because of "the consequences to staff morale and retention"?

**Mr. Dunn:** As you appreciate, when we did the CEO selection, evaluation, and compensation piece, we were conscious of what the impact is of incentive comp. Certainly, it's my opinion that incentive comp is something which has to be earned. It is, I'll use the term, pay at risk; thus, you must earn it. It is not something which is an automatic achievement. If it's just an automatic addition to the salary, therefore it's nothing other than deferred salary. Because of that piece that we were doing, we then linked it to the ATB example that was happening when we did that work.

As you read within our report, there was virtually no consequence on any of the senior management as a result of the ABCP provision that was made. We did meet with the chairman of the board; we met with a number of other directors to discuss their rationale for that. As was reported last week, the rationale in their heart was that they did not want to jeopardize the retention and the commitment of the vast majority of their employees, who were not impacted by this, who had nothing at all to do with it. They also wrestled with the fact that it was the previous CEO and previous treasurer and there was a chief operating officer also at the same time who were involved in it, and the current management team, the CEO specifically, was not involved.

Thus, they had a dilemma of what to do with a policy that said that they should not be providing incentive comp. They decided at that time – and it was debated very extensively; we saw the minutes of the board meeting – that they felt it was appropriate at this time in the economy and this time within the labour situation in Alberta to override that.

Merwan, can you add to that comment, please?

**Mr. Saher:** Yes. I'd just like to supplement by making a connection. The question was specifically about ATB, but I'd like to make the connection to the piece of work we did on CEO selection, evaluation, and compensation and particularly on page 44. On page 44 we indicate that it would be useful for the government to produce some guidance in the area of variable pay. Particularly, we set out some criteria that we think would be useful for boards to consider in the area of variable pay, and I'd just like to summarize that.

If the decision is made that variable pay is an appropriate compensation mechanism in an organization – and although these comments relate to the CEO, I think they can be used as guidance for the whole organization – it's important that the authorizing body identify and articulate the purpose of the plan. Is it to reward individual performance, is it for members of the organization to share in organizational success, or is it a blend of the two?

The organization needs to develop an objective, verifiable methodology for setting the annual amounts. The organization needs to establish targets that are challenging. Finally – and I think this is important – the organization needs to stick with the methodology whether the result is positive or negative.

9:00

**Mr. Chase:** Thank you. Heading into my second question, I can't help but note that the educational equivalent of these bonuses is saying to a child who has not completed their assignments, has failed miserably: we don't want to hurt you emotionally, and therefore we're upgrading your F mark to a B.

My second question: how much of the \$26 million went to senior management and board members who were involved in making risky investments as well as those individuals with global financial markets?

**Mr. Saher:** I think we would have to come back to you with a written answer for the precise amount.

**Mr. Chase:** Thank you. I would appreciate that.

**Mr. Saher:** The \$26 million you've quoted I believe is the total amount of the variable pay for the organization. I would prefer to get back to you with the detail on the subset that you asked about.

**Mr. Chase:** Thank you.

**The Chair:** Thank you.

Before we get to Mr. Denis, I would like to welcome Mr. Quest and Mr. Mason this morning.

**Mr. Johnson:** Mr. Chair, that information would come through the chair – right? – so that we could all get it.

**The Chair:** Yes. To all members through the clerk.  
Okay. Mr. Denis, please, followed by Mr. Chase.

**Mr. Denis:** Thank you, Mr. Chair. I wanted to know what confidential information was provided to the parties that were used to outsource in this audit.

**Mr. Dunn:** What confidential information?

**Mr. Denis:** Right. Yes.

**Mr. Dunn:** They had full access under our office. They had full access to all matters that our team would have also seen. Do you believe that they would have additional information to what we had? No. They were under contract to us, and they would have surrendered all their information to us.

**Mr. Denis:** Okay. Just to clarify my earlier question, you're saying to me that they would have had full access to all confidential information?

**Mr. Dunn:** Yes.

**Mr. Denis:** Okay. What steps is the Auditor General's office doing to ensure the deletion of that information subsequent to the contract?

**Mr. Dunn:** Okay. Good question. Indeed, we did work that with Service Alberta to ensure that our contract was sound. Service Alberta saw it, and so did Justice see the contract that we had.

I think, Vivek, you can talk about how we received the information back and all matters were reviewed.

**Mr. Dharap:** Yeah. We've confirmed with the consultants that any information that they were privy to during the course of their work was completely deleted. So there's no information that they have access to right now.

**The Chair:** Thank you. Mr. Chase, followed by Mr. Griffiths.

**Mr. Chase:** Thank you. I'm moving to climate change. Pages 93

and 94 state that the 2008 climate change strategy sets provincial emission reduction targets. Can the Auditor General tell us what specific measurable actions were outlined in these targets?

**Mr. Dunn:** I'm going to turn that over to you, Merwan, on climate change.

**Mr. Saher:** If we're referring to the 2008 climate change strategy, the key to that strategy, I think, is what Environment has set out is the goal, that 70 per cent of the expected emissions reductions would come from carbon capture and storage and the remaining 30 per cent from a variety of other actions, which we note in the plan have not been specifically identified yet. That was one of the reasons that we have made the recommendation that we have, that there be an implementation plan created which would require the department to move to a further level of detail and be specific about the particular actions that will in fact have the capacity to represent that 30 per cent of intended reduction.

**Mr. Chase:** Thank you.

**Mr. Dunn:** If all members will turn to page 107 under appendix 3, which is the top graph, and then appendix 4, which is the bottom graph, you'll see that the intensity targets are outlined there. This comes from the department's information, and you'll see that the matters that Merwan is talking about for the other 30 per cent talk about the conservation and energy efficiency and the greening of energy production to aggregate the total amounts for the absolute emission reduction.

**Mr. Chase:** Thank you. So other than the small-scale project in Weyburn, we don't have a whole lot of evidence about capturing the 70 per cent and the other 30 per cent. The answer is in the air, so to speak.

On page 95 it states that "no evidence shows that the particular actions in the 2008 Strategy will allow Alberta to meet these goals and targets." Can the Auditor General explain this statement and if this is a reference to a lack of scientific evidence?

**Mr. Dunn:** Where specifically are you, Mr. Chase, on page 95? Under criterion 1?

**Mr. Chase:** Yeah. Your quote that "no evidence shows that the particular actions in the 2008 Strategy will allow Alberta to meet these goals and targets."

**Mr. Dunn:** Okay. Merwan, over to you.

**Mr. Saher:** Right. I think what we're referring to there is what we call the corroboration issue that we talk about on page 99. There are actions in the strategy that have not been modelled yet, and there are actions in the model that was used which are not in the strategy. What we're really saying is that there is scope for that strategy to be improved in the sense that the specific actions that will allow Alberta to reach its goals haven't in fact been corroborated yet. So that's what we mean by no evidence.

**Mr. Chase:** So there is, in fact, then, as my question asked, a lack of scientific evidence to indicate that the model will work.

**Mr. Saher:** If you're viewing a model as producing scientific evidence, then the answer would be yes, but I'm not sure that a model produces scientific evidence. It attempts to take potential

solutions and determine with a set of assumptions whether a particular action will in fact deliver the predicted emissions.

**Mr. Chase:** Thank you.

**The Chair:** Thank you very much.  
Mr. Griffiths, please.

**Mr. Griffiths:** Thank you. I'm going to have confessionals for a second, okay? I honestly don't know a whole lot about technology. I use it all the time, but I don't know how you protect security. I know I constantly battle with our technology people on the ninth floor because I try and use this device so that I can keep up for my constituents on Twitter and Facebook and my regular blog, and I have YouTube videos and Google videos. You name it. I mean, I think that there are eight websites I manage in order to get information out. I constantly battle with the technology people, that they won't allow me to have Gmail on here and a direct connection to Facebook. But the public, since they got exposed to regular communication, demand it. The reason that the technology people don't want it on here is because they're worried about compromising information systems.

The cost of security is high because the technology constantly evolves and has to be implemented. There's a need for MLAs to publicly communicate regularly, but there is also a need to protect the information systems. Where do you establish a balance, or what do you think Service Alberta or the people on the ninth floor are missing? Where is the balance to make sure that we meet all three of those objectives somehow?

**Mr. Dunn:** You hit the right word, which is "balance." You have to have ease of access, and you have to make sure that the information that you're receiving is appropriate. In other words, you trust that little device to deliver to you promptly accurate information, but behind that trust has got to be a lot of security. How do you know that information that you receive is accurate? How do you know it has not been corrupted? How do you know it's not incomplete? And that comes from the security from the organizations.

The information that we were able to access – and we've talked about footprints, and then you may have heard me talk about tunnels. There was an analogy about a house: we came from a garage, and we came into the main operations, the main floor of the house. We were able to obtain the most sensitive of government information, information that should never have been available, whether to you, Mr. Griffiths, via that little machine or to any other outside party. It should never have been available. And that's the balance where Service Alberta has to come in to ensure that two things take place: firstly, the information that you or any MLA is relying on on a regular basis is not corrupted, that nobody has gone in there to somehow affect that information thus that when you receive it, it is inaccurate and inappropriate; secondly, that you will not be able to use that device to gain information that you're not entitled to. So back to the balance.

Vivek, over to you and your team about how you have managed to look at that balance equation, ease of access and then the security of the information.

9:10

**Mr. Dharap:** You're right. Functionality is key, but what is also equally important is ensuring that the data which is at the back end is secure and only accessible by people who are authorized to access that data. That's why our key recommendation is the need for a central security office that can balance the functionality needs of the

users and the security needs for the data and make sure that there are policies in place to ensure that that data is adequately secure and that someone is mandated to monitor and enforce the implementation of those policies.

**Mr. Griffiths:** Right. My grandpa always used to say – yeah, I know; I'm quoting him again – that you could have it fast, you could have it good, or you could have it cheap, but you only ever get two out of the three. It seems like access to information, security, and keeping costs down: you only ever get two out of the three. I understand that. I appreciate that.

You had recommended – what was the name of the office that you had recommended be set up?

**Mr. Dunn:** Chief security officer.

**Mr. Griffiths:** A chief security officer. Now, Service Alberta came up with new practices, procedures, and protocols after you had done your reports to recommend to different ministries and parts of government to implement. Some of them did, but some of them didn't. I'm really curious about which ministries didn't and why they wouldn't.

**Mr. Dunn:** Okay. Service Alberta in its present form and also previously, which used to be called ACSC, I think – there's been a centralized service facility for many years. The obvious question is: well, why weren't they doing something about it? Service Alberta was able to develop policies, implementation, operation protocols, et cetera, but they never had the mandate to stop. They could always encourage and provide good advice. They were an advisory service. They were not a police force, and that was the matter that was missing.

The fact is that many of the entities did listen, and they tried to develop the appropriate protocols and the appropriate security, but a number didn't. I'm not sure we're at liberty, very honestly, Mr. Griffiths, to tell you those that didn't. That's why we were very careful when we produced this report and with what we have spoken about in public. We do not want to expose that ministry that we would identify as the head of the tunnel, that that's where you should start to dig.

Those ministries that had less than adequate security at the outer ring are aware. We've identified that with Service Alberta. They know who it is, and they are working with them.

Vivek, is there anything else you can say without naming the ministry?

**Mr. Dharap:** Right. This comes back to our recommendation for a central security office with the teeth to force people to comply. The reason, as you mentioned, that some ministries are ignoring the direction from Service Alberta is because Service Alberta didn't have the enforcement capability to tell the ministries: well, you either fix it or you don't join us in the community. They didn't have that option. That's why this recommendation is so key.

**Mr. Griffiths:** Thank you very much. I had the instinct to say, "Name names," but I understand completely why you can't. Thank you.

**The Chair:** Thank you.

Mr. Chase, followed by Mr. Dallas, please.

**Mr. Chase:** Thank you. Continuing on environmental climactic concerns, the Auditor General indicates on page 97 that the Ministry

of Environment needs to establish “overall criteria for selecting climate-change actions.” Did the Auditor General find any evidence to indicate that the government is capable of disbursing the funds accumulated from the \$15 per tonne levy, which incidentally is half of what European countries charge, in projects or technology that can achieve emission reductions?

**Mr. Dunn:** Over to you, Merwan, on the audit of that fund we’re undertaking.

**Mr. Saher:** Well, with respect to the fund, the fund has taken money in but has not yet, to the best of my knowledge, disbursed any money.

I think I want to bring your question back to our major recommendation that Environment as the lead ministry needs to have criteria for selecting projects that will assist in Alberta achieving those targets. In choosing a project, there have to be criteria, which is why we reference that in our recommendation. By criteria we mean, for example, the maximum amount that the government would pay per tonne of emissions reduction. There is a plan to achieve 200 million metric tons of emission reductions over the next few years, so there’s a fixed amount that has to be reduced to achieve the target. We believe that there should be a sense of what’s an appropriate cost to achieve that; otherwise, there’s a risk that at great cost the emissions reductions will not be achieved or that they will be achieved and that the cost is inappropriate.

Also, we believe that in setting projects, the government should have criteria in terms of the effect that the actions might have on GDP or employment. Without a sense of the effects – and that’s what we mean by criteria – we don’t think that a rational choice can be made on the actions. You have to be able to compare two competing actions by using one set of criteria to come to a valid conclusion as to which is, in fact, the best option in the particular circumstances.

**Mr. Chase:** Thank you. My follow-up: does the department have any projects that are being considered and evidence to indicate that those technologies will work?

**Mr. Saher:** I think the key at the moment – and the department would acknowledge that – is the carbon sequestration, carbon capture and storage, which is intended to produce or is hoped to produce 70 per cent of the expected reductions. That technology, its application on a large scale in Alberta, is presently being examined. There is a council that is due to make a report before the end of this calendar year as to how that particular technology will be advanced. I think that the answer to your question, in my opinion, lies in the response from that development committee or task force to be received before the end of the year.

**Mr. Chase:** Thank you.

**The Chair:** Thank you very much.

Mr. Dallas, followed by Mr. Mason, please.

**Mr. Dallas:** Thank you, Mr. Chairman. I want to return to protecting information assets, in the report page 53, a couple of questions, I guess, that I think Albertans that might view these proceedings or read about them might want some clarity on. The review that was done by the expert firms – you mentioned that among their clients were the largest of corporate entities. I’m wondering about whether their experience and expertise includes public jurisdiction. I know that specifically you mentioned the province of Manitoba having a

central security office, but have we reviewed other public jurisdictions, and is this common practice throughout North America to implement this type of a system?

**Mr. Dunn:** If you’re thinking, Mr. Dallas, about the end recommendation, the chief security officer, we’ll provide that comparison for you for other jurisdictions.

Back to the initial part of your comment: when we employed that external organization, we did an RFP. We looked to a number of different organizations that could supply the skills that we were looking for. We looked for one that had both very, very large company operations, that they would be engaged in what is called ethical hacking, but also had a public security department. I believe that this organization had looked at the U.S. government. NASA, I believe, was one of the clients that they had worked with, too.

**Mr. Dharap:** The key was that the audit was of the technology that was in place as opposed to public sector versus private sector because they all use the same technologies. It was to assess the quality of the security on the websites that the government entities had deployed.

**Mr. Dallas:** Okay. As my supplement here, then, I guess what I’m really trying to get a handle on is that we’re not talking about following this recommendation and then declaring redundant all of the investment in hardware and software we have; we’re really talking about a change in the oversight or the connectivity between ministries and having sort of one final stop to rationalize, as we talked about earlier, that balance between functionality and security. Am I correct with that?

9:20

**Mr. Dunn:** This should not involve a substantial change in people or technology that’s employed. Our office has been looking at the security of information across the public sector for many years, and a number of the ministries that’ll appear before you have a number of IT recommendations before them. What we were looking at was really the culture. Why would some organizations have very strong controls, and why would others not have strong controls? What was missing? I think that’s what we focused on here, and that’s primarily the web security and, then, the wireless.

What was missing was the ability to bring the one who was reluctant on board with what was the standard or the expectation of the province. It was to bring the one who is not fully engaged in the policies and the procedures on board and say: you must follow this because what you’re doing is jeopardizing not just your own organization; you’re jeopardizing the rest of us in what Vivek calls the federation. Vivek, do you want to supplement?

**Mr. Dharap:** No. That’s exactly it. It’s to minimize the risk to the other members in the federation because if you bring in one weak entity, it effectively exposes everybody in the federation. So this recommendation is to try and bring the bar up at the minimum baseline security standards for everyone in the community. As you said, it shouldn’t involve any additional technological or other costs. Maybe a little bit to bring in some of the newer technologies, but that’s not significant.

**The Chair:** Thank you.

Mr. Mason, followed by Mr. Denis, please.

**Mr. Mason:** Thanks very much, Mr. Chairman. Mr. Dunn, at your news conference when you released your report, you talked about

the fact that there were footprints, that people had in fact penetrated the system and left some telltale signs. Hopefully we're closing that door or those doors that allow them to come in. Nevertheless, it seems that someone or some organization or organizations have potentially had access to every piece of information in the government's database, including sensitive economic information as well as personal information of every Albertan. My question is whether or not just closing the door is all we should do. Should there in fact not be an investigation by the police or some other appropriate body? If you can answer that question in a public session, you know, I'd appreciate it. If you can't, you know, I'd like the information privately.

**Mr. Dunn:** I would always prefer to answer it in a public session. We're not aware, as Vivek has already mentioned, of who and what they did take or do with it. We're not aware of that. All we know is that there is evidence that others have been there, and I think, Vivek, you said that there was also evidence that tools had been left behind, some of the software, which does not belong to the province of Alberta. Tools that would normally be used to extract information had been left on the sites, so you had unauthorized tools being in there together with some evidence that others had been there.

As you appreciate, through the web you can come from quite a distance, a foreign jurisdiction. You could come quite a ways through the web. Through wireless you would have to be a little closer in proximity. As we get into the other one, which is kind of the lowest level, which is the overall security of the physical databases, that's very local.

I'm not aware of nor would support that there should be a special investigation by some external police force. I don't believe that that is the issue. We're not aware of any fraudulent transactions that have taken place. If we were, we would have been informing the Department of Justice, as we have in the past if there was, in our opinion, a vulnerability around a fraudulent transaction. We're not aware of that.

What we don't know is who took what, and that's the uncertainty of which we believe that all departments now have to be made aware. If people have come into your database and the sensitive information, be prepared. Should that become public, what will be your reaction as a department? Should somehow in the future that become public, what would be your approach? What would be your position to address that?

Vivek, I'm not sure if you can supplement around the tools and the footprints.

**Mr. Dharap:** Right. As we mentioned in the report, the absence of controls which didn't stop people from getting in also didn't allow us to look at a log that would show us if someone had got in. So we can't really say whether someone did get in or not because there were very few controls in place.

Your earlier question: are they remediating these websites? Well, we know that Service Alberta is working with the various ministries and entities to try and improve the websites.

**Mr. Mason:** I can only hope that they have closed the door. Last week on *The Hour* the fellow interviewed Mafiaboy, the hacker who brought down a number of very major websites.

**Mr. Dharap:** CNN.

**Mr. Mason:** Yeah. It took the police some months to track him down, but they did track him down. He has written a book on it, actually. It was an interesting interview.

I understand that the Auditor General's role is to look at systems and so on, but once we found out that those systems have been breached, it's not your responsibility, as I see it, to do further investigation. But surely the government should be required to do a comprehensive evaluation of what, if anything, has been affected by these intruders into the government's databases. You know, the answer "If something becomes public, how do you respond to it?" is, in my view, not an adequate way to address this situation. We should be finding out where exactly these people went and if they have changed anything. If they've left software behind that gives a hint as to what kind of information they were extracting, we should know that. It really concerns me that we're just looking at this as a failure of systems and we're going to correct it going forward. I think we also need to look backwards in considerably more depth.

[Mr. Griffiths in the chair]

**Mr. Dunn:** I appreciate your comment. I am not sure if we've had recent dialogue with Service Alberta to find out what they are doing with any of the affected ministries.

**Mr. Dharap:** They continue to work with the ministries and try to remediate their websites to prevent future breaches.

**The Deputy Chair:** Thank you very much.

Mr. Denis.

**Mr. Denis:** Thank you very much, Mr. Deputy Chair. Just following up with a couple of other questions I had. The parties that were outsourced for this audit, do any of them have a component of their entities outside of Canada?

**Mr. Dunn:** Yes.

**Mr. Denis:** And do you have a listing of where else they may do business outside of Canada?

**Mr. Dunn:** The organizations that we contracted with did business world-wide.

**Mr. Denis:** And do you have any guarantees that our information did not leave Canada?

**Mr. Dunn:** When we did this work, there was a point during the course of the audit where in the matters that we were raising, there was doubt as to whether or not we had valid information or whether our observations were being received appropriately. We used those organizations to gather evidence that we could say was irrefutable evidence to present to Service Alberta that we have obtained very, very sensitive information. Those organizations did have it. We had it on a hard drive. Then we took the hard drive to them, the material, and we said that this is what was able to be obtained, at which point we turned it all over to Service Alberta.

**The Deputy Chair:** A second question? No. Okay.

Thank you.

Mr. Chase, followed by Ms Woo-Paw.

**Mr. Chase:** Thank you. Continuing with Environment, on page 103 the Auditor General reports that the government's reporting methods and the use of terms such as "actual reductions" may be misleading. Were there any other findings which use similarly misleading language?

**Mr. Dunn:** Merwan, over to you.

**Mr. Saher:** No. I think that the pages that you referenced, pages 102 and 103, are the results of our audit work. We have no additional comments on reporting. These comments are designed to help Environment improve its reporting. In fact, I'd just like to make the point that in one case the error in fact resulted in Environment creating a more onerous task for itself. I just want to clarify that to the best of our knowledge as auditors there was no intent here to deceive in any way. These were genuine errors and an opportunity to improve.

9:30

**Mr. Chase:** Thank you. To qualify my second question: given Alberta's environmental backdrop reality, which includes extensive clear-cut scars, resource retrieval road patchworks throughout the province, water compromises and depletions, tailings pond lakes, grizzly and woodland caribou declines, unreclaimed orphan wells, intrusions into ecologically sensitive areas like Rumsey and Suffield, can the Auditor General tell us if he found any evidence in his audit to indicate the stated goal 3 in the Measuring Up report, "The high quality of Alberta's environment will be sustained" – is this another example of misleading language, or is it just beauty in the eye of the beholder?

**Mr. Dunn:** I'm not sure I could follow that full question. I believe that when you have the minister of finance or the President of the Treasury Board before you, you can certainly ask that same question regarding goal 3. What you are anchoring your comment to and I think all committee members will be looking at is Measuring Up, goal 3, which does talk about that one of the goals is to maintain the quality of the environment. Of course, there are, as you've just recited there, a number of challenges.

Just in regard to some of the matters that you did talk about. You'll all be aware that we did look at reforestation, and we'll be doing a follow-up on reforestation, so to that extent on the forestry side of it. We also audit ERCB and AUC, and we'll be following up on their oversight of the environmental matters for which they are the regulators around that. We do look at those organizations and ensure that during the course of our audit we're looking at environmental matters that are to be considered. On the one that we had this year on SRD, which looked at gravel and reclamation around gravel pits, we had brought that to their attention, that that's an area that they have to focus on and that they have to ensure that the restoration is being provided.

We do that in the course of our audits as we go into each one. I don't think I can answer the fullness of your question there as to all the matters that you are raising, but we'll bring it up in each and every one of the audits that we address in the different organizations.

**Mr. Chase:** Thank you. I very much appreciate your comments on gravel reclamation. There's an awful lot of reclamation that is yet to be done in this province.

**Mr. Dunn:** Yes.

**The Deputy Chair:** Thank you very much.  
Ms Woo-Paw, followed by Mr. Mason.

**Ms Woo-Paw:** Thank you. I guess my first question is more for clarification. My first question is along the line around greater IT control. I did a little bit of counting. I think that for 11 out of about 20 ministries you have recommended they need greater IT control,

so we have more than half the ministries that need to pay attention in that area. My question was originally the underlying challenge or issue: why do so many ministries have a common issue? My clarification question is that you say it's culture. Are there no other greater underlying challenges for these ministries?

**Mr. Dharap:** It's autonomy. They've all had the freedom to conduct business the way they see fit as opposed to complying with a set of standards and policies and procedures, so we have this patchwork of security practices across the government. That's why we're saying that we need to have a baseline set by the chief security officer or the central security office that's monitored and enforced.

**Ms Woo-Paw:** Thank you. My other question is a general question. I was reading the audit on mental health services and thinking that the whole area of mental health is in transition. My understanding is that it will be integrated into the Alberta Health Services, right?

**Mr. Dunn:** Yes.

**Ms Woo-Paw:** To me the health service area is a gigantic system. Not only is it a huge system; it's going through a gigantic transition. I would assume that there will be lots of shifting and re-examination of practices and procedures in the coming months and perhaps years. I guess my broad question is: from your experience and perhaps other people at the table is this a strategic time to actually look at improving services and practices, or is this a time that we need to wait until things become more settled and then look at improving co-ordination of services and programs? I think there might be different theories of what's out there, but I thought that if we – I know there is a huge system and lots of things are happening, but then things are open. So can we actually integrate some of this? Is this the best time to integrate some of this?

**Mr. Dunn:** Okay. I'll start off, and then I'll turn it over to Ronda. I think part of your question might be: why did we look at mental health this year? Why did we do it? You have to go back to when regionalization took place, which is many, many years ago. When the regions became responsible for mental health was the year 2003. We were the auditors of the Alberta Mental Health Board when it existed. In meeting with the Mental Health Board, I had mentioned a couple years ago that one of the projects that I had in my mind that we should be undertaking was the effectiveness of the delivery of mental health services post-2003 now that the regions were responsible for it. As you appreciate, when that responsibility was moved out – I think it might have been the then 17 regions, so that became the nine regions – there was a danger that the funding that was attributable to mental health could be absorbed into other matters of the provisions of health care. So what we wanted to do, at least what I was looking for in the objectives of what we are doing: is the funding that the province does provide to the regions that is earmarked for mental health being used for mental health?

[Mr. MacDonald in the chair]

The second objective is that if there are nine different regions, was there a danger that there could be effectiveness in one area that wasn't followed in another area; in other words, inconsistency? That was certainly a matter that we had found when we looked at services to elders, to seniors' care. There was a lack of consistency there, so we wanted to see if they had learned from the better practices. That's why we undertook the two phases of mental health, starting first with what was the objective from what was seen to be a very,

very large landmark exercise, the 2004 mental health plan – that was a very important plan that came out – and then the execution against that plan in the nine regions.

Ronda, can you supplement, please?

**Ms White:** Sure. Simply, I think this is probably the right time for this work. Although we did our work in terms of the regional health authorities, the recommendations apply under the new Alberta Health Services Board. A number of our issues relate to poor co-ordination. These are priorities of the new Health Services Board. We've been told mental health is large on their agenda. We actually asked them, in fact, in part of our work: was this the right time? They said that actually this was a good time to have our input. They were also going through how to review the status of the provincial mental health plan, so the timing was actually right to hear about what we had said as where they're at in achieving that plan.

I think simply all the recommendations we make around standards, co-ordinating the care, fixing the gaps in services will allow them to reassess their existing processes and say: okay; how do we want the new environment to look under Alberta Health Services? Some regions have some cost-effective ways of delivering their programs, and we've included in our report some good practices they can learn from. I think this will actually help Alberta Health Services now make some good changes.

**Mr. Dunn:** Just to make sure everyone understands: we went through this material initially when the nine regions were in existence. That's when we started. But when we subsequently finished, we did report back to the nine region operational op but also Alberta Health Services Board. We met with the whole of their board and went over these findings with that board too.

**Ms Woo-Paw:** Thank you.

**The Chair:** Thank you.

Mr. Mason, please, followed by Mr. Quest.

**Mr. Mason:** Thanks, Mr. Chairman. Well, Mr. Dunn, I want to come back to the issue of the breach of security and the hacking of the information in the possession of the government of Alberta because I'm not really satisfied that we're addressing that adequately. If you were to come home and find that your back door was jimmed and someone had been in your house, you would probably take two steps. You would first of all ascertain if anyone was still there and what was missing or damaged, if anything. The second thing you would do would be to call the police. I think that's a very appropriate analogy for what's happened here. What I've heard from you is, well, we need to put better locks on the house. To me, that would be the third thing you would do. So I'm a bit at a loss to understand why you're not prepared to look backwards at what's happened and investigate that in more depth or have someone do it.

9:40

**Mr. Dunn:** Well, you're right that we are focused on the future. We're focused on preventing further intrusion. We're focused on preventing inappropriate actions taking place whether from an internal source or an external source. That's what we have focused on. The ministry and the department are responsible for their operations.

Your question, I think, in all fairness, Mr. Mason, belongs to the department and each of the departments that come before you. It belongs to them. What have they done to look backwards as to what information potentially was vulnerable and was potentially exposed?

As we mentioned, we were not able to find evidence of who and what. We did not find the evidence. We just knew others were there, but we don't know who and what they took, so I do not see why it would be worthwhile for us to try to go backwards.

Certainly, in my discussions with my colleagues I was most concerned about the investment organizations, in making sure the investment organizations had not been penetrated, and the investment organizations ensured that all of their appropriate transactions were valid and looked back at that. But as to whether or not there was a privacy matter that could have existed, we have co-ordinated our work and findings with the office of the Information and Privacy Commissioner. He is aware of everything that we had found and looked at. I know that he is conscious of those sorts of matters, and he and his team are looking forward to examining any requests that may be put before him.

In fairness, I don't believe it's my role to try to overstep into the departmental responsibility, their management responsibility. If there is a matter to be investigated, it's up to them to determine it.

**Mr. Mason:** Well, thanks very much. Mr. Chairman, I'm sorry. I find that line of argument a little difficult. If you were conducting an audit of a department and you found that some money was potentially missing or there was something awry with that, you would turn the matter over to the police, would you not?

**Mr. Dunn:** Well, we first verified all as we did with other entities. We do all our investigation, and once we had found and concluded that we had solid evidence, then actually we'd ask the department to notify the police officials.

**Mr. Mason:** Have you done that in this case?

**Mr. Dunn:** No, we have not.

**Mr. Mason:** Okay.

**The Chair:** Thank you.

Mr. Quest, followed by Mr. Chase.

**Mr. Quest:** Just going back to the carbon capture and storage. We have small-scale projects that are obviously successful, and now we're going to try and duplicate that on a much larger scale. There's a group that's assessing where we need to be going forward, research going on, a lot of variables still. Merwan, just going back to your earlier comment that this all has to be done – I don't recall the words that you used exactly – on a sort of a basis where we have to consistently be looking at where we're getting value for money, I just don't fully understand at this point, with all the different variables on this huge project going forward, how we're going to do that. So I'm just wondering how you're going to consistently ensure that this is the case going forward.

**Mr. Dunn:** Well, maybe I can start off. If I'm following your question right, I believe that what you're expressing, what a lot of people do express, is the uncertainty about how we are going to achieve those ultimate targets in what now seems to be a relatively short time frame. Is that part of your question?

**Mr. Quest:** Well, how we're going to monitor. Yeah. I just don't understand how we're going to quantify.

**Mr. Dunn:** That's where we are and will continue to be in our auditing. Targets have now been announced and are publicly

available, and there's the time frame that's been announced. How will the technology that exists today be commercialized such that they'll achieve those results in that time frame? That's what we'll be asking the department to do: describe and show to the Legislative Assembly how you are monitoring the achievements of the programs that you've enacted to achieve the targets that you've announced and you expect to be achieved.

Merwan, maybe you could talk about the very short-term targets.

**Mr. Saher:** Yes. I'd like to supplement. On page 97 of our report we have recommendation 9, which has three parts. I've already talked about establishing criteria for selecting projects. The second part is to create and maintain a master implementation plan, and the third is to corroborate through modelling that chosen actions have the capacity to take you where you want to get. I think that in the short term the most important piece is that middle bullet, creating and maintaining an implementation plan. We think that's necessary because time is of the essence here.

So what would an implementation plan have in it? It would have, for example, milestone dates for key decisions. A key activity that's currently outstanding is the report from the Carbon Capture and Storage Development Council. That's a key report which is due to be received by the end of this calendar year. It will no doubt have recommendations of how to proceed with that initiative. All of these things are time sensitive, so there has to be, if you will, a plan which has the dates set out in advance by when certain research actions have to be completed in order for decisions to be made to ensure that the targets can be reached.

The point I'm trying to make is that when we talk about a master implementation plan, it's primarily focused on establishing key dates for the decisions that would be necessary for selecting projects that will take us forward. The whole area is dynamic. In a dynamic environment unless you have a solid plan that tells you what you must do by when, you surely jeopardize your chances of getting to where you want to be.

**Mr. Quest:** That was my only question.

**The Chair:** Thank you.

Mr. Chase, followed by Ms Woo-Paw.

**Mr. Chase:** Thank you. In a previous report the AG spotlighted the weakness of the Ministry of Energy's calculation and collection of billions of dollars of royalties. You pointed out that there was only one individual at the gate checking a limited number of flow production charts based totally on industry-provided data and then basically estimating the amount of royalties due. The first question: is there data to corroborate the claim that 2.6 million tonnes of actual reductions were achieved in the first period of implementation of the specified gas emitter program?

**Mr. Saher:** We'll be able to give you the answer to that question when we've completed the second part of our climate change audit, which is the audit of the climate change and emissions management fund. That fund has reported as at March of 2008. We've not yet completed the audit of that, and the reason we haven't done that is that the ministry is still completing its verification processes to be able to assert that the amounts paid into the fund have come from good emission reductions data. I believe the answer to your question will have to wait.

**Mr. Dunn:** May I just address your preamble. I wasn't quite sure if I followed the preamble all the way about one person at the gate.

When we did the energy royalty review back in October of 2007, we announced that their information indicated that from a historic perspective additional royalties could have been obtained without impacting negatively.

9:50

We were also challenged at that time: well, is there any money that we should have collected, that wasn't just forgone but we should have collected? On page 258 we report this year: yeah, there were dollars that were missing. That's the one item which people have not yet identified there. There was something which we referred to as "fuel-gas volume reporting controls" which were inadequate. It was identified this year that for many years the fuel gas had not been properly tabulated, and it's estimated right now to be approximately \$25 million that should have been collected. It wasn't forgone. It wasn't that we chose not to levy the fee. It was amounts that were owing to the province. Of course, we're working with the Department of Energy to ensure that they follow that up with the various operators that are involved to pay the monies to the province.

**Mr. Chase:** Thank you. This may be a question that is based on sort of technological speculation, but in the news there is talk about reducing the emissions from coal-fired generators. The simplest way I can refer to it is almost like a chemical vacuum cleaner. You've talked about, you know, that technologies not only have to be realistic, but they have to be affordable. In your conducting of audits of the Ministry of Environment and climate change, has any such technology been even put forward or discussed that would deal with the coal-fired generation, that Alberta is so dependent on?

**Mr. Dunn:** Merwan, have you had any discussions?

**Mr. Saher:** No. In our auditing of the Department of Environment, we've certainly not had any cause to have discussion because that particular technology has not come up as a solution that I'm aware of. The Department of Energy is also intimately involved in emission-reduction strategies, and I'm unaware whether burning coal cleaner is something that is actively on the agenda there.

**Mr. Chase:** Thank you.

**The Chair:** Thank you.  
Ms Woo-Paw, please.

**Ms Woo-Paw:** Thank you. The CEO compensation. I'm just trying to have a better understanding. Are we talking about 200-plus CEOs? I'm just thinking about the agencies and commissions and boards.

**Mr. Dunn:** There is a chief executive in every organization. There is somebody who is ultimately the head, yes.

**Ms Woo-Paw:** So we're talking about?

**Mr. Dunn:** Very many of them. That's right.

**Ms Woo-Paw:** Okay. That's one of my questions because I didn't see a number. So we are talking about that kind of number?

**Mr. Dunn:** Yes. When we did this, the reason why we did it across the public sector was because of the variety of types of entities. It can appear to be a bit confusing in our reporting because we talk about department-led organizations like Persons with Developmental Disabilities – the PDDs – the CFSAs, which are really department-

led organizations, and how those senior executives are treated. Then you have the quasi-independent and the fully independent types of boards.

**Mr. Saher:** If I could just clarify that, there are about 250 agencies, boards, and commissions; 100 of those are board governed. So I think it's reasonable to assume that of the 100 the management would in fact be led by a chief executive officer even if he or she doesn't actually have that title.

**Mr. Dunn:** But the other 150 would be led by – they're all led by a senior officer. There has to be. By definition, there has to be a senior officer in each one.

**Ms Woo-Paw:** So we are looking at hundreds, not just 20 ministries.

**Mr. Dunn:** No. You're looking at very many. You're looking at 250.

**Ms Woo-Paw:** My other question is another general question. I think you asked us to look at how we are going to work as a committee in the coming months, I guess, in this session. I have a question. Do you think it would be useful to look at multiyear comparisons when we look at financial reports and performance measures, like beyond the two years or sometimes three? Sometimes I would like to look at longer terms.

**Mr. Dunn:** The answer is yes. The question is: how are you going to do it? You have so much in front of you. All of the financial information is done on a two-year comparative, so if you went back and pulled out a couple of previous years, you would get a four-year look at it. All the performance measures are reported on a trend analysis, and if you were going back a couple of years, you would see the equivalent of the performance measures from prior years. It would give you a five- and possibly an eight-year look back. Yes, clearly you'd want to deal with the trends. But to all committee members, we appreciate that you have a lot of work to do, and the question becomes: how do you read all this and prepare for it? That's why I believe you'll want to look at the research facilities that are available for you to pose those questions in advance, to get the research group to do some of that comparison and trend analysis for you.

**Ms Woo-Paw:** Thank you.

**The Chair:** Thank you very much.

We still have three members with questions, so if we could read them into the record and get a written response from Mr. Dunn and the staff, that would be appreciated. We'll start with Mr. Mason.

**Mr. Mason:** Thanks very much, Mr. Chairman. I'd like to ask about the emissions reduction strategy. My question is: given that the government is depending for 70 per cent of its reduction on carbon capture and storage, does the government have in place the expertise and the system required to evaluate whether or not that is attainable through that method, and what things do they need to do in order to proceed with a reasonable degree of confidence that this, in fact, is going to allow them to meet their emissions reduction goal?

**The Chair:** Thank you.

**Mr. Denis:** My final question, then, Mr. Chair, is just to the Auditor General. What evidence do we have that all information in the hands of the third party used in this audit has been destroyed?

**The Chair:** Thank you.

Mr. Chase, please.

**Mr. Chase:** Thank you. Last Wednesday ATB officials were suggesting that their finances and Alberta's finances in general were insulated from global financial meltdown. In 2001 we lost \$2 billion in the heritage trust fund. Yesterday the minister of finance admitted that we'd lost a billion dollars, or 10 per cent, of investments under arm's length, in quotes, AIMCo stewardship. Should Albertans have any more faith in AIMCo than they've had in the ministry of finance? What evidence can you provide that their investment strategies are any more fiscally sound than those that have previously seen billions of dollars either lost or not collected?

**The Chair:** Thank you.

**Mr. Dunn:** We'll answer all those questions in writing to the clerk. In response to that last question, that's the type of entity that may warrant coming before this committee at some point.

**The Chair:** On behalf of the committee, Mr. Dunn, I would like to thank you and your staff. Mr. Ryan has been quiet this morning, but we appreciate your time and your patience with us, sir. You're always available if we have questions. That concludes this part of our meeting.

Now, earlier there was a listing circulated of out-of-session meetings between 2006 and 2008 and a schedule of meetings with ministries between 2005 and 2008. I would remind all hon. members of the committee that if there are departments that you have an interest in coming before us later on in November, please let either Mr. Griffiths or myself know. We are making arrangements for the officials from Executive Council to come before us. If you have any departments that you have an interest in bringing before the committee, please let us know, okay?

Are there any questions regarding item 5(a)?

**Mr. Dunn:** Just a point to let the committee know that I'll be absent on October 22 and 29, but the Assistant Auditor General responsible for Justice and Finance will be here to represent our office.

**The Chair:** Thank you very much.

Seeing no questions regarding Other Business, we'll move on to the date of our next meeting, which will be, of course, next Wednesday. We will be meeting with the Ministry of Justice and Attorney General from 8:30 to 10 o'clock in the morning in this room.

If there are no other items to be discussed before the committee at this time, may I please have a motion to adjourn? Moved by Mr. Drysdale that the meeting be adjourned. All those in favour? Thank you very much. Seeing none opposed, have a good week, and thank you, Mr. Dunn.

[The committee adjourned at 10 a.m.]



