



Legislative Assembly of Alberta

The 27th Legislature
Third Session

Standing Committee
on
Public Accounts

Office of the Auditor General

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Third Session**

Standing Committee on Public Accounts

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Rodney, Dave, Calgary-Lougheed (PC), Deputy Chair

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Benito, Carl, Edmonton-Mill Woods (PC)
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Griffiths, Doug, Battle River-Wainwright (PC)
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* substitution for Peter Sandhu

** substitution for George Groeneveld

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8:30 a.m.

November 3, 2010

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this Standing Committee on Public Accounts to order, please. On behalf of all committee members I would welcome everyone in attendance this morning.

Please note that the meeting is recorded by *Hansard* and that the audio is streamed live on the Internet.

We will quickly now introduce ourselves to those present. We'll start with the vice-chair, please.

Mr. Rodney: Thank you, sir. Dave Rodney. I'm proud to represent the southwest corner of Calgary, Calgary-Lougheed.

Dr. Massolin: Good morning. Philip Massolin, committee research co-ordinator, Legislative Assembly Office.

Mr. Dallas: Good morning. Cal Dallas, MLA for Red Deer-South.

Mr. Vandermeer: Good morning. Tony Vandermeer, MLA for Edmonton-Beverly-Clareview.

Mr. Griffiths: Doug Griffiths, Battle River-Wainwright.

Mr. Weadick: Good morning. Greg Weadick, Lethbridge-West, and I'm here today officially representing George Groeneveld.

Mr. Kang: Good morning. Darshan Kang, MLA, Calgary-McCall.

Mr. Chase: Good morning. Harry Chase, Calgary-Varsity. Instead of being in the hot seat today, I'd suggest you're in the soft seats.

Mr. Dumont: Good morning. Jeff Dumont, Assistant Auditor General.

Mr. Saher: Good morning. Merwan Saher, Auditor General.

Mr. Ryan: Ed Ryan, Assistant Auditor General.

Mr. Ireland: Good morning. Brad Ireland, Assistant Auditor General.

Mr. Olson: Good morning. Verlyn Olson, Wetaskiwin-Camrose.

Mr. Lindsay: Good morning. Fred Lindsay, Stony Plain, sitting in for Peter Sandhu.

Ms Rempel: Jody Rempel, committee clerk, Legislative Assembly Office.

The Chair: Hugh MacDonald, Edmonton-Gold Bar. I would like to note that both Mr. Lindsay and Mr. Weadick have formally substituted for their colleagues, and I appreciate the letter that they sent earlier last week.

I would remind committee members to please turn off the ringers on their cellphones. Last week it was like central station here. Out of respect for the Auditor and his officials I think that's the least we could do.

May I please have approval of the agenda for today's meeting? Mr. Vandermeer, thank you. Moved by Mr. Vandermeer that the agenda for the November 3, 2010, meeting be approved as distributed. All those in favour? None opposed. Thank you.

Item 3, the approval of the minutes that were circulated from October 27. Mr. Chase. Moved by Mr. Chase that the minutes for the October 27, 2010, meeting of the Standing Committee on Public Accounts be approved as distributed. All those in favour? None opposed. Thank you very much.

Of course, this brings us to item 4, the meeting with the officials from the office of the Auditor General. We're dealing this morning with the report of the Auditor General, the recent report from October of this year; the annual report of the government of Alberta for 2009-10, which includes the consolidated financial statements; the Measuring Up document; and the business plan annual report for 2009-10.

I would now invite Mr. Saher to give us a brief opening statement on behalf of the office of the Auditor General. Thank you.

Mr. Saher: Thank you, Mr. Chairman. Today I'm accompanied by three of the four Assistant Auditors General responsible for audit portfolios: Jeff Dumont, Brad Ireland, and Ed Ryan. Doug Wylie could not be here today. Together we're going to highlight the key issues and risks from the findings in our April and October 2010 public reports.

You will have noticed that our reports contain several chapters that follow up on previous audits. Follow-up audits are important because they confirm that sustainable change has taken place. From our perspective it's the payback on the investment of audit dollars in producing a recommendation. We approach follow-up audits with rigour and will repeat our recommendations when managers have not satisfactorily implemented them. Our April report has 44 new recommendations, of which two are repeated, and our October report has 41 recommendations, of which 11 are repeated.

In the past few years our public reports have contained a considerable volume of new recommendations for improvements or changes to government systems. The inevitable consequence is that we are rebalancing our work plans to do an increasing number of follow-up audits. Management has told us that 25 per cent of our 280 outstanding recommendations have been implemented, and we must now focus on the follow-up audits necessary to confirm this. Ideally our follow-up audits should be good-news stories which report that recommendations have been successfully implemented, and that is the case with most of the follow-up work. When we submit our next budget request to the Standing Committee on Legislative Offices, it will, however, include new systems audits.

Now I'm going to ask the AAGs to each take no more than three minutes to highlight the matters that we believe will assist in your discussions with departments and agencies or perhaps help you in your decisions later this morning on which ministries and agencies to call before this committee.

Thank you.

I now hand over to Jeff Dumont.

Mr. Dumont: Okay. Thank you, Merwan. Our report on occupational health and safety begins on page 31 of our April report. The Department of Employment and Immigration should enforce compliance with the OHS Act by employers and workers who persistently fail to comply. That's recommendation 3. Without adequate systems to enforce compliance with OHS legislation for those employers and workers who persistently fail to comply, the health and safety of workers continue to be exposed to otherwise avoidable risks. Government has accepted our recommendation and anticipates implementation by March 2011.

Our follow-up work on the University of Calgary's research management, which begins on page 43 of our October report, led to three repeated recommendations. Overall the university has made

substantial progress by implementing several recommendations related to this audit as well as our financial statement audit, but there are notable exceptions. The common theme that emerged out of this audit was that the university did not have complete documentation to show how its overall research business processes operate. Its business processes were constantly changing and fragmented. Also, the roles, responsibilities, and accountabilities of staff who administer and support research were not clearly defined.

We are encouraged by the progress that the university has made on key internal initiatives designed to improve control systems. These will help resolve the outstanding recommendations. However, we stress that the university must adhere to key activities and timelines identified in these initiatives. Research accounts for about 25 per cent of the university's revenue. Without well-functioning management systems the university could fail to achieve value for money, manage risk, and meet the research sponsors' requirements.

Plus, on page 112 we are repeating a recommendation for the fourth time – it's recommendation 11 – because the university has been too slow to improve the controls over the access security to systems and data.

Our October 2010 chapter which reports on the follow-up to our 2007 audit of the systems that Treasury Board uses to assess and prioritize Alberta's infrastructure needs begins on page 85. Treasury Board has not made meaningful progress developing targets for reducing deferred maintenance and has yet to include information on deferred maintenance in its public reporting. We are again asking the department to develop objectives, timelines, and targets for reducing deferred maintenance – that's recommendation 8 – and to establish a process that enables public infrastructure assets to be properly maintained over their life. That's recommendation 9. By not maintaining infrastructure appropriately, assets may cost more over their life and may have to be replaced prematurely, and public safety and effective program delivery may be at risk.

Now I'll turn it over to Brad Ireland.

Mr. Ireland: Thank you, Jeff. Our April 2010 report on the oversight of financial institutions begins on page 89. The government ultimately guarantees the full value of deposits held at Alberta Treasury Branches and Alberta credit unions. This financial guarantee is a significant risk if these entities are not operated in a safe and sound manner.

The Department of Finance and Enterprise has developed a reasonable supervisory approach to monitor the safety and soundness of the financial institutions it regulates. However, it's not clear how or when the department will meet its supervisory objectives because there isn't an implementation plan for the supervisory approach. Also, the department cannot demonstrate that Alberta Treasury Branches meets the government's expectations. Without clearly defined expectations, it is difficult for the Minister of Finance and Enterprise to hold ATB's board of directors and senior management accountable for their performance and for the department to demonstrate to Albertans that expectations are met.

Our October 2010 report on the Alberta Investment Management Corporation begins on page 154. In January of 2008 the Department of Finance and Enterprise transferred its investment management operations to the newly formed AIMCo. AIMCo manages approximately \$71 billion of investments for government and public-sector pension plans.

8:40

Our new recommendations focus on improving AIMCo's ability to provide accurate and timely financial information used in the preparation of financial statements to its investment clients. These

improvements include identifying its clients' financial reporting needs as well as developing better controls over the investment general ledger and information technology management processes. Without a clear understanding of its clients' individual financial reporting frameworks, AIMCo might not be providing them with the information needed to produce accurate and complete financial statement disclosures. AIMCo also needs additional accounting expertise to maintain the control activities that the department put in place so that AIMCo itself can ensure the completeness and accuracy of its investment general ledger.

Starting on page 61 of our October 2010 report, we report on our follow-up audit of Alberta Treasury Branches' new banking systems implementation. In April 2010, starting on page 81, we reported on inadequate project governance and management within ATB's new banking systems project which resulted in project delays and escalating costs. We were pleased to report in October that ATB's new project governance and management processes have improved control over the project and that ATB has implemented our recommendations. The project, however, is ongoing, and ATB management expect it to be completed by April 2011.

Now I will turn it over to Ed Ryan.

Mr. Ryan: Thanks, Brad. I'd like to highlight three of our more significant systems audits that we have done in the last two reports, starting with our audit of managing Alberta's water supply in our April report. We looked at, basically, Water Act regulatory activities. We found that the department has systems to manage the water supply business, but they really need to re-engineer many of them to ensure that they operate efficiently and effectively. Specifically, the department needs to minimize a backlog of outstanding applications. They need to improve controls to provide adequate assurance that licence and approval holders comply with the act, and they need to formalize wetland compensation relationships and control procedures. Finally, they need to strengthen control of grants and contracts with watershed planning and advisory councils. The government has accepted all our recommendations in that audit.

Secondly, I'd like to briefly discuss our chapter from our most recent report on daycare and day home regulatory compliance monitoring. This begins on page 33 of our most recent report. In May 2008 the Minister of Children and Youth Services announced a creating child care choices plan. One of the targets of this plan was to increase the number of child care spaces by around 25 per cent, or 14,000 spaces. We audited the design and operation of the systems that control and monitor the compliance to the regulatory requirements just to make sure that the increase in the spaces didn't compromise the existing delivery and the safety of the children.

At the end of the audit we concluded that there was no evidence to suggest that the monitoring systems had been compromised by this increase in spaces. However, we did find that there were improvements that could be made. Under the current monitoring system there is a risk that noncompliance of less serious breaches such as failure to keep contact information current, posting menus in the facilities, posting inspection results, incomplete staff records, these types of things that result in verbal warnings, are not properly followed up and may remain unresolved for a period of time.

Although verbal warnings typically indicate low-risk noncompliance, failure to follow up promptly increases the probability of the cumulative effects and, therefore, poses a risk to children. There is often insufficient evidence also of follow-up on enforcement steps that were taken. Without proper documentation outlining how and when noncompliance is to be resolved and confirming that resolution, service providers may not be taking corrective action and may

not be changing their behaviour. But I want to stress, as we say in the report, that no system can absolutely guarantee the safety of all children at all times, whether they're under government-inspected care or not.

Lastly, we followed up in our most recent report on an October 2008 audit we did on protecting information assets across government. Service Alberta has started development of an IT governance and control framework, but it has not met its original timelines. It developed, approved, and communicated 10 IT security directives that include policies, procedures, and standards and worked with other ministries to develop and implement security standards for facilities that they share that store government's information systems and data. However, we repeated our recommendation to Service Alberta in conjunction with other ministries and through the Chief Information Officer Council that they develop and implement well-designed and effective controls to web applications, to web pages on the Internet so that these web applications consistently meet security standards and requirements. Service Alberta cannot yet demonstrate that all the government departments have implemented and are consistently following these web application requirements.

I'll just turn this back to the Auditor General now for his closing comments. Thank you.

Mr. Saher: Thank you, Ed. As I mentioned earlier, Doug Wylie wasn't able to be here. His portfolio includes Alberta Health Services, an entity to which we made two key recommendations in our October report. Because you met with AHS management last week, those issues have already been discussed.

Thank you very much for your time and attention to our reports. We appreciate the work of this committee in following up on our recommendations and holding management to account for their plans to implement the recommendations within a reasonable time frame.

Mr. Chairman, that concludes our opening comments.

The Chair: Thank you very much.

Before we get to members' questions, the chair would like to remind members that if they wish to ask a question, just let me know, please, and your name will be added to the list.

I would like to welcome Ms Calahasen, Mr. Elniski, and Mr. Mason to the meeting.

Okay. We'll start with questions. Mr. Chase, please.

Mr. Chase: Thank you. My first question has to do with deferred or cancelled audits. When the Auditor General's predecessor, Fred Dunn, appeared before the committee on March 4, 2009, it was reported that because of budget constraints and the refusal of the request by the Auditor General to undertake a second report annually, 34 per cent of the ongoing audits were to be deferred or cancelled. How many of those audits have since been completed, deferred again, or cancelled since March 2009?

Mr. Saher: Thank you. As members will appreciate, we go through a planning process to determine the systems audits that we propose to do. For every organization, I mean, we would preach to others: you should have a plan in place as to what you plan to achieve. We're also practical in the sense that any plan will change because of circumstances. In our case a plan to do an audit could change because we're unable to bring the right skills to bear at the right time to execute the audit, or a decision might be made that it would be more effective to in fact delay the audit because we understand that management is doing some work that we would want to include in the scope of the audit examination, so to wait would be preferable.

I don't have the full details at my fingertips as to what may have been demonstrably delayed at that point in time, but my sense as the Auditor General today is that we don't have audits that have been delayed and are backlogged; in other words, that we're sitting here with a huge inventory of audits that we have committed to execute and that we're unable to execute because we don't have the resources to do that. That isn't the position today. I noted in my introductory comments what we're calling rebalancing. We have to put more effort, more time of the audit office into follow-up audits, and I'm not sure that had been fully appreciated on our part in our planning cycles up until now.

One audit that we had made a commitment to pursue and that has been delayed but, I think, delayed for rational reasons is our look at the H1N1 pandemic preparations. We reported publicly that we've put that audit on hold because we thought it would be more effective to wait and see what the results of the Health Quality Council's work are, our logic being that if we can rely on the work that that body has done, it would shape the amount of audit work that we need to do. That is one audit that we'd made a commitment to execute but hasn't yet been executed. Our plans at the moment are to pursue that work with reporting either in April or no later than October of next year.

8:50

Mr. Chase: I appreciate those comments. I realize that there's a degree of diplomacy required in that funding is a major concern. Obviously, when funding is short, prioritization takes over, and I just hope that the one-third of audits will be caught up with at some point, sooner than later.

In that same report regarding the deferred or cancelled audits the office of the Auditor General determined that the audit of Horse Racing Alberta would be deferred until a date to be determined later. Has a revised date been set for the completion of that particular audit, or has it received a lower priority?

Mr. Saher: Horse Racing Alberta as an audit topic is not one that's at the top of my mind at the moment. I will take that away, go back to the documents that you're referencing, and try to trace the history from that point to today. I'll just ask Ed. Do we have anything on Horse Racing Alberta on our agenda?

Mr. Ryan: It has not left our radar screen; however, there have been some changes occurring within their organizational structure on who and how they report. I understand that there is some re-engineering still under way, and we're monitoring that. It's not off our radar screen, but it's not at the top just yet because there are some changes.

Mr. Chase: Thank you. This isn't a question. You referenced earlier that some of the audits that had been deferred hadn't been lost. Could you provide the committee with information with regard to that 34 per cent of audits that are potentially still on but maybe reprioritize so that we can get a sense of their importance?

Mr. Saher: Yes, certainly. If I could just mention that at the end of November the office will be making a presentation to the Standing Committee on Legislative Offices for our appropriation request for the next cycle. As part of that request we will have information in that presentation on the next cycle of work. If I don't feel that that presentation will answer the question that you've just posed, we'll commit to providing a separate response to this committee.

Mr. Chase: Thanks very much.

The Chair: Thank you.

I would like to welcome Mr. Anderson.

Ms Calahasen, please, followed by Mr. Kang.

Ms Calahasen: Well, that was pretty fast. Thank you very much. First of all, sorry I was late. Good morning, and how are you today? Thank you for coming to join with us this morning.

Mr. Saher: Good morning.

Ms Calahasen: My first question has to do with page 31 of the April 2010 audit. You indicate that Alberta faces challenges in occupational health and safety and that in 2007 we ranked third in incident-related fatalities. You indicated that we spent about \$23.3 million for OHS programs last year. Could you tell me whether or not this amount is going to be enough to be able to address the concerns that you have identified in the audit relative to OHS?

Mr. Saher: No, I can't tell you whether the sums of money that the ministry is applying to its business are sufficient for it to be successful. That's not something that we've directly studied. I think the information that you're reading was simply presented as background information, not presented from the audit office taking a position that it was too much or too little.

The main recommendation we had in that audit was that we believe the department's systems to enforce compliance with the OHS Act are required to be improved. The department has accepted that recommendation and is working on changes to its systems that would allow them to invite us back to see whether or not the improvements are sufficient to meet the concern that we had.

Ms Calahasen: Then in the same note on page 32 you identified that OHS systems can be improved, that there are serious weaknesses in dealing with persistent noncompliance, and that noncompliers have higher injury rates. Of all those compliances and all the stuff that can be done, you identified some areas where the department can increase its availability of systems that could work better. Can you tell me what percentage of that has come through?

Mr. Saher: The department has been very active in working on our recommendations. I don't have any information that I could translate from a percentage point of view on how far advanced they are in coming to a conclusion that they've dealt with the issue that we have. Our goal is to make sure that any major recommendation we have is implemented within three years. In my estimation this is one that we're not going to wait three years for, and I don't think the department would want us to wait three years before coming back. But I can't give you a precise percentage in terms of their completion of remedial action.

Ms Calahasen: Then you would be able to bring that forward as time goes on in terms of a yearly basis?

Mr. Saher: Yes. I think this is a recommendation that warrants us at least annually giving a status report. Even if we've not gone in there to assess implementation, I think it's worthy of our looking at it and providing the public and this committee with a status report. I think that status report would go some way towards answering the questions that you have this morning.

Ms Calahasen: Yeah. Thank you very much.

The Chair: Thank you.

I'd like to welcome Mr. Fawcett as well to our meeting this morning.

Mr. Kang, please.

Mr. Kang: Thank you, Mr. Chair. Sir, you talked a bit about IT security. Service Alberta is responsible for the security of the government's IT systems, which house large volumes of highly sensitive, confidential information. Much of it is personal information subject to privacy legislation. In 2008 the Auditor General reported on IT security in Service Alberta. The 2010 report repeats the recommendation made in 2008 to ensure the security of web applications. The report also notes that the department showed no evidence of compliance with its own security objectives. My question is: did you identify any particular departments, web applications, or classes of information that warrant this?

Mr. Saher: Our audit work in this follow-up was to see how Service Alberta was responding to the previous recommendation that we had made, which was that we believe that the security of our government web applications was inadequate. What we reported in October is that the ministry has acted on that recommendation in putting in place what are called security directives, essentially setting out the minimum standards that government departments and agencies are to use in protecting sensitive information. That, if you will, is phase 1 of any remedial action. What we reported is that the department was unable to show us that it knew that its fellow departments were actually acting on those security directives, so progress in the right direction but not sufficient for us to say that web security is adequately dealt with in the sense that there are directives and there are processes to monitor that departments are in fact complying with those directives.

I'll just ask Ed if he wishes to supplement on that.

Mr. Ryan: Just to supplement, you were asking whether there were any breaches that we identified. If that is, in fact, behind the question, the answer to that is no. There is a risk. There is a continuing risk through web pages of breaches of security and damage that could be done and access that could be effected to sensitive areas; however, our reviews during this follow-up did not identify any specific breaches. But we certainly identified that there is a continuing vulnerability and a continuing risk until such time as our recommendations are fully implemented.

9:00

Mr. Saher: If I could just add on that, in this area of IT security I think sometimes people think: well, you know, as an audit office you're just dealing with some sort of theoretical realm here. We advocate frameworks, processes to minimize the risk of something going wrong. That's really our business, to look at systems that, if they're functioning well, will in fact minimize risk. We proceed down that path without necessarily having an actual breach or piece of evidence that something has in fact gone wrong. What we're really saying here is that the scope or the risk of something going wrong is too large for there not to be first-class systems in place, not only designed and communicated but also systems that management is able to demonstrate are in fact working day in, day out.

With respect to coming back to the original question on web security, I just want to reiterate that progress is being made. We don't have any evidence of breaches, but the risk of a breach is too great for the department not to take action to ensure that its fellow departments are in fact complying every hour and every day of the year.

Mr. Kang: Thank you, sir. The report also mentions several times that progress has been delayed by availability of resources. In your opinion did the minister's decision to eliminate so many staff in the IT and privacy areas of departments compromise Service Alberta's ability to meet its obligation under legislation and policy?

Mr. Saher: I don't have an opinion on that. We're simply stating for the benefit of the record the responses given to us in terms of our inquiries as to why progress was slower than it might otherwise have been. The decision on how to deploy resources and at what rate is a ministry decision. I think that's a question that you would have to put to the deputy minister of that department. We're reporting the facts here, that some progress has been made. More is needed in terms of assurance that the systems are working. I can't make a direct correlation between resources available and progress made.

Mr. Kang: I asked the question but didn't get the answer, so I was coming here. Thank you.

The Chair: We're moving on now, please, to Mr. Dallas, followed by Mr. Mason.

We only have a limited time left. We have to have at 9:30 an organizational meeting between 9:30 and 10, so to the members: could you be concise in your questions and direct in your answers, Mr. Saher? The chair would appreciate that.

Mr. Dallas: Thank you, Mr. Chair, and thank you, gentlemen, for joining us this morning. I'm looking at page 16 of the October report. There's a discussion there about the \$424 million allocated by the federal government to Alberta Infrastructure for stimulus funding. I note the conclusions: adequate systems, no direct recommendations. The nuance, I guess, of the individual expenditures might be a policy decision, but did you in the course of this review have an opportunity to sort of have a general sense of comparison if in Alberta we use that stimulus spending in a similar manner to the other provinces that were accessing the same federal funding?

Mr. Saher: The short answer is no. We made no interprovincial comparisons. We restricted our audit to how stimulus money was managed here in Alberta.

Mr. Dallas: Okay. If I turn back to page 15, then, there's a chart there that shows some of the different types of funding that were provided: infrastructure stimulus, knowledge infrastructure, affordable housing, that type of thing. I'm curious if you chose to review the infrastructure stimulus fund just on the basis that that was the largest amount, \$424 million, and if you would draw an assumption that the same controls that were applied to the infrastructure stimulus fund would be in place for those other types of funding: the knowledge infrastructure, the recreation infrastructure, and the like.

Mr. Saher: We chose that program on the grounds that it was the largest. As an auditor I won't draw any positive correlation to the other programs, but I will state that in doing the work on the infrastructure stimulus program, nothing came to our notice that suggested that we should include other programs.

Mr. Dallas: Great. Thank you.

The Chair: Thank you very much.

Mr. Mason, please, followed by Mr. Lindsay.

Mr. Mason: Thanks very much, Mr. Chairman. Mr. Auditor General, welcome.

Mr. Saher: Thank you.

Mr. Mason: I wanted to follow up on the question about the deferred audits and specifically the one on H1N1. I'd like to know, first of all, how the Health Quality Council is progressing with its audit and what benefit you may think it brings prior to you making your own decision.

Mr. Saher: I'll just tackle it from a conceptual point of view, the benefit, and then I'm going to ask Ed to tell you what we know about the Health Quality Council audit. The benefit is simply that if a reputable organization is carrying out audit work – this would apply equally to internal audit activity within the government – there's only one ultimate funder. So if someone is engaged in activity that we can closely associate with work that we would want to do, you know, we take the point of view to let them do it first as long as it's not going to take too long. Let them do their work, and then it's efficient and practical from our point of view to review what they did. Does it meet our objectives? Has it been well executed? And if it has, it's swifter to take reliance from that than for us to do the work ourselves. That was the logical reason for deciding to wait for the Health Quality Council to carry out its review.

Ed, what do we know about where they are?

Mr. Ryan: My understanding is that the fieldwork is complete and the reporting process is under way. That reporting process consists of a draft and some interaction between the client organizations and the Health Quality Council, and that is under way.

Mr. Mason: Thank you. Mr. Chairman, I guess a concern, you know, is that I have greater confidence in the independence and impartiality of the office of the Auditor General than I do in the Health Quality Council, first of all. Secondly, my concern is that by deferring this to I think you said next October, we are already on the verge of another flu season. Given the debacle of the H1N1 rollout, an excessive delay before we can get an objective view and take action to correct this situation may put people at risk. So I would ask you if it's prudent, in your view, to take that risk.

Mr. Saher: Well, I do come back to that we started with the logical reason for waiting for the Health Quality Council to do its work. In us choosing to rely on it, we would bring all of the rigour that we bring to any audit in terms of assessing the quality of the work, the objectives, the quality of the evidence, and the conclusions drawn. So any work that we rely on would have all of the rigour and independence that we would bring to the work if we did it directly.

Your point about delay is well taken. We are conscious about the notion that if the strategy to rely is causing excessive delay, then it's an inappropriate strategy. We'll take your comments under advisement and perm them into our decision-making as to when we re-engage in this audit. I mean, the decision has to be made: how long can we wait to get the results from the Health Quality Council? I don't have that decision made today.

9:10

Mr. Mason: Thank you.

The Chair: Thank you.

Mr. Lindsay, please, followed by Mr. Chase.

Mr. Lindsay: Well, thank you, Chair. Good morning. On page 103 of your October '10 report under audit findings you noted "improvement in the level and consistency of analysis, documentation and review of performance information by management at ministries." My question is: why was it chosen to audit only 21 of the 62 performance measures in Measuring Up?

Mr. Saher: The work we do on Measuring Up is done at the request of the government. It's not work that we are mandated to perform under the Auditor General Act. Part of the arrangements we have with the government is that they in effect determine the measures that the government considers to be key and the measures which it requests we look at. The 21 are simply those that the government asked us to look at.

Mr. Lindsay: Okay. Thank you for that. You also noted improvement in consistency of analysis by the ministry. I believe it's important that there is some consistency also from department to department. Is there consistency between how the different ministries report?

Mr. Saher: There's a very good set of standards that the ministries are required to comply with. In our assessments we are looking to see whether each of them is in fact complying adequately with the guidance. If we believe any one is not complying sufficiently, we will make recommendations to that ministry. But generally, I think in answer to your question, yes, there is good, consistent application.

Mr. Lindsay: Thank you for that.

The Chair: Thank you very much.

Mr. Chase, please, followed by the hon. Member for Lethbridge-West.

Mr. Chase: Thank you. The topic of my second set of questions has to do with Treasury Board deferred maintenance. If ministries actually implemented your recommendations, you'd be freed up to pursue other priority concerns. In 2002 the government agreed to develop a plan for maintaining its schools, hospitals, roads, and other infrastructure. Five years later the AG reported that the government had not developed any plan. In 2007 the AG recommended that the Treasury Board develop objectives, timelines, and targets for reducing the backlog of maintenance work. Now, three years later, the AG is reporting no meaningful progress on this deferred maintenance.

The deferred maintenance for the Calgary public and separate school boards alone is rapidly approaching a billion dollars. Given that the Treasury Board has the greatest responsibility for spending management and planning in the government, should Albertans be concerned about the kind of example the department is setting for the rest of the government with its continued failure to make progress in maintaining infrastructure?

Mr. Saher: The facts are that we made recommendations. We are reporting the fact that those recommendations have not been acted upon speedily enough, in our opinion, which is why we're repeating them. I mean, the process is to make recommendations discussed by this committee, so we're bringing to this committee's attention the need to repeat recommendations. As to views on whether that's good or bad, I think those are matters that you should discuss directly with the department. We're supplying you with the facts of the matter.

Mr. Chase: Thank you. I very much appreciate that you've done your job. We're still waiting for the Treasury Board to theirs.

My follow-up question has to do again with education, Northland school division finances this time. The report finds some distressing weaknesses in the financial management systems at Northland school division, including failure to reconcile general ledger accounts and a lack of accurate year-end financial statements. This comes from page 134. When the board of trustees at Northland was dismissed in January 2010, the Minister of Education claimed that his department had attempted to work with the board to improve it for some time to avoid dismissal. Did the AG find any evidence during its audit that Alberta Education had been working with Northland's board to improve its financial management practices before terminating the board?

Mr. Saher: The process for the recommendations that are made by school board auditors to school boards – and we are the auditor of only one school board, and that's Northland – is that all of the recommendations made by auditors, including ourselves, are analyzed by the Department of Education. We're satisfied with the processes they have to encourage organizations to act on the recommendations of their auditors. Within that process I have no evidence that Northland was excluded from the general process.

Mr. Chase: Thank you.

The Chair: Thank you very much.

Please proceed, sir, followed by Mr. Kang.

Mr. Weadick: Thank you. Auditor General, I just have a couple of quick questions. I'm looking at the Sustainable Resource Development audit here. In here you talked about that in 2008 you reported that the department was at least a year behind in billing for land disturbance fees – this is one of their income areas – and you also suggest this could be a risk for the department because they may not be able to collect due to a limitation period expiration. Do you have any recommendations for the department on how to get these disturbance fees collected a little more quickly? Could you make any of those kind of recommendations?

Mr. Saher: Well, I think the original recommendation we made, which was to move what we as accountants call cash-based accounting to accrual accounting, is really the key to the issue. If you just operate on a cash basis, I mean, essentially, one could argue that you don't have a system; if the cash arrives, that's good. With an accrual system you have to put in place mechanisms to determine what people owe you. That puts you in a position to take collection action. It also forces you to determine what it is, in fact, that you are owed. We're satisfied that the department has moved itself from cash-basis accounting to accrual accounting.

There was good progress. We have a satisfactory progress report. I don't think we have any additional advice to the department. If they follow through on the original advice, complete their systems change, we believe that they will be well positioned to ensure Albertans get all of the money that Albertans are entitled to.

Mr. Weadick: Just as a quick supplemental, I notice that SRD relies on self-reporting by companies and entities to estimate the revenue that they're expecting. Is this consistent across government? Are there other departments doing that as well, or is this unique to SRD?

Mr. Saher: No. Self-reporting is a normal practice. Self-reporting coupled with monitoring systems that are designed to ensure that the

self-reporting is honest is a common way of government doing business.

Mr. Weadick: Thank you.

The Chair: Thank you, Mr. Weadick.

The chair would like to recognize and welcome Mr. Xiao this morning. Good morning.

We will continue with Mr. Kang, please, followed by Ms Calahasen.

Mr. Kang: Thank you, Mr. Chair. This year's report repeats recommendations for 2008 to improve internal controls over the calculation of the fair value of ATB's derivatives and securities. The AG supports either a peer review and approval process or a benchmarking process. Given the concerns about derivatives in the recent economic downturn, the difficulties of determining their value, and the possibilities of significant losses from investment in derivatives, how would you assess the risks of inadequate internal controls in this area?

Mr. Saher: I'll get Brad to answer that question in more detail in a second.

It was an important enough recommendation for us to make to Alberta Treasury Branches. I think that the current economic situation doesn't really impinge on the basic controls that are required important enough to make to ATB. I believe ATB has dealt with it, but I'll ask Brad to supplement.

9:20

Mr. Ireland: Yeah. When we originally made the recommendation, we found some errors in some of their valuation processes for their derivative contracts. We repeated this recommendation, and since we've repeated it, they have taken some action to put in place processes for a peer review of those calculations to ensure that those values are accurate.

Mr. Kang: Thanks. How concerned do you think Albertans should be about the management of this government-owned financial institution?

Mr. Saher: Well, I think the way to answer that is the quality of reporting from ATB and the government as to how well ATB is meeting the government's expectations, which ties into a recommendation that Brad referenced in our introductory comments which was made to the Department of Finance and Enterprise, which was essentially to improve the articulation of what it is that the government expects from ATB. Until that is clearly expressed, then it's very difficult for anyone to know whether or not ATB is in fact meeting the government's expectations for it. So we have a recommendation outstanding there. We haven't been back to do the follow-up. But I think the answer to your question is embedded in the recommendation that we made.

Mr. Kang: Thank you.

The Chair: Thank you.
Ms Calahasen, please.

Ms Calahasen: Thank you very much once again. I'm really lucky. I guess I get to ask two questions. On pages 36, 37, and 38 you identified some positives and some concerns about daycare and day home regulatory compliance monitoring. You identified that for the

creating child care choices plan enforcement monitoring requirements governing child care programs seem to be working out quite well. Can you tell me: did you go to the various agencies to work with the agencies, and what percentage of those agencies were used to be able to see whether or not they were meeting those targets that were identified in creating child spaces?

Mr. Saher: Ed, can you help with the scope of the work that we did?

Mr. Ryan: I can't tell you the number of the sample of agencies. I don't have that at my fingertips. I'd be pleased to provide that to you if it's important.

Ms Calahasen: That would be great. Thank you.

Mr. Ryan: We did do a good, solid sample of five of the authorities. We were at the agency level. We were reviewing agency documentation, speaking with staff, and did quite a thorough job. I'd be pleased to provide some background as to the actual numbers, but I can tell you that it was both statistically and realistically relevant. We got a good sense from our enquiries as to the trends that were occurring and as to what was happening in the field at a very basic level.

Ms Calahasen: Thank you. On page 39 you identify in recommendation 3 that

Child and Family Services Authorities improve systems for monitoring and enforcing child care program compliance with statutory requirements and standards by ensuring that all verbal warnings are adequately documented and resolved.

Can you tell me what the percentage was relative to the verbal warnings that were not being done and followed up throughout the agencies?

Mr. Ryan: Again, that extent of detail I don't have, with my apologies, at my fingertips right now. I'd be pleased to give that out.

Ms Calahasen: Okay. That would be great. Thank you.

The Chair: Thank you very much.
Mr. Chase, please.

Mr. Chase: Thank you very much. The theme of my third question is advanced education, research management, and other systems. In his opening remarks Jeff Dumont indicated that research accounts for almost a quarter of the U of C's revenue and that improvements in accounting were still required. The University of Calgary's sponsored research revenue amounted to over \$244 million in 2009 alone. The Auditor General's recent report references significant weaknesses in the university's research management systems, including workforce planning, indirect cost estimates, and policy reviews. Would the Auditor General's department go so far as to say that the scale of the weakness in these systems could allow U of C research funds, whether public money or donations, to be wasted or misused?

Mr. Dumont: I guess what we're saying with that piece of work – first off, as context the recommendations are rather old. We certainly expected them to be dealt with because they're back to 2004. I think it's fair to say that we have seen not only with this recommendation but with the recommendations related to the institution as a whole that a lot of progress has occurred most

recently. You know, if you look at all of the progress related to that, probably the vast majority of it is with some of the administrative reviews that are occurring as we speak. We are hopeful that those administrative reviews will help deal with the issues going forward because they are looking at specific things like roles and responsibilities, et cetera, et cetera, related to the recommendations.

That is a conclusion of our report, though, that a possible implication and risk of not having good, well-documented systems is that you cannot demonstrate that you're, you know, using your funds in the most cost-effective way and making sure that you're getting the best value for your money. So we do think that it is important to make those improvements to make sure that they are spending those dollars to get the best bang for your buck, if you like.

Mr. Chase: Thank you.

Mr. Saher: If I could just supplement. In short, yes, there is a risk of waste.

Mr. Chase: I appreciate that. I think one of the best improvements in terms of transparency and accountability will be new President Cannon. She has shown tremendous leaps forward in communication, and I expect she'll take charge of the accounting processes as well.

The report also includes a range of recommendations directed at other postsecondary institutions, including Athabasca University and Grant MacEwan. Among outstanding recommendations 47 are directed at particular postsecondary institutions. Given the volume of these recommendations, would the AG agree that Advanced Education and Technology needs to better support postsecondary institutions with resources to improve their business planning systems and controls?

Mr. Saher: I'm not sure that I can tell you that the answer is support in terms of resources, which I take to mean hard cash. Certainly, we are working very closely with the department. I mean, our audit activity in this ministry is not just with the individual institutions; it's also with the department. So we take a sort of holistic view – what is it that we think the department can be doing to facilitate improvement across the sector? – and we have good dialogue with the department.

Initiatives such as Campus Alberta are areas that we intend to spend a fair amount of time on in the future because from a cost-effective point of view we think that there are potential solutions there as to how change can be brought to an entire sector through leadership from the centre.

Mr. Chase: Thank you.

The Chair: Thank you.

In the time we have left, there are four members who have indicated they would like to ask questions. Unfortunately, because of the time constraint, we're going to have to read them into the record and get a written response, Mr. Saher, through the clerk to all members.

We'll proceed with Mr. Olson, please.

Mr. Olson: Well, thank you. Thank you very much for the information. I had some questions about education. I was looking at your outstanding recommendations in your October report on page 210 relating to the budgeting process for school boards, and I note that some of these recommendations go back to 2006. I'm just wondering – I was looking for some information on what the status

of that is – if it's a work in progress. It seems to me that, you know, possibly some of these things might have been resolved by now. I'm curious to know what the roadblock is.

I also notice a reference to requiring school boards to use realistic assumptions for planned activities. I'm wondering how you define a realistic assumption. Is there some criteria for that? Who decides what's a realistic assumption?

Mr. Saher: We'll do our best in a written response to answer that.

The Chair: Thank you.

Mr. Elniski, please.

Mr. Elniski: Thank you very much. This is with respect to Service Alberta and the land titles registration system. I have a couple of questions with regard to some of the commentary on page 113. In the report you said that you "were able to identify specific property transactions that contained sufficient fraud indicators to conclude further investigation was needed." So my first question would be: did that happen, and did that result in some prosecutions, understanding, of course, that that's not, you know, necessarily the mandate of the report?

9:30

The second thing here is that on page 112 under the first part of your audit findings you say that the computer system they use now "does not allow easy assembly of a property history" and that that "limits staff ability to quickly assess if a transaction is reasonable or falls into a suspicious pattern." I guess my concern there would be: have you also recommended or considered what level of staff training might be necessary to ensure that that actually happens? I don't know that it's necessarily prudent all the time to let, you know, someone in a purely clerical or administrative type of role suddenly assume some sort of investigative responsibility without some relevant training, I think, to go along with that.

If you could get back to us on those, I'd really appreciate it. Thank you very much.

The Chair: Thank you.

Mr. Xiao, please, followed by Mr. Mason.

Mr. Xiao: Thank you very much. My question is related to a recommendation on page 21. As you know, in 2005 Athabasca University established an IT governance framework for implementing its information technology system operating plan. You recommend that the university continue to improve its IT framework by developing an integrated IT system. My question is: are there significant cost savings by integrating their IT system? Another question is: what are the benefits of having an integrated IT system? If you can get back on these two questions, that would be very appreciated.

Thank you.

The Chair: Thank you.

Mr. Mason, please, quickly.

Mr. Mason: Thank you very much, Mr. Chairman. I have a couple of issues. One is that I'd like to know what the Auditor General's audit plan is for 2011. I don't know if it's been brought forward and I missed it. I would ask the Auditor General and the chair to make some arrangements to have that made as a presentation to the committee.

Secondly, I'd like to ask if the Auditor General would be prepared

to consider including in his audit plan for next year an evaluation of our emergency room situation in the province and whether or not the decisions that have been made by Alberta Health Services and the department of health have been effective in helping us deal with that difficult situation.

Thank you.

The Chair: Thank you.

No other members? I appreciate your patience this morning. We only have an hour, unfortunately, to deal with these two reports. On behalf of the committee I would like to thank the office of the Auditor General for their work and for their participation always at our meetings. If you want to stay and participate in the next half-hour of discussion, you certainly are welcome, sir.

Mr. Saher: Thank you.

The Chair: Okay. We have now item 5 on our agenda, which is the committee organization. As committee members are aware, the Standing Committee on Public Accounts has established a practice of meeting between 8:30 and 10 on Wednesdays during session. This means that according to the current sessional calendar we will have three more meetings this fall. At this point I would like to ask committee members for their input as to which departments should be invited to these meetings.

We have asked repeatedly, through the clerk, for direction from members. The chair has heard absolutely nothing all summer long and in the fall on which departments members would be interested in hearing from, so if you have any direction this morning, it would be beneficial. The chair would like to note that we're going to have to pick some departments and give them very little preparation time before they appear here in the month of November.

We'll start with the vice-chair, please.

Mr. Rodney: Thank you, Mr. Chair, and thank you to members, who had great input today. I can't explain for other members, but I know that for my part I certainly appreciate the opportunity to have presenters in a very timely fashion and a time-sensitive fashion. By that, I mean that if there is a hot-button issue at a particular time, I like to see those sorts of organizations, whether they be ministries, bureaus, agencies, sports commissions, that sort of thing.

I realize that our next meeting is in two weeks, but I know that these sorts of groups should be ready to appear at just about any time as long as scheduling permits. So I trust it's actually not going to be an issue that we're going to ask someone to present to us in two, three, and four weeks, but I would recommend that we get things lined up, at least for the first session or two in the spring if we can, concentrating on the month of November to, well, pre-Christmas.

I took it upon myself to take a look at the presenters we've had dating back to February 10 of last year. I know that they were Transportation; Education; Infrastructure; Alberta Energy; Tourism, Parks and Recreation; Seniors and Community Supports; Children and Youth Services; Advanced Ed; AHS last week; and AG this week. Obviously, my recommendation is that we don't need to re-examine those books from last year. Just a few of the groups that I noted we haven't seen would include International and Intergovernmental Relations, Service Alberta, Solicitor General, Justice, and Culture and Community Spirit.

I don't want to take any more time from behind the mike, but I do want to get it on the record that we have seen the first list of groups and we have not seen the others. I know, from my perspective, that I do hear from constituents from time to time on security-type issues, so I wonder if at least one of the groups that we might see in the

three weeks we have before Christmas would be perhaps Solicitor General or Justice. That's just one idea.

The Chair: Thank you for that.

Before we get to Mr. Elniski, the chair would like to quickly point out – and it's a law by the government – that we now have a new set of annual reports for Public Accounts to deal with. So we're not dealing with the ones we missed, unfortunately, last year; we're dealing with the year 2009-10 annual reports.

Mr. Elniski: Okay. Thanks. With regard to that and based upon the questions that I had a chance to ask the Auditor General this morning, I would be most interested in having the folks from Service Alberta come in and talk a little bit more about the land titles system. I think security of property ownership and considering that's the largest investment that most Albertans make in their lives, to me that is a very significant priority.

Mr. Chase: An inordinate amount of our case files in Calgary-Varsity – and I've got to believe that this is the case for other constituency offices – have to do with workers' compensation cases, and I believe that falls under Employment and Immigration. If I'm correct, there are a number of questions I'd like to ask Employment and Immigration. They're working on improving their safety issues. I'd like to understand what progress they've made. The issue of temporary foreign workers remains unresolved, whether that's a federal sort of oversight. I would love to ask a whole series of questions to that particular ministry.

Mr. Griffiths: I would cast my vote for IIR. I mean, I would have questions for IIR around value for money for the international offices and how they keep track of businesses that would be interested in doing business here and how we match them up with businesses there. I don't think in my experience of being on this committee that we've ever had them, or maybe I missed the meeting. But I would love to have IIR come.

9:40

The Chair: Certainly, I would, too, for obvious reasons. There's probably \$15 million in that budget that would be very interesting to examine and to see if we're getting value for the money.

In the past the chair has repeatedly asked members who you are interested in having appear before the committee. The chair has heard from no one, and the chair is being prohibited from doing his job, which is to organize these meetings. In the past there have been no complaints about who we've had come to the committee. You are looking at a \$4.7 billion deficit in the budget. We are looking at what money was spent in 2009-10. There are a number of bigger departments. If you want to give the chair direction on which departments to bring forward, do it. We not only need three for this fall; we're going to need perhaps eight to 10 for the spring session because we're still going to be dealing with 2009 and 2010. So please give us a list, and we will organize it if that's what you want to do.

If you want, do it through a motion, but just don't say, "Well, I agree with this member," and say that we need EI. Of course, if you look at the Auditor's report and you see the mess with occupational health and safety, you need to ask that department a lot of questions. But give us some direction. If you want a dozen – and in the past the bigger departments with the bigger budgets, some of which had significant deficits, were the ones that we looked at. So if you could, please give us a list.

Mr. Griffiths: I would move that we ask IIR to join us this fall, and I would also move that if no one makes any recommendations or has any particular queries from any particular department, perhaps we could just put all the ministries and interesting groups that we'd want to bring forward into a hat and pull them out so that we don't have nobody scheduled. If nobody puts anything in and there's no particular query that we'd like to see or any group we'd like to see, why don't we just draw names out of a hat, departments out of a hat? Randomly pull them forward? If no one submits anything and we're just sitting here, you're right.

Mr. Mason: I want to amend the motion to add occupational health and safety. I think that would give us two to start with. You need one more for the fall, don't you?

Mr. Rodney: You mean Employment and Immigration.

Mr. Mason: That's what I meant, yes.

Mr. Rodney: Thank you.

The Chair: Okay. So I have heard IIR, I've heard Service Alberta, and I've heard Employment and Immigration. That takes us, hon. members, through to the end of November. Now, who do you want to see in the winter?

Ms Calahasen: I'd like to see Sol Gen.

Mr. Rodney: And Justice.

Ms Calahasen: Policing is such a huge issue in my constituency. Yeah. Justice may be a good one, too.

Mr. Dallas: Mr. Chair, was Advanced Education on that list that we read from the spring?

Ms Calahasen: April 21.

Mr. Dallas: Okay. Thank you.

The Chair: Advanced Education, Mr. Dallas?

Mr. Dallas: No. If we did that one in April then . . .

The Chair: But it's a new year . . .

Mr. Dallas: I appreciate that.

The Chair: . . . and they've spent, like, billions of dollars.

Ms Calahasen: We want to hear the rest, too, Mr. Chair.

The Chair: Executive Council, then, has not been here since the Premier was here with his historic visit, so I would suggest perhaps you bring Executive Council as well.
Yes?

Mr. Rodney: Okay. Thank you. I just wanted to wait my turn.

Mr. Chair, please do understand that when I went down the list from February 10 until now, I was completely aware that we're talking about last year's numbers. I just know – and you've heard it echoed by others – that having seen some of these, before we go back to them immediately, I would prefer to see some groups that we

have not seen for many months. It seems we have a pretty good list.

Did I hear that Service Alberta is indeed on the list for before Christmas?

Mr. Elniski: My preference would be yes.

Mr. Rodney: I would second that, and I would hope to see, actually, Culture and Community Spirit just because there are so many grants of all sorts, and they do much more than some people might think is hinted at in their name. So I would suggest that in the spring we have Culture and Community Spirit added to the list that you already have.

Ms Calahasen: I'd like to see Agriculture. I mean, that's a huge concern, a huge, huge portfolio, and I think that's something that we should be looking at because it affects all of Alberta.

Mr. Mason: I kind of miss the former minister of health, so I'd like to have Energy at some point.

The Chair: Now, the chair would like to remind you that last week we had Alberta Health Services here for two hours, and that was the largest portion of the ministry of health's budget. However, there were a lot of members with questions still outstanding after the two hours had elapsed. What about health, with – well, what is it? – close to \$12 billion in budget? It's anticipated it will be 40 per cent of the budget next year for the entire province. Are you telling me you're not interested in having health before you?

An Hon. Member: Health is good.

The Chair: Health is good. Okay.

Mr. Rodney: My recommendation is to see them, but like you, Mr. Chair, I'm very interested to see which other members want to see which other groups first because we did see AHS, which is the majority of the budget, just last week.

Mr. Chase: Well, to me a large way of solving Alberta health's problem would be dealing with Seniors and Community Supports. If we could get a handle on long-term care, the amount of beds we could free up in our health care system would be tremendous, so I'd like to hear how those supports are taking place.

The Chair: Okay. Now, the chair has a list here. We have three meetings that are scheduled for November. We have suggestions to have Service Alberta, Employment and Immigration, and IIR. Do you have any preference as to which order they appear in?

Ms Calahasen: No. Just choose. Just ask them.

An Hon. Member: Whatever can be arranged.

The Chair: No. I want direction from you. We've solicited direction from you for years. We haven't heard a thing. You don't want me to make a decision. The majority of the members want this through a formal motion, so if that's what you want, that's what you're going to get.

Ms Calahasen: Whoever is available.

The Chair: We don't have time in two weeks. This has been a

problem in the past, and this is why the chair has done this without any problems for close to a decade.

Mr. Kang: How about Service Alberta, Mr. Chair, first?

The Chair: Service Alberta first. Okay. Who would be second?

Ms Calahasen: IIR.

The Chair: Okay.

Ms Calahasen: And then Employment and Immigration.

The Chair: Then Employment and Immigration. Okay.

Mr. Rodney: Can I say something? I want to give the chair just a little bit of freedom in this, though.

Ms Calahasen: He doesn't want it.

Mr. Rodney: No. This is what we're going to have him do: ask for weeks 1, 2, 3. But, hon. Calahasen, all I'm saying is that if IIR is unavailable one week, let's give him the freedom to arrange to flip the two. I completely understand what you're saying, and I agree. Let's go with this suggestion. If he needs a little flexibility, let's give it to the chair.

Hon. Members: Agreed.

The Chair: That's a contradiction to what was said here 20 minutes ago.

Mr. Rodney: No, it's not.

The Chair: It is. It's a total contradiction. If there is a problem with the scheduling, the chair will bring it back to the hon. members.

Mr. Rodney: Perfect. Now do you want to do the spring?

Ms Calahasen: Or just do it through our vice-chair.

The Chair: Okay.

Mr. Rodney: Shall we do the spring?

The Chair: Yes, please. Okay. I have a list of Solicitor General, Justice, Advanced Education, Culture, Agriculture, Energy, Health, and Seniors and Community Supports in that order. Now, perhaps you could, sir, give us a motion.

Mr. Rodney: Oh, happy to.

The Chair: We could have two separate motions if you'd like.

Mr. Elniski: Excuse me, Mr. Chair. Could we add Aboriginal Relations to that list, too, if we have the time?

The Chair: The winter list?

Mr. Elniski: No. To the spring list.

9:50

Mr. Rodney: Okay, folks. Thank you for sticking around. We will

have two votes, as the chair has indicated. We will vote on the fall schedule and also on at least the beginning of the spring schedule. I think, Mr. Chair, you'll entertain the thoughts of Mr. Chase after I make two motions. I think Mr. Chase will comment on it right after.

The Chair: We'll deal with one motion at a time.

Mr. Rodney: One motion at a time. I move that the Standing Committee on Public Accounts schedule meetings with the following departments during the 2010 fall session: number one, Service Alberta; number two, International and Intergovernmental Relations, or IIR; and number three, Employment and Immigration. May I add, with a comma: with flexibility given to the chair . . .

The Chair: No. There's no flexibility. You can't have a motion . . .

Mr. Rodney: All right. We'll just leave it there. We'll just leave it there.

The Chair: That's ridiculous.

Mr. Rodney: Well, it's not ridiculous; it happens. That's why we've had problems in the past, and we don't want them again.

The Chair: I know the rules, hon. member.

Mr. Rodney: Great. That's fantastic.
So that's the first motion.

The Chair: That's the first motion. All those in favour? Okay. That's carried unanimously.

Mr. Rodney: Isn't that great? See. Look at the all-party co-operation. It's inspiring.

I would have a second motion, that

the Standing Committee on Public Accounts schedule meetings with the following departments during the 2011 spring session, and the order that I have is: number one, Solicitor General; number two, Justice; number three, Advanced Education; number four, Culture and Community Spirit; five, Agriculture; six, Energy; seven, Health; eight, Seniors and Community Supports; and nine, Aboriginal Relations.

Ms Calahasen: Mr. Chair, can I speak on that specific? I know we've seen some of the others, and I'm always interested to look at different departments that we have not had an opportunity to see or to view.

The Chair: Like Executive Council.

Ms Calahasen: Well, anyone. I would like to see those be moved up and rotate rather than the ones that we have already seen.

The Chair: Well, this is the motion by the hon. member.

Ms Calahasen: Well, could I amend that motion so that we can make sure that we bring those that we haven't seen in the spring and in the fall – those that have not been viewed by us should be moved up – instead of those ones we've already viewed?

The Chair: The clerk has been very diligent in providing to all hon. members a list of those departments that we have not seen in some time.

Ms Calahasen: On our list, I'm talking about.

The Chair: Now you want to amend this. I'm going to give you some homework. You can check it out.

Ms Calahasen: No. You can't give me homework. I've got a motion on the floor. You can't give me homework on a motion on the floor.

The Chair: Okay. Which departments do you want to see? I was very gracious. We added Aboriginal Affairs for you.

Ms Calahasen: Excuse me, Mr. Chair. I put a motion forward indicating that the motion that has been put forward by the vice-chair be amended so that we can see those departments that we haven't had a chance to view be moved up instead of the way that it was presented.

Mr. Rodney: I hear what she's saying, and that was the reason why I went through the list of who we had seen in the spring. Now, the only repetitions that I see are Advanced Ed and Health.

Ms Calahasen: Can we move those to the back?

Mr. Rodney: I would be happy, Ms Calahasen, to accept a friendly amendment that we strike those two.

Ms Calahasen: And put them at the bottom.

Mr. Rodney: I would accept a friendly motion that we move Advanced Ed and Health to the bottom of that list I just gave.

Ms Calahasen: Great.

The Chair: So you are telling me that you want Health, with a budget of \$12 billion – you're not interested in seeing them forthwith?

Ms Calahasen: We are interested. Our problem is that we have not had an opportunity to view the others; therefore, I would like to be able to see those other departments before we go back to the ones that we have already seen. That's my motion.

The Chair: Okay.

Mr. Rodney: I'm happy to accept that friendly amendment.

The Chair: Okay. So what would the amendment be, sir?

Mr. Rodney: Exactly what I just said a minute ago. The friendly amendment is that

we move Advanced Education and Health to the bottom of this list.

They're still on the list; they just would move to the bottom of the list. As we've agreed, we would see other groups that we haven't seen in the meantime. So I look forward to seeing all of them, including Advanced Education and Health. We'll just wait a little bit longer since it has been just last week and just last spring that we've seen those two respective groups.

The Chair: Before we vote on this, we'll entertain – do you have a citation for your point of order, Mr. Mason?

Mr. Mason: I have a point of order, Mr. Chairman.

The Chair: Yes.

Mr. Mason: There's actually no such thing in our rules as a friendly amendment. There is an amendment to the amendment. Maybe you could accept Ms Calahasen's motion as an amendment to the amendment, and we can vote on it separately.

The Chair: Point well taken. Okay.

Mr. Rodney: I'm happy to accept the amendment to the amendment. I just thought it was friendly.

Thank you.

The Chair: We have other items on the agenda to deal with. They're quite important as well. So the chair will rule. Certainly, she's entitled to amend that motion. On the amended motion as presented, all those in favour, please.

Mr. Mason: We're voting on the amendment to the amendment?

Mr. Rodney: Yeah. Sure.

The Chair: We can vote on the amendment first.

Mr. Rodney: To the motion. That is the correct phraseology, completely.

An Hon. Member: Then we will vote on the motion.

Mr. Rodney: Yeah.

The Chair: Okay. The amended motion.

All those in favour of the amendment? All those opposed? Are you opposed, Mr. Mason?

Mr. Mason: Yes.

The Chair: Thank you. That's noted.

Now, all those in favour of the motion? Thank you.

Okay. Are there any other issues with the meeting schedule?

Mr. Chase: Through no fault of the chair we did not have any meetings over the summer. I'm concerned that if we have a repeat of last spring's session, we might not even get to the nine organizations, ministries that we'd like to see. I'd like to get a sense from the members of the committee as to meeting outside of session.

I know as a member of Community Services we met a number of times in the summer. As a member of the Standing Policy Committee on the Economy, again, we met a number of times in the summer, and I felt that they were very worthwhile meetings. Given the task of Public Accounts and the importance of accounting for billions of dollars of taxpayer funds, I'd like to get a sense as to whether members would be willing to meet outside of session in order to carry out our duties.

The Chair: Okay. Mr. Vice-chair.

Mr. Rodney: Thank you, sir, and thank you, Mr. Chase, for that suggestion. You may or may not remember – I'm not sure if you were on the committee at the time. Way back when the very first agency, board, or commission was called forward, the first nonministry, I happened to be the chairman of AADAC at the time. I recall it was, I think, September – it was out of session – and it

started a tradition that I think has shown how democratic and open and transparent things could be and should be and are.

That being said, we've just passed a motion for nine groups to come and see us. There will be more weeks than that in the spring session.

Mr. Chase: I hope so.

Mr. Rodney: I expect that there will be based on previous tradition.

I suppose my suggestion is to stay with that for now, see how that goes, and then when it comes to spring, summer, fall, we consider having something out of session at that time.

An additional reason for that, Mr. Chase, is simply logistics. I don't want to throw around terms like "dome disease" and all that sort of thing. But the fact is, of course, that we are here because we represent our constituencies. I know that you respect that completely, but I believe that when we're not in session, it's my job to make sure I'm not only doing committee work all over the province and beyond if necessary but especially being in my own constituency.

So my preference is to be here when we must but to go home and – I mean, it's not just about that it costs some money for all of us to come to and from Edmonton out of session. But it just seems to me that we have the fall schedule, the winter schedule, and it makes sense for all sorts of practical reasons as well that we wait for spring, summer, or fall to have out-of-sessions. That is consistent with other groups across the country. So it's my recommendation to go with what we have with the motion and consider following seasons after that. Just my thoughts.

10:00

The Chair: Thank you.

We're going to now move on to item 5(b), research briefing materials. Dr. Massolin, do you have anything for us regarding directions from the committee to your crackerjack research team?

Dr. Massolin: Thank you, Mr. Chair. I do have a few things to say. I realize time is running short, but I just wanted to thank the committee for the opportunity to speak about research at this point. I just wanted to let the committee know, as most committee members already know, that the Public Accounts Committee here in Alberta has had nonpartisan research since the spring of 2007, when I was hired. Since then a small team of researchers has been hired to help this committee along in its work, and you have noticed Rachel Stein's and Diana Staley's names on many of these reports.

Now, the reports that we've prepared to this point – and we've prepared 53 of them since the spring of 2007 – have been in some cases reports that responded directly to the committee's requests and questions, so we've researched topics ranging from health care economics involved with the global funding formula to the intricacies of asset-backed commercial paper. Other reports are more general in nature and provide background on the ministries and so forth, and these reports sometimes contain questions that the committee members may or may not wish to ask during the committee meetings themselves. We've even prepared a special report, Mr. Chair, that has pertained to the calling of witnesses before public accounts committees in other Canadian jurisdictions just for comparison purposes. All of this is to say that we've had considerable experience in providing research for the committee.

In terms, now, of what we can do going forward for this slate of meetings that has been agreed to by the committee, we could stay the course and continue to prepare the types of reports that we've done to this point; that is to say, provide background informational

pieces which may or may not contain questions. This is kind of a preference because we'd like to hear what the committee wants us to do. If the committee itself has specific questions for us for these ministries to which we can respond, I think that would serve the committee best. We look forward to hearing some feedback and some direction in terms of questions or queries or general areas of research to pursue.

I just want to also point out that we can tailor our reports whatever way that the committee wishes us to do so. As it stands, they are fairly lengthy, substantive reports, but we could prepare briefing notes, little shorter reports if that's the committee's wish. For your future reference, Mr. Chair, we as researchers could also aid in this type of organizational meeting. In other words, if the committee is just embarking upon sort of deciding what agencies or boards or whatever they wish to call before the committee and want additional information on those to inform that decision, we can do the research there as well.

Anyway, to conclude, we're prepared to offer continuing support to the Public Accounts Committee, and we welcome your feedback and value it. All we need now is direction as to how to proceed and continue to do our work.

Thank you.

The Chair: Thank you. You'll get direction from the members if they're interested.

We're going to now move on to item 5(c) on the agenda, which is the follow-up response that was circulated. Perhaps we could hear briefly from Mr. Reynolds regarding this matter.

Mr. Reynolds: Thank you very much, Mr. Chair. I won't take up much of your time. The issue arises because the committee at its March 10 meeting requested some documents from the Department of Energy concerning, I believe, the setting of royalty rates, or the royalty review. The Department of Energy, in compliance with that request, provided certain documents under cover of letters by the deputy minister dated April 8 and July 29.

Included in the documents that were provided was one – and I can't really say who provided it because it would really nullify the purpose of this discussion if I did – document provided by the department, and the firm that provided the document did not agree to have it made public; that is, to be disclosed.

There is absolutely nothing wrong. In fact, it's healthy for the department to have provided that document to the committee. I mean, if you'll remember what's gone on in Ottawa with regard to the Afghan detainee issue, certainly, departments have an obligation to provide documents to parliamentary committees.

To cut to the chase, the only issue is whether you want to make this one document public, the point being that the original provider of the document requested under the third-party disclosure rules of the FOIP Act that it not be provided. It's been provided to you. The issue is whether you want to see that document along with the other ones, which I understand is the normal process, made public.

Mr. Chair, I hope I've categorized the issue correctly.

The Chair: Yes. You've done it very well. Thank you very much.

The chair, before we recognize Mr. Griffiths, would like to state that these documents are not the property of the chair or the vice-chair or the government caucus or the opposition members. They're property of the committee, any of these documents that come before us.

Mr. Griffiths: Well, my personal sentiment is that they should not be made public. I understand the interest of open discussion and

everyone being able to participate, but quite frankly if we don't respect someone's privacy that never had the opportunity to originally say, "No, I don't think it should be public," we won't get documents from departments without a long chain of bureaucracy to assess whether or not it's all appropriate. We won't get documents or submissions from companies. If they don't want it public and they were never asked in the first place whether or not it should be, now that they don't want it, I think we should respect their request, or we may limit our own job. Quite frankly, if I submitted something to this committee that was personal so that the committee could make a better judgment and do a proper analysis, and then after the fact the committee decided they were going to make it public, you'd never get another thing from me ever again. I don't care how you did it. So I think that we should respect their request.

The Chair: Okay. That's interesting. It's your prerogative or your initiative, if you so choose, to make a motion to reflect your view, but the chair would like to remind all members that good reading material for us is *The Power of Parliamentary Houses to Send for Persons, Papers & Records*. It's by Derek Lee, a federal MP who has a lot of experience in this. The committee structure from the British parliamentary system is unique, and it has substantial powers and ways to deal with these sensitive matters.

Mr. Griffiths: What does it recommend? I mean, I understand the power of the committee to get documents.

The Chair: Okay.

Mr. Mason. The chair apologizes.

Mr. Mason: Thank you. I didn't see in the package a letter from the company outlining its reasons. Maybe I missed it. Do we have that correspondence? Do they give the reasons for their request? I think that's for Mr. Reynolds.

Mr. Reynolds: Excuse me, Mr. Chair. May I answer that?

The Chair: Yes.

Mr. Reynolds: I do not believe I saw a letter from the company either. I believe it was just the information provided by the department that this entity had objected to having further disclosure made of the document.

Mr. Mason: It's a rather indirect way of making a request which is really a request to the committee. I think if they have good reasons, I don't have any objection to keeping it confidential, but I do think that there needs to be correspondence to the committee outlining the reasons for this. So I would move that

we postpone this item to our next meeting and that the chair request through the department that the company provide us with correspondence outlining the reasons for their request and the request itself.

10:10

The Chair: Okay. You've heard Mr. Mason's motion. All those in favour? Seeing none opposed, then we will work at this. It may take us longer than two to three weeks to have the information.

Mr. Mason: Whenever it comes back.

The Chair: Yes. Is that fair enough?

Mr. Chase: The chair requested homework for Dr. Phil Massolin in terms of research, and I got my assignment in first, Mr. Chair.

The Chair: Okay. That's fine. I appreciate that.

Now, if there are no other items on the agenda, which I do not see, our next meeting will be, of course, in two weeks' time. For what we get paid, we're really not overworked on this committee, are we? It will be Wednesday, November 17, 2010.

If I could have a motion to adjourn. Mr. Chase moved that the meeting be adjourned. All in favour?

[The committee adjourned at 10:12 a.m.]

