



Legislative Assembly of Alberta

The 30th Legislature
First Session

Standing Committee
on
Public Accounts

Tuesday, June 25, 2019
8 a.m.

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Standing Committee on Public Accounts

Phillips, Shannon, Lethbridge-West (NDP), Chair
Gotfried, Richard, Calgary-Fish Creek (UCP), Deputy Chair

Amery, Mickey K., Calgary-Cross (UCP)
Barnes, Drew, Cypress-Medicine Hat (UCP)
Dach, Lorne, Edmonton-McClung (NDP)
Feehan, Richard, Edmonton-Rutherford (NDP)
Guthrie, Peter F., Airdrie-Cochrane (UCP)
Hoffman, Sarah, Edmonton-Glenora (NDP)
Renaud, Marie F., St. Albert (NDP)
Rosin, Miranda D., Banff-Kananaskis (UCP)
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UCP)
Stephan, Jason, Red Deer-South (UCP)
Toor, Devinder, Calgary-Falconridge (UCP)
Turton, Searle, Spruce Grove-Stony Plain (UCP)
Walker, Jordan, Sherwood Park (UCP)

Office of the Auditor General Participants

W. Doug Wylie	Auditor General
Rob Driesen	Assistant Auditor General
Eric Leonty	Assistant Auditor General

Support Staff

Shannon Dean	Clerk
Stephanie LeBlanc	Acting Law Clerk
Trafton Koenig	Parliamentary Counsel
Philip Massolin	Manager of Research and Committee Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Michael Kulicki	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>

8 a.m.

Tuesday, June 25, 2019

[Ms Phillips in the chair]

The Chair: All right. Seeing that the time is 8 o'clock, we will call this meeting of the Public Accounts Committee to order. Welcome to all our colleagues in attendance.

My name is Shannon Phillips. I'm the MLA for Lethbridge-West and chair of this committee. I would ask members, staff, and guests at the table to introduce themselves for the record. We will start to my right with the deputy chair.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Rowswell: Garth Rowswell, MLA, Vermilion-Lloydminster-Wainwright.

Mr. Stephan: Jason Stephan, MLA for Red Deer-South.

Mr. Turton: Searle Turton, MLA, Spruce Grove-Stony Plain.

Mr. Guthrie: Peter Guthrie, Airdrie-Cochrane.

Mr. Walker: Jordan Walker, MLA, Sherwood Park.

Ms Rosin: Miranda Rosin, MLA, Banff-Kananaskis.

Mr. Barnes: Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. Leonty: Eric Leonty, Assistant Auditor General.

Mr. Wylie: Doug Wylie, Auditor General.

Mr. Driesen: Rob Driesen, Assistant Auditor General.

Ms Hoffman: Sarah Hoffman, Edmonton-Glenora.

Ms Renaud: Marie Renaud, St. Albert.

Mr. Feehan: Richard Feehan, Edmonton-Rutherford.

Mr. Dach: Lorne Dach, Edmonton-McClung.

Dr. Massolin: Good morning. Philip Massolin, manager of research and committee services.

Mr. Roth: Good morning. Aaron Roth, committee clerk.

The Chair: All right. Thank you, everyone. Is Mr. Amery on the line, teleconferencing, at this point? We don't have him yet. All right. When we do have him, I'll just ask the clerk to let me know. If someone wants to send him a message that if he does want to bust in and we don't hear him, then he can just communicate maybe via one of his colleagues, you know, to kind of put up their hand if I don't hear him on the teleconference. I don't want him to be disadvantaged in that way.

I have a few housekeeping items first. The microphones are operated, as always, by *Hansard*, so you don't have to turn them on and off yourselves. Set your cellphones and other devices to silent. Committee proceedings are on TV and on the Internet. As always, our audio- and video stream and transcripts can be accessed via the Leg. Assembly website.

We will now be moving on to the agenda, which members have a copy of. I will just put a call out for changes or additions to the agenda at this time.

Seeing none, would a member like to move that the agenda for the June 25 – I'm seeing Mr. Dach – meeting of the standing committee be approved as distributed? A seconder is not required.

All in favour? All right. Any opposed? Thank you. The motion is carried.

We will move on to the June 11 approval of minutes, friends. Are there any changes or additions to the draft minutes?

Seeing none, would a member like to move that the minutes for the June 11 – Mr. Feehan – meeting of the standing committee be approved as distributed? A seconder is not required. Is there any discussion on this motion? All in favour? Opposed? This motion is carried.

Number 4 on the agenda is the invitation of the Ministry of Treasury Board and Finance. At our June 11 meeting we discussed inviting TBF to attend the July 2 meeting, which is next week, to make an orientation presentation on the consolidated financial statements and related matters, in particular the restated reporting, so that members might understand that process better. Should the committee wish to proceed with hearing from Treasury Board and Finance, a motion of our committee will be required to extend an invitation. So I will open up the floor to discussion by members.

All right. Seeing none, we have a draft motion that I will put for the members' consideration, that

the Standing Committee on Public Accounts invite officials from the Ministry of Treasury Board and Finance to next week's meeting on July 2 to make a presentation on the government's consolidated financial statements and related matters.

Is there any discussion on this motion?

Mr. Dach: My understanding, Chair, if I may, is that TBF has indicated that they are prepared to meet?

The Chair: As I understand, this is the case, yes.

All right. Any more discussion?

Mr. Gotfried: We'd need a mover on that motion.

The Chair: Yeah. Okay. That was a possible motion for discussion. Would one of the members care to move it? All right. Mr. Turton. All in favour? All right. Any opposed? Thank you.

That motion is carried.

We will now move on to the business of this meeting, which is the report of the Auditor General and the summary report of recommendations, and in particular we are going to have a conversation about outstanding recommendations more than three years old, as I understand it. What we're doing is addressing the report of the AG from November 2018 and the summary report. Those are on the committee's internal website.

This meeting is different today than an ordinary meeting of the committee that we might have with a ministry, agency, board, or commission. Our meeting today is reviewing two reports of the Auditor General rather than addressing specific entities listed in the reports themselves. The presentation time for the AG and the speaking rotation for members will be slightly different. I would suggest 15 minutes for the office of the Auditor General to present each report, followed by a 30-minute Q and A period for members for each individual report. Is there any discussion on this proposal? We're good? All right. Then that's how the committee will proceed.

I will invite Mr. Doug Wylie and his colleagues to present on the report of the Auditor General from November 2018.

Mr. Wylie: If I could, Chair, just for clarity: are we allotted 15 minutes for each of the reports?

The Chair: Yes. So for 15 minutes if you could go with the report of the AG from November 2018, and then for the next 30 minutes we'll open the floor to questions from members.

Mr. Wylie: Okay. Thank you very much.

The Chair: You're welcome.

Mr. Wylie: Well, thank you, Chair. It's great to be with you again today. I'd like to start with first introducing a little bit more of the purpose of the attendees we have with us this morning. At the table we have Eric Leonty, he's an Assistant Auditor General with the office. Rob Driesen is also an Assistant Auditor General with the office. We have three Assistant Auditors General. Brad Ireland was unable to be with us this morning. These gentlemen lead the book of work, if you will. They lead all of the audits that we conduct in the government of Alberta and all of the agencies, boards, and commissions that we audit. They're responsible for all of the work, both financial statement audits as well as performance audits.

In the gallery we have Mary Gibson, who is the lead on our performance audit line of business. Karen Zoltenko, who is the lead on the financial statement line of business, could not be with us today. Then we have Val Mellesmoen, who is the lead on our stakeholder engagement. At the last meeting you heard me talk extensively. Today I'm going to let you have some time with my colleagues who really do lead and drive the work that we're going to be discussing today. So that's who's with me and the context of that.

In a moment I'm going to be asking Eric and Rob to go through and provide some comments on our November report, but before we get into the specifics, I'd like to provide some general remarks about the audit reports that we prepare and that we present to you and to the Members of the Legislative Assembly.

Under section 19 of our act we have a public reporting mandate. I mentioned that at our last orientation session. That annual report really includes the results of our financial statement audits as well as any performance audits that we would have completed at the time, and that's the report that you have before you today. In all cases we will issue the report at the end of the finalization of the financial statement audit cycle, so our report is issued annually in the fall of each year. As well, we issue periodic reports throughout the year, and those reports will include the results of our performance audits.

There are three main messages that I will just highlight in the November report, and then turn it over to Eric and Rob. The first is that the financial statements of all of the organizations that we audited met the criteria of clarity, completeness, accuracy, and timeliness. We issued an unqualified audit opinion on the consolidated financial statements of the province as well as on all of the financial statements that we audited, some 140 organizations. An unqualified opinion represents the independent auditor's judgment with respect to the financial statements, that they're presented fairly and that the information is appropriately presented.

The second kind of key message or theme in our November report was that significant progress was made in implementing our performance audits. Out of the five follow-up audits that we report on in our November report, with four of those there was significant progress made.

The third item I'd like to highlight – and this is, I think, where the majority of our conversation will be this morning – is that we did identify a need to improve the analysis, monitoring, and reporting of government programs in the areas that we looked at.

With that brief intro, I'm going to ask Eric to start off and provide you with some context of what's in our report.

8:10

Mr. Leonty: Thank you, Doug. Good morning, everyone. Our audit of wildfire activities focused on two key areas: prevention activities and review and improvement processes at the Department of Agriculture and Forestry. To begin with wildfire prevention, we

found that planning and delivery of prevention activities are being done well. For example, identification, approval, and delivery of FireSmart projects is working as intended, and that is very positive.

However, where the department needs to make some improvements is evaluating, monitoring, and reporting on its wildfire prevention efforts. Appropriately evaluating and analyzing wildfire prevention activities is not just an administrative task. This type of evaluation is critical to ensuring that the right resources are allocated to doing the right things.

For example, based on the amount spent on something like enforcement, a question the department should be asking is: are those activities having a measurable impact? And based on results, should enforcement be ramped up? Are we enforcing in the right places? Perhaps funding should be allocated to other prevention activities like education. Answering these types of questions through a thoughtful and deliberate analysis will help the department ensure that they are applying the most cost-effective prevention activities in the right places.

Of course, analyzing and measuring the impact of prevention activities is not easy. Attribution is difficult, but it is absolutely necessary. Typically in the range of 60 per cent and up to 80 per cent of all wildfires are caused by humans. There were 800 in 2017. Thus, a better understanding and optimizing of prevention efforts informed by analysis could be extremely important to Albertans.

The second area of wildfire activities we examined was the department's review and improvement processes. The objective of these processes at the department is to ensure that wildfire services are being delivered as effectively as possible by reinforcing the use of best practices and implementing improved processes after each fire season.

What we found is that the department is not complying with its own rules for internally reporting the results of these reviews. While the reviews are being completed by each of the 10 forest areas, which is very positive, senior management is not receiving the results about the types and number of reviews being completed, key findings from those reviews, and recommendations for improvement. This lack of information directly hinders senior management's ability to fully discharge their oversight and decision-making responsibilities as it relates to continuous improvement in the area of wildfire activities.

Based on the audit results, we made two recommendations that management did accept and is currently working towards implementing.

The next audit that I wanted to highlight is a follow-up audit we carried out on an outstanding recommendation we made to Environment and Parks to improve reporting on the oil sands monitoring program. Our audit did find that improvements were made since our first audit, and we did assess that one of the recommendations was implemented related to planning and reporting.

But we did continue to find some problems with the completeness, accuracy, and timeliness of the reporting on the program itself. Overall we were looking for important information on how the program was progressing; what work has been done; when people can expect comprehensive, scientifically based reporting on cumulative effects; and whether the program is meeting its objectives like supporting sound decision-making, enhancing science-based monitoring, and ensuring transparency.

Specifically, we found that the report lacked information about how the actions taken by the department helped to meet the monitoring program's objectives, performance measures to demonstrate whether the program is progressing as intended, how the program supports decision-making, and how the cumulative surplus from industry funding was going to be used in future years.

The government collects on average \$50 million a year from the industry to fund the environmental monitoring program.

As a result, we made a new recommendation that focused on the department's process for ensuring proper reporting on the oil sands monitoring program, which management accepted and is currently working towards implementing.

The last performance audit I want to briefly highlight is the follow-up on contracting for external services at Justice and Solicitor General. The original audit stemmed from weaknesses in the contracting process related to the transportation of deceased rural Albertans. In this follow-up audit we expanded our scope to look at court reporters and Gladue report preparation as these are also services where there's variable timing, demand, and location. Based on our work, we are satisfied that the department has improved its contracting processes, specifically through preparing business cases when necessary and applying an appropriate prequalification process. Thus, we concluded that both recommendations were implemented.

There is one last item I did want to touch upon. In our November 2018 report in addition to our performance audit reports, we also include recommendations we made resulting from our financial statement audits. There's one I'd like to highlight that we made to the Alberta Petroleum Marketing Commission, the APMC. We made a recommendation to the APMC to improve its processes and controls for the cash-flow model it uses to assess the financial condition of the processing agreements. At its most basic the model is a net present value calculation. While we were satisfied with the calculation for the 2018 fiscal year, we did recommend improvements to better support management's assumptions and judgments reflected in the model. The model is extremely complex and is subject to a lot of judgment and assumptions, with price and other key variables forecasted over a period that extends beyond 30 years. Thus, sound processes around the model become very important to reduce the risk of bias and errors.

This financial statement recommendation came on the heels of a performance audit we reported on in February 2018, where we examined APMC's risk management, board oversight of risk, and reporting to Albertans. In that audit we found that a few key areas required improvements. The risk management system was not well designed; for example, we couldn't find what was the approved approach to price risk, if any. We also found that public reporting in this area is sparse. The APMC did not have a business plan or a publicly issued annual report. Overall, there was important information that APMC was not reporting to Albertans, including many of the key benefits and risks associated with the processing agreement. Probably one of the most important things not currently reported is the sensitivity to prices, interest rates, exchange rates, among others, on the overall economics of the agreement.

As soon as the recommendations are asserted as implemented by management, we will begin our follow-up work. Just to reiterate, we did make these recommendations just early last year.

With that, that concludes my overview on the audit work I had oversight over.

The Chair: All right. Very good. Thank you.

Is there more from Mr. Driesen?

Mr. Driesen: Yes, if I could, Madam Chair, just to provide some information on a few other audits. I'd like to start by summarizing our report on the department of labour's systems to update Alberta's workforce strategies. Our province's workforce strategy is vitally important to its current and future labour market. The province's last crossministry workforce strategy was the 10-year building and educating tomorrow's workforce strategy, which was

in place from 2006 to 2016. The BETW strategy was focused on attracting more workers; improving the skills, training, and opportunities of underrepresented groups; and supporting increased innovation and productivity within Alberta's workplaces. We examined the processes applied by the department of labour to update the strategy when it was the lead central ministry for the strategy's final three years, from 2013 to 2016.

With any significant program or strategy you need to have processes to measure targets and outcomes, monitor progress to achieve those targets, and report on the results of that performance. If you don't monitor and report on what you're achieving and learning, you can't identify what's working well, what you need to do more of, and what isn't working well and needs to change. We found the department did not monitor and report on the strategy over its final three years. The department was focused on the next workforce strategy before it understood what was achieved with the existing strategy and what needed to be improved in the future.

During the period of 2013 to 2015 three proposed new strategies were prepared, but none of these proposed strategies were approved. In 2016 the department decided not to move forward with a multiministry collaborative approach on workforce strategy. Departments who had participated in the BETW realigned their employment and training programs and services to focus on their specific department mandates.

Good processes to monitor progress and report on results provide Albertans with the information they need to know, whether the department is on track with its plans and the value received for the money spent. The minister of labour cannot report to Albertans on if the government's last long-term multiministry workforce strategy achieved its objectives and at what cost. As a result of our findings, we recommended the department improve its measuring and reporting processes on its current workforce strategies.

I'll now briefly talk about our report on contract management processes at Service Alberta. The government enters into many large and complex contracts to provide goods and services to Albertans. To realize the full benefit of those contracts, departments must have strong contract management processes in the areas of performance measurement, monitoring contract compliance, and contract evaluation. These processes together form a cycle of continuous improvement to the contract. We've diagrammed that on page 3 of this report. It's important on long-duration contracts as this allows the contract to be adapted to continue to provide the best outcomes for Albertans as the area being contracted changes over time.

8:20

Service Alberta has been delegated responsibility for oversight and management of a number of large and complex contracts on behalf of the government. We examined the department's contract management processes as applied to one of its largest complex contracts, the Alberta SuperNet. Over the period 2001 to 2018 the department estimates the total government spending to construct and operate the SuperNet to be \$1 billion.

We found that each of the three key parts of the department's contract-management processes were not effective and were not working well together, processes to monitor and report on performance were not present, and performance measures for some operational goals of the contract were not defined.

The Chair: All right. That was the 15 minutes. If hon. members would like to begin with some questions perhaps in order to tie up the loose ends of that presentation, that would be good. Let's now start with – I believe it's 30 minutes, right? We also have the arrival

of Mr. Toor, who is here. I wouldn't mind him introducing himself for the benefit of the committee.

Just say hello, Mr. Toor. Just introduce yourself, sir.

Mr. Toor: My name is Devinder Toor. I'm from Calgary-Falconridge. Good morning.

The Chair: Good. Do we have Mr. Amery on the phone? Oh, we do not. Okay. Well, then we can proceed, friends.

I will now open up the floor to the Q and A. We have Mr. Stephan, and we have Edmonton-Glenora.

Mr. Stephan: Mr. Driesen, I was just wondering how much longer you had in your summary of your audit findings. Do you have, like, two minutes?

Mr. Driesen: Yes, at the most, maybe two minutes.

Mr. Stephan: Could I ask that he be given the two minutes to finish off? Thank you.

The Chair: Yes. Go ahead.

Mr. Driesen: Sure. I'll just start again with the key points here in terms of the three key areas of the department's processes that weren't effective. As I mentioned, processes to monitor and report on performance weren't present, and performance measures on some of those operational goals of the contract were not defined. We also found that parties to the contract did not interpret the terms and the conditions consistently, resulting in disputes over contract compliance.

Despite identifying deficiencies and unmitigated risks in the contract, the department needed to extend the contract three years without any amendments because the department needed more time to assess how to improve the future SuperNet contracts. As a result, we made three recommendations for the department to improve the areas of performance measurement, monitoring contract compliance, and contract evaluation in its contract-management processes.

Thank you.

The Chair: Very good. We will now go to the Member for Edmonton-Glenora as the first person on the list for Q and A.

Ms Hoffman: Thank you very much. My questions focus around the wildfire presentation. It was mentioned that 60 to 80 per cent of a typical wildfire season is human caused. I'm wondering if there's a breakdown within that as to arson versus human error.

Mr. Leonty: We didn't include a breakdown in our report, but I do know that the department does track those statistics. I think, you know, request the department, and you should be able to get that information. But I don't have it at my fingertips as far as what the exact breakdown is as far as intentional versus accidental, unintentional wildfires started by humans.

Ms Hoffman: Might I request that the committee send that request? I don't know how we deal with questions that arise. Do I have to send a formal question through the House, or can the committee just request that information from the department?

The Chair: Go ahead.

Mr. Roth: Well, certainly, the committee can request information that it wishes to receive.

Mr. Gotfried: Just from the experience in this committee, what we're getting here today is going to inform the ministries we have in front of us in the future. Some of these questions might be ones that we could submit now, or we can use those to inform ourselves in terms of the line of questioning when we do get those departments in front of us.

Ms Hoffman: I would be grateful if they could come with that information when they do present to us, however we want to communicate that to them. I'd rather we not have to ask it again when they're here and then wait further.

Mr. Gotfried: Good point.

Ms Hoffman: If they could bring that information when they come, that would suffice for me.

Okay. My one supplementary to that is around fairness and accountability of the rotation of contracts for folks who do fight the wildfires. I know that there are many contractors, particularly in areas where this is a considerable amount of work in the north and, I imagine, in other parts of the province as well. I'm just wondering if we've done an audit of the fairness in rotation and how equipment gets slotted and pulled out of rotation.

Mr. Leonty: The scope of this audit didn't include that. Actually, when we began scoping out the work for this, we specifically focused on prevention review and improvement because after the 2011 fires, the 2015 fire season and then, obviously, in 2016 with the Horse River fire up in Wood Buffalo, there were a number of different reviews that were contracted by the department and extensive reviews on the detection, presuppression, and suppression activities that took place, and contracting was part of that. That being said, as part of our annual financial statement audit, I mean, we do audit contracted amounts, but the scope of this audit and our financial statement don't typically include, you know, the fairness and the rotation of those contracts, but we know that some of the reviews had looked at some of those things. But it's something we can, you know, consider as far as any future risks and future work we may perform.

Ms Hoffman: Just a heads-up that that's one of the questions I would like to flesh out a little bit when we do have this ministry come forward.

The Chair: Okay. I've got Feehan on the list, and then I have Barnes and Walker. I also have Phillips. Oh, Stephan. I'll put myself after those.

Okay. Mr. Feehan.

Mr. Feehan: Thank you. You made some comments about the difficulty with analyzing the effectiveness of prevention with regard to wildfires. I'm wondering if, you know, either now or when we have a chance to speak to the department we can learn a little bit more about prevention and what kind of modelling is used to determine the nature of the prevention outcomes both with regard to the amount of forest fires prevented and therefore trees saved but also the cost-effectiveness of that prevention strategy. I don't know if you have information on that before I go on.

Mr. Leonty: One of the things we did highlight in our report specifically was some of the FireSmart activities that take place – for instance, they would engage in activities around emergency plans, fuel breaks, vegetation control, those types of things – where each of those projects are the cost-effectiveness and evaluation of those, which we think would be a good step for the department to

take. Those are perhaps a little bit more easier to attribute as far as some of those activities and how it might help with wildfire prevention. Now, understanding that, you know, FireSmart doesn't necessarily mean fireproof, recognizing that there's always an element of risk that remains present.

Some of the areas like education can become a little bit more difficult, as I mentioned earlier, for attribution. Trying to educate people on safe fire practices and those types of things, whether that actually prevents a fire or not is obviously difficult to tangibly measure. But, certainly, you know, there are certain things the department can do to determine whether those activities are having an impact.

And then, of course, there's the other area that we mentioned and looked at around enforcement and the escalation of enforcement and how that may, you know, serve as both a reminder and a deterrent for activities that might cause preventable wildfires.

All told, I mean, certainly, the department would be in the best position to discuss in detail those various areas they can measure those impacts on and whether they are making a difference. In our report we did tie it to the idea of how you allocate resources as well because there's obviously scarcity in the dollars you have for prevention activities, and to understand what the impacts are of those activities is important to decide where you want to invest your dollars.

Mr. Feehan: So my follow-up question . . .

The Chair: Please.

Mr. Feehan: . . . is with regard to climate change. Has there been any analysis about the effect of climate change in terms of average temperature in forest areas and average number of days of lack of rainfall, those kinds of things? We know that over the last hundred years there's been a fairly significant change. Is that calculation put into, you know, the prevention calculation? Are we looking at how much more we're going to need as the climate changes more?

8:30

Mr. Leonty: As part of the risk identification activities the department does undertake in the different areas, there is mapping and different inputs that are incorporated into that analysis: what the conditions are, what the trends are in those particular areas. Even though it was not in the direct scope of this particular audit, we do understand that the department does incorporate potential impacts from climate change or at least how conditions might be changing in some of the various areas. Once again, I think, you know, it's probably a question the department can add some detail to, but that wasn't a specific area we looked at in this audit.

Mr. Feehan: Thank you.

The Chair: Next on the list I have Mr. Barnes, please.

Mr. Barnes: Thank you, and thank you all for your work. Eric, I'd like to ask you about the Alberta Petroleum Marketing Commission. First of all, I'd like to know the extent of the amount of taxpayer money or taxpayer royalties that are flowing through that on an annual basis. Your talk seemed to be around the lack of risk management and a lack of looking at the variables that may impact that, so I wonder if you feel that the Energy department has a clear path towards getting a better handle on that. I'm wondering if there are some impacts and some analysis that should be looked at there when it comes to things like the Redwater Sturgeon upgrader or even moving oil by rail.

Thank you.

Mr. Leonty: Maybe starting with the financial impact to the Crown, in the last Ministry of Energy annual report, the '17-18 annual report – the next annual report from the Ministry of Energy should be released relatively soon – at that time there were no direct outflows related to the processing agreement, but the annual report does highlight that as of June 1, 2018, the debt tolls commence. The total of those debt toll payments that began on June 1, 2018, will be reported in the March 31, 2019, financial statements. That would, you know, be about 10 months of debt tolls that have already begun, so that's when the direct cash outflow for toll payments has occurred.

With that being said, though, there are also loans that APMC has provided due to the increased capital costs. APMC, as 75 per cent of the supplier to the Sturgeon refinery under the processing agreement, you know, forwarded a proportional amount of loans to the North West Redwater Partnership based on the increase in capital costs.

In relation to our performance audit that we conducted and reported on in February 2018, you know, really those matters are encapsulated as far as the overall risk management system: what are the most significant risks, and how are those risks being managed? One of the challenges is that there are some risks that are quite simply outside of the Crown's or APMC's control. As far as the response to that and how to deal with those, it does make it a little bit more challenging as far as things like price risk. Ultimately, they aren't the operator of the refinery. I mean, they're looking for contracted services by supplying bitumen and having those refined. The performance audit covers that as far as the risk management and then the oversight of risk management by the board of the Alberta Petroleum Marketing Commission.

Mr. Barnes: Okay. Thank you.

The Chair: Very good. I have Mr. Walker next on the list, please.

Mr. Walker: Thank you, Chair, and thank you, presenters. My questions will concern Alberta Agriculture and Forestry, particularly the wildfire presentation you gave, and also a specific question regarding content found on page 9 of the report. First, a broad question. As we know, the Alberta government, generally speaking, has the highest per capita spending in most programs and departments when compared to other provincial jurisdictions. I wonder: with regard to Alberta Agriculture and Forestry and also when you're running your financial analysis in these areas contained within the report, do you have a sense of or do you analyze how we compare with other provincial jurisdictions in our spending on comparable programs? I'm thinking that the province that probably is most comparable would be British Columbia in terms of wildfires, size, heck, even population. How do we compare, if you do have that analysis or include it or are mindful of it, to British Columbia in terms of per capita spending on wildfire prevention programs?

Mr. Leonty: I think, firstly, yeah, our report didn't directly cover, you know, crossjurisdictional comparisons to similar jurisdictions, like B.C., that might be comparable for wildfire activities, even including prevention activities. Actually, that probably represents a very good method or one of the methods that the department could use when analyzing its prevention activities and how it may compare as far as the cost-effectiveness of those activities. We didn't directly cover that as part of our audit report. A worthy question, certainly, of the department: whether they're conducting that type of analysis themselves as far as how they help them decide what is an appropriate allocation for these various areas.

Mr. Walker: Thank you. I think comparative jurisdictional studies are always generally informative. Maybe, sometimes, auditing financial experts might think that it's not always applicable, and that might be sometimes the case. I think, though, for Albertans in general it is just one information tool to look at when saying: hey, are we really getting good bang for our buck? Thank you for that.

My final question is a specific one. You were talking about the FireSmart program, and you've recommended that it be publicly reported on. What is your experience, when dealing with ministries, when it comes to financial reporting? Using this as an example, are they generally inclined, is it their first thought to publicly report something, or do they generally have to be prodded or just given the idea? What is your experience, including with this FireSmart program? Were they surprised by that recommendation? Or have you spoken with them?

Mr. Leonty: Specifically related to the FireSmart recommendation, no, I don't think they were surprised. Actually, I mean, it's somewhat nuanced, but there are a few different FireSmart activities that take place. One is by a third-party association that's contracted, the Forest Resource Improvement Association of Alberta. Actually, they do some good reporting on some of the projects that they've been involved in, and we're suggesting in here that, you know, the department can maybe mirror some of that type of reporting or consider that. There are also some FireSmart activities that the department engages in on behalf of the federal government related to areas that impact indigenous people. I think that reporting in those areas would be useful. We made that recommendation, and the department wasn't surprised by that.

As far as the more general question, just in relation maybe to the audits I've been involved in, you know, we've typically had recommendations in most of the areas we look at related to reporting and sufficient reporting. I think there are definitely areas for improvement that I've seen in some of the audits that I've been involved in. I mean, it sort of depends on the nature of the program and where it fits in the priorities of the ministry. But we have found areas where that could be improved.

I don't know if there's any . . .

Mr. Wylie: Can I supplement?

The Chair: Please.

Mr. Wylie: In my introductory comments I think I mentioned that that was one of the themes in this report – and it's not a new theme – and that is that the analysis, measurement, and reporting of programs or initiatives, we feel, can be improved in two areas. One is the public reporting or accountability and transparency with respect to the value achieved of programs, and then the other aspect is the learning aspect, and that is the evaluation of the programs themselves from management's perspective, I think, as Rob was mentioning, to know what's working well and what isn't working so well. If we're spending money on a particular program where we might be able to get better value or we see better value from our analysis of another program, maybe it's time to redirect some of those resources.

A good question, and I think our view would be reporting and analysis from the two perspectives: one, a learning, an evaluation, a program, or an initiative valuation from the learning perspective, resource allocation; and then the second aspect is the accountability, public reporting to inform Albertans of progress being made.

Mr. Walker: Thank you.

The Chair: All right. Next I have Mr. Stephan, please.

Mr. Stephan: Thanks, Madam Chair. I have a couple of quick follow-up questions. I have a couple of global questions, but maybe I'll save that for the second tranche of questions we're able to ask.

Just a quick little observation. I noted in appendix D on page 18 of the Alberta Agriculture and Forestry tab, actually, an information chart on the causes of wildfires, which is helpful, further to Member Dach's question there.

8:40

Madam Chair, in respect of Member Walker's question, I think it would be helpful and useful to this committee, when ministries do come to speak to us, that they are prepared to provide a report on how the cost of the services that they provide compares with other jurisdictions, other provincial jurisdictions. Certainly, there are things, probably, in Alberta that we are doing as a best practice, but we can also learn from other jurisdictions and hopefully leverage off the best practices that they've discovered in terms of their program delivery. But I would like the ministries to be prepared to speak to the cost of their provision of services and how that compares across other Canadian provinces. I think that would be very helpful. [An electronic device sounded]

The Chair: Okay. We'll continue.

Mr. Stephan: If that could be noted and considered, I'd be grateful.

I do have one specific question in respect of the SuperNet. You know, a lot of effort was expended in auditing the processes, the internal controls of the SuperNet from the past. Of course, audits of the past are only useful if they inform the future and they are learned from. I noted on page 13 of the Service Alberta tab that the expiration of the agreement was occurring in 2018. I'm wondering whether, first of all, that contract has actually expired as of now. Or is it expiring at the end of the year?

Mr. Driesen: The contract did expire June 30, and a new contract has been entered into. With respect to our work I wouldn't mind referring the committee to page 2 of this report, which outlines when we did our work and informed the department of our findings related to looking at their contract. The work that we did in looking at the old SuperNet contract was in kind of mid-2017 to the fall of 2017, and we provided our findings and vetted our findings with the department at that time. They were able to use that information, as we went through and completed our audit and issued our report to them, early in 2018 to inform them on that new contract that they were going to enter into later on, in mid-2018.

It was very important for us to make sure that we completed that audit and gave them that information so that they were able to use that as they saw fit, because, to your point, if you don't learn from history, you're doomed to sometimes repeat it. That's where the timing of providing that information to them and our examination of that was critical around those timelines of the contract expiring.

Mr. Stephan: Just a quick follow-up question: you're satisfied that they actually did apply your recommendations in the new contract?

Mr. Driesen: We have not followed up on this particular contract or the processes that they have. They've indicated to us that they would consider that as part of that new contract that they were entering into. We will be looking at when it makes some sense to go and do a follow-up audit looking at their new contracting processes and what they have implemented. We may specifically look at the new SuperNet contract as part of that, but because these cover all of their contracting processes for all of their large and

complex contracts, we wouldn't necessarily have to look at the SuperNet contract to be able to do that.

Mr. Stephan: This contract expired in June 2018, so a new one was entered into, and we are now almost a year later, and we don't know whether or not your recommendations were in fact implemented. Is that right?

Mr. Driesen: I'd have to take a quick look to see if they've indicated that they have implemented the recommendations. Because we issued this in November, we don't have any sort of assertion from them at this point that they have implemented that. Like I said, it's our understanding that they were going to consider those recommendations and make those changes as part of their processes, as part of entering into that new contract. But, no, we have not verified anything at this point.

Mr. Stephan: I'd like to ask that this committee find out whether or not that was followed through on and done.

Thanks.

The Chair: Okay. I have myself on the list next, and then I have Mr. Dach after that.

I just want to go back to one of the concepts in auditing that you have talked about a lot, which is risk. I just want a little bit of a sense of how risk management is actually assessed and in particular going back to Member Feehan's question around climate risk. We see in other aspects of the financial system, whether it's central banks now reporting on climate risk as part of financial disclosure or in the insurance industry, that climate risk is taken into account in underwriting decisions in a very standardized way now.

Can you give me a sense of how this is informing your work, in particular where departments will touch upon this issue, whether it's Agriculture and Forestry – obviously, agriculture but also forestry, clearly – or Infrastructure, in particular, or Transportation, the condition of infrastructure and deferred maintenance and so on? It would seem to me that those would be the main departments where you would be assessing management of risk to either assets or to programs. I'm wondering if you can talk a little bit about that, on how either the audit community, more generally, or your office is taking into account climate risk as part of your risk management assessment.

Mr. Wylie: I'll ask Eric to start, and then I'll supplement.

Mr. Leonty: The first place we would generally start is looking at the system that management has put into place as far as identifying, evaluating, assessing the likelihood and impact of risk, so that's management's responsibility to put in a good system. Our audit of a risk management system would entail, you know, looking at whether those things are in place.

Using the APMC example, we may highlight if it seems clear that there are certain risks that aren't actually being captured. In that case, we highlighted price risk. In other areas it may be risks associated with climate change, depending on the risk management system that we're looking at and whether it's been considered, evaluated, the evidence supporting its inclusion, or whether it's left out. We would really look at what system is in place. If it's a board-governed agency, we would also look to see what level of oversight exists over those risk management activities as well and whether, you know, appropriate and probing questions are asked of management, whether certain risks should be included and considered.

At least from my experience and the way we'd look at it, we take a systems view as far as whether a good risk management process is in place.

Mr. Wylie: And from an audit perspective, specifically, there are several ways that we assess risk. First, from a more general, broad perspective, we do communicate with other Auditors General across Canada. We meet and discuss we'll call them general thematic risks that governments are facing, determine themes from that, and then come back and, as Eric says, look at the application to the specific environment that we're operating in. At the end of the day, it is management's responsibility to put in place risk management and mitigated processes, and then we would audit those processes or identify where they're limited. From a general perspective, the audit community does look at themes and risks affecting governments across Canada.

8:50

More specifically, within Alberta we inform our audits from various factors. First and foremost, I think, is understanding the organizations that we're auditing, their legislative mandate, what their purpose is, and then how they're actually achieving that purpose as well as both the internal and external risks that they would have to mitigate and manage to achieve their ultimate outcomes or objectives. That kind of goes to Eric's point, where specific ministries might face certain risks more so than others. For example, environmental liabilities and the sustainability of dealing with issues surrounding that, reclamation and other issues, is a common theme that I can tell is a significant risk to jurisdictions, particularly more so than others. That's something, then, that we would factor into our audits of very specific ministries.

We have in the past convened an advisory group, if you will, who have helped to look at the issues facing the province on a go-forward basis to try and factor that into how that might help inform some of the audit work that we're doing as we see the impact of the economy, the environment, and others, our relations with the indigenous and development and those types of common themes, and see how that's helped inform our work as well. That committee in the past has included, for example, former politicians, academia, and specialists in various areas. That's to give us a broad perspective of these risks, and then we bring it down.

We have what we refer to as a risk-applied focus. We are looking at, again, how our office can help influence and help the processes to ensure that the organizational objectives are achieved. That would start at the highest level of government and then how that's manifested right down into the organizations, the departments, and then the agencies, boards, and commissions that help achieve that work.

The Chair: Okay. Seeing that we have a minute and 40 left in this segment, Mr. Dach, speak quickly.

Mr. Dach: Thank you, Chair. I have a few questions if I may. First of all, I wanted to just maybe get a quick response to an issue brought up by Mr. Walker. As Mr. Walker indicated on the Agriculture and Forestry topic, talking about how you would report on money well spent with respect to fighting forest fires across the country, he thought that a cross-jurisdictional per capita spending analysis might be a good idea to look at how the money was spent on wildfire prevention. However, I'm just thinking in terms of the country and the ratio of people and trees in various jurisdictions and the proximity of population centres to those forests and a number of different factors, and I'm just wondering if perhaps the per capita spending measure is the best measure.

You're the experts on this. I'm wondering if you have any other ideas about how to properly measure crossjurisdictional spending with respect to firefighting prevention and if there's something better than per capita spending that you can think of.

The Chair: You have 30 seconds, sir.

Mr. Leonty: So maybe to clarify, I wouldn't want to personally advocate that one method is more useful than another. I think the department staff would hopefully apply various methods to determine the cost-effectiveness of their prevention activities. Crossjurisdictional comparisons, whether it's related to cost or other comparisons, is, I think, one of the methods that could be employed amongst others.

The Chair: All right. Thank you for that. I think that was helpful.

We will now move on to the summary report of recommendations from November 2018. I would invite Mr. Doug Wylie to lead off this presentation. You have 15 minutes, and then we will go with the 30-minute Q and A if the committee is open to that? Okay. Good.

Let's proceed. Mr. Wylie.

Mr. Wylie: Thank you, Chair. As we referenced in our discussion on the audit work in the November 2018 report, we noted that significant improvements were made by government for the five follow-up audits that we did. When government acts on our recommendations, it is good news for Albertans. Albertans expect their government to manage their money and their investments well and to deliver effective services that meet their needs and support a good quality of life.

When our recommendations are not acted upon in a timely manner, it means that there's a risk to either the cost or delivery of a government program or service that provides a benefit to Albertans. We recognize, however, that some recommendations will take longer to fully implement than others, but we encourage full implementation within a three-year period. I'll just come back and talk to the summary page and the summary of the recommendations report that you have, just to highlight a couple of things there.

Typically we do not report on progress of an outstanding recommendation until management has had sufficient time to implement it, and then we complete our follow-up work. We complete follow-up work on all of our recommendations. As I mentioned in our orientation session, we are looking at how we will be conducting follow-up work in the future, all within this vein of ensuring that our work itself is done efficiently and effectively, so we'll be discussing that with you in the future.

We do report on the status of all of our recommendations, and that is in that summary report. We identify them as either implemented or repeated. When we report publicly, we identify how a particular department or organization we've audited has implemented the recommendation, what they've done. When it's repeated, we indicate why it's repeated, what has not yet been completed, and what further action is required to achieve that.

As of November 2018 there were 150 outstanding recommendations to government from our office. This included 12 new recommendations made in the November 2018 report. I'm going to ask Rob and Eric to again highlight just a few. I believe there are some 66 recommendations that are three years or older, so obviously we're not going to be able to get through all of those today. The objective here, I think, is to give you a sense or a flavour of how we deal with outstanding recommendations, how this committee might utilize that report that we have, and help you focus on areas that you as a committee would like to bear down on and, as the discussions unfolded this morning, identify how you would

like management to respond to you and bring forward information that will help you and help us with the implementation of the outstanding recommendations.

I want to highlight just briefly the summary of this report, and it's on page 1, where we actually break down the recommendations and we identify the new recommendations, those that are older than three years, the recommendations we've made during the year as well as the recommendations we've made that have been implemented within the period. The idea behind this is to give you a snapshot, some analytics on what is happening with the recommendations, and then also to provide you with a very summarized view of their status. Again, the purpose is to help inform this committee as it conducts its deliberations.

With that, I will ask Eric to maybe highlight a few that he would like to bring to this committee.

Mr. Leonty: Thank you again. Each of the ministries of Health, Energy, Environment and Parks, and Justice and Solicitor General, ministries where I have oversight of the audit work, has a relatively large number of outstanding recommendations. In many ways that is reflective of the breadth, significance, and size of activities that these ministries are involved in. Just to echo Doug, my plan is to provide a high-level overview. You know, it's not necessarily possible to be really comprehensive just given the number of outstanding recommendations, but hopefully I should be able to give you an idea of some areas that may be useful for the committee to focus upon when these departments are invited to attend meetings here.

Beginning with Health, we've conducted audits on some very expansive areas, and we also recognize that implementation of recommendations in some of these areas may reasonably take longer than the three-year guideline that we typically use. I think the best place for me to start is just to read the first three paragraphs from the executive summary of our Better Healthcare for Albertans report, that we released in 2017.

Since the 1990s the Office of the Auditor General has conducted over 40 audits on aspects of the Alberta health system, such as seniors care, mental health and addictions, primary care and chronic disease management.

Our findings covered many different subjects within healthcare. The Department of Health and Alberta Health Services have implemented many older recommendations and are working toward implementing newer ones.

However, we see an unfortunate pattern: weaknesses noted in our findings keep emerging, and re-emerging over time, because their root causes have not been resolved.

I believe that passage in the Better Healthcare for Albertans report provides a good synopsis of where we've been and what we will have in mind as we proceed with follow-up work in these important areas. The three root causes, specifically, that we highlight from our audit work in Health are:

- the fragmented structure of the health system
- the lack of integration of physician services and the services of other care providers
- the lack of sharing and use of clinical information.

In the coming years, as systems like connect care are implemented and other inevitable changes take place, we will continue to anchor our work to the risks present in the Ministry of Health and how continued advancement and integrated care is contributing to the implementation of some of our longer outstanding recommendations.

9:00

Moving along to Environment and Parks, there are 13 recommendations that are now older than three years. Back in

March 2015 we issued recommendations for both flood mitigation systems as well as regulatory systems for the safety of dams. Given the potential impacts to human safety, to property, and to the environment we believe that progress in these areas is critical. At this time we understand that one of the flood mitigation recommendations out of the four is ready for follow-up; the others aren't. Safety of dams: the recommendations are not yet implemented.

Recommendations that we made for sand and gravel date back to 2008, and a couple were repeated in 2014. We are in the process of completing another follow-up audit in this area, and we plan to report the results of that audit in the near future.

We also have outstanding recommendations in the area of climate change mitigation and adaptation. We will continue to assess the ongoing relevancy of these recommendations. Proper planning and some public reporting are common themes we have raised in the climate change area since Alberta's first climate change strategy, dating back to the mid-2000s.

One additional outstanding recommendation I would like to highlight is systems to ensure sufficient financial security for land disturbances from mining. While this recommendation was made back in 2015, we have been recommending improvements in this area dating back a number of years, as far back as 1999, in fact. The department has stated that this recommendation will be implemented in the near future, so we plan to follow up on this recommendation shortly given the environmental and financial significance of the mine financial security program.

Within the Ministry of Energy I've already spoken about some of the recommendations we made to the Alberta Petroleum Marketing Commission. In fact, those were only about a year old. The longest outstanding recommendations within the ministry relate to an audit on systems to regulate pipeline safety and reliability at the Alberta Energy Regulator. Our overall conclusion on that audit was positive as there was significant evidence that AER had well-functioning systems. However, we did make a number of recommendations for continuous improvement given the high expectations and scrutiny on AER and industry performance. Specifically, we had recommended improvements to AER's risk management system, better performance measures, improved analysis of root causes for pipeline failures, and a training gap analysis of its staff in relation to pipeline regulatory activities. We do understand that the AER is ready for us to complete our follow-up, and we plan to begin that work likely in early 2020, so next year, given that we have other audits that we currently have under way at the Alberta Energy Regulator.

The only other recommendations within the Ministry of Energy older than three years relate to ones on the royalty reduction programs. The department has asserted that those are ready for follow-up, and we plan to begin that work shortly.

The last ministry I wanted to highlight is Justice and Solicitor General. Within the ministry we have some long-outstanding recommendations related to systems of the office of the public guardian and trustee. Going back to 2011-12, we investigated an alleged fraud at the office of the public guardian and trustee, the OPGT. We also did an audit of how the OPGT manages and protects client trusts. Going back to the February 2013 public report, we concluded that vulnerable Albertans who rely on the public trustee were at risk of their trust being misused or mismanaged and made five recommendations to the OPGT. The OPGT has not yet been able to implement all of our recommendations.

In our progress report in May 2017 we stated that we expected that after four years OPGT's management would be able to demonstrate that it had an effective system of internal controls to

manage client trusts and that the system we expected to see was not yet in place. We do understand that these recommendations should be ready for follow-up shortly, but we have seen those timelines move in the past.

That concludes my high-level summary of outstanding recs.

The Chair: Mr. Driesen, please.

Mr. Driesen: Thank you. If I can, very quickly, just in reviewing the recommendations which have been outstanding for three years, which I've overseen in terms of the audits, I'd like to highlight two prior performance audit reports for the committee in which all of the related recommendations are still outstanding.

The first report relates to the Ministry of Education and our March 2015 report Systems to Improve Student Attendance in Northland School Division. We issued two recommendations to the division and one recommendation to the department. Our audit objective in 2015, to examine student attendance, was based on a very simple premise: to succeed in school, students must regularly attend. Our key audit findings from 2015 included finding that the division's strategies to improve student attendance were failing. Despite the division reporting limited results from their student attendance strategies, the department failed to signal needed changes in behaviour at the division.

The division had not identified root-cause reasons for nonattendance. Nonattendance was accepted as the status quo at the division. Compliance with attendance policies was not being monitored or enforced. Attendance data at schools was unreliable. We recommended to the division that they develop an operational plan with short- and long-term targets to improve student attendance and also to improve guidance and procedures for schools to consistently record and monitor attendance, benchmark acceptable attendance levels, and follow up on nonattendance. We recommended the department exercise oversight to the division to ensure that the division develops and executes on that operational plan and ensures that the plan identifies resources needed and how results will be measured, reported, and analyzed.

In February 2018 we did not do a follow-up audit, but we did do one of those rare progress reports that the Auditor General referred to. To summarize the progress made by the division and the department, their actions to date, and their plans to complete implementation, we reported in February 2018 that after three years the division still did not have a comprehensive, student-centric plan to improve student attendance for chronic nonattenders or those that do not attend at all. The department, while helping the division broadly, was not ensuring that an effective plan to improve student attendance was being implemented, but progress was being made to improve monitoring and enforcement of processes at the schools.

Since that February 2018 report the division's board of trustees has approved an attendance improvement plan, which we have not followed up on yet to assess if it's effective. The other two recommendations that we have made are still indicated as not being ready for follow-up audit.

Very briefly, I'll mention a second report, and that is our 2013 report on collaboration amongst postsecondary institutions. The Department of Advanced Education and postsecondary institutions have identified that collaboration is important to institutions sharing costs, resources, and best practices. In 2013 we found that the department and postsecondary institutions did not have effective processes to collaborate and that many institutions were not clear on what the Minister of Advanced Education meant by collaboration. We recommended that the department, with postsecondary institutions, develop a strategic plan for

collaboration amongst institutions and develop guidance on how to plan, implement, and govern collaborative projects.

Our 2017 follow-up audit found that little had changed. The implementation of a strategic plan has started and stalled between 2013 and '17, but at this point the department has not indicated that they have implemented our recommendations, and they are not ready for a follow-up audit. As a result, we repeated our two recommendations as Alberta students are still not getting the full benefits from collaboration amongst postsecondary institutions.

Thank you.

The Chair: Okay. Well, with 38 seconds to go, I think we can move into the Q and A portion. I have Mr. Dach first. Anyone else? Mr. Stephan. Mr. Gotfried. Looking at the room. I'm just making sure I'm not missing anyone. Mr. Feehan. Am I missing anyone? Ms Renaud. Looking over here, good. All right.

Mr. Dach.

Mr. Dach: Thank you, Chair, for keeping the order as you initially stated it.

Good morning once again, everyone. Thank you for your presentation. I noted that it appears that the 2012 year seems to be the high-water mark for outstanding recommendations that were three years or longer. Just as a matter of a wider overview to members from the Auditor General's department, it appears to me from the numbers that the trend has been trending downwards. In other words, there has been pretty good progress made, since 2012 and in the intervening years leading up to now, in actually getting that number down from that high level in 2012.

9:10

I'm just wondering, certainly, if you concur with that. I think the numbers show it. To what might you attribute that downward trend in the number of outstanding recommendations three years or longer? It seems to be a pretty noticeable downward trend line. Would it be attributable to your enforcement or your follow-up, or is it simply a matter of changing procedures, where you're writing off redundant recommendations? Is that part of it? How much of that is causing the drop-off in the number of outstanding recommendations over three years? Or is there some inherent motivation by recent governments to respond more favourably to your request for more rapid attention to these outstanding recs? Just, basically, what's been happening to cause this reduction, and what would you like to see continue to happen or perhaps happen more to keep it along that trend?

Mr. Wylie: A combination of everything that you've mentioned, I think, is the answer. However, I will say that there was a concerted effort, I would suggest, by the Deputy Minister of Exec Council to the deputies that advancement and clearing the deck on the recommendations would be useful. Going back to our point, we believe that the recommendations, if implemented, add value. I think that view was also shared by the chief deputy, and there certainly has been initiative on moving forward on the recommendations.

As Eric mentioned, some of the recommendations take a little longer given the nature of them. Some are very program specific, and then others are broader. For example, to deal with the recommendation on chronic disease management is far more complex – there are multiple organizations involved – as compared to recommendations on a specific program at a department.

But I think that what you provided in your introduction is really it. There has been a move. We have also internally tried to initiate when departments indicate that they're ready for us to do a follow-up, and we've been trying to get that work scheduled as soon as

possible to ensure, again, that the listing is updated as currently as possible and clearing the deck on the outstanding recs. So a combination of a number of factors.

Mr. Dach: That sounds good.

So, in your opinion, you believe that the trend will continue given the movement downwards. Obviously, I don't expect you ever to get to zero with outstanding recommendations, but could you perhaps comment on the number of outstanding recommendations that basically just sort of wither and become redundant? What percentage of those that are no longer outstanding recommendations have simply just sort of fallen off the books because they're no longer applicable?

Mr. Wylie: I don't have a number or a percentage. It would be very small. Let me give you a practical example. We had 17 regional health authorities, and we moved to nine regional health authorities, and now we have the one. If you look back in history – and Eric referred to a number of the recommendations we made – some of the issues that our recommendations encompassed related to having multiple RHAs. For example, in the sharing of information, we had a theme many years ago where one regional health authority would not share information with another regional health authority. That was a barrier to the provision of good health care, and we had made recommendations there. When those regional health authorities were then amalgamated, we came back and revisited that. We would identify the risk and then see if that risk was still present, and if it was present, we might then rephrase the recommendation to bring it forward into the new environment.

The chair mentioned earlier: how do we deal with risk in our audits? That's an example of where it isn't just the specific technicalities of the recommendation. We're actually looking at: what is the purpose of the recommendation in mitigating a risk that's present to the organization? So that's factored in.

Specifically, we don't have the details. It would be very small, though, because I do think the risks that we identified were real and were pervasive no matter what the organizational structure had. Just because it was a different organization providing the service, that risk was still present.

Mr. Dach: Okay. Just as a bit of a follow-up there, I noticed that back in 2016 you stopped issuing unnumbered recommendations. Just to familiarize the committee members with processes over the last few years, can you explain what that meant and why the change was made?

Mr. Wylie: Yeah. We used to have unnumbered recommendations, which were really recommendations that were identified where there was not a formal government response that was required. Essentially, this turned out to be a bit of a bookkeeping exercise, and again we wanted to make sure that our work was efficient and effective in trying to move forward what we wanted to do. So we got rid of the numbering of the recommendations. Really, what we did was that we assessed the significance of the recommendations, all recommendations. We thought that anything that this committee or that we needed to bring forward to the Legislative Assembly would be included in our public report and should receive an official response from the government.

So it really focused our work and got rid of what some in the private sector would call maybe a bit more soft recommendations or observations and the tracking of that and the differences between them: well, do you have to reply or follow up on unnumbered recommendations? We just wanted to bring clarity. If we did a piece of work and we came up with a valuable recommendation, that

would be included in our report, and we broke down this difference between unnumbered and numbered.

Mr. Dach: All right. Thank you for that.

If I may . . .

The Chair: I have Mr. Stephan now.

Mr. Dach: Thank you.

Mr. Stephan: Thanks, Madam Chair, and thank you to the members of the Auditor General's office for being here. I really feel that we have the opportunity to work together to serve the public interest.

With this summary of recommendations from your performance audits, I appreciate that with limited resources we cannot audit everywhere from a performance audit perspective, and I appreciate the expertise and insights that you have, in the course of doing your work, in trying to select the areas of focus to make sure that the public interest is best served.

I'd just kind of observe that a lot of the recommendations relate to the processes undertaken by a lot of the departments, and you've identified some deficiencies in terms of the internal controls with those departments. What I'd like to ask about is in terms of these recommendations that you have. You are deeply familiar with them and the implications of the recommendations. You know, we want to maintain the sustainability of these public services. What I'd be interested in knowing from you is: within these recommendations that you have, what would you say are the top five actionable or near-actionable recommendations that would result in the largest saving of taxpayer dollars so that we are able to have the resources to fund not only those services but other government services? So I'd like to understand the concrete, specific recommendations in here that you think are the low-lying fruit at this time that will render the biggest bang for the buck for the public interest.

Mr. Wylie: We have not categorized these recommendations specifically looking at what is the financial impact. The objectives of these audits have varied. I'll just say this as a bit of a preface. You'll note, again, as I mentioned in the introductory comments, that there was a theme with respect to the reporting that's occurring, the understanding of the effectiveness and indeed the efficiency of the programs that exist right now. Our purpose, really, as an office is to focus on processes. That is our legislative mandate, to look at processes. As you're aware, the government sets a strategy, a board sets a strategy, and management puts in place those processes to achieve and effect that strategy. The Auditor's role, then, is to assess: "Do the processes exist? If they do exist, are they well designed, and then, are they operating effectively?" That's where you'll see the focus of our work because that is the mandate that we have.

The question that you pose with respect to the efficiency and low-hanging fruit, I will suggest, is something that we will be looking at a little bit more going forward.

9:20

Our mandate has the three elements: economy, efficiency, and effectiveness. Historically our office has focused, I would suggest, on all three, but to a large extent, you see that the majority of the reporting is on the effectiveness, the reporting. How does management know, just like I said earlier, whether a program is working, whether they're achieving the objectives, whether they should be spending their money in this particular program or better spent somewhere else. And there's the accountability aspect. How is the government informing or the organization informing

Albertans with respect to the tax dollars being spent? That's been the focus historically.

We are initiating a specific focus going forward looking at how to ask the same question but with a different focus: what processes does management have in place to assess the efficiency of a program or the efficiency of a particular initiative? So you could take any program, and then we could ask the same questions that we do with respect to the effectiveness. How does management know, and how are they asserting to the board or to the government that the processes that they have are efficient and economical with the acquisition of the resources? So what processes exist, and how does management know that the acquisitions of the resources that they need to deliver on the programs are working as well as intended?

Our focus is to look at processes, and we will be doing more work going forward to ask the question: what processes exist to allow management to more or less answer the question that you just posed to the Auditor? We believe that management is in the best position to answer that and in the best position to manage the costs.

With respect to the specific recommendations, we haven't stratified these. I would suggest that all of these recommendations are important; otherwise they wouldn't be in this report. To the previous question, getting rid of numbered and unnumbered, we believe all these recommendations require an official response from the government and are important.

Now, again, I think that the nature of some of these you might look at and say: well, some of these might have a bit more of an efficiency flavour to them than others. Eric referred to the impact on vulnerable Albertans. Well, that's not necessarily an efficiency focus or low-hanging fruit from that perspective but clearly an important aspect and a risk that our office thinks needs to be addressed with vulnerable Albertans and how their trust monies are being managed.

So I can't answer your specific question on: how do we stratify these? We have not done that. I think it's a very good question, though, on how management views these recommendations. What are actionable now, and what specific action can they take? I think that it's the role of this committee, quite frankly, when the department comes forward, to ask them how long it would take and why they're having difficulty in implementing the recommendations. Recognize that everything that's included on this list: management and the government have agreed with the recommendation.

Mr. Stephan: Can I ask a supplemental question?

The Chair: Absolutely.

Mr. Stephan: I appreciate that. I know that poor processes will often lead to losses, both from a taxpayer dollar perspective and on qualitative measures as well in terms of the delivery of services. I understand and appreciate that there are both quantitative and qualitative aspects in terms of some of the items that you're focusing on. The quantitative is a little bit easier from an accountability perspective. To the extent that we are efficient and effective in delivering the services, that's more easily measured, and because it's more easily measured, there is a higher degree of accountability.

I am interested, though, and I understand that there is a stewardship and responsibility within the government departments, but having said that, still you are aware of the recommendations. You are aware of the items which, from a timeline perspective, are more actionable than others. So I would still be interested in your opinion on, you know, if there were areas of focus that this

committee could seek and ask various ministries and follow up on. Again, do you have a sense of: hey, you know, these are the top three recommendations in here, and – you know what? – they're actionable, they haven't been acted on yet, and there's a real material benefit maybe, from both a quantitative or qualitative perspective, and that, really, this is a great opportunity for us as a committee to follow up on. I'd be interested in your opinion.

Mr. Wylie: Well, here's my view, Member, through the chair. I would go and refer the committee to page 1 of the summary that we've identified. If you look at the recommendations that are outstanding more than three years and identify particular ministries that have larger numbers, I would suggest that those would be the areas to start. My premise, again, is that all the recommendations have value of form. I think the challenge is: if recommendations are growing, why are they not being acted upon? That would be an area for this committee to bear down on.

For example, Eric mentioned the Better Healthcare for Albertans report. That was the first time we'd done something like that as an office because what we felt was that adding more recommendations into the hopper wasn't appropriate. It was a need to come back and look at the recommendations we had put into the health system over the number of years, look at the recurring themes, and try to identify what the root causes were. So that was the purpose of that.

To your specific question, I think that if you look at this listing, you will see that Environment and Parks has a significant number, 13 there in red, Health has a significant number, Justice and Solicitor General, Treasury Board and Finance. That's the approach and the answer I would give you without having done an analysis of stratifying what they relate to: financial, qualitative, those types of things.

The Chair: I have Mr. Feehan on the list next.

Mr. Gotfried: I think you have me on the list next.

The Chair: Sorry. I have Gotfried, and then I have Feehan.

Mr. Gotfried: Thank you, Madam Chair, and thank you again to the Auditor General's department for some very, very informative documents here for us, to guide us forward. I think that a lot of the new members of the committee here will find that the work that the research services team does as we move into looking at the ministries is extremely helpful as well in focusing some of our attention on this.

I also have some of the same concerns as MLA Stephan with respect to some of the outstanding qualitative and quantitative numbers. We have 39 recommendations that are more than three years and not ready for follow-up – that concerns me, and I think it certainly indicates an area of focus for us – and fully 99 not ready for follow-up. Now, some of those may be newer, less than three years, but there could be some that are bordering on the three years, so I think there's some opportunity for us to focus on that.

You mentioned the economy, efficiency, and effectiveness piece. I think, as also referenced by MLA Stephan, that the members of this committee are concerned about the financial risks but also the risks to the safety of Albertans and various other things that may be affected by some of these recommendations. Maybe I would challenge us collectively and in our workings with the Auditor General's department to try and rank some of these in terms of financial risks and other more critical risks to Albertans that we can focus on as a committee.

I'm also very, very keen on this idea of us challenging the departments with respect to crossjurisdictional comparisons. I'm wondering if you can talk to us a little bit about how we might drive

a little bit further from this entire list, which is very qualitative and quantitative as well, where we can actually do a bit more in that ranking in terms of what we need to focus on as a committee to put some more teeth into it so that the impact is greater as we work through this. We have a lot of work to do. We have many ministries to deal with, but we need to focus on those areas where we can make a difference, either financially or in terms of outcomes or in terms of risks to Albertans, as quickly, as expediently as we can and do that in an intelligent manner. I'd just like your comments on how we can maybe work together to do that more effectively as a committee.

Mr. Wylie: Well, I think that understanding the recommendations will help this committee. I'm getting a sense that the committee wants to take a particular focus in ranking the recommendations and that that will help inform the committee on who they would like to call before the committee. I think in order to do that, you really do need to understand the recommendations and what's behind those recommendations.

9:30

Today was a bit of an introduction of what this is here. I don't say that glibly because, really, you know, some of the recommendations that right now don't have a financial consequence certainly will in the future if those risks aren't managed. Take, for example, environmental liabilities and the sustainability of a framework to manage those environmental liabilities. Eric was referring to some of these earlier. Well, right now it might not be manifesting itself into a financial risk, but if not managed, that will transform itself and manifest itself into financial risk in the future.

So I really do think that it would be useful, then, to understand a little bit more about these recommendations and what the risk is. I guess that's where I'd focus: what's the risk that our office is identifying through each one of these pieces of work and through the recommendations that we're trying to ask management to mitigate? Either eliminate the risk, or if you can't eliminate it, manage it, mitigate it as best you can. That's really at the heart of these, and I think that will help to inform you and your deliberations because that risk will manifest itself either in safety, financial – it might be safety today, but it might turn into financial in the future. It might be financial now but, if not managed well, be safety to Albertans in the future. So I think really understanding the risk behind these will help, Chair.

Mr. Gotfried: Just a quick follow-up.

The Chair: Absolutely.

Mr. Gotfried: Thank you, Mr. Wylie. I think that's helpful. I'd like to maybe see if, as we investigate and work forward on this, we can work with you on finding a way that we can better rank some of these in terms of some of those risk factors that you've identified. The risk factors are identified in your reports, but I think maybe if we can work together to find a way to rank those, it will help us to do our job more effectively as well. So I'm hoping we can sort of focus on that as an opportunity going forward.

Thank you.

Mr. Wylie: Good. Thank you.

The Chair: I have Mr. Feehan next on the list, please. I think I got it right. We were both writing things down.

Mr. Feehan: Okay. Thank you very much. Actually, I'm a little concerned that you're getting the message that ranking is

fundamentally important because I don't think I agree. I don't want us to leave you with the impression that somehow we want you to pick the ones that we should focus on, and I would like us as a committee to make decisions about what's important to us moving forward. I think maybe it's a discussion we need to have here within the committee about how we do that, but I think it's part of our work to decide how we'd like to focus your attention. As a result, I'd like to have more of an understanding of the type of work you can do with us rather than doing the work that maybe, perhaps, we should be doing ourselves.

I have a global question first, and then I'll narrow it down. Mr. Wylie, the global question I have is that you have just recently taken on this position – I think it's a year now, but I still see that as relatively new – and I guess I'm just wondering if there are some changes to, you know, the whole Auditor General perspective that we might anticipate as a result of your coming into the position. Everybody, you know, has their own stamp on how things are done, and I just wanted to get a good sense of things that you see as priorities for how we should be approaching the problems as opposed to specific recommendations. I wonder if you just might take a moment to talk about that.

Mr. Wylie: Well, at the heart of it, I operate within a mandate, so there is not too much I can do in the way of changing what the office does. Our mandate is very clear, and we follow our mandate to the letter. So the only thing I would suggest is kind of what I've indicated earlier, and that is that we will be looking, I think, at systems in a bit of a broader context, the full package of the three Es, bringing that together. But that would be it, I would suggest, from an external perspective, so no fundamental changes. Our mandate is our mandate, and I follow it.

Mr. Feehan: Right. Good. That's fine. I just wanted you to have an opportunity to speak to anything that you may want us to be a bit more oriented around in terms of how we're to view these kinds of concerns.

I noticed that, Mr. Leonty, in your comments about health, for example, you talked about recommendations concerning three things, and all of them in some way seem to be combined in that, if I got it right – in the quick statements you talked about the fragmented structure within health-physician integration, which, again, is a problem of many different people involved and sharing information, which, again, all seems to be a focus on: how do we bring a complex system together? I understand that health is probably the most complex system we have in our government. I'm just wondering if you have some comments about what work is being done to think about: how do we bring that all together, and what's the effect of sort of further fragmentation by expanding or changing the nature or the structure of the health system?

Mr. Leonty: I think it's fair to say that, I mean, the goal of integrated health dates back at least to the '90s, maybe even earlier. That has been an enduring goal, and I think it's fair to say also that the, you know, historic work we've done in performance audits has

identified that some of – I referred to them as root causes – those things that need to happen to make continued progress with integrated care, and there is still an evolution there.

In our follow-up work planned in areas like chronic disease management, mental health, primary care, these are things that we're always going to be anchoring to. So it all stems back to particular risks and delivering cost-effective services to Albertans and achieving the objectives. As those root causes, ideally, are dealt with, we should see improvements. At least just in our lens as the Auditor General's office we would see that those recommendations are being implemented.

I think what we try to avoid is to be overly prescriptive on exactly how things should necessarily be done, but I think those common themes have endured and we would be auditing with that lens. I hope that helps. I just think, you know, the Better Healthcare for Albertans report really helps set the stage not just for users of our report and people who read it but, I think, also internally for us in how we would think about some of that follow-up work, so we're keeping pace with some of the things that are happening and making sure that we audit in a changing environment.

Mr. Feehan: I noticed both Mr. Leonty and Mr. Driesen have commented on the concern about lack of assessment of root causes and I think you did particularly with regard to student attendance in Northland. I know Northland went through a fairly major restructuring last year, which may be part of the reason why. I guess I just wonder how much attention is paid in audits to looking at root causes in terms of assessing effectiveness.

Mr. Leonty: I can maybe take a start. Actually, Mary Gibson, our lead on performance audit, has overseen recently some work we're doing on root cause analysis. It's been present, I think, in our audits in some form historically, but a more deliberate approach to looking at findings that we have through our audits and seeing – okay – what the root causes of those are, really, that's for the purpose of constructing recommendations that are implementable and actually getting at the root cause.

Mr. Feehan: Thank you.

The Chair: All right. Well, lots to follow up on. Thank you very much to Mr. Wylie and his team from the Auditor General's office for their time and for their insight in presenting to us today.

As per the agenda we'll now move on to item 6, which is: is there any other business that members wish to bring forward at this time?

Seeing none, we will move on to item 7, which is establishing the next meeting. The committee will meet on July 2, 2019, at 8 a.m. Very good.

Now moving to adjournment. Would a member move that the meeting be adjourned, please. I see Mr. Dach. All in favour? All right. Any opposed? And the motion is carried.

Thank you very much, everyone. Have a great Tuesday afternoon. Thank you.

[The committee adjourned at 9:39 a.m.]

