



CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES
TWENTY-FIFTH ANNUAL CONFERENCE
Fredericton, New Brunswick, August 28-31, 2004

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Canadian Council of Public Accounts Committees

Joint Business Session No. 1 — John J. Kelly Forum

Chair: Daryl Wilson, Auditor General of New Brunswick

Facilitator: Yves Gauthier, Desjardins Securities

Topic: Parliamentary Oversight and Public Accounts Committees — Leadership, Capacity and Effectiveness

Panel: Rita Dionne-Marsolais, MNA; Shiraz Shariff, MLA; Jenny Kwan, MLA; John Wiersema, Deputy Auditor General of Canada; Fred Dunn, Auditor General of Alberta; Wayne K. Strelieff, Auditor General of British Columbia; Michael Eastman and Libby MacRae, CCAF-FCVI Inc.; Josie Schofield, CCPAC

D. Wilson (Chair): We're all set, then. I now would like to call upon Frank Branch, the Chairman of the Public Accounts Committee for New Brunswick, to say a few words.

F. Branch (New Brunswick): Thank you, Mr. Wilson. My fellow co-chair of the committee, Milt Sherwood; distinguished guests; ladies and gentlemen. Once again, it's indeed a pleasure and honour for me to extend a warm New Brunswick welcome to all the delegates and people attending this conference. It's most unfortunate that the weather is not completely cooperative with us. However, I'm sure we can make up for that with the warm welcome that the people of New Brunswick would like to extend to you.

I would like to just say a few words of encouragement to you to, first of all, visit our province after this conference concludes. There are many worthwhile things to see and participate in. We have a unique situation with French and English.

On a une province qui est la seule bilingue au Canada. Comme ça vous avez vraiment une chance de participer dans les deux cultures vivantes ici au Nouveau-Brunswick. Que ce soient les villages acadiens dans le nord ou le Centre marin à Shippagan, ce sont certainement des occasions intéressantes pour les visiteurs.

The Moncton area has perhaps the most extensive or fastest-growing shopping centre in Atlantic Canada. I'm sure most of the ladies would really enjoy that. People coming to this province always find that they seem to strike very good deals over there.

I know that as this conference moves along and we share ideas, it will be a tremendous benefit to all our delegates because we learn new things from each other as the conference unfolds. The old adage that you only get out equal to what you put in is still an adage that holds a lot of weight. So with that, I encourage each one of you to participate fully and take part. Then you will go home saying that it was a very enjoyable conference.

With that, I wish you a good conference. Thank you.

D. Wilson (Chair): Thank you, Mr. Branch.

Welcome, ladies and gentlemen. Bienvenue to the John J. Kelly Forum. Many of you may not be aware who John Kelly was. Later in his career he was very instrumental in bringing along the public sector accounting principles and standards that we all used here in Canada. That was when he was working for the CICA.

But of interest, earlier in his career John had worked on a document titled *Improving Accountability: Canadian Public Accounts Committees and Legislative Auditors*. That was a 1980

publication. The work you're going to hear about today that CCAF is doing is really taking this work to a new level, to a more contemporary position. So it's interesting that we have this forum that we've decided to entitle the John J. Kelly forum and today are able to sort of reflect on some of the work he had done.

Cette session d'ouverture a toujours été la session conjointe de nos deux groupes. Cette année ça me fait plaisir de voir comment la session sera intégrée avec des présentateurs de FCVI et CCCCP. J'espère que les résultats seront enrichissants pour chacun de nous.

With that, I would like to just thank the efforts of CCAF in organizing this forum this year. They've done a lot of work. At this point, I now would like to call upon their executive director, Michael Eastman.

M. Eastman: Good morning, ladies and gentlemen.

Bonjour à tous. Je suis Michael Eastman, le directeur général de la FCVI ou la CCAF en anglais. C'est un grand plaisir pour moi d'être ici avec vous aujourd'hui.

The foundation would really like to thank Daryl and Frank for the invitation to come. We believe that what we can learn through our interactions with you and what we can take back for our research, because we have such tremendous opportunities to speak to you here, is invaluable to us.

Last year we had the opportunity for our senior research fellow, Michael Weir, who's sitting right here, to discuss public performance reporting. We'll have that opportunity to continue with the CCPAC part tomorrow. That's fantastic — a main part of our research. In fact, on our advisory committee we have Daryl and Mr. Steele, wherever he is. I know he's somewhere.

Today we'll be discussing a second part of our research with you — accountability and audit — which another one of our senior research fellows, Libby MacRae, will be talking about in a couple of seconds. We need to get on to that.

Coming out of a total side lane, which is free trade negotiations.... I find this is incredibly important, because to me the underpinnings of our democracy are the institutions. Two of them are represented here: the parliament, or the legislators, and the legislative auditors. The other underpinning, of course, is the civil service represented by the Treasury Boards and the management boards. If these work somewhat in harmony, you have a tremendously strong democracy. What we can learn from you today will really support our research in this regard.

As regards accountability and audit, we have four main aspects of the research: transfer payments, Crown corporations, the role of internal audit and, of course, the role of oversight committees, normally represented by Public Accounts Committees. This is what we're looking at. We are working on this one in conjunction with the CCPAC secretariat out of Victoria, British Columbia — Craig James and Josie Schofield. This has been going very well, and we're delighted. This will only give you a taste of what is to come. We will be going out and giving regional discussions on these issues in the next little while, so just take this as a very small startup of where we're going.

Without further ado, because we need to get on with the main part of the presentation, I'm going to hand it over to my colleague and friend, Libby MacRae. Libby is on executive interchange with the foundation. She used to be the director general of internal audit and evaluation at National Resources Canada, NRCan — I can never get that right — and the House of Commons and at CIDA, the Canadian International Development Agency. Therefore, we have a very strong individual in this regard.

Over to you, Libby.

L. MacRae: First of all, I just want to give a little bit of a preview of how the John J. Kelly session will go. What we're doing first is about a 20-minute introduction, backdrop to the session, in terms of looking at parliamentary oversight and generally some good practices internationally. Then we're going to give a little bit of a flavour of the PAC questionnaire that many of you have completed.

We sent out a PAC questionnaire in conjunction with the CCPAC executive secretariat to the 14 jurisdictions. We got responses back from 11 of the 14. What we're going to do is give you a little bit of a preview of some of the results of that questionnaire, which was basically a follow-up to the 69 recommendations in the research book that Daryl referred to, as well as the 59 guidelines from CCPAC from 1989. That's what we're doing first.

Then we're going to move into a panel discussion, where we've got six panellists. We're going to be doing them two at a time. There'll be a pair — a legislative auditor and then a Chair or a vice-Chair of PAC. They will be hitting the three themes that you see on the slide over there — exercising leadership in terms of PAC's leadership or shared leadership between the auditor general and Public Accounts Committees. Then we'll be looking at building and sustaining capacity, the second theme, and then we'll be looking at achieving results and demonstrating effectiveness. Those themes, as well, will be coming out in some of a few examples that we'll be showing you of the international focus — the research that we're working on.

The packages that we have handed out are background documents, principally for the research we're doing. There's one background research paper in there relating to international best practices. There's another two-pager talking about the accountability and audit research program that Michael referred to, along with specifically this Public Accounts Committee research project.

There's also a two-pager just on CCAF, and there's a hard copy of the slides. You'll note that when I go through the slides, I'm not going through all of them. This is just a preview, but we wanted to give you a bit more in your package.

There's also a one-pager. It's a logic diagram from the state of Victoria in Australia that goes into how they're measuring their impact from their Public Accounts Committee.

To move on now to the actual presentation outline, again, what we're going to do here is just a little bit of background in terms of where this research is coming from, and then we'll move right into some international good practices and some Canadian good practices. Then Josie from the British Columbia office will be giving the CCPAC's perspective on some of the preliminary findings from our survey that went out to the PAC Clerks.

In terms of the actual research approach, as Michael mentioned, the accountability and audit program is a broader program. Now we're focusing in on PACs and really looking at leadership capabilities and exercising leadership: what are the significant factors that contribute to the effectiveness of a PAC, and are there ones that can be approved to make a PAC more effective? That's where we're really focusing in at this point.

In terms of the actual research, you'll note that we are doing the international review. Today it's going to be more a flavour of Britain and Australia, because that's been the primary focus in the initial work that we're doing. Then, as I mentioned before, we're updating those two previous publications in 1981 and 1989. We've sent out the PAC questionnaire to the PAC Clerks. We'll also be sending out a questionnaire to the legislative auditors and doing some follow-up interviews with the auditors, with PAC Chairs and members, and then, as Michael mentioned, doing some leadership symposiums.

What's really important to remember when you see some of these initial findings is that some of them are just a hint of where we need to do further research into critical areas if we're going to come

up with any sort of strategy framework to help Public Accounts Committees be more effective. One has to take into consideration, of course, the uniqueness of every jurisdiction. We really saw that coming across when we saw the results of the PAC questionnaires.

Moving on to the recent developments, there's been quite a bit of interest in this area in Britain and Australia in improving PAC effectiveness and parliament itself. I've just listed a few of the more recent studies up there, but there are a lot of interesting articles around as well, particularly in Australia and Britain and in the bibliographies of those documents. You'll see in the background document that's in your package, as well, a lot of references to interesting articles that you may want to read.

I understand that last year John Williams talked a little bit about *The Overseers*, so you have a bit of perspective there. They were looking at the independence of the Public Accounts Committees, capacity-building, relationship with the auditor general. That's sort of the flavour that's coming out in a lot of these documents.

Also, some of you may have read a recent article that Jonathan Malloy wrote in the *Canadian Public Administration* journal. That was "Public Accounts Committees: An Auditor's Best Friend?" That's kind of an interesting one. I know many of you contributed to a survey that he did there as well.

I guess the most significant of those is the World Bank, which is on the next slide. Basically, what the World Bank has done.... Again, many of you contributed to that survey. What they've looked at and reflected in a yet-unpublished document is the primary framework of powers and practices for effective PACs. It's quite interesting. Again, this is a flavour that comes out in almost everything that we've been reading internationally.

It's having a broad scope, meaning looking at road conditions and not just traffic accidents or doing additional detailed work — so looking at the broader picture, some risk analysis, enterprise risk management when you're looking at the broader picture. The power to select issues without government direction and also to initiate inquiries. Strong support from the legislative auditor, Members of Parliament and the research staff, which creates a unity of purpose about PAC work. Again, that unity of purpose comes out a lot. Then there's the power to report conclusions, suggest improvements and follow up on these — again, an important flavour that's coming out everywhere.

The World Bank study also identified some constraints for Public Accounts Committees: the highly partisan climate — and that came out a little bit in our survey as well; government dislike of legislative oversight — we didn't see that yet; lack of media or public involvement; and a lack of a strong ethical base for public service.

In terms of the international best practices with respect to exercising leadership, just a couple of small examples here. It would seem evident, again, when we're looking at Australia and Britain that they do have the capacity to have a broad scope to initiate supplementary or independent inquiries and to encourage government to take action. This is particularly the case in the Australian Commonwealth Parliament, where — in addition to determining the priorities for parliament and for the auditor general, reviewing the auditor general's work program and approving the budget for the auditor general — the Public Accounts Committee actually initiates their own inquiries and does a couple of them a year. They're very crosscutting inquiries. The public is very involved; the media is involved.

Moving on from there, in the U.K., that Public Accounts Committee.... Each of these has a different name, but I'm just going to refer to them as Public Accounts Committees. What they do, again, is very crosscutting reports. They pull together about three different departments, three different national audit offices' reports, and then they do a summary. They've done some on e-

commerce and on improving public services — very much encouraging the government to take action.

In Australia, in fact, it's a bit easier, I guess, because the Chair is from the government. The Chair there actually goes and sees ministers and works face to face with ministers to try to encourage implementing their recommendations. It would seem that most of the recommendations are implemented — or that's what the claim is, in any event.

Moving on to relationships. Again, it's interesting because there's a very strong relationship, obviously, with the auditor general, as there is in Canada. There's probably more influencing of the work program of the auditor general in somewhere like the United Kingdom. The PAC works with the national audit office. They have a savings target, which is saving £8 for every £1 that is actually spent on audit work. They've actually got a brochure, as well, in terms of how they judge and measure this financial impact in terms of what they're doing. So that's interesting.

In terms of reviewing the performance of the auditor general, again, in most states and at the federal level in Australia the PAC actually commissions an independent review of the auditor general's work on a regular basis. They aren't always positive, but it ends up having a very public exposure to the work of the auditor general and what's going on there.

As I was saying before, there's a lot of media and public interaction here. When these independent inquiries are initiated in Australia, there's a press release. There are public forums. There's Internet interaction. There are often requests for submissions from the public. There are actually field site inspections in some of these inquiries as well — so again, a lot of interaction.

In terms of building and sustaining capacity, this is really hitting on the expert assistance. Again, the auditors general and the PACs are working very closely together. In Western Australia, the PAC seconds a performance auditor from the auditor general's office. In the U.K., the U.K. parliamentary research organization has set up a scrutiny unit of experts, statisticians, auditors and lawyers to help the PAC there. The national audit office provides expert assistance in terms of research for the PAC. There's a lot of this expert assistance and, as I said before, a lot of exchanging ideas in Australia. Just in terms of biennial conferences, some of which you've attended, there are a lot of study tours, a lot of information exchange to try to improve and understand the challenges with PACs.

Moving on to where we're trying to gear our looking at the Canadian PACs, it's really the achieving and demonstrating of results. This is what is interesting. A lot of groups are trying to look at this. Not many have been 100 percent successful, needless to say, at this point.

In the U.K. the government departmental select committees are now required to set objectives — they're called agreed-to core tasks — and then to report on them to the liaison committee. Now, the PAC in the U.K. does not have to do that. However, in 2001 they did commission an independent review of the PAC by the national audit office. They used three indicators of impact: the acceptance and implementation of PAC recommendations for improvement, the views of senior public servants on the usefulness of the PAC recommendations, and then the quality of the press coverage of the public accounts reports. It's interesting to look at the quality, the usefulness, the relevance in terms of whether or not PAC is being successful.

Australia, again, is where we're seeing most of the committees do the comprehensive reports every year that indicate the recommendations, government responses, how many have been implemented, the impact of their work. That was why we put the one-pager from the state of Victoria in your *trousse d'information*, basically looking at that in terms of the activities and inputs into a PAC, then the intermediate outcomes in terms of approved financial and management practices and systems in the government, and ultimately the final outcomes — the increased public

confidence in government and increased parliamentary control. It's kind of interesting to look at that.

In their report, which is on the Internet.... I did get permission from them before I made photocopies of this. Basically, they do take into consideration that it takes a couple of years or more to implement a lot of these recommendations and to make the changes in government. But it is a good start in terms of looking at how one measures the impact and assesses PAC effectiveness in Australia. Again, they have some other indicators for success very similar to the World Bank ones we were talking about before.

Moving now into the other little coloured slides. Here we just wanted to flip up a few of the results from our PAC questionnaire. There were 100 questions, and there are only about 12 that I'm putting up here. There are more in your packages. What it represents is the 11 jurisdictions that responded. The green is the yeses. The red is the noes. The white are where the PAC Clerk felt that they could not answer the question. It was quite interesting, because there were comments made that some of the Clerks were uncomfortable answering some of the questions and that they should be answered by the elected officials. That's why we have to do more analysis and some follow-up studies, as well, to be able to really bring forward the flavour from these 1981 and '89 studies.

The first one: does your PAC have the right to request, on its own initiative, the auditor to conduct specific financial reviews or value-for-money audits? We got eight yeses. We did have another question: can your PAC initiate independent inquiries on its own? On that one, we got seven there.

What was interesting about the first one — can you ask the auditor general to conduct additional reviews? — was that in all eight cases, there was a comment written: "But only if the auditor general wants to do it or agrees to do it." So while it can be suggested, it doesn't necessarily become a fait accompli.

The next one: does the legislative auditor and his or her staff brief new committee members on PAC's role and responsibilities and the committee's relationship with the auditor? Again, we got eight yeses, and half of those were in fact through briefings.

The next one: does the auditor prepare reports with the information needs of PAC members and the parliamentary cycle in mind? Again, eight yeses there. Does the auditor ensure that the responses resulting from follow-up inquiries to their own and PAC recommendations are made known to the PACs? Nine there.

We had another question: does the audit office track the follow-up of recommendations on behalf of PACs? We got seven there. So seven of the audit offices track the follow-up recommendations on behalf of PACs.

In terms of the next one, building and sustaining capacity. Do your PAC members set aside time to familiarize themselves with the nature of the work and the responsibilities of the legislative auditor within the context of government financial administration? We got ten yeses there and one not answered.

You'll note that all of the questions are kind of lengthy. What we did is pulled them off of the previous recommendations and guidelines and amalgamated them. That's why I think there had to be some judgment used in answering some of the questions, and that's why we have to do follow-up.

The next question: do the legislative auditor and/or staff of the audit office attend all PAC meetings to act and be used as a source of expert advice to the committee? We got nine yeses there and two noes.

Does your PAC work cooperatively with the auditor to achieve maximum accountability in the Legislature? Nine yeses and two noes. It's interesting to have any noes there, because the concept is that the auditor general and PAC must work hand in hand to ensure effective accountability.

Moving on to achieving and demonstrating results. This was an interesting one. We asked the first question: how does your PAC assess its own effectiveness? It was a comment one. Basically, most said that they hadn't adopted any formal measures to measure their effectiveness — no formal tracking. They do record responses to recommendations, and members use some of the indicators. But in terms of about six or seven indicators we put down there, the two recommendations accepted and implemented each had three responses and a lot of noes and a lot not answered. In terms of the others where we said just, "Enhanced public awareness of government programs," there weren't responses. This really isn't a flavour, it would seem, from our public accounts in Canada in terms of looking at indicators for effectiveness.

Trying once more to get some sort of a quantitative or qualitative assessment of PAC effectiveness, we did ask: what current best practices of your PAC are contributing to its effectiveness? Here we got some comments like: follow-up process seems to be working well; regular subcommittee meetings facilitate committee business; a strong tradition of operating practices and non-partisanship; diligent review of auditor's reports; a close working relationship with the auditor and comprehensive follow-up to committee recommendations; the determination of members to have the committee effective. So there were some interesting responses there as well.

This is just a flavour, again, of some of the responses. As I said, there are a few more in your package, and then there'll be some more coming up when we put this all together to provide more detailed information with respect to the particular study.

Now I'm just going to call on Josie Schofield. She's a research analyst with the Office of the Clerk of Committees in B.C. She's going to give a bit of a perspective from the CCPAC executive secretariat. As we've said before, they worked very closely with us, and Josie has been analyzing the responses to the questionnaires as well.

J. Schofield: Thank you, Libby. Good morning, everyone.

I don't want to be too repetitive, but I'd just like to go back to the background for the survey for a few moments. It was very important for both the CCAF and CCPAC that we built upon the existing knowledge that had been accumulated over the years. What we attempted to do, which actually took quite a long time, was merge the recommendations of the very first study that was done in '81 by CCAF with CCPAC's own guidelines for Public Accounts Committees that were developed in 1989. All the questions actually had been asked before, with a few exceptions. With the survey we did add, towards the end, sections on relations with the news media and also on the role of comptrollers, which hadn't been covered before, and on the question of internal audit.

I must say, on behalf of Libby and myself, how pleased we were with the response rate. The survey was sent out in July, which is not the best time of the year as everybody is taking time off to go to conferences or whatever. We had 11 out of 14 jurisdictions respond very promptly, which I think really gives this survey some legitimacy. On behalf of Libby and myself, I would like to thank everybody who responded.

Now turning to key findings, CCAF has done a very good job of summarizing them in a kind of tabular form. I'm just going to talk about five key findings that struck me when I reviewed the results, which are a bit different perhaps from what Libby has already described.

The first finding that struck me was that only a few jurisdictions have actually developed a separate statement from their committee mandate, which is contained either in a sessional motion or

in the standing orders. I'm going to mention three jurisdictions, because their separate statements, I think, would be very useful templates for jurisdictions who might want to do that.

First of all, the Quebec rules or the Quebec *régles*, Manitoba's procedural guidelines and Yukon's operating principles and practices. I think, if I remember correctly, Saskatchewan is in the process of developing some kind of a separate statement. So there's already information out there for any jurisdiction that would like to go that route, which would flesh out not just what the purpose of the committee is but what the role of the Chair is and the limits to their terms of reference and so on. I found those to be very useful documents.

Secondly, there's a wide variation in the size of Public Accounts Committees, which shouldn't be surprising given the fact that our assemblies vary quite considerably in size across Canada. I don't think that a recommended size is either a desirable or a practical option. Just to give you an idea of the range, the House of Commons and Alberta, I think, have the largest Public Accounts Committees in terms of membership. The Yukon has the smallest. It's between six and 17.

With regard to resources, I found this rather an interesting finding personally. All jurisdictions who responded said that the budgets of their particular Public Accounts Committees were adequate. There was no problem, really, in terms of financial resources. Also, in the past, meeting facilities had been a problem. That's no longer a problem.

Where there is a big variation — and I must admit my own bias here, because I am a committee researcher.... Actually, six jurisdictions still don't have in-house research support. In terms of resources, I personally think that is something that needs to be addressed.

Next, there were considerable variations in the extent to which PACs used subcommittees and the extent to which they reported, tracked their report and followed up on the recommendations of reports and so on, and quite considerable variations in the respective roles of the legislative auditor and the comptroller. It's difficult to generalize about that, because there were such differences.

Finally, Libby has also talked about the performance measures. What struck me there was that although none of the PACs — with the possible exception of Quebec — had consciously adopted formal performance measures, in fact they were using some measures informally, whether it was recommendations accepted and implemented or things like P.E.I. uses — for example, the extent of media coverage and public comment. So there are already some good measures out there, even if the PAC itself hasn't consciously said: "We are going to use them."

I'll turn it over to Libby now. Thank you for listening.

L. MacRae: As Josie was saying, it's quite interesting, because the comments supported a lot of this informal thinking. Yet when the actual answers were made, it would sometimes be a no. That's why we need to do a lot more critical analysis of some of the responses. I think there's a lot of thinking and appreciation of the importance of the effectiveness of PACs, but it's just not done in a quantitative way. As we said, we'll be doing further work on that.

We're going to be moving now into the next part of the presentation or the session. We have a facilitator that's going to be helping us out with this, and that's Yves Gauthier. He is currently the vice-president of integrated risk management at Desjardins Securities, which is a subsidiary of the Desjardins Movement, a major financial institution. He has worked extensively in the past for the auditor general of Canada and has done engagements for the auditor general of Quebec as well. He was formerly a partner with KPMG. He currently is still on committees with the CICA, such as the Canadian Performance Reporting Board of the CICA, and has current membership with the Comptables agréés du Québec. He has been a good friend of the CCAF for many years. He's on our international committee. He does capacity-building with our international fellows.

At this point I will turn it over to Yves Gauthier, and we'll move on to our panel presentations. The first one is in exercise leadership, then moving on to sustaining capacity and then on to results and effectiveness.

Y. Gauthier (Facilitator): Thank you, Libby. I want to confirm that the participation of someone from the private sector has nothing to do with any sponsorship job. [Laughter.]

My involvement with the auditors general of Canada and Quebec and with the CCAF is the reason why I'm here and because I like being here also — and also maybe due to the fact of my bilingualism.

This is an impressive group.

De retrouver dans cette salle les représentants des comptes publics de tout le Canada et du Vérificateur général reflète à la fois une problématique et une belle opportunité. Problématique et opportunité parce que chacun d'entre vous doit respecter, doit maintenir l'autonomie et le pouvoir qui vous étaient conférés et, en même temps, vous dépendez un peu du travail de l'autre. En effet, l'efficacité, le succès, votre capacité d'intervenir et de faire des changements dépendent du travail de l'autre et surtout de la synergie. L'effet que vous soyez ici ce matin et les travaux qui sont faits en termes de recherche démontrent un peu ce besoin de synergie.

Alors, sans plus tarder, je vais présenter les deux premiers conférenciers. Je vous rappelle qu'on est en "modified eastern time — working ten minutes behind."

D. Wilson (Chair): Just to take the stress out of your morning, Mr. Branch and I have decided to add 15 minutes on to the session since we were late in getting started.

Y. Gauthier (Facilitator): Super. Thank you.

I will start by introducing the first two panellists: John Wiersema, deputy auditor general of Canada; and Rita Dionne-Marsolais, députée de Rosemont et présidente de la Commission de l'administration publique. Ils ont convenu que John commencera en parlant au groupe pendant un vrai dix minutes.

J. Wiersema: Merci, Yves, and good morning, everyone. As everyone knows by now, I am not Sheila Fraser. Unfortunately, Sheila can't be here, and she sends her sincere apologies.

By way of explanation, Yves mentioned the sponsorship program. We did an audit of that program a little while ago and had some interesting results. In response to that audit, the government has launched quite a series of initiatives. One of those initiatives is called a commission of public inquiry headed by Mr. Justice Gomery. The hearings for this inquiry start about a week and a half from now. There have been a couple of recent developments in the preparations for those hearings. One of the first witnesses at the commission of inquiry will be the auditor general of Canada. In light of those recent developments, Sheila had to stay back in Ottawa to prepare for that commission of inquiry and again sends her apologies for not being here.

I'm going to do my best to cover the material that I understand Madam Fraser and Madame Dionne-Marsolais agreed on in a telephone conversation a couple of weeks ago. In that conversation I understand that they'd agreed that I would talk about the federal auditor general's perspective on working with the Public Accounts Committee at the federal level, using the sponsorship audit as a bit of a backdrop for the discussions and contrasting what we did with the sponsorship audit and the Public Accounts Committee's hearings on that audit with our usual process of working with the committee on other hearings. As Yves said, we've all been asked to stick to no more than ten

minutes in our remarks, so I'll do my best to stick to those ten minutes. I'm sure Yves will keep me honest.

A brief word, by way of background, just to situate everyone. As everyone knows, the role of the federal auditor general is to provide objective information and assurance to Parliament to assist Parliament in holding government to account. The auditor general of Canada focuses on the management of government programs, not on the policy or the political choices made in their responsibilities.

Our reports are automatically referred to the Public Accounts Committee, and we enjoy at the federal level quite a good — a special — working relationship with the Public Accounts Committee. In recent years we think it's been quite a good and effective relationship that we've enjoyed with the federal PAC. I can say that quite safely because I don't think there's anybody here from the Public Accounts Committee of the former Parliament. They're not here to disagree with me.

In addition to our reports that we present to the Public Accounts Committee, we work with the PAC in a number of different fashions. When the auditor general tables a report in Parliament, we normally have a lockup with the Members of Parliament. Normally, it's with the Public Accounts Committee, or it's at least hosted by the Chair of the Public Accounts Committee. We will in private, before the report is officially tabled in the House of Commons, take them through the report and give them an overview of everything that's in the report — what we see as being the key issues, just so they have a good understanding of the report that will be tabled later on that day. Subsequent to the tabling of the report, we will have a public hearing with the Public Accounts Committee where we will discuss the report in its totality and review the highlights of the findings in each of the chapters included in that report.

When it comes to hearings on individual chapters, we work with the committee in a number of different ways. Some of the earlier presenters have talked about the committee research staff. The federal PAC does have research staff capability. We work very closely with the researchers in preparation for each hearing. The researchers will come over, talk to the people in the office that worked on the audit and help them understand the audit, the audit report, the key issues and findings, and what the PAC might do with respect to that particular report.

For each hearing — where the Public Accounts Committee does decide to have a hearing on one of our chapters — normally one of the first things they'll do is invite the auditor general to come to testify to the PAC. We prepare a short opening statement on that particular chapter, again highlighting for the committee what we see as some of the key issues in that report. Frequently in recent years one of our practices has been to include in that opening statement questions that we suggest the committee might ask of government witnesses when the government appears to discuss that chapter. More often than not, we find that the committee does in fact ask those questions when the government witnesses appear. Obviously, we participate in the hearings as witnesses when the chapter is discussed — sometimes with the department, sometimes in separate hearings.

Finally, there was a reference earlier this morning to follow-up of the work of the Public Accounts Committee and the recommendations they make. We are one of the offices that does in fact follow up on PAC recommendations. When we are following up on our past audit work, we will normally include in the scope of our audit work any PAC recommendations that were made and the government responses to the PAC report as well as our own report.

The sponsorship audit. What was different? Let me begin by saying that the hearings on the sponsorship audit were very, very different than our normal process. It was probably caused, at least in part, by the intense public attention to the issue. In the week following tabling of the auditor

general's report on the sponsorship audit, there were — and this is only in one week — 1,254 print news articles on sponsorship. While all this was happening, leading up to the tabling of our report, subsequent to the tabling of the report and during the PAC's hearings on sponsorship, there were persistent rumours and speculation about an impending federal election.

Possibly in response to both the possibility of a federal election and the intense public attention paid to the issue, the PAC hearings on sponsorship became very partisan, very political. They were anything but what I heard this morning. I think I heard Libby talk about unity of purpose on the PAC hearings. Well, I'm not so sure there was unity of purpose of the PAC into the hearings on the sponsorship program.

Federally, the Public Accounts Committee normally has one or sometimes two hearings on an individual AG's report. On sponsorship, so far there have been over 40 hearings. Something what was particularly troubling for us was that there were a number of attacks on the auditor general's office and on our work — something that we're not quite used to. The question for us was how we were going to respond to those attacks and challenges on our work.

During the PAC hearings there were a number of erroneous interpretations put on our report and what the auditor general said or didn't say. For example, you've all heard about the infamous \$100 million. Well, the auditor general at no point, either in our report or in any public statements, said that \$100 million was missing, but that view was frequently attributed to us in the press and elsewhere.

In earlier presentations this morning there were frequent references to assistance to the Public Accounts Committee. In addition to the researchers' assistance that the PAC had, in the case of the sponsorship program the committee also had House of Commons legal counsel that participated in all of the hearings on sponsorship. The committee also hired forensic accountants to advise it as it did its work on the sponsorship program.

These are some of the things that were a little bit different about sponsorship and the hearings on that program. Now some of our thoughts and observations on the process, some of the cautions when dealing with high-profile issues such as the sponsorship work.

The first one is that the attention that was focused on the wrongdoing by individuals can sometimes divert attention from more serious underlying issues. Some of the key questions that we encouraged the committee to deal with are: how was this allowed to happen in the first place, and how was it allowed to go on for so long? What happened to the oversight mechanisms in the department that was administering the program and in essential agencies that didn't intervene in this process earlier?

The second one was that federally, the Public Accounts Committee normally has eight-minute rounds of questions followed by four-minute rounds of questions. They follow that same process for the sponsorship hearings. What was happening, though, is that that was impeding members' ability to really pursue an issue to its logical conclusion. Time ran out. They ran out of their eight minutes or their four minutes, and subsequent questioners frequently didn't pick up on some of those key issues.

The other observations. Libby talked about unity of purpose in the PAC. Well, clearly, as I mentioned before, the committee as a whole did not have a clear objective for those hearings. Individual members in political parties had quite different objectives.

The other observation was that public servants were sometimes asked questions that were more properly addressed to ministers. Sheila, the auditor general of Canada, has become quite good at handling those questions. She can recognize those types of questions and is usually pretty quick to defer them or deflect them.

Finally, I have offered some observations and perspectives based on our experience. I am looking forward to the comments and questions and to the observations and perspectives of others as we work together to further strengthen the relationship between legislative auditors and PACs.

Merci, Yves. Merci tout le monde.

R. Dionne-Marsolais (Québec): C'est un peu difficile comme élue de passer après John, mais j'ai un texte qui vous permettra de pratiquer votre capacité de lire le français, le texte sera disponible si vous voulez revenir après sur quelques points.

Je voudrais commencer d'abord par une citation d'un philosophe français. Pourquoi? Parce que pour moi c'est important au départ d'exprimer le fond de la pensée quant à l'importance des politiciens, que j'appelle les élus, parce qu'il y a trop de préjugés attachés au terme politicien. Alors, je vous fais la citation:

"On [*inaudible*] a encore l'habitude de ne voir dans la politique qu'une activité subalterne ou méprisable. C'est bien sûr le contraire qui est vrai. S'occuper de la vie commune, des destins communs, des affrontements communs, c'est une tâche essentielle pour tout être humain et nul ne saurait s'en exempter. Comment, si tu ne fais rien pour l'empêcher, n'être [*inaudible*] ... au complice de médiocre ou de pire? L'inaction n'est pas une excuse. L'incompétence n'est pas une excuse. Ne pas faire de politique c'est renoncer à une part de ton pouvoir, ce qui est toujours dangereux, mais aussi à une part de tes responsabilités, ce qui est toujours condamnable. L'apolitisme est à la fois une erreur et une faute. C'est aller contre ses intérêts et contre ses devoirs."

Pour les élus d'aujourd'hui la politique c'est une...activité qui est noble. La responsabilité face à l'administration publique, elle est pour moi de plus en plus essentielle et cruciale. Le leadership, dont on parle ici et qui va faire l'objet de plusieurs discussions, c'est la capacité pour un élu d'avoir une vision et d'exercer l'autorité ou l'influence pour la réaliser.

Je pense aujourd'hui que tous les citoyens demandent des comptes à leurs leaders. On s'imagine que c'est récent. Ce n'est pas du tout récent. Je vous raconte une anecdote. Au Québec cette recherche de la responsabilité publique a débuté quand Maurice Duplessis a fait tomber le gouvernement d'Alexandre Taschereau. Il y a une anecdote d'un ministre qui avait acheté des pantalons... Il était ministre de la Colonisation et voulait visiter les différentes régions du Québec. Cette anecdote dans notre livre d'histoire s'appelle "Les pantalons à Vautrain" parce que c'était le ministre Vautrain. Les pantalons de Vautrain avaient coûté dix dollars. Avec cette anecdote-là on a fait tomber le gouvernement.

Donc on est en 2004. Ça n'a pas beaucoup changé. Il n'y a peut-être pas beaucoup de gouvernements qui sont tombés depuis, mais ça peut venir.

Cela étant dit, les attentes des élus et leurs besoins dépendent bien sûr de leur intérêt pour le travail qu'ils font mais aussi de leur connaissance face soit au contrôle public ou à la reddition des comptes. Je pense que vous allez tous être d'accord avec moi qu'on veut tous faire un bon travail. Mais essentiellement les politiciens ont besoin d'outils pour accomplir leur devoir. Ils ont aussi besoin de formation pour bien comprendre ce que les vérificateurs généraux tentent de leur faire comprendre et surtout pour comprendre l'envergure de l'information qu'ils reçoivent. C'est complexe. C'est difficile et on n'a pas tous la même formation de base.

Ils ont besoin aussi de collaboration pour exercer ce leadership, autant entre les services de l'Assemblée nationale qu'entre les services des vérificateurs généraux. Ils ont besoin de collaboration en matière de recherche et enfin ils ont besoin de temps — le temps pour bien sûr apprendre, le temps pour comprendre, le temps pour questionner et le temps pour discuter et suivre leurs dossiers. On l'a vu dans le cas des commandites, ce n'est pas simple.

Au Québec vous avez entendu parler [*inaudible*]... Libby a donné quelques exemples et puis Josie aussi tout à l'heure. On a fait beaucoup de travail dans le cadre de la Commission de

l'administration publique qui assume à la fois le contrôle des comptes publics et la reddition des comptes. C'est une double responsabilité si vous voulez. Alors, pour nous, bien sûr, un des principaux facteurs pour bien faire notre travail c'est d'avoir des rapports en temps opportun avec une préparation. Une préparation que le Bureau de Vérificateur général, au Québec en tout cas, fait assez bien — je devrais peut-être dire très bien. Comme je suis un peu conservatrice, je vais dire assez bien parce qu'il y a toujours place pour l'amélioration.

Donc, il faut dégager du temps pour réaliser ces mandats de reddition des comptes. Il faut aussi du support des professionnels autant que de l'assemblée des parlementaires. Je sais que c'est difficile de voter des budgets mais il faut qu'il y ait des professionnels qui nous aident à comprendre les informations qu'ils nous ont données et à les interpréter pour la population parce que c'est notre rôle. Dans les trente dernières années il y a eu beaucoup de changements dans la société moderne qui ont fait que les citoyens s'impliquent plus et je crois que la technologie est certainement le plus important.

Aujourd'hui par exemple au Québec on a plus de 55 pour cent des ménages qui sont branchés sur Internet. C'est peut-être plus d'ailleurs, dans d'autres juridictions. Qu'est-ce que ça veut dire? Ça veut dire que la population quand elle est contrariée par quelque chose qu'elle lit dans les journaux, elle va voir qu'est-ce que c'est cette affaire-là. Si nous ne communiquons pas ce que nous constatons comme élus, nous ne pouvons pas bâtir de confiance dans ce système parlementaire.

Ce sont les élus qui répondent au peuple et l'élection c'est la mesure principale de notre performance. Donc, de plus en plus d'élus vont répondre, ils veulent répondre, correctement.

Je ne parlerai pas des liens avec le Vérificateur général parce qu'on en a déjà parlé. Les chiffres indiquent dans le sondage que c'est quelque chose de bien compris. C'est vital. Il y a un enjeu et je termine là-dessus.

Je crois pour ma part qu'une commission d'enquête c'est le résultat d'un échec de reddition des comptes. Si nous faisons notre travail de parlementaires et de vérificateur général correctement, constructivement, nous ne devrions pas avoir de commission d'enquête. Chacun veut bien faire son travail et il faut se responsabiliser par rapport à des défis qui sont quelquefois au-delà, au début en tout cas, de ce que nous pensons être nos capacités. Mais si nous travaillons ensemble on peut toujours relever ce défi-là.

C'est sûr que je dois souligner l'aspect partisan du travail qui est un danger dans le travail des parlementaires et des commissions de comptes publics. Je crois que c'est ce que nous devons éliminer de la reddition des comptes publics parce que devant l'administration publique nous sommes tous membres de la population. J'allais dire des contribuables et comme élus nous représentons les contribuables. Alors il faut que nous ayons des discussions constructives qui vont permettre d'améliorer les choses, de corriger les choses plutôt que de condamner. Merci.

Y. Gauthier (Facilitator): La parole est à vous. Nous avons une dizaine de minutes pour des questions et commentaires.

It's up to you in terms of questions or comments that you want to address in relation to this interesting topic.

W. Streliaff: I have a question of John Wiersema, and it relates to his comments on handling inaccurate media reports. Quite often in my role, I see in the newspapers and TV and radio reports related to the work of our office that are not correct. But I've never, in my 14 years as an auditor general, corrected them — not once. Just once, and it related to an inaccurate statement that I stepped into a significant policy debate related to the privatization of a Crown corporation.

John, my question to you is: how do you handle, in the sponsorship debate, inaccurate media reports, and why?

J. Wiersema: In the case of the sponsorship program, we did not go out to try to correct inaccurate reporting by the media. However, as I mentioned, there were some 40 hearings of the Public Accounts Committee on the sponsorship program with a wide range of witnesses. Some of those witnesses said a few things that we thought were not always correct or factually accurate. So one of the things we did in preparation for a subsequent appearance by the auditor general before the Public Accounts Committee was write a letter to the committee where we explained our position on certain issues that had been the subject of discussions in subsequent hearings where we did not participate. So we clarified the record with the Public Accounts Committee.

With respect to the media, our experience is that in the vast majority of the cases the media does accurately report our work. It is quite an exception where that is not the case. I guess we generally follow the same practices you do, Wayne, in that we do not go out to aggressively seek to correct those situations directly. We might do it through other work or other speeches or other communication vehicles, but we very seldom, if ever, write to a newspaper, for example, to correct reporting. The good news is that it happens infrequently.

Y. Gauthier (Facilitator): Madame Marsolais a fait référence au risque de l'aspect de la partisanerie. Ce n'est pas cet élément-là spécifiquement que je vais aborder mais un élément qui est très proche. On veut se concentrer sur l'administration des politiques et non pas sur le bien-fondé de la politique elle-même et sur la décision autour de la politique. Immanquablement à chaque réunion de comités de comptes publics, c'est un risque de passer cette ligne mince. Alors j'aimerais peut-être avoir votre point de vue ou le point de vue d'autres présidents et présidentes de comités de comptes publics sur comment est-ce qu'on maintient ce partage-là pour se concentrer justement sur l'administration et non pas sur les éléments plus politiques.

R. Dionne-Marsolais: Ce n'est pas facile mais je pense que c'est en maintenant une rigueur des échanges. Par exemple, quelquefois on peut peut-être trouver que la présidence du comité est rigide mais le plus souvent, comme chez-nous, la présidence du comité est toujours détenue d'office par un membre de l'opposition. Alors c'est généralement nos propres collègues de parti qu'il faut remettre à l'ordre parce que souvent les critiques de l'opposition officielle assistent bien sûr aux échanges quand il s'agit de leurs dossiers. Il faut les rencontrer et leur expliquer l'objectif poursuivi par la commission.

On a nous-mêmes comme présidente de commission [*inaudible*]... En tout cas moi je trouvais ça un rôle d'éducation par rapport au porte-parole de l'opposition officielle sur les différents dossiers pour être sûre que leur contribution va permettre d'aller plus en profondeur dans le dossier et surtout d'avoir des réponses à des questions ou d'avoir plus d'information. La tribune — ce qu'il faut toujours expliquer, en tout cas à mon avis — pour discuter de bien-fondé des politiques, c'est l'Assemblée nationale. La tribune pour discuter de l'application à l'intérieur des règles d'éthique et des règles administratives c'est la commission des comptes publics ou dans notre cas la Commission de l'administration publique.

Alors je crois qu'il faut être très, très rigoureux et très vigilants pour expliquer à nos collègues, surtout si c'est vrai que tout cela est à l'occasion [*inaudible*]... parce que s'il y a en un membre de la commission qui commence à faire [*inaudible*]... être partisan, faire de la partisanerie, faire de la petite politique, je dirais que ça entraîne les administrateurs à s'asseoir et à nous observer. Alors on

perd du temps précieux. Comme a expliqué John, quand on a quatre minutes, quatre minutes, huit minutes, huit minutes.... Dans tout [*inaudible*]... des minutes c'est normal que ça soit comme ça. Il ne faut pas perdre de temps à être partisan et à dire que mon gouvernement a été mieux que le tien, etc. C'est un peu ridicule.

À mon avis, c'est très difficile le rôle de la présidence d'une commission comme ça. Mais plus on l'exerce d'une manière ferme, plus on peut faire progresser la connaissance et puis on peut discuter et faire des recommandations qui se tiennent. Après ça, quand on les dépose à l'Assemblée, tous les membres de la commission et toute l'Assemblée à ce moment-là peut en prendre connaissance. C'est là qu'on peut soulever des points.

Y. Gauthier (Faciliator): Merci, Rita. S'il n'y a pas d'autres questions, commentaires, passons à la prochaine équipe.

The next two speakers are Mr. Fred Dunn, auditor general of Alberta, and Shiraz Shariff, MLA for Calgary-McCall, Deputy Chair of the Standing Committee on Public Accounts, Alberta.

F. Dunn: I'll go first. Thank you very much. We have a presentation. We're going to have a few seconds to set up our technology, apparently. We do have some of this material on slides, which will be handed out to everyone.

S. Shariff (Alberta): While the overhead is being set up, I might as well give a little introduction about our auditor general. I think this 30 seconds will be spent well here.

Fred Dunn, as you know, is our auditor general. He's an auditor general par excellence. He gained great notoriety when he investigated our \$1 billion aid package for BSE, the so-called mad cow disease. He used some very complicated formulas which only bean counters can understand. He analyzed by adding, subtracting, dividing and using whatever formulas you could apply. He eventually analyzed whether the \$1 billion went to the farmers or to meat packing plants in Alberta.

His report gained so much notoriety that the government of India invited him to review and find out if the billions of condoms they give out free every year are used for the intended purpose. I'm given to understand, by some of his loyal staff, that Fred's notes indicate that only 25 percent of the condoms in India are used for the intended purpose — such as birth control, control of AIDS and so on — but 75 percent of condoms are used for other purposes. For example, villagers use them to carry water when they go out in the fields, builders use them for waterproofing ceilings, roadbuilders mix them with tar to give roads a smooth finish, weavers use them to soften silk thread, and the military places them over gun ends for protection in a desert storm.

For the next two days, if you have any ideas of alternate uses for condoms, make sure that Fred hears about them. Fred has also indicated to me that subject to my reporting today, he will decide if he wants to return to Alberta to count beans — I mean count cows — or to take up India's offer.

F. Dunn: Now, are we ready, or do we have to go through some more introductions here? If you'll just click on the slide show, we'll be off and running.

Certainly, it's a pleasure for Mr. Shariff and me to jointly present our perspective on the leadership and capacity and effectiveness of the Public Accounts Committee. We'll be doing this through our comments on the structure, operations and certain other activities of the Alberta Public Accounts Committee, and it has nothing to do with Mr. Shariff's opening comments.

As you've heard, I am Fred Dunn. I'm the auditor general for Alberta, and Mr. Shiraz Shariff is the Deputy Chair of the Alberta Public Accounts Committee.

If you saw the next slide, we would be telling you that Alberta's perspective is that for the Public Accounts Committee to be effective, the committee requires skilled and interested members who are willing to work in a non-partisan fashion. In addition, the auditor general's office can assist the Public Accounts Committee in improving its effectiveness through coaching and sharing their insight on questions asked and answers provided at the Public Accounts Committee meetings.

I'll provide some background information on our Public Accounts Committee — how it fits within the governance structure in Alberta — plus discuss certain training and facilitation that my office has carried out with the members of the PAC, and close with some conclusions.

Mr. Shariff, who has been a member of the Alberta PAC for seven years, will discuss certain of his observations of changes in the committee over the last few years, will discuss some outstanding issues that need to be addressed and will provide his closing conclusions. We will jointly answer any questions you may have following our presentation.

At present, Alberta's Public Accounts Committee is composed of 17 members. As you've heard, it's one of the larger ones, which reflects the standing in the House — 13 government members and four opposition members, including the Chair of the committee. Those are made up of three Liberal members and one NDP member.

The committee only meets while the House is in session. It has averaged approximately 12 meetings per year over the last four years. Of these meetings, one of them is devoted to the most recent annual report of the auditor general, and the other meetings are scheduled to cover individual ministries. There are 24 ministries in Alberta; thus, not all ministries are covered each year.

The most recent annual report of the ministry, which is issued on September 30 following the March 31 fiscal year-end, together with the recommendations and comments provided by the auditor general on that ministry are resource material for the members. Committee members generally develop their questions and their line of inquiry from these reports.

The ministry is represented at the committee meeting by the minister plus senior staff, generally including the deputy minister, senior program directors and the senior financial officer for that ministry. The meetings, which are open to the public, start with comments provided by the minister on the goals, targets and achievements of the ministry during the last fiscal year which is under review, followed by opening comments provided by the auditor general on important findings and recommendations relating to the ministry as reported in the latest annual report of the auditor general.

This slide shows the Legislative Assembly committee structure in Alberta. The unique committee — and you'll want to look at the slide; it's on the left-hand side — is the provincial audit committee. This committee is in addition to and separate from the Public Accounts Committee. I'll speak for a moment about the provincial audit committee, because I believe we're the only jurisdiction that has one.

The audit committee is composed of six appointed senior business officials plus the Minister of Finance. This audit committee has senior business executives who have strong financial skills, business and economic skills, strategic leadership and governance skills. Many of the members who serve on this committee are also directors on boards of directors in both the private and the public sectors. This committee meets three to four times per year regardless of whether the House is sitting or not. I and my assistant auditors general attend the audit committee meetings together with the deputy minister of executive council — i.e., the most senior deputy minister — the Deputy Minister of Finance and the comptroller.

As noted on the slide, we review the planned scope of our audit work and the results of our financial statement attest work plus our value-for-money work. Our reports, including any

disagreements with management, are discussed with this committee, who act as a "wise persons' council" to assist in resolving any disagreements between the auditors and management.

This slide shows the general separation of responsibility and inquiry between the provincial audit committee — and that's the unelected but appointed group — and the Public Accounts Committee. The audit committee is primarily concerned with the consolidated financial statements and the consolidated performance report for the government as a whole. Thus, it's above the dotted line, while the Public Accounts Committee reviews the individual ministries and their financial statements — including any subsidiaries, boards or commissions under the minister — plus the annual performance report for that ministry.

In Alberta we produce a consolidated annual report, which is all your typical financial statements and notes thereto, plus a very detailed performance report on the goals, targets and achievements of the government as a whole. Each ministry will then produce, similar to a corporation, an annual report showing its goals, its achievements, all of its performance measures and then all the attached financial statements that our office audits.

By legislation, Alberta must report publicly its consolidated results by June 30, which is three months following the fiscal year-end, while each ministry must report by September 30 on their previous fiscal year ended March 31. In addition, the government does report quarterly financial information, which includes a revised, updated financial forecast to the next fiscal year-end, and those are reported within 60 days following each of the first three quarters in the year. As I've mentioned, this reporting parallels closely the reporting by corporations in the private sector.

My office has offered and put on training for each of the provincial audit committee and Public Accounts Committee members. We started first with the provincial audit committee in December 2002 and then with the Public Accounts Committee in April 2003. We held up-to-date sessions with each committee in 2004. The purpose of these training sessions was to make each committee more effective by broadening their understanding of the government's reporting systems, annual reports, future challenges and changing requirements.

I believe my office has brought value to the Public Accounts Committee by bringing continuity to issues raised during those meetings — i.e., bringing background information on matters reported, why and how the issues arose. In addition, as independent and objective professionals, my staff and I assist with interpreting questions and answers relating to our annual report and questions relating to the ministry annual report. We also provide assurance that the answers provided by ministry staff to questions from committee members are fair and accurate. Also, we have provided to the committee members examples of questions that they could consider dealing with: ethical standards; risk management; internal control; value for money; the annual performance report — that is, the non-financial information reported by the ministry; and the auditor general's report — that is, questions they should ask of us.

In conclusion, I believe that the division of responsibility between the provincial audit committee and its financial and business experts, and the Public Accounts Committee and its public sector experts is a very good model to address today's oversight requirements. I believe that the Alberta Public Accounts Committee is improving in its performance, as evidenced by the types of questions being asked and the information being sought. However, there is still room for improvement, and we have some way to go to make membership on this committee seem to be important. Thank you.

Now over to you, Shiraz.

S. Shariff: Thank you, Fred.

For those of you who have difficulty with my tongue-twister name, let me make it easy. My first name is Shiraz, like the best wine in the world. My last name is Shariff, and I am no brother to Omar Sharif. Simple: Shiraz Shariff.

Having served for seven years on Alberta's Public Accounts Committee qualifies me, I believe, to provide some insight on the change over time. I believe the record shows that the Public Accounts Committee today has improved individual and collective performance. By "performance" I mean achieving results, and that means influencing the way government delivers its programs.

Although Fred and I are focusing on the relationship between his office and the Public Accounts Committee, there are other factors that have changed, and these have an effect on people's performance. For example, the quality of the information that Alberta's Public Accounts Committee uses in its work has improved. At my very first meeting of the Public Accounts Committee, Fred's predecessor said there is a direct correlation between the quality of questioning and the quality of response. That I know firsthand to be correct. Today's Public Accounts Committee works with the auditor general's report as well as ministries' annual reports, including the management discussion and analysis — or results analysis, as we call it in Alberta.

Seven years ago public accounts comprised a huge stack of financial statements. For us non-accountants, that was indecipherable. With the change in accountability information the Public Accounts Committee is receiving comes the need for coaching in how to use that information. This is an area in which Fred and his office are helping us MLAs improve our skills. The auditor coaches us on how to use the ministry discussion and analysis, the financial statements and performance measures to try to understand what was achieved for the resources consumed.

The audit office has highlighted the need for us to focus on risk and systems to mitigate risk, to be skeptical and to involve management in answering our questions. The auditor general suggests we bear down on significant variances in financial and non-financial performance reporting. His specimen questions for us include one that reads: what will you do differently to prevent that negative variance?

We have evidence that there are now more members who view service on the Public Accounts Committee to be productive. This evidence comes from a series of meetings the auditor general had with Public Accounts Committee members.

Fred and his staff wanted our views on the readability of his annual reports. His record of those meetings shows he got useful advice, but more importantly, it shows MLAs from all parties interested in improving the working of the committee. One member, without hesitation, referred to herself as a "PAC geek."

Very briefly, here is some information on sources of questions and who answers them. As you are aware, in Alberta it is the minister who appears before the Public Accounts Committee. The minister is usually accompanied by his senior bureaucrats. I asked the audit office to do some research to see if their recent coaching was causing MLAs to act differently. Evidence indicates that for the past three years, we have noticed that Public Accounts Committee members make significant use of ministry annual reports.

Questions arising from the auditor's recommendations are a function of the nature and number of recommendations made in his report. There is no trend to make more or less use of the auditor's work. As an aside, in some previous research the audit office noted that taking the assembly as a whole, legislators used the term "performance measure" 92 times in 1994. Our *Hansard* records show that by 2002, "performance measure" was used 266 times — a threefold increase. I use this to support my sense that inquiries by legislators are influenced by the type of information available to them. In fact, ministry annual reports and the auditor general's reports are not used exclusively in

Alberta's Public Accounts Committee meetings. Members do pose general questions, trying to better understand the operations and policies of various ministries.

On the matter of who answers questions, my research shows that it is quite varied. We looked at four recent meetings and found in one case it was only the minister. In another it was the minister with his staff providing supplementary information. In a third case it was the minister alone until he had to leave the meeting, at which point his staff took over. In the fourth case there was a balance of minister alone, staff alone and both responding to a question.

My conclusion is that the disproportionate amount of time spent by ministers answering questions has more to do with individual style than institutionalized practice. If there is merit in hearing more from the bureaucrats than from the minister, then that change will occur naturally.

The theory is that having the minister as the primary representative of government in Public Accounts Committee meetings will increase partisan politics by increased consideration of policy itself and will diminish discussion of the achievement of policy goals. At the conceptual level, I raise this as an outstanding issue for Alberta's Public Accounts Committee. In fact, in February of this year our Chair quoted from Erskine May the role of the Public Accounts Committee, which states: "The committee does not seek to concern itself with policy. Its interest is in whether policy is carried out efficiently, effectively and economically."

I believe everyone connected with Public Accounts Committees must commit to work in a non-partisan fashion. In the end, actions will speak louder than words and theories.

Changes in the way the Alberta government now delivers some of its services — for example, the service delivery by regional health authorities — have not resulted in any change in the way our committee operates. We are not hearing from those directly responsible for service delivery, and this is an issue that I believe our committee needs to consider. As a matter of interest, the combined expense of the two largest regional health authorities in Alberta was \$3.3 billion in 2003.

On the issue of limited time available for the Public Accounts Committee, Alberta's committee doesn't meet outside session. For today I'll just leave that as a piece of information. It is an issue that is not resolved.

If, as Fred and I are asserting, an effective Public Accounts Committee needs skilled and interested MLAs, then interest in the work and purpose of the committee should, in time, be the internal force that drives change.

One lesson I learned in politics is that quality matters more than time. Questions of accountability can be asked in a Public Accounts Committee, in question period or via the press. An astute government will respond quickly with facts.

In Alberta, ministers and their staff do their best to answer the questions put to them. In fact, it's a growing practice for respondents to offer a written question if time is running out or if they need to do some research. This is a healthy state of affairs.

There is a natural and legitimate desire to use the assembly to embarrass opponents and to obtain an electoral advantage. On the other hand, the proper role of the assembly is to obtain full and accurate information from the government. This principle, which applies equally to opposition and government MLAs serving on committees, can be difficult to apply. It's often difficult to distinguish between one's role as a member of a party and one's role as a committee member representing the whole assembly. In my opinion, the Chair of the committee has the critical job of helping all members make the distinction, and when the Chair happens to be a politician, that makes it very difficult.

I believe that the capacity of Alberta's Public Accounts Committee to induce improved value for money in government operations is improving.

I'll use this opportunity to encourage the CCAF to talk to individual members of the committee as part of its research activity. If Fred and I are correct that we need skilled and interested MLAs, then the CCAF could help us by further exploring these attributes. Thank you.

P. Gordon-Pamplin (Bermuda): I'm Pat Gordon-Pamplin, and I am a Member of Parliament from Bermuda.

I was interested in hearing that your ministers actually sit in on your PACs. It would appear to me that the civil servants may have a certain degree of, I guess, limitation in terms of their honesty once their minister is actually in attendance. I notice you indicated that there were four iterations, effectively. Sometimes the minister is there with his civil servants in terms of responses to questions. The minister would answer until he had to leave a meeting. Then the civil servants take over. I would assume, at that point in time, that's when the real truth comes out.

I would suggest that at the conclusion of any questioning in our PAC, we put a question to the civil servants as to whether in fact, in the execution of their duties, any of them have been made to do anything with which they feel uncomfortable or believe to be unethical — if they have felt pressured. I don't believe that any civil servant would answer that question effectively if their minister was present, because I would imagine that if any such pressure is seen, it would have come from the minister.

I'm just wondering if you could just explain to me the effectiveness, really, of having a minister in attendance and whether we are actually getting the best response under those circumstances.

S. Shariff: In Alberta the belief is that the buck stops at the minister's level. The minister is ultimately responsible for all the programs delivered under the minister's leadership. Therefore, the minister has to be there to answer questions about how the ministry delivers its programs.

Now, the line of questioning, if put properly, will force the deputies or the bureaucrats to respond. That's where I think the training that the members receive from the auditor's office helps us. I find that quite often we will ask probing questions, and the minister will not have the facts with him, and he'll have to turn to the senior bureaucrats.

Your argument or your point — whether the presence of the minister makes a difference or not.... It's recorded on *Hansard*, so I can't see the physical, visual presence making any difference. If the bureaucrat has to answer in the absence of a minister, the bureaucrat should also know that the answer is recorded in *Hansard*. So I don't see that argument holding. That's the Alberta position.

F. Dunn: If I could just supplement that. I've only been the auditor general for two years after 36 years in the private sector. What I was trying to relate the Public Accounts Committee to was similar to an audit committee in a large international corporation.

To answer your question properly would require the committee to go in camera and therefore not on record. As Shiraz has just said, should you ask that question and then the minister not be there, he would certainly read the response out of *Hansard*. It would be available right away.

What I've found in my meetings within the Public Accounts Committee is that the minister will generally try to answer anything which deals with policy. Indeed, as much as the Chair may try to maintain some control, those that get to be dealt with in practice or the conduct of what the program is.... The ministers quite often are now comfortable moving it over to the program directors or the administration to answer that.

F. Branch: Did you ever have an opposition member chair the committee?

S. Shariff: The Chair is always an opposition member. I'm the Deputy, and the Deputy is a government member.

F. Branch: Thank you.

I notice that the annual reports that are published have performance measures in them. Is there any requirement, then, to have performance targets in the documentation for the departmental estimates as they're tabled in order to measure the validity of the performance measures that are published?

F. Dunn: Not so much in the estimates, but in the business plan. Each ministry prepares a three-year business plan. It's a rolling three years, so we have a 2004-07 business plan.

The government as a whole prepares a strategic plan in a three-year business plan. Each ministry, therefore, is responsible for developing their business plan underneath the government's primary goals and initiatives. What you'll have is the performance measures that come out of the business plan of the ministry, which are therefore reported in the ministry's annual report, and my office reviews and audits those.

Y. Gauthier (Facilitator): We can afford a last question or comment. If not, let's go for a coffee break.

Floor Comment: I have a question. How many people do you have on staff at the auditor general's office in Alberta?

F. Dunn: Our office is probably one of the largest ones in Canada. My office has responsibility for auditing every department, ministry, Crown corporation, post-secondary institution and all the RHAs. I have approximately 130 full-time assistants, and I acquire approximately 30 percent of additional resources from outside. My overall budget is approximately \$17 million, of which \$5 million is acquired from outside the section in order to do all that work. So we audit everything. There are only two organizations audited by the private sector in Alberta.

Y. Gauthier (Facilitator): Je vois que le nouveau Vérificateur général du Québec a pris de bonnes notes là-dessus.

So coffee break — 15 minutes?

J. Kwan (British Columbia): I am Jenny Kwan. Let me just provide you with some background information about me. I have been a politician for a little over a decade now, during which time I have had the opportunity to be, let's just say, on both sides of the looking glass— as a backbench MLA, a minister of the Crown as well as, now, an opposition member in the Legislature.

Many of you will know that in British Columbia, we now have only two opposition members out of a 79-seat Legislature. As a result, my colleague Joy MacPhail and I welcomed the resources of the auditor general's office and the work in ensuring public accountability for tax dollars and especially, in the context of our own province, with such a powerful majority government.

Let me start my presentation with this quote. Mark Twain once said: "The only difference between a taxman and a taxidermist is that the taxidermist leaves the skin." I am sure, having been

in government, that government members wish that the auditor general as well as the Public Accounts Committee members were more like a taxidermist rather than a taxman.

We talked a little bit this morning about the different kinds of tools that one has in terms of Public Accounts Committee meetings. I would like to actually just highlight some of that within British Columbia and what the PACs within British Columbia have access to in order for us to be effective in our work in improving public sector governance, in management and accountability, and therefore to leave the public feeling that they haven't lost their skin with the government's work and their performances.

I should also note, though — and we talked a little bit about this as well — that there is the notion of effectiveness and what it means, I think, within the Public Accounts Committees amongst different jurisdictions. I think that theoretically, we all wish it to be such that we work in the direction of improving government policies and government practices and performance. But in reality, as we all know — those of us who are politicians in this room... I know that those who are not politicians in this room will note even more so, because they observe every time they see us in action that there is really a dual purpose to our effectiveness, I would say, within the Public Accounts Committee. That is, yes, the impact of government practices in the long term, in improving those government practices

But I also think it is the nature of the beast, in that you cannot escape it, and that is that the work we do has political ramifications. The goal of improving government practices falls on how much political damage one could make or the political implications in this work and therefore, in effect, making those long-term policy changes in the future.

So it is really dual in that sense, and therefore the nature of partisanship, I think, sometimes is unavoidable. I am just being very frank here because I think we all experience that, whether we like it or not. In theory I agree that the goal of where we want to go to is to simply focus on policy and practices, but in reality I do think it's something different.

In British Columbia one of the tools afforded us in the Public Accounts Committee is a forum. We are an all-party committee chaired by a member of the opposition. We do have the opportunity to review all the public reports of the auditor general's office; the ability to thoroughly question officials of the government as well as the auditor general's office on issues arising from these reports; the ability to decide whether government management and accountability practices need to change, as recommended by the auditor general and as agreed to by the Public Accounts Committee members. I should note, as well, that the Public Accounts Committee members do have the ability to move motions and add recommendations on the floor as debate goes on about particular reports.

Now, of course, I should note that Public Accounts Committees are always dominated by the majority of government members. Therefore, the implication of whether or not motions get passed rests on that. But by bringing up issues you can also, even if it doesn't get passed, put pressure on the government ultimately by using a number of other tools — and just simply exposure sometimes — and then bringing the media into play.

I think that the ability to report to the Legislature on the deliberations and recommendations of the committee is important. The ability to ask the auditor general to do follow-up examinations, to determine if government has actually followed up on the practices and recommendations that have been put forward and have been accepted by the Public Accounts Committee.... I think that to be informed of the auditor general's work plan, and therefore to give members of the committee the opportunity to provide input to the auditor general for consideration of their work plan, is key. I think that the ability to request the auditor general to undertake various examinations, which is a

new thing we've just been able to achieve under the *Auditor General Act*.... Wayne will elaborate on that part of it when he makes his presentation.

Finally, the other piece that we are able to have as a tool in British Columbia to use with the Public Accounts Committee is the ability to have delegations come to the committee and make presentations to its members. When I say "delegations," I mean outside of government, potentially — delegations that you as the Chair, in conjunction and discussion with the Deputy Chair, think would be important and related to the matters at hand. You'll be able to bring those individuals to the committee to make related presentations and testimonies.

In the last ten years or so, I can think of a number of examples where the Public Accounts Committee in British Columbia has made significant contributions toward the concept of public accountability. I will only highlight two examples. In the interests of balance — because I do have a colleague from the government side joining us here, Ken Johnston, who is the Deputy Chair of the Public Accounts Committee in British Columbia — I will provide you with one example where it was work that was done with the previous administration — that is to say, when I was in government. The ever-infamous, I think, fast ferries, which many of you probably have already heard about.... This is the construction of what is now dubbed as the fast ferries, which are basically high-speed ferries for the ferry system, for those of you who might not be familiar with it. The auditor general at that time — it was before Wayne's time, actually — did a thorough review of the fast ferries' development.

It was this review that exposed the issues of management relating to the building of the fast ferries in British Columbia. Particularly, it was through this forum that experts from outside of government were invited to make presentations to the Public Accounts Committee. The outside experts' testimonies added — let me just put it this way — colour, if you will, to the deliberations. Ultimately, I think the fallout of that was that not only did it highlight the issues of management, or lack thereof, within the fast ferries project, but it also really made the political damage that I think the opposition was then looking for and was very successful at with that. It was through the Public Accounts Committee that one was able to bring forward that information and actually prolong that information, not too dissimilar — in a very small scale, let me just say — to the situation that's going on with the federal government with the sponsorship scandal. It was a major issue which we had to grapple with as government. There were many lessons learned, which is important to note.

I just got a signal for a two-minute thing, so let me just say.... The other thing is that the Olympic bid review was the second thing under this current administration. We were able to actually get the auditor general, through the Public Accounts Committee, to review the government's bid for the Olympics before the bid was completed. That's the first time it's ever been done. The objective was to ensure that the public was given some reassurance on the projected costs of the project, its management capabilities and the risks associated with it. It red-flagged the areas that the government needed to pay attention to, and in turn it caused the government to work closely with the auditor general's office to resolve issues of concern prior to the submission of the bid. Timing is everything in that instance.

The process that B.C. underwent, as I mentioned, is the first of its kind. Since that time, B.C. has been awarded the 2010 Olympics. The ongoing job of the auditor general on this file is going to be critical, as it is one of the megaprojects of government.

These are the two examples that I wanted to use to illustrate the powers of Public Accounts Committee meetings, and how they could change policy decisions and practices as well as have the political teeth it needs and that one wishes to have in a political forum.

Let me just add this, because I think it is important that to have Public Accounts Committee meetings do their work is not enough. You need other tools to ensure accountability within government. Governments often manage risk by attempting to protect themselves. This is sometimes at odds with the need for increased accountability that involves giving up power and, in this sense, therefore taking risks. There are a number of potentially powerful watchdog mechanisms that are essential, in my view: the freedom-of-information legislation that exists in British Columbia, the media as an audience, the offices of accountability — the auditor general, the ombudsman's office, the police complaint commissioner, and so on.

In that context it is also important to know that we need to ensure that those offices of accountability, if you will, have the adequate authority as well as the budgets to do their work. In British Columbia, I'm sad to say, while on the one hand government is working towards to give the impression of added accountability, on the other hand the budgets of these offices are being reduced. In some cases the authority given to them has been severely curtailed — i.e., some of the Crowns or quasi-Crowns, if you will, within government are no longer with the *Freedom of Information Act*. Therefore, you can't get information about their operations.

To conclude, all the mechanisms are aimed, from an accountability perspective that I've highlighted, to help those in government to tell the difference, I think, between — let's say — a bicycle accident and the end of civilization. All of these are important tools in the tool belt for transparency with respect to public funds. However, ultimately they are only as good as the powers that are given to them. All of the items that I've listed are aimed at putting teeth in the various scrutinizing bodies of the performance of government.

To end with this quote by George Bernard Shaw, who noted that the problem with governments, when it came to public finance, was not that they couldn't see the solution but that they couldn't see the problem. I think that is often the problem. That's what we try to do, I think, in the Public Accounts Committee meetings — to highlight the problems and to really put to task the challenges to government and perhaps to change the culture of government over time. I think that's ultimately what we all hope for as legislators, no matter where we come from.

Thanks very much, and thanks for listening.

W. Strelloff: Thank you, Jenny.

My name is Wayne Strelloff. I'm the auditor general of British Columbia for a little over four years now, and before that I was the provincial auditor of Saskatchewan for nearly ten years — so two provinces with that experience. My comments focus on legislators and that long-term systemic change often requires legislation. I'll give you three examples — one in British Columbia on the accounting side.

Legislators finally said to their government that for the financial statements and the financial plan — the budget presented each year — you shall now follow generally accepted accounting principles. They did that through law. This is the only jurisdiction in Canada that has, by law, legislators saying to their government that they want a complete accounting. The key issue right now is that for the first time we'll get the complete cost of the education and health systems, because the school boards, universities, colleges and health authorities will be consolidated in the government's budget and its financial results. But it took legislation to get there.

The second example is to get you and the public relevant performance information. Legislators — after years and years of debate under the leadership of Fred Gingell, who was a member of this group years ago — finally said to the government of the day: "We want you to focus on results and on linking costs and results when you give us your performance plans and your results for the year."

That, through legislation, has meant that the performance plans and the annual reports of government agencies are beginning to include relevant performance information.

The brochure that you have in front of you, called *Quick Reference Guide to the BC Performance Reporting Principles*, is an agreement, a set of principles agreed to by the government and by our office and endorsed by legislators as being the basis for which the performance plans and performance reports shall be prepared. There are eight principles there, and they're being used in the performance plans of governments as well as the performance reports. At our office, we also do annual reviews of whether those performance principles are actually being used. But it took legislation to get there — lots of talk, lots of discussion about the importance of getting more relevant information, both in terms of facilitating debate and scrutiny and informing the public. At the end of the day, it required legislation.

The third example is the working relationship with the auditor general. That shifts around from time to time and from province to province. Recently, a new *Auditor General Act* in British Columbia was proclaimed. There are several mechanisms in there that give legislators more ability to carry out a more rigorous public scrutiny of the performance of government if they choose to do so. You still have to choose to do so, but through a new *Auditor General Act*, there are new mechanisms to carry out that scrutiny.

One is that the Public Accounts Committee can now require the auditor general — my office — to carry out examinations. They haven't done this yet. They got close a few months ago to carrying out an examination of the rapid transit line being done in Vancouver. But now the legislation says that the auditor general "shall" carry out those examinations, not "shall consider." It's a very important change in the powers of legislators, in the very few powers that legislators have to carry out, to get independent information about the performance of government. Well, there's a step that... We'll see how it plays out over the future.

The second item is that for the audit of financial statements of individual Crown agencies and Crown corporations, now the Public Accounts Committee gets to decide which ones they want our office to carry out and which ones they're happy with boards appointing private sector auditors. It's another significant mechanism that legislators now have, to say: "Auditor general, we want you to carry out the examination of the financial statements of particular, mainly Crown corporation, issues."

A third change that has been made is that we can now audit the financial statements of non-government organizations, as long as an organization agrees and the Public Accounts Committee agrees. That's a mechanism to examine issues related to the Olympics, for example.

We now also, through legislation, have to give legislators on the Public Accounts Committee our assessment of the performance of the provincial public sector audit system. Each year we come in — the first time beginning this fall — with an assessment of whether we think the provincial public sector audit system is working well. Again, it's another mechanism for legislators to carry out an effective public scrutiny of the performance of government if you choose to do so. In B.C. they've made three legislative changes to strengthen the capacity of legislators. I keep on saying "if you choose to do so," because it gives the means by which legislators can carry out examinations. You still have to have the ability, the capacity and the energy to do so.

My main message to you as legislators is that at the end of the day, long-term systemic changes often require legislative changes requiring your leadership. From what I could see in my experience, members having the experience within the Public Accounts Committee settings — whether they are in the Public Accounts Committee or tend to move to the other side and become cabinet ministers

— take that experience they've had at the Public Accounts Committee and effect good, positive change. Thank you very much.

Y. Gauthier (Facilitator): Thank you to both of you.

I have a question from Robert Hawkins, Deputy Chair of the standing committee of the Northwest Territories.

R. Hawkins (Northwest Territories): I just wanted to throw out a comment. Being a representative from the Northwest Territories, as many of you would know, we represent a consensus-style government, as Nunavut does. In our government our Public Accounts Committee is composed of all regular members, which are basically anyone who does not sit in the executive council or is referred to as the government. We sit in a unique situation whereas we don't have any minister or executive council member sitting in our Public Accounts Committee to help scrutinize. We have a committee of 11 versus the cabinet, which is an executive council of seven. Just to throw that out to let everyone know that we don't usually have undue influence from the government on our Public Accounts.

Anyway, I'm here as well as other members from Nunavut, if they have any further questions, but I just thought I'd throw that out to let folks know that there are different systems that do play out there. Thank you.

P. Gordon-Pamplin: Just one quick question, and that is with respect to the requirement that the auditor general's office conduct audits that are outside of government and NGOs and what have you. What resources do you have to support that? Does that come as part and parcel of your budget, or do you make specific requests, or are these supplementals? How is that determined?

W. Strelloff: It's a moving target so far. The Public Accounts Committee has asked us to carry out an examination of whether we should examine the rapid transit line, and that would be a first specific request or direction by a Public Accounts Committee. The future of the rapid transit line is still unclear as to who is going to be in charge of it, so we haven't launched that. Our plan, when we receive these requests, is to come back to the Public Accounts Committee, set out that here's what we'll examine and why, and we'll request funding from the committee.

Y. Gauthier (Facilitator): A question by Mr. Shariff.

S. Shariff: Thank you for that presentation. I just have a question, and this is an opportune moment. In Alberta we've had a stable government for a very long time, so I haven't had the privilege of sitting on both sides. But in your case, I just was wondering: given that you had an experience where you were first a government member and now an opposition member.... Obviously, the current committee probably has inherited a system that was present when you were the government. If you could change things now by becoming the government again, what would you change most in Public Accounts Committee?

J. Kwan: Well, it may happen on May 17. Who knows what will happen with that election and whether or not we'll be in government? I'll say this in all earnestness, and I've advocated for this, and I do think that it is important for our consideration. That is that the auditor general's budget and the setting of it should be dealt with through the Public Accounts Committee rather than....

Right now, though, I should say that in British Columbia we've moved one step closer to that concept, and that is that it's presented to a committee called the finance committee. However, the budget is still set by the Minister of Finance behind closed doors and is decided by the Minister of Finance.

I remember being in government, actually, when the auditor general came, and I sat on Treasury Board. Every time he came and asked for more money, we'd all roll our eyes, and we'd kind of go: "Ahhh." At the end of the day you give it to him, because he has to do a job. Part of that is that you have to, as government, ensure that those watchdogs have the tools they need to do the job. Now, obviously the sky is not the limit, but you do have to be able to accommodate that and to do it in that view. That's where I think I would make a change, on that question — on the budgeting for the auditor general's office.

F. Dunn: If I could quickly just mention that in Alberta, although we do not submit the auditor general's budget to the Public Accounts Committee, we submit it to an all-party standing committee on legislative offices. In that regard, there is the same representation as in the House. It's different government members, but there are a number of opposition members from Public Accounts who sit on the committee also. So our budget is approved by an all-party standing committee, not by the Minister of Finance — the Minister of Finance is not on any of those committees — and not through the executive council or anything to do with government.

R. Hawkins: My question relates to the legislative requirement for performance plans and performance reports. Are the performance plans presented in a way that they can come under scrutiny — for example, at departmental estimates time? Or is there a specified way in which they must be presented so that you have some specifics and not just sort of very generalized terms that the performance plans are brought forward? How are your performance plans to be laid out by your legislation?

W. Strelloff: We can both answer that. I'll start and say that one of the changes in legislation that I think is very good and long-term in nature is that the plans of the individual ministries, departments, agencies and corporations have to be tabled the same day as the budget of the government is tabled. And that has to be tabled on the second or third Tuesday in February. That's provided some discipline right across the system that in February, when the budget of the government as a whole is presented....

In the past, experience in some jurisdictions, including B.C., was that the budgets weren't presented until after the year began. By law, in February the overall financial plan is presented as well as the performance plans of each of the individual organizations of government — a really significant step forward.

The performance reporting principles that you have in front of you are a basis to make sure that over time, those plans get to a place where they have relevant and reliable information. They're not there yet, but at least the expectation is set and the debate, at least from my perspective, is getting stronger.

Y. Gauthier (Facilitator): Thank you all for your excellent presentations. Time is of the essence when you manage a PAC, and I guess you were respectful of that constraint also this morning. Thank you very much.

I will ask Libby MacRae of the CCAF to do the wrap-up of this session.

L. MacRae: Thank you all very much, all the panellists, and Craig James and Josie.

There has been such richness in the presentations that it's kind of difficult to come up with some sort of themes that were the flavour throughout the presentations. But clearly, in terms of the whole exercising leadership and building capacity in looking at the effectiveness of PACs, the theme came out in terms of the close relationship between the auditor general and the PAC Chairs plus the PAC members as well, and that mutual and shared influence to accomplish accountability of government expenditures. Certainly, the coaching and support of the auditor general for the PAC members, the unity of purpose, the further strengthening of that relationship, the awareness of the complementary controls in terms of accountability.... That came up in several of the presentations.

Changes and underpinning legislation. I think that was an interesting one at the end, which Wayne brought up as well.

Then, of course, there was the touching on the partisan/non-partisan issues throughout. I guess I flipped back to what we were talking about initially in terms of effectiveness and how one measures the effectiveness of PAC. We haven't gotten into that to any great extent, but I think that's because there's so much of a qualitative nature involved as well. Maybe one of the measures of success is how close can PAC get to the major issues of the day without bringing in the partisan issue to any great extent. Maybe that's one of the measures of success.

I guess I'll do a quote as well, since we're doing quotes here today. Albert Einstein said that everything that counts cannot be counted, and everything that can be counted does not necessarily count. I think that's very relevant when it comes to the effectiveness of a PAC committee.

In terms of CCAF and where we're going from here, this is certainly somewhere where we would like to continue dialogue. And as was noted by Shiraz, we would definitely like to do more interviews with PAC members and PAC Chairs. We've interviewed some at this point. We've interviewed some of the legislative auditors, looking at relationships again, what one can do to improve the effectiveness of PAC or demonstrate the effectiveness, or to support PAC in terms of this whole accountability-in-governance relationship in the public sector.

So certainly we would like to continue this dialogue and touch a bit more on international. But it's very clear, listening to the presentations, that in Canada we have a lot of the very best practices as well. That's been noted in some of the international studies as well. I just wasn't bringing those up in the first part.

Clearly, we have a lot of best practices in Canada too. Maybe it's to market those best practices, share more of them, keeping in mind that each jurisdiction obviously is unique, the players are unique, and the challenges are unique....

Basically, I think Daryl would want to give a little bit more of a sum-up here as well. That's where I think the CCAF will be going to do more research in this area. We look forward to our continued relationship with all of you.

D. Wilson (Chair): Wayne, do you want to say a last word?

W. Strelhoff: There's just one thing I'd like to point out. That is the quick reference guide to the B.C. performance reporting principles that's in front of you. Those principles are based on work that was done by the CCAF, under their leadership. We took those principles and made them work within British Columbia. I recommend that each of you consider the same. Again, they were based on good, valuable work done through the CCAF. Thank you very much.

D. Wilson (Chair): Okay. Just to wrap up, you've heard a lot of information this morning — a tremendous amount. You might be wondering: how does this all come together, if it ever does?

I think I want to emphasize what Libby was saying, and that is that CCAF does have an ongoing project here that will be coming out with some products over the next year or two. They'll be wanting to talk to legislators and auditors. It's a way for us to stay involved. The end result will be, I'm sure, an excellent document that will give us good information on best practices throughout and some good guidance on how we can, as legislative auditors and Public Accounts Committees, be even more effective in serving our citizens and taxpayers.

I would now like to thank all of the participants. This has been a tremendous session, and a tremendous amount of work went into this, from the CCAF standpoint — Libby and Michael, thank you very much — and the work that Josie did in her presentation. Yves, thank you very much for facilitating our session today. To all the panellists, thank you very, very much for putting the time into this and making some wonderful presentations to us this morning. Maybe we could give all of our participants a round of applause.

We're going to break into two groups now. The COLA group — we're going in next door. You're to take your translation equipment with you. The rest of you will be staying here. The next critical time frame is that at 12 o'clock we are going off site for lunch. Buses will be outside. Your next session is going to have to, unfortunately, be a short one, as we try to make our way to the lobby area by 12 o'clock. Thank you all very much for your attendance, and I hope you found it worthwhile.

Business Session No. 2

Chair: Patrick Rouble, MLA (Yukon)

Topic: Reports from Jurisdictions

*Note: The audio recording was not available at the start of the second session. The following is a brief summary of the Ontario presentation:

Norman Sterling, MPP and Chair of the Ontario Standing Committee on Public Accounts, reported that the new provincial government has hired the former legislative auditor, Erik Peters, to review the state of the province's finances.

As well, a new Auditor General of Ontario would be chosen in the fall. The appointment would be made by cabinet, with the approval of the Legislative Assembly via an all-party search committee.

Ontario now has a new Auditor General Act. Besides changing the title of the legislative auditor, the legislation makes provision for the inclusion of municipalities, universities, schools and hospitals — the MUSH sector.

G. Steele (Nova Scotia): The main impact of minority government in Nova Scotia has been on, I would say, the way the agenda of the Public Accounts Committee is set. This is particularly important in Nova Scotia, because I believe we're one of the relatively few jurisdictions that ranges quite widely beyond what our auditor general does. We don't limit ourselves to the reports of our auditor general. Anything can be put on our agenda list, so naturally it's very important who sets the agenda. Under a majority government, of course, it is ultimately the government members who set the agenda by majority vote.

Since our election we have revived a subcommittee on agenda and procedure to try and forge a consensus on agenda. We have one member from each party, including myself and Jim DeWolfe and Danny Graham from the Liberal Party. So far, after four years of experience, we have in fact managed to reach a consensus on all the agenda items. The subcommittee makes a recommendation to the full committee, but since all our recommendations have been unanimous, the committee has had no trouble approving what we've proposed to them for an agenda.

With minority government, the simple fact is that everybody has to be reasonable. No one person can get their own way, and I think that goes a long way to explain why it is that we've been able to reach a consensus on our agenda.

Other noteworthy matters not related to minority government. Nova Scotia's Public Accounts Committee is, historically, one of the busiest in Canada. We meet almost every week, except in the summer. From October '03 to June '04 our committee held 24 full meetings plus three meetings of the subcommittee on agenda and procedure. Our witnesses are almost always senior civil servants, usually the deputy minister. Cabinet ministers don't serve on our committee, and it is only in extremely exceptional circumstances that they would appear. We had a bit of a controversy five years ago over the establishment of the casinos in Nova Scotia. At that point cabinet ministers did appear, but that's extremely exceptional. Most of our witnesses are senior civil servants; it's really the only forum where those witnesses appear. It is the only forum where members of the Legislature have the opportunity to question deputy ministers directly, so we certainly take advantage of that.

One of the other things that came up this year that might be of interest.... We have a practice where we have an advertised topic.... Let's say it's Pharmacare, in the health sector, so we invite the

Deputy Minister of Health. Our practice has been to not restrict members to the advertised topic. As long as it's within that deputy's area of jurisdiction, any question goes.

Our recently departed Deputy Minister of Health, who could be a bit prickly at times, raised the question this year about whether that was appropriate — whether it was fair to invite him on one topic, only to see himself subjected to questions on a completely different topic, however worthy that other topic might be.

After some discussion about whether or not it was a good practice, our committee affirmed that that is what it wished to do. You know, it's very rare that we get these deputy ministers in front of us, so we want to take the opportunity to speak to them. The disadvantage, though, of course, is that witnesses may be unprepared. They may not have studied a particular matter or brought themselves up to date. In a department as large as Health, you can't reasonably expect a deputy minister to know everything that's going on all the time. But our committee affirmed that it wished to maintain the practice that as long as it was within the witness's jurisdiction, it didn't matter whether the question was on the advertised topic or not.

One other item of note is that our committee has never issued a subpoena to a witness who did not wish to appear, but we came very close to doing so this year. The head of our liquor corporation was terminated under mysterious circumstances. We indicated to him that we wished him to appear. He said he did not wish to appear, and so with the unanimous vote of committee, we commenced the process of issuing a subpoena to him. When it was clear to him that a subpoena would be issued, he changed his mind and, in the end, appeared voluntarily. So at the end of the day, it wasn't necessary to issue the subpoena.

One item that may be of interest to members is that we've been trying for some time now to get witnesses from the Canada Customs and Revenue Agency to appear. Nova Scotia is one of the harmonized tax provinces, where we have one sales tax — one harmonized federal-provincial sales tax. It's the federal government that is collecting our provincial sales tax, but if we talk to our Department of Finance about any issues around it, they say to talk to the CCRA. If you talk to CCRA, they say: "Oh no, we can't talk about it — confidentiality."

I was informed only yesterday by Mora, our Clerk, that CCRA has indicated that they are willing to attend and will not need to be subpoenaed, raising all those difficult questions about subpoenaing a federal witness.

In conclusion, Patrick, all I will say is that we have a very busy committee. I do worry a bit that our committee is more busy than it is effective. It reminds me a bit of a cyclist who's going along always in first gear. You know, you see a lot of action, but they might not be going as fast as a cyclist who's travelling along in a higher gear.

Only once in the entire past year has our committee actually produced an outcome. We produce no reports; we produce no recommendations. We actually produce nothing. Once the questioning is over, everybody goes home. Only once this year did we even approve a resolution endorsing some recommendations our auditor general had made in a special report. At least, it made us wonder what would happen if we invited ourselves as a witness and subjected ourselves to the same kind of scrutiny that we subject other people to.

P. Rouble (Chair): Thank you.

Could we now hear from Nunavut, please.

H. Tootoo (Nunavut): My name is Hunter Tootoo, and I'm a Member of the Legislative Assembly for the constituency of Iqaluit Centre in our capital city. I'm also the Chair of the

legislative Standing Committee on Government Operations and Accountability. With me today here is Mr. Keith Peterson, the MLA for Cambridge Bay and also the co-Chair of the standing committee. Also, our director of research is with us, Mr. Alex Baldwin. He does a lot of good work.

As many people here today will be aware, Nunavut's second general election took place in February of this year. On election night I was fortunate to be re-elected by my constituents for a second term of office. Keith won his first victory in Cambridge Bay. Keith is new as a territorial politician, at the territorial level, but he is no stranger to politics. He served as a former mayor of Cambridge Bay and also as a past president of the Nunavut Association of Municipalities.

During the first assembly I served as the Chair of the standing committee of government operations and services, so it is a distinct pleasure for me to once again represent our jurisdiction at this conference.

We would like to express our appreciation to the host jurisdiction in New Brunswick for the warm hospitality and the welcome that we've had here this week. Hopefully the weather cooperates, and we get some more sunny weather. Yesterday was beautiful.

Nunavut, along with the Northwest Territories, as was mentioned earlier, is one of two Canadian jurisdictions that operate on a non-partisan consensus basis. The Standing Committee on Government Operations and Accountability, among other responsibilities, reviews the annual public accounts of Nunavut and the reports of the auditor general. The membership and the terms of reference for the standing committee were established during the first session of the second assembly, which took place earlier this year.

Each of our assembly standing committees consists of five regular members. Regular members are members that do not serve in cabinet or are not part of the government. There are cabinet ministers, and the rest of us are just regular members. Once the committees are struck, each committee chooses their own chair and co-chair by secret ballot among the committee members. In May, earlier this year, the auditor general's annual report to the Legislative Assembly was tabled and subsequently referred to our standing committee for review.

In June the members of the committee had the pleasure of again welcoming Sheila Fraser and her senior officials to Iqaluit for public hearings on that. The standing committee held four days of hearings on the contents of her report. Our hearings are open to the public and the media to observe. They're televised, and usually the ministers are glued to their TVs in their offices, watching it as the meeting goes on. Then when we have breaks, they run out and talk to their officials.

All of us on the committee were very pleased that the work the committee did was very extensive. I think it's the best hearings that we've had in our history, as short as it is — four years. It was very, very good, and I'm very pleased to be chairing such a committee composed of five members that are very diligent and persistent in scrutinizing the actions of our government. However, I doubt that our colleagues on the other side of the House, the ministers, feel exactly the same way. Too bad for them.

We were pleased at the considerable amount of coverage that we received from the northern media on the work that we did. That's, I guess, one nice thing about a small jurisdiction: they're always looking for news. With all the other stuff that's been going on over the last few years with the auditor general, they seem keen to pick up on anything that deals with that. We got some really good coverage in the media on that.

Over the course of the four days we invited a number of deputy ministers and other senior government officials to appear before the committee to respond to, if not always answer fully, questions from members. One thing that was mentioned earlier here is that when the officials come to the meeting, they know it could be dealing with anything within the report. Usually it's a report

on other matters from the auditor general. Depending on what those answers are, you could probe and prod a little further.

The standing committee will present its own report and recommendations at our next session of the assembly. Under our rules, the government is required to table a formal written response to the committee's report. The report is usually full of recommendations that they have to respond to, which is nice. Our report will be posted on our assembly website, and we'll also post the government's response when they provide it to us.

A number of the issues the committee has been concentrating on lately include pushing for greater accountability on the part of departments that over-expend their approved budgets or do not fulfil their statutory tabling requirements. We have also been aggressive in making the government address some excessive practices in the areas of compensation and bonuses for Crown corporation executives. Closely monitoring the government's progress in addressing a number of problems identified by the auditor general with respect to Crown corporation governance, serious accountability and performance issues have been identified with the major utility in Nunavut, the Nunavut Power Corporation.

P. Rouble (Chair): Sorry, Mr. Tootoo; if I could ask you to conclude your remarks, please.

H. Tootoo: Yes, I'll read a little quicker.

Quite a bit of time was devoted to scrutinizing the power corporation and also to improving the level of detail in the government's annual financial statements, where it shows where public money has actually been spent. We've been pushing them for a number of years now to have actual expenses in the main estimates, as opposed to just the draft budgeted amounts.

Performance measurement is another thing we've been pushing for, and we look forward to the government's progress in that area. Greater transparency with respect to contracting and leasing practices, which again was something that was identified by the auditor general in the past.... We're trying to get a commitment from the government to table on a regular basis a list of all grants, contributions, tender awards and awards made pursuant to requests for proposals and a clear picture, I guess, of just the overall government financial situation, including its borrowing activities, because the auditor general pointed out in her report that we are getting close to our borrowing limit in the territory.

In closing, I'd like to thank everyone here for sharing their experiences and insights. I look forward to gaining a lot that will be helpful to us as a young jurisdiction. Also, just on one other note, I thank New Brunswick for hosting. The next opening for hosting this function is in 2010, and I'd really like to host it while I'm still a regular member — just something to think about. If you guys would like to come to Nunavut, the door is always open. Thank you.

P. Rouble (Chair): Thank you very much. Folks, I must apologize. With our short time this morning.... I know we're all anxious to hear from everyone and to share as much as we can. However, we do have four more reports, and we only have five minutes of time for each. With that, if we could hear from Saskatchewan, please.

E. Hermanson (Saskatchewan): Thank you and good morning. I'm Elwin Hermanson, Chair of the Public Accounts Committee in Saskatchewan and member of the opposition Saskatchewan Party. I am joined by colleagues Lon Borgerson, two seats to my left, who is the deputy chair. To his left is Andy Iwanchuk, who is the Chair of the Standing Committee on Crown and Central

Agencies. They also work with the provincial auditor. To my immediate left is Glen Hart, a colleague of mine, and to my right is the veteran of the Saskatchewan crew, Margaret Woods, Clerk to our committee.

We just had an election in Saskatchewan late last year. Our committee is primarily composed of new members. In fact, the four MLAs who are attending this conference — for each of us, it's our first conference. We've been told that we have a fine tradition to uphold in Saskatchewan, but we're not quite sure what that tradition is.

We've been in catch-up mode because the election delayed some reviewing of auditor's reports. We've been sitting in committee both in session and since the session concluded. We have just about caught up in working with more current material. We have scheduled meetings. We were meeting weekly during session, and we tried to schedule two-day meetings outside of session to facilitate moving through more material.

We've dealt with a lot of issues through this catch-up process. I think the issue that garnered the most attention was a review of the Saskatchewan Liquor and Gaming Authority and its relationship with the Saskatchewan Indian Gaming Authority. It's an issue that the auditor keeps bringing to our attention, and there's still work to do in that regard.

In Saskatchewan the government has set up a new committee structure. There are four area policy committees that are modelled more along the line of the federal committees in reviewing all legislation as well as other issues more independently than occurred previously, when most issues and most bills went to the Committee of the Whole — all of the members of the Legislature.

We are the lone public scrutiny committee, but one of the spinoff benefits from this new committee system is that we have a new committee room. Our committees, at least during session, are televised. We have dozens of viewers, some of whom are surprised to see us instead of the shoppers channel. This is setting a new tradition in the province of Saskatchewan.

We just recently reappointed a provincial audit committee. This is the second time they have been appointed. The way the system works in Saskatchewan is that the Public Accounts Committee, in consultation with the Standing Committee on Crown and Central Agencies, puts forward several names from industry, business and academic leadership within the province to form an audit committee. We send these recommendations to the Speaker of the House, who appoints that committee without further ado. Up to this point we've been rather negligent in working with this audit committee. The provincial auditor has been the primary user of the committee. It's an area where we feel we can further expand our role as the Public Accounts Committee and be more effective and more useful.

The five entities that can call for assistance from the audit committee include the Public Accounts Committee, the auditor and the Standing Committee on Crown and Central Agencies. The Minister of Finance can call on this committee, as well as the minister responsible for Crown corporations. It's one of the new areas that we're trying to pioneer in the province of Saskatchewan.

In closing, our province has finally moved out of the Dark Ages, and we are now assuming summary financial statements as a way of doing accounting in Saskatchewan. This is a bit of a learning curve not only for all the members of estimates committees but also for the Public Accounts Committee, because our financial statements have changed. The way we review those statements has also changed. I think there's general consensus across the board that it is a change for the better.

We, too, want to thank the fine people of New Brunswick for hosting us so wonderfully thus far, and we look forward to the remainder of our stay in this province and are glad to be attending this conference. Thank you.

P. Rouble (Chair): Thank you.
Manitoba.

J. Reimer (Manitoba): Thank you very much. Firstly, I must say that as a chairman, you're a taskmaster in trying to make five minutes for a politician to speak. That's quite tough.

Anyway, my name is Jack Reimer. I'm the Chair of our Manitoba committee. With me is my colleague Jim Maloway, who's the member for Elmwood in the city of Winnipeg, and also Rick Yarish, who is our Clerk at the Legislature and does a tremendous job for us. I'm buttering him up.

Our committee has 11 members. We have six in government and five in opposition. I will be short. I will stick to the script to try to expedite things. I would like to also, before starting, thank the host province, New Brunswick, for doing such a great job, and I look forward to a lot of the other things that are planned for us over the next three days.

Our most recent meetings focused on reviewing a backlog of auditor general's reports and *Public Accounts* volumes dating back to 2000 from the present. The subject matter of the reports included business planning and performance measurement, school board governance, performance reporting, annual reports from Crown corporations and regional health authority governance in Manitoba. Further meetings are anticipated over the next few months, as we currently have a substantial list of reports to be considered by our committee.

With the passage of our *Auditor General Act* in May of 2002, all reports issued by that office stand referred to the Public Accounts Committee. Since 2002 the auditor's office has released 18 reports, and we have only just begun to catch up with their output.

Topics covered in some of the reports for discussion at future meetings include a value-for-money audit of the student financial assistance program, a report on the first nation gaming commission and first nation gambling accountability, and a survey of the senior management on attributes of managing and reporting results.

As you may recall from our reports at previous conferences, Manitoba's Public Accounts Committee has been through a long process of reform in recent years, culminating in amendments to our rules adopted in 2002. We're still in the process of working out the bugs in some of the new guidelines, and several issues remain under discussion between the House Leaders, the PAC Chair, the Vice-Chair and the members of our committee.

Two areas of interest under discussion at our last meeting include a mechanism for following up on recommendations and the procedures for calling witnesses before our committee. You may or may not be aware that Manitoba has a very broad mandate for hearing witnesses and presenters on legislation — perhaps one of the most open systems in the country. Despite this, we have not yet developed a comparable system for hearing witnesses at Public Accounts.

Historically, the auditor and the Minister of Finance have responded to questions posed by MLAs in the committee. Discussions are underway to develop a system to move beyond this model, however. Perhaps in next year's report we'll be able to provide some more information on these developments.

Thank you, Mr. Chairperson.

P. Rouble (Chair): Thank you. We'll now hear from Newfoundland and Labrador.

E. Joyce (Newfoundland and Labrador): Thank you, Mr. Chairman. My name is Eddie Joyce. I'm Chairman of Public Accounts. To my left is Harry Harding. He's Vice-Chair. We have Wally

Young, who's on the committee. We have Mark Noseworthy, who's the Clerk of the committee. We have Yvonne Jones to my right and Gerry Reid and Kathy Goudie — who just stepped out for a second — who are also on the committee.

First of all, I'd like to thank New Brunswick for hosting the conference and doing such a great job so far. On behalf of Newfoundlanders and Labradorians, thanks for the rain to make us feel at home. For Saskatchewan, we just had a quick check that we might have a chat with you guys later to figure out how you can get your viewers up to a dozen. We can't even get it up to that.

We as a group are fairly new. We just had an election last fall. Of the seven members, six are new. I'm the vet on the committee, and the six members are getting up to speed. This is one of the reasons they were all looking forward to coming to this conference. It will be a great learning experience.

We're an active committee. We were only struck in April of this year, but we're active. We've had three or four meetings so far, and we're planning hearings this fall. We usually hold hearings on the auditor general's report, but we're not restricted to the auditor general's report. We can ask the auditor general to do a review of any Crown corporation, department or any agency that gets funding from the provincial government. In the past that has been done.

We do report to the House of Assembly. Our committee does report. There are many times that our recommendations are followed by the different departments. There's no law to require them to do so, but we've noticed that over the years the recommendations have been implemented by some departments in government.

We review all corporations. Now we're in the process of doing some hearings on the Liquor Corporation, our health care board and some of our development boards. So we're not restricted just to within the government itself. We can go outside to any agency or to the department itself. We feel very confident that the public accounting in Newfoundland and Labrador is working very well. At times we get a bit partisan, but that's just human nature. The majority of times we deal with respect with each other. We do have the power to subpoena people. When we go to the departments, there's usually a deputy minister or his or her officials that attend. On rare occasions we ask the minister of a department into the implementation of the policy. Usually that falls into the realm of the deputy minister.

That's our report from Newfoundland and Labrador. It would be great to chat with people over the next couple of days.

P. Rouble (Chair): Thank you.

It's also my pleasure to present Yukon's report. Today I am joined by Dr. Floyd McCormick, who is our Clerk and also the Deputy Clerk to the Assembly.

After a long period of inactivity the Yukon Public Accounts Committee once again became active. This past winter we conducted a series of hearings in which we called the Crown corporations and other entities. These included the Yukon Housing Corporation, the Yukon Development Corporation, the Liquor Corporation, the Hospital Corporation, Workers' Compensation and Yukon College.

Our focus in these hearings was the mandate of these organizations and trying to determine to what extent these mandates were being filled. Upon receiving 14 witnesses and going through 12 hours of testimony, we came up with several recommendations and observations. These included concerns about the way in which individuals were appointed to the boards of directors, the training they received, the means by which these entities reported to cabinet and to the Legislative Assembly and to Yukoners in general, and how their mandates were being evaluated.

Our future activities will be to review our performance objectives, to examine our own internal operations and performance, and to look at additional areas for investigation. On behalf of the committee, I'd like to thank Mr. Simpson, Mr. Thompson and Mr. Hellsten for their assistance before, after and during our hearings, and for their assistance with drafting the report.

For those jurisdictions that have prepared a written submission, I think it would be a good idea if you could pass those in. We'll see if we can make copies of them and then distribute them to everyone. I know we didn't all have the full opportunity to discuss everything that was going on in our jurisdictions.

Before we head for the buses to take us out for lunch, I understand Mr. Sherwood would like to make a couple of comments.

M. Sherwood (New Brunswick): Thank you very much, Mr. Chair.

Just a scheduling change for the afternoon. Instead of starting at 2 o'clock, if it's okay with everybody, they would like us to start at 1:30. There's only about a 15-minute drive back from Mactaquac, so it's not a... Then we'll just move everything ahead a half-hour. In fact, the third session is 1:30 to three, then a break from three to 3:15, and then the fourth session is 3:15 to 4:30. That'll give us an hour and a half to prepare for that wonderful feast called lobster night.

Does anybody have any problems with that? I'm sorry, but that's what the powers that be have determined. Thank you.

P. Rouble (Chair): Well folks, it looks like we have about five minutes before we have to head for the buses. We might have an opportunity for some brief questions, if anyone has one.

M. Sherwood: Just another thing. You mentioned the buses. They are being prepared out front and are ready to go, so make your move out there as soon after you finish here as possible.

Interjection.

P. Rouble (Chair): Yes, we've got a question.

Floor Comment: Just a very quick response, obviously, is required. I didn't hear it and I may have missed it. Any of the experiences around the country with respect to audits by the provincial auditors with respect to post-secondary institutions.... I know that our new act is going to allow that to occur. But from my experience going back in the committee 18, 19 years ago, there was always great resistance from that sector with respect to the provincial auditor having any influence whatsoever in their operations and administration. I'm just wondering what the experience has been around the country with respect to that particular area?

P. Rouble (Chair): Any comments?

G. Steele: Yes, if I could, just for Nova Scotia. We did have an audit this year of the Department of Education. What was it called? Council of University Presidents. We looked at that and the colleges as well. That did come back to our Public Accounts Committee, so it's obviously a part of our act.

Floor Comment: But I think the question is: has anybody undertaken an audit of a particular university? Like have you audited Dal, for example?

G. Steele: Yes, we did. We had comments back about Dalhousie, about their pension plan and the underfunding of the plan — that type of thing — and the college system as well. We looked at Collège Sainte-Anne in Church Point, which is a small French-language university. So they were individually looked at, yes.

P. Rouble (Chair): Well, I think we've got an awful lot of fodder for further conversations and discussions in the hospitality suite. So folks, I think I would ask that we adjourn this meeting and make our way to the buses.

Business Session No. 3

Chair: Elwin Hermanson, MLA (Saskatchewan)

Topic: Health Care Accountability

Presenter: Norman Sterling, MPP (Ontario)

E. Hermanson (Chair): Hello. Welcome. I've been asked to get the third session of our convention underway and welcome you back from a delicious lunch.

Our third session is on health care accountability. My name is Elwin Hermanson, Chair of the Public Accounts Committee in Saskatchewan. We have as our key presenter Norman Sterling, MPP and Chair of the Standing Committee on Public Accounts of Ontario.

As we all know, the pollsters poll Canadians. Without exception, right across the country, health care is the most important issue that Canadians will identify. We also know, from a budgetary point of view, that health care is the most costly service that we as representatives of the people are responsible to provide to the people we represent.

We're pleased to introduce Norman Sterling to you this afternoon. He is the MPP from West Ottawa in the Lanark County area. He is one of two deans of the Ontario Legislature, having been first elected in 1977. He served in both the Bill Davis cabinet and in the Harris-Eves cabinet over two periods — first, from 1981 to 1985 and then, second, from 1995 to 2003.

Norman has held many portfolios, including Attorney General, Minister of Transportation, Energy, Environment, and Consumer and Business Services. He has served as House Leader. Like me, I believe he's a rookie in the Public Accounts Committee field, so I feel a little less intimidated knowing that we're both facing this from a fresh perspective.

In the real world Norman Sterling is an engineer and a lawyer. He's married to Joan. They have four children and, I understand, five and a half grandchildren. So it sounds like he leads a very exciting life.

And you have a very interesting topic.

Would you please welcome Norman Sterling as he makes his presentation this afternoon.

N. Sterling (Ontario): Thanks very much, ladies and gentlemen. It's a great pleasure to be here.

As the new Chair of our Public Accounts Committee, I was talking to Jim McCarter, our auditor, and the staff and asked what I might contribute and talk about when we're down here. After some thought I thought that perhaps we could talk specifically about a topic — health care — as opposed to talking in generic terms as to what we do as members of Public Accounts Committees.

I guess I get a bit of restlessness as a long-term MPP, as we are in Ontario, when we don't look to innovation with regard to what we do in the Legislative Assembly or in our committees. Therefore, I'm going to talk a little bit about the health care area and perhaps try to generate some ideas as to some new accountability mechanisms that we might be able to use in the health care area and also some differences in the function that we might look at in the Public Accounts Committee forum as we go forward.

I want to present this with a view that PACs may be able to help our governments and our people to understand their health care system and help our governments on the way to sensible and logical allocation of resources rather than the allocation of resources on an emotional basis, which often happens in the health care area.

I'd like to thank Elaine Campbell, who is a researcher for our committee in Ontario, for helping me out.

Elaine, I want to thank you, on the one hand....

I was just told by Elaine — and my apologies to Quebec, in particular, but to other bilingual francophone interests — that we do not have our slides in our other official language. So I apologize to you on that behalf.

I want to take this discussion through — and I hope I don't bore you — first of all, to the federal and the provincial roles with regard to health care. Then I want to talk about health care spending and the chronology of events that has led us to the position we are in as provincial and federal governments. I want to talk a little bit about some of the health care cost drivers. And I want to talk about the spending that's been going on recently and why I believe it's so important that we as elected representatives try to wrestle with this problem and even try to innovate around the problem in order to be able to provide decent health care for our citizens in the future.

First of all, I think everyone knows that health care in general is a shared responsibility between our federal and our provincial governments. Primarily, we as a province are the people who are responsible for it. The federal government comes into it with regard to funding health care where they have specific programs or specific responsibilities, like the first nations. The federal government then gets involved in it with regard to the spending power they have used in order to be involved in the health care.

Now, everybody knows that they do this through the *Canada Health Act*. The beginning of the interest in the federal government with regard to health care started way back in 1966, through the *Medical Care Act*, and at the same time, they got involved in some social programming. At that time, way back then, they were providing 50 percent of the funding with very, very little control on the provinces as to what they could use or what programs they could enter into.

In 1977 the federal government established a grant known as established programs financing — EPF — which was a combination of cash, grants and tax points. The unfortunate part with regard to the tax points is that they gave us some personal income tax points and then promptly went back to the well and started increasing their share of that, so the overall tax burden on Canadian citizens rose. It didn't stay the same when the province got those transfers of those tax points. The *Canada Health Act* was passed in 1984, and we know the principles involved in that.

In 1995 some obfuscation, as I would put it, came into the scene with regard to the combined CHST, which folded the CAP program and the EPF program together. Since that date, we've had difficulty in determining exactly how much money is being sent down to the provinces and the territories under that particular program, because it covered health and all of the social programs. It was an envelope which had a lot of things in it. Therefore, when the arguments came forward at various times — and at one time I acted as the Minister of Intergovernmental Affairs as well as some of those other portfolios you heard about — it was difficult for our first ministers to establish exactly what in fact was going to take place.

In 2003 our first ministers, including our Prime Minister, agreed to uncouple these things again and to separate the health envelope from the social services envelope. Notwithstanding that, I think that the provinces have established with the Canadian public.... I think that in a recent survey about 72 percent of the people say the federal government is not paying its fair share at this time.

Now that I've tried to review the history of the federal-provincial relationship, let's talk a little about overall spending and the rate at which it's increasing in our country. I'll be a little more specific about Ontario, because I have a little more familiarity with that. Overall health care spending from 2000 to 2003 has increased by about 20 percent, from about \$100 billion to \$120 billion. That's an average increase of around 5 percentage points. As many of you know, our economy, our net gains with regard to our GDP are not going that fast.

I want to now show slides up here that you have, I guess. Do you have a copy of them in front of you? Yes, you have a copy of the slides in front of you.

If you look at slide 2, you will see that over the 1990s to the present time there have been dramatic changes with regard to the increase in health care expenditures. This goes pretty well countrywide. There are some variances there. In that first slide, too, some of them are related to the fact that some provinces have greater population growth than others.

The next slide, slide 3, actually shows per-capita increases over that period of time. I think another interesting point in our history with regard to health care expenditures relates to the period from 1990 — I refer you back more to the first chart on page 2 — to 1995. During the recessionary period we had in Canada, health care expenditures did not increase and in some cases, well, they just about held the line.

You'll see, over that five-year period.... That probably represents a contraction in the health care system. There were beds being closed, some health care workers were being laid off and that kind of thing, even though the population was staying rather constant. In the future, the Conference Board of Canada says, our spending in health care overall — I'm talking about public spending here — is going to increase from 32 percent in 2001 to about 44 percent in 2020.

If you look at chart 4, you'll see where we have been in Ontario as a percentage of our total budget. This chart is a little misleading, in that it doesn't take into account our debt-servicing costs. When we say that we're spending, in '03-04, 40 percent of our budget, what it actually means is that we're spending somewhere around 48 or 49 percent of the revenue we have as discretionary — if you want to call it discretionary — in our hands. The other amount, of course, is being paid for the servicing of the debt. We don't have any alternative but to pay that. Next year, '04-05, the new government has said that it's going to spend 38 percent, which actually means about 45 percent of our total program expenses in the province of Ontario.

The numbers you see on slide 5 represent this lower number that I talked to you about as well. In some cases it relates to the amount of revenue that different provinces have. The numbers for the total public and private spending are staying about the same. For the average individual, he or she or their family is spending about 30 percent more than what is provided by the province. If you look at the per-capita numbers, as on slide 6, in 2003 Manitoba and Alberta are expected to have spent more per person on health care than any other province — around \$4,200 and \$4,000 each. Ours in Ontario is a little bit less. That includes both the public and the private.

In spite of the huge increases we have allocated to our health care spending, we are noting that the public at large is not enthralled with our health care system. This summer Decima Research reported that Canadians' confidence in their health care system has fallen to its lowest point in eight years; 58 percent were very concerned, as compared to 46 percent in '96. Thirteen percent said the quality of health care in the community was excellent, down from 32 percent in '96.

The former government, our government in 2002, asked a panel to look at several matters, including health care, as to how those particular parts of our economy were doing and what kind of cost implications they were going to have on our economy. According to that particular group, which reported in 2004, the leading cost drivers for health care were, number one, demographics.

You can see from slide 8 the huge increase in our older population as we go forward. As I understand it, this does not peak, in terms of some of the statistics I have read, till 2045. So I guess we as legislators and future legislators have this problem to deal with for the next 40 years with an ever-increasing number of people needing more health care.

Also, the cost drivers with regard to this particular panel indicated that customer and provider expectations were higher. Pharmaceuticals — because there are new pharmaceuticals, there are

more expensive pharmaceuticals and new technologies, etc. — were causing us problems with cost drivers in our health care system.

Let's talk about some recent federal developments with regard to our health care system. In 1999 Auditor General Dennis Desautels concluded that funding for health care under the CHST was not distinguished from funding under other social programs. He said that we would expect the federal government to be in a position to provide Canadians with information on its contribution to health care.

Again, in 2002 Auditor General Sheila Fraser also indicated that there had to be clarity with regard to the federal contribution towards our health care for the people to be able to understand what the federal government's responsibility was in that area.

Then, in October of 2002 we had a Senate committee report — often referred to, one part of it, as the Kirby report — which recommended that there be an establishment of an independent and permanent body that would report annually on the condition of medicare and the health of Canadians, as you can see on page 9. It would advise the federal government on what the allocation of their money would be.

In November of 2002, a month later, Romanow came down with his report recommending the establishment of the Health Council of Canada.

In 2003 we had the First Ministers Accord on Health Care Renewal that restructured CHST to improve the transparency and accountability of federal support for health care. They also required that it contain commitments on reporting about health care system performance.

Recently the first ministers have agreed to the creation of the Health Council of Canada, with some objections, and to making annual reports on the implementation of the accord. The 26-member HCC was established in December of 2003.

I can tell you that from a point of view of sitting on the government side as Minister of Intergovernmental Affairs, what I think always bothered the Premiers and the Health ministers was the fact that we were contributing — in the case of Ontario, going into 2000 — about 88 to 90 cents on the health care dollar. There was some concern that the people at the federal level were going to make a judgment on our picking of the priorities but weren't really willing to come to the table with a substantial contribution towards what we were doing. There was a great deal of animosity — I don't think there's any other word to say — on the part of virtually every Premier that I talked to during those particular times with regard to the unfairness of the overall situation. Now it appears that is coming back, and we'll have to see how that plays out.

In Ontario, back in 1997, the Ontario Hospital Association agreed with the government to create some hospital accountability through report cards. These have been in place for some period of time and have in some instances created some ability for the government to be able to judge the performance capabilities of the some 144 acute care hospitals we have in the province of Ontario and to thereby help the government with the allocation of resources to those various hospitals.

We have had a new audit statute law amendment act introduced in the Ontario Legislature, Bill 18, which I talked about briefly this morning and which gives the auditor greater capacity to be involved in the health care area. At the present time the auditor can go into a hospital and undertake some examination of their affairs. Under this particular act, he doesn't have to ask permission to do so; he has the right to do so. Of course, there's some debate with the hospital community as to how he's going to do this. This act has only had first reading, and there will be some interesting debate in the Legislature, I'm sure, as to how in fact this is going to be implemented.

As well, the Ontario government has recently passed — and it received royal assent in June of this year — the establishment of an Ontario health quality council to monitor and report on various

health indicators and to support quality improvement. It also allows the Minister of Health to enter into accountability agreements with hospitals, for example, with regard to balancing budgets and those kinds of things.

Before I close and open it for discussion, I did want to read a little bit of an article which I picked up from the Canadian Health Services Research Foundation. This is a series about mythbusters. It's an article about how the public uses health system report cards to make decisions on their health care.

Essentially, what the article says is that even with the limited number of health report cards that we presently do have, the public presently is unaware of them and is in fact not using them when they are choosing their health care institution for even serious interventions like heart surgery and those kinds of things. There is good reporting on the ability of certain hospitals to perform certain kinds of procedures, and the public, as this particular article writes, is totally unaware of those particular reports. They are not being used at the present time.

I do not believe that we should do away with these reports or look for better accountability mechanisms. But it does lead us to a question: how do we help our governments and our leaders explain the system to the public? In particular, we're going to have a problem that I think most people recognize in sustaining our existing system at its present level without making some tough decisions.

Therefore, it's my view that perhaps Public Accounts Committees should look at some of these quality control health care mechanisms that are being set up and find out if they're actually going to be practical in terms of the public getting to what, in fact, the facts are and whether or not governments will then be able to reach a logical and reasonable allocation of their resources when making choices. I think it's inevitable, if you read a lot of the literature, that we're going to have to make priorities.

I guess what I'd like to ask the members here is, number one: have you in your province achieved other accountability mechanisms? Are they accountability mechanisms where the public is aware of them and is using them? Do you see a role for the Public Accounts Committees to develop these, either in isolation or together, across our country?

Thank you very much, Mr. Chairman.

E. Hermanson (Chair): Thank you, Mr. Sterling, for that, I think, quite enlightening report on an issue that — because of its cost and complexity and, actually, the emotions around it — is sometimes a bit of a daunting issue. I hope that it won't be a daunting issue for this group and that we'll roll up our sleeves and look at means the Public Accounts Committees can use to ensure more accountability in our health care system and also hopefully improve the quality of health care in Canada.

We will open up the floor for any questions for Mr. Sterling, or perhaps you also want to relate how you — in your province or territory through the Public Accounts Committee or other avenues — have tackled this subject.

E. Allaby (New Brunswick): Referring to your slide on hospital accountability and the report cards, who actually gets to decide or to evaluate and come up with a report card? It's not government, is it? You know, for the report card to have some validity, it's got to be done absolutely independently of government. There's no point in the Premier's office issuing a report card on itself.

N. Sterling: This one is done by the Ontario Hospital Association, so it's essentially them evaluating themselves. One of the problems that we have found, though — that I found as a member of cabinet, and Bob Runciman was also a member of a past cabinet — is that when it comes to hospital allocation of resources, cabinet ministers are very, very reluctant to say: "Hospital A, you're going to get 5 percent. Hospital B, you're going to get negative 2 percent." Notwithstanding that you have these better tools to make those allocation decisions, it takes some considerable political fortitude to actually start to readjust the allocation of resources amongst the hospitals that you must support.

But in this case the hospital association does it, and therefore the hospitals have to agree to the measures. There is considerable variation, as well, with regard to the cost of certain procedures in certain hospitals.

E. Hermanson (Chair): Perhaps when you want to speak, if you'd identify yourself. That was New Brunswick. I'm not sure. I've forgotten your name, sir. But I think it would be helpful for the entire group if you would identify yourselves, and then proceed with your question or comment.

E. Allaby: Eric Allaby, MLA for New Brunswick.

P. Gordon-Pamplin (Bermuda): I'm Pat Gordon-Pamplin, MP from Bermuda.

Interestingly enough, in Bermuda we don't really have quite the complex issue that you would have in Toronto, inasmuch as we have one hospital in Bermuda. When you only have one, the problems are either simplified or compounded, depending on how you want to look at it. What we have done from a PAC perspective in the Bermuda environment is to actually go in to the hospital proper and question the executive officers of the hospital. We've brought them in to give information to the PAC, primarily from three different perspectives.

Firstly, the physical plant of our hospital is tremendously aged and obviously not as efficient as it otherwise has been. The laundry continued to break down and all sorts of things, so the infrastructure of the hospital created the challenge. The costing with respect to the billing of medical services was not standardized. These were challenges that we, in discussions with the executive officers of the hospital, obviously had to come to grips with. How do we ensure that patient A and patient B are being charged properly for the same services, and therefore was this properly being reflected in the daily costs of the beds and what have you?

The manner in which we've chosen to do it is to bring the executive officers in to discuss how they perceive the challenges that exist in the one hospital we have but, more importantly, to try to maintain the standard whereby Bermuda can receive the accreditation of the Canadian accrediting board to make sure that at least when somebody does go to a hospital, they don't think they're going to die because the systems aren't good enough.

To cut a long story short, in terms of the actual funding within the budget, the Health and Family Services Ministry is responsible for the funding of the hospital. The hospital itself is actually run by the hospital's board, so the board presents its budget to the government, which pays the board, basically, what they are requesting.

It is based on that premise that we felt the level of accountability was not necessarily effective. Therefore, we've gone in to say, "Let us know exactly how the money is being spent," because it's not a department of government per se. They are run separately by the hospital's board but just funded by the government, so I thought it was important for us to know exactly how much is being spent on a daily basis. How much does an actual bed cost on a daily basis? How standardized are

the services that are being provided? And how adequate are they? That's sort of the approach we've adopted in Bermuda.

E. Hermanson (Chair): Do you want to comment on that?

N. Sterling: No. I envy you in having one hospital instead of 144, because they are political animals on their own, and it's very, very difficult. They're very jealous about what each and every one of them does. You know, one of the problems that I continually face when I talk to constituents about this is from the bottom up, how you drive the right pushes and pulls in the use of our medical systems.

I had a constituent the other day say to me that he went to a CAT scan clinic at the Ottawa Hospital and was finished at 8:20 in the morning. Two other people had gone before him. When he walked out into the waiting room, nobody was there. He asked the technician: "You know, I thought some people needed CAT scans." The technician answered: "The next one's at 10:30. Everybody else has cancelled in between."

I don't know how we drive these particular institutions to make certain they're using these resources in the most meaningful way. We have another example at the Children's Hospital, and you know how much emotion is involved with the Children's Hospital of Eastern Ontario. They have an MRI machine. The Children's Hospital of Eastern Ontario is immediately adjacent to the Ottawa Hospital general campus, where they have an MRI machine. They're 300 feet away. There's a tunnel connecting them. The MRI machine in the Children's Hospital is only used about three or four times a day. It is really difficult to drive the proper use of these health care services.

That's, I guess, what I'm looking for in terms of innovation, so that we can somehow have some comparisons which the average person, the average Legislature, the average member of a hospital board can understand and call the administrators and the health care workers into line when necessary.

E. Hermanson (Chair): Yes.

L. Sandals (Ontario): A couple of questions that maybe some of you folks can answer. The same question that Bob asked about universities, but about hospitals: how many Public Accounts Committees around the country have actually taken on the task — or, I guess, more directly, has the provincial auditor taken on the task of directly auditing hospitals?

Then the second question. Maybe this is directly for B.C. You talked about performance indicators for government ministries. Does that go down to the level of having performance measures for individual entities like hospital boards?

N. Sterling: I presume, Liz, you're talking about an audit for value-for-money.

L. Sandals: Yes.

N. Sterling: Everybody would have an audit — you know, value for resources.

E. Hermanson (Chair): Perhaps, while the PACs are considering what they've done, B.C. would like to respond. They're in consultation. Someone over here?

E. Weir (New Brunswick): For New Brunswick, Elizabeth Weir.

I'll answer on behalf of my colleagues. The regional health authorities' CEOs appear before our Crown corporations committee, and we have full access to their financial statements and expenditures. They're privately audited, but I believe our auditor general reviews their working papers and has noted in annual reports where there are issues that arise.

I think all of us probably think there are ways we could improve on the current accountability that exists, given that our RHAs probably take up about a billion dollars' worth of our health care budget in a small province. Prior to two or three years ago they didn't appear before the Crown corporations committee, so that one was one step forward.

Floor Comment: Would those include audits for value-for-money as well as the general audit?

E. Weir: No, no. Just the normal financial audits would be done, and our auditor general reviews their working papers — so only if there is, I think, an issue that's brought to his attention. But no, not the value-for-money audits.

E. Hermanson (Chair): British Columbia.

J. Kwan (British Columbia): My apologies, Mr. Chair. Earlier I think there was a question directed to me, and I was picking up a message from my colleague from British Columbia about a thought that I may want to bring up during PAC discussion here.

The question around hospitals in terms of whether or not any reviews come up in our committees — the short answer is no. We haven't actually had a specific review of them, although through a recent report from the auditor general, there was a review around health organizations, particularly in relation to doctors' salaries. There was one hospital related to it, and that was the Nanaimo Hospital, where there was a major dispute that could potentially have put some patients' health at risk. That matter came before the Public Accounts Committee for discussion.

Since that time, as the Chair of the Public Accounts Committee.... Some doctors, including the College of Physicians, have requested that that matter be brought up to the PAC for further discussion. We have yet to decide amongst the PAC members whether or not we would actually entertain that.

Having said that, the health authorities in British Columbia do have performance reports that are tabled in the Legislature. All of them are subject to estimates debate in the Legislature. At some point in time if there's an interest from the Public Accounts Committee to have those matters referred for specific review, that could be done, especially given that British Columbia is now GAAP-compliant.

E. Hermanson (Chair): Thank you.

Are there any other provinces that want to respond to this question?

Y. Jones (Newfoundland and Labrador): Yvonne Jones from Newfoundland and Labrador.

We're a new committee, as our Chair said earlier this morning. We have not, I guess, done any extensive work around health care. The only audit that has been done in our province has been with the boards and not necessarily with the entire operations of the hospital facilities. We have not done any previous audits on the university.

There were some issues back some years ago, and I think the auditor general tried to do an audit at that time, but it did not get through. There has been some debate, I guess, in recent days as to whether now the universities should be subject to an audit within the province. I guess we'll deal with that over the next little while.

I did have a question as well for Norman. In your presentation, you talked about the Health Quality Council in Ontario. I'd like to have more information on how the Health Quality Council works, how they're comprised and how effectively their recommendations are being acted upon within government.

N. Sterling: It's so new that I don't even know if they've been appointed. I can't report on that right now.

I guess my overall concern with all of these councils, whether it's at the federal level or at the provincial level or whatever, is: are they going to really add value to providing health care in the end? How dispersed is...? It seems to me that the more bodies you create, the less accountability you eventually get, because it's in somebody else's territory or somebody else is looking at it or you're hearing one story over here and you're hearing another story over there. It will be interesting to see how this emanates and how the one at the federal level emanates in terms of what they're doing, whether anybody will understand what they're saying and whether anybody will react and do anything different because of what they say.

I have a question. I believe that British Columbia has — I know Quebec has — regional health areas or whatever, and the province of Ontario has announced that they're going to go that way as well. Could you comment on the accountability through that particular mechanism? Is it more difficult for legislators to get at the accountability because of the funding being shoved down one level or at a regional level, or is it easier to have accountability?

E. Hermanson (Chair): British Columbia?

J. Kwan: In about July of 2002 the Ministry of Health.... In British Columbia we have six health authorities. Those six authorities had to put forward these performance agreements to the Legislature for review for the years 2002-03 to 2004-05. The PAC did review those performance agreements, not specifically related to hospitals or any such thing but the overall broad picture of what the health authorities were aiming to do. They were more general rather than specific in that sense.

We're moving in a direction, though, where governments now have to take on full responsibility for the health authorities, again in part because we're GAAP-compliant, which was implemented just this year. What we call the SUCH sector — schools, universities, colleges and hospitals — all now falls under the same financial statements, into one set of books. It's been all consolidated into one. In that way, hospitals could be under the strictest of scrutiny, if you will, by legislators as well as through the PAC in its work, although we haven't yet done that work to any extent.

The other piece that I should add as well, where it does make a difference with the health authorities, is that there was a court decision in the Supreme Court of Canada. For quite some time government made the argument that hospitals and health authorities do not fall under their jurisdiction because they're controlled by a separate entity and they are sort of outside of government, if you will. The court actually made a determination and a decision that actually said: "No, government, you're responsible, for you do set the policies and you do give them the budgets, so ultimately you're answerable to that."

Again, the matter didn't come before PAC for further discussion, but during the estimates process for the opposition we raised these with the ministers of health, and they had to actually answer questions, whereas just prior to the court decision and prior to GAAP compliance, the ministers always said to my colleague and me: "Don't ask us. Go and ask the health authorities." Now that argument no longer washes, for those two reasons.

E. Hermanson (Chair): La province du Québec.

L. Lessard (Québec): Bonjour. Je vais faire une petite réponse courte un peu comme la Colombie-Britannique.

Actuellement la vérification [*inaudible*]...nouveau... des agences.... Les régies s'appellent maintenant les agences de santé. C'est un peu la même façon d'opérer. Toutefois, ce n'est pas assujéti à la vérification de la Commission de l'administration publique. Toutefois dans la loi constitutive, ils ont l'obligation de rendre compte à la Commission des affaires sociales annuellement pour [*inaudible*] ... lequel les parlementaires vont discuter de la reddition des comptes. Dans le rapport annuel de gestion ils sont assujéti à la Loi sur l'administration publique. Ils doivent quand même produire un rapport de gestion, de performance, mais à la Commission des affaires sociales, séparées pour l'éducation chez-nous. Donc ils peuvent rediscuter lorsque des interventions sont faites, mais ce n'est pas le Vérificateur général qui a le pouvoir d'intervention dans ce cadre-là.

E. Weir: If I could just.... We've just gone through a transition where our health regions, with CEOs who were hired by a board in that region, had been transformed into elected regional health authorities. The CEO is now a civil servant in the employ of the deputy minister. This has just happened in the last, I guess, municipal election.

I think the experience, certainly, of the opposition members on the Crown corporations committee was that the CEOs of the health regions were refreshing in their candour in answers to questions from committee members. I think that when they come back as employees of the Deputy Minister of Health, it will be interesting to see if they are still as full of candour as they were prior to the change in their employment status. We will be, I guess, conducting our full review when the Crown corporations committee meets.

I guess the issue for us is that to some extent the validity of the actual budgets for the regional health authorities, which are set in the Department of Health's budget in the Legislature.... I guess there is.... Again, maybe it's an opposition view that those budget numbers, that we actually don't do a good enough job in toughly questioning how genuine some of those numbers are. Certainly, our experience has been, in terms of the presentations to the Crown corporations committee, that in fact they have been very informative and very helpful to committee members, but as I said, we're not sure that'll continue.

E. Hermanson (Chair): Bermuda.

P. Gordon-Pamplin: I just have a question. Dealing with multiple hospitals and, you know, regional councils and the like with respect to hospitals, one of the challenges that came up in Bermuda was the question in which a private clinic elected.... I'm just thinking in terms of machine, equipment utilization. One of the private clinics came up with the determination that they should purchase for themselves an MRI machine. There is an MRI that exists in our hospital. The criticism

that came at the time was, notwithstanding that more equipment should drive costs down.... In fact, given the limited number of usages, having additional equipment somewhere was probably going to end up driving costs up, based on the fact that there is going to have to be justification in terms of the amortization of the costs for each of the institutions.

I just wonder whether anybody has any experiences with respect to how effective the usage of these machines.... As you said, you found one of your constituents who, having had a test in one place.... You know, there's a machine next door that is effectively underutilized, if utilized at all. I'm just wondering what sort of experiences exist in this regard.

N. Sterling: Well, I don't think we in Canada ask the right questions. I am aware of some research with regard to MRIs, for instance, that I think in Canada, or.... At least in Ontario, for instance, when they undertake an MRI, they only find a positive in about 25 percent of the cases, and 75 percent are negative, so that there isn't any problem, whereas you go to some other publicly funded health care systems in Europe, and they find positives in 75 or 80 percent of the cases.

I don't think we ask those questions. I don't think we ask that of our hospitals; I don't think we ask that of anybody who is running the MRIs. Therefore, we run these extra costs because health care providers are demanding too many of these tests when they should be, perhaps, more prudent in terms of asking for them. Therefore, we have a never-ending waiting line. As soon as you open another MRI machine in our jurisdiction, because no one is paying any money for it, the book is already made. I mean, it just fills up. Because they're not paying for it, some people don't show up when either their CAT scan or their MRI turn comes around, because their headache was four months ago or whatever it was when the doctor ordered the MRI.

I guess my purpose in bringing forward this particular item and talking to those of us who work on the ground with our constituents is.... I think we are going to have to get some markers out there, some tests which are not only driven by the health care community and those with a vested interest on the other end of it. There has to be some challenge to them in terms of what these statistics might be, how these reports would be made and what the consequences of those reports might be.

J. Kwan: I just want to add this comment in terms of issues around MRIs. In our province our primary issue with wait-lists with MRIs stems from not so much.... Well, I don't know, necessarily, whether or not people actually need an MRI. Rather, the wait-lists stem from the inability of getting the staffing or the unwillingness of government to pay for staffing around the clock. Therefore, the MRI machines are often sitting there unused, because we don't have the staff to operate them. In the meantime, the wait-lists are growing, and that's part of the impatience from the community around wait-lists. I just wanted to throw that out for people's information.

J. Maloway (Manitoba): I'd be interested to know whether the health councils or the ministers in the federal government have ever stopped to consider establishing IT standards for hospitals right across the country. I've always thought that the federal government should be mandated to pay for or develop a common IT platform for each hospital, dealing with patients' records and diagnostic tests and so on, so that we don't keep repeating the.... Each hospital is purchasing software packages.

We had a software developer in Manitoba that had a package that was developed, and he sold it to two hospitals. It was considered a big success by the industry department — right? Of course, he was hoping to sell it 14 more times, so the taxpayer got to pay for it 14 more times. We should be developing a common standard, at least nationally, and replicate that right through the country. So

whether you're in B.C., Alberta or Manitoba, you have the same system in each hospital so that they can communicate with one another.

I think in Alberta they have doctors' offices being connected to the clinics, to the hospitals. When you do tests and so on, you put the records on the electronic files, and it doesn't matter what hospital you're in; you've got your records there. To me, that's going to save huge amounts of money long term. It's something that is happening, but I'd like to just know what kinds of efforts are being made to enforce that.

N. Sterling: I can't speak for the feds, for sure, but we have the same problem in Ontario. We have a helter-skelter situation with regard to development of IT systems across Ontario, and Ontario has allowed that to happen. I'm not proud of it, but it continues.

It always has amazed me that if you go to the Toronto General Hospital if you're in Toronto, you still have to go through the same stuff you went through somewhere else. As I say, when you have each hospital board acting jealously to guard their jurisdiction, it tends to lead to these kinds of anomalies, and you pay for it. That's part of the problem.

Quite frankly, the problem we have in Ontario is that we have administrators in our hospitals who are earning \$300,000 or \$400,000 a year to run hospitals — now, that's a fair-sized hospital you're talking about there — who can dangle the board, and I'm not sure the board has the information associated with some of the decisions they're making or not making in front of that particular person. It's politically not very astute to attack a hospital board. I've learned that over eight elections.

E. Hermanson (Chair): I'm sure that as PAC members, we're getting some light bulbs going on of questions and issues that we want to take back to our various committees. Are there other areas regarding accountability in health care that you have experience with or would like to relate to us, or further questions you might have for any of the other provinces or for Norman today?

N. Sterling: Thank you very much, Mr. Chairman. It is a difficult topic to talk about. It's difficult because it's so all-encompassing with regard to our financial situations. I appreciate your patience in trying to deal with it. It's a difficult one to come to the right conclusions, and it's difficult to think of things we can do as legislators in order to improve the situation. Thanks very much for your participation.

E. Hermanson (Chair): I'd like to thank Norman Sterling for being brave enough to come before this body and handle these very difficult issues. Keeping the schedule here is like politics. It has its ups and downs. Before lunch we were up, coming back we were down a bit, and now we're back up a bit. We've gained a bit of time back. Thank you for your participation and your cooperation.

I turn the meeting back to one of the co-Chairs. Thank you.

F. Branch (New Brunswick): Now we'll have a break, and following the break we go on to the fourth business session.

Business Session No. 4

Chair: Harry Harding, MHA (Newfoundland and Labrador)

Topic: The Implementation of Generally Accepted Accounting Principles in British Columbia

Presenter: Jenny Kwan, MLA (British Columbia)

H. Harding (Chair): Jenny will make her presentation, and following that, if you have any questions or comments, you'll certainly be welcome to take part.

So, without any further ado, Jenny, you're on.

J. Kwan (British Columbia): Thank you very much. I'm cognizant that for the topic that I'm about to embark on, I may only have an audience of one who's really interested. But let's test the theory.

Let me start the presentation, though, by telling you this story which, apparently, just took place yesterday. My husband, who some of you might have met and who's travelling with me, is an anthropologist. He had a conversation with the auditor general of Alberta yesterday.

My husband asked Mr. Dunn if auditors have an accounting culture. Mr. Dunn's response was.... He said: "If you're talking about 'creative accounting practices,' the answer is no. We just call that Enron." My husband said: "Well, no. Actually, that's not what I mean. I mean the application of standards in your profession." Mr. Dunn then said: "Well, now you're talking."

So I know the presentation that I'm about to embark on will interest accountants, auditors, auditors general. This is why I have Wayne here: because then I will have an audience of two who'll be interested in what I'm saying. The rest of it, let's just put it to the test.

I'm not an accountant, and I'm not sure how many of you in this room are accountants. I should say that public finance can be a challenging subject for many of us — members of the public, members of the Public Accounts Committee, representatives. I think our involvement in the Public Accounts Committee shows that we share a common interest in financial accountability and also accountability of government in this sense.

One thing that we did try to do in British Columbia was to implement what is called the generally accepted accounting principles, also known as GAAP for short. Also, Wayne is here not just to give me moral support but also to take technical questions, if you may have those kinds of questions later on.

GAAP is simply a set of guidelines, if you will, which was developed by the Public Sector Accounting Board, the PSAB of the Canadian Institute of Chartered Accountants over the past 20 years or so. They are accounting standards that the board would like to see senior governments adopt, standards that they believe would improve completeness, relevance, significance and understandable financial information.

These PSAB principles for senior governments are not static, I should note. They will continue to evolve as new concepts and needs arise. For example, the board has recently developed new control criteria for defining what is in or out of the government reporting entity, which will come into effect in the year 2005.

The question is often asked: why GAAP? Why should senior governments implement generally accepted accounting principles? For GAAP advocates, the answer is simple. They'll say that GAAP enhances financial accountability and transparency. It consolidates all of the numbers into one sheet. There you have it. You know what it looks like.

The taxpayers finance a broad range of government services and programs, and so really, in theory and in practice, they do deserve to see how their money is spent throughout the entire public sector — in an easily readable way. That's, I think, the thrust behind why GAAP.

British Columbia has been a leader in financial reporting over the past two decades. In fact, it has been largely GAAP-compliant for several years now, with the exception of schools, universities, colleges and hospitals — what we call the SUCH sector, for short.

To implement this final phase towards full GAAP-compliance, the province developed a three-year plan. This basically involved establishing the government's information requirements and then working with the central agencies, ministries and the SUCH agencies to ensure a workable plan.

We are advised, as well, that the government has also appointed an accounting policy advisory committee to advise Treasury Board on the implementation of GAAP. The committee is composed of accountants independent of government. Their advice has been sought in the areas where significant professional judgment is required, such as determining the size of the government reporting entity.

During the current parliament the Public Accounts Committee has also received regular updates from both the auditor general as well as the comptroller general. At our meeting in February of 2004, for example, most of the discussion focused on the entity question.

When Budget 2004 was presented in February, it did address two previous exceptions to GAAP in the province's financial documents. It did this by expanding the government's reporting entity to fully include the SUCH sector, which in turn effectively removes prepaid capital advances from the assets of government.

The major issues that arose through this exercise of incorporating the SUCH sector have been, I think, the most difficult of the full move to GAAP. In making the decision, the government followed the PSAB criteria for determining inclusion, which are based on whether or not an entity is controlled by government — and includes the school districts, the colleges and the health care organizations.

The status of universities, however, is less clear-cut. The new PSAB control criteria would seem to exclude universities. However, our own auditor general has made the case for the inclusion of public universities on the grounds that the government controls their financial affairs and resources, and as such they are included in this full GAAP implementation.

In recognition of the auditor general's opinion, this university inclusion really took place for the 2004-05 year. The government will continue, of course, to monitor the issue, in particular the treatment of universities by other provinces under the new PSAB reporting entity criteria. To my knowledge, Manitoba is the only other province to date that includes them, at least partially.

Another challenge was that the province's schools, universities, colleges and hospitals have different accounting policies from those used by the ministries or the Crowns. In order to include the SUCH sector in the summary financial statements, the province had to actually change the way government grants to the SUCH sector were recorded. That actually made for an interesting transition, if you will.

There was also the challenge of different year-ends. The government's fiscal year runs from April 1 to March 31, but the year-end for school districts, for example, is June 30 — the same time that the school year closes. That, itself, actually presented challenges, as well, in dealing with it. To deal with this discrepancy, the Ministry of Education is compiling all the interim financial statements from each school district up to March 31. The auditor general will audit this consolidated statement during his review of the 2004-05 public accounts.

The current status of GAAP. The first GAAP budget to include the SUCH sector was presented on Budget Day in February of this year and covers the current fiscal year. The first GAAP quarterly report, which includes a forecast, will be issued in September, and then the first GAAP public accounts will be released next June. The government is hoping that at that time the auditor general will be able to give an unqualified audit opinion on the summary financial statements.

At the same time, though, the government is aware that the adoption of GAAP-based balanced budget legislation will not automatically trigger an unreserved audit opinion. Why not? Because it is difficult for any jurisdiction that adopts GAAP to keep up with the changes in the PSAB standards, which is why I noted that in the beginning.

There could continue to be differences of opinion with the legislative auditor about the appropriate accounting methods to use. As an example, if an auditor general disagrees with the methods used to arrive at a small surplus in a GAAP budget, then he or she may qualify that audit opinion. So adoption of GAAP may require changing government's working relationship with the legislative auditor to improve collaboration and to ensure more predictability in financial accountability.

One of the things that the members of the Public Accounts Committee plan to do next is to monitor and learn from other provinces, particularly in regard to the inclusion of universities. We heard there was a question earlier this morning about that. As I mentioned, I think there's one jurisdiction that has adopted that in its practice.

The full move to GAAP happened only very recently within British Columbia. Improving the quality of data and reporting practices in the SUCH sector still needs some attention. The drive for better disclosure will require more work and more collaboration between central agencies, ministries and SUCH organizations.

Further down the road, there may be a change in the fixed election date as well. This was actually mused about by the Premier. Under the existing reporting schedule, the auditor general completes his independent audit of the province's public accounts in June. This year his verdict on the first GAAP public accounts won't be available until several weeks after the next provincial election, which is on May 17. So the Premier has mused about the potential changing of the election date. I'm cynical, of course, having been in politics for a number of years now. Whether or not there's any coincidence relating to the fact that the current government is actually riding lower than the opposition in the polls.... That might cause him to muse about potentially changing fixed election dates.

Anyway, I'll leave that for your consideration. That's not part of the presentation. That's just a thought that popped into my head here.

Ultimately, though, the notion of GAAP is important insofar as this. It does allow, I think, for better public accountability measures. It does comply with standards that have been set by PSAB, something that I think the auditor general had advocated for a long, long time, whether it be Wayne or his predecessor.

I think it is also important to note this as well in terms of GAAP. Relating to my earlier presentation this morning, on the issue around public accountability, it rests not just on one mechanism. GAAP is one piece within it. I think it's critical that governments need to ensure that other corresponding pieces for public accountability are also in place so that you can actually have all the components working together. GAAP is one means towards it, but it's not the be-all and end-all. I do want to note that.

The last thing I just want to leave you with is this thought. At the end of the day, though — and this, again, is from a political point of view — accounting procedures are one thing, and accounting

practices are one thing, and it is important to apply standards. Otherwise, you will have Enron on your hands, which is something that I'm sure all legislators do not want — unless you're in opposition. No, I'm kidding. That's something that we do not want. It's not in the best interests of the public.

One thing that I do note is this. It's rather cynical. George Bernard Shaw actually said it very well, so let me just quote him. He said: "A government which robs Peter to pay Paul can always depend on the support of Paul." At the end of the day, from a political perspective, how budgets are allocated is, to a certain degree, how Peter gets robbed or, even, how Paul gets robbed.

Depending on which side of the fence you sit on, policies are made accordingly. But the principles in terms of procedures in accounting for where the budget allocations go and how the dollars are spent and how it is managed — those should always remain static, in the sense that a set of standards should always apply. Then it evolves only when those standards and the times change, causing those standards to evolve, which is the game in which we are now playing. Thanks very much. That's my presentation, and I'll be delighted to take questions from you. As I mentioned, Wayne, the auditor general from British Columbia, is also here to take questions from you. We'll open the floor.

P. Gordon-Pamplin (Bermuda): I'd just like to make an observation in terms of our own context. That is with respect to the fact that GAAP would dictate that governments consolidate their statements. Within our own environment and jurisdiction, there has been a reluctance to come into the twenty-first century with respect to consolidation. We've had reluctance.... We just haven't had the support and the insistence, on behalf of the government, to say this is the right thing to do.

The auditor general has had this comment on his audit report for something like nine, maybe ten years, to say this is the route we ought to go, and it has not yet been adopted. The reluctance comes from, I guess, the representation by the accountant general to just do the necessary work in order to have the consolidations done.

My question would be: to what extent do the various provinces here find that they've had cooperation in being able to produce consolidated statements, or is there still that reluctance on behalf of the individual provinces to reach that level?

J. Kwan: Well, I'll let the other provinces speak for themselves. As I mentioned, I believe there's only one other jurisdiction that's fully GAAP-compliant. British Columbia now has entered into that realm. It took close to about 20 years, truth be told, in getting here, and many PAC committees before me had advocated it. Up to about a few years ago, we were almost fully GAAP-compliant with the exception of the SUCH sector that I mentioned.

I'll tell you some of the reasons why people are reluctant, and I'm sure that you have that experience as well. We had that discussion just prior to the break. That is, of course, that some of the agencies of government, if you will, operate somewhat independently of government. Yet if you bring them into full GAAP compliance, you are now responsible for their actions. You are answerable for their actions. In theory, it actually makes sense. At the end of the day, it is tax dollars that these agencies get. Therefore they should be accountable, and you do want to extend that level of accountability measures to these agencies. So there's give and take in moving towards GAAP compliance.

I know that there's another issue as people are perhaps looking into moving into GAAP compliance, which you do need to be aware of. For example, in British Columbia, where we move into GAAP compliance this year, we're also going through a major exercise within government

where they are severely cutting budgets from a variety of programs — and I'm talking about severely cutting budgets. When they moved into GAAP compliance, they found \$100 million worth of surplus.

The government turned around and said: "That's new money into programs." Well, in fact, it isn't. All that it is, is a change in which accounting numbers are put down. It shows up in the paper, but in reality it is not new money into programs. So there are things that you need to watch in terms of moving towards GAAP compliance — what the ramifications are and how one uses that information to their advantage.

Another side of it — which is, again, the downside of things — is that on the one hand, GAAP is a really good thing to move into. Government was able to use that to hail what a great step forward they have made in moving toward accountability, transparency and so on. On the other side of it, they started to actually take away what I called earlier the offices of accountability: people like the auditor general, the freedom of information officer, etc. — to reduce their budgets accordingly, and in some instances to reduce their authority accordingly.

So by doing that, it takes away the accountability measures that I think are essential with or without GAAP. Yet the government taketh on the one hand and giveth on the other, and then we're able to talk about their improvement in the area of public accountability and transparency.

Those are the kinds of things one must watch for as you move into that direction. British Columbia has experienced all of those things, and I'm sure that we'll continue to over time. But the reluctance, in terms of other jurisdictions, in terms of their movements.... I'll let the other provinces speak for themselves.

E. Allaby (New Brunswick): I have a question. This morning the auditor general from British Columbia mentioned that three-year business plans were used for establishing the performance targets for government departments. Was that three-year business plan part of the GAAP process? In other words, did your GAAP compliance require the departments to do that? Or is there any other way of measuring performance under your GAAP to ensure that you have some performance targets and performance measurements at the end that you can compare and see whether the departments are actually living up to what they're supposedly saying they're going to do?

W. Strelieff: There are two streams of action going on. There are the generally accepted accounting principles and trying to get a summary consolidated financial accounting of the overall government. That is taking place now. As I mentioned earlier today, putting in place legislation was really essential to it.

You mentioned performance targets, and I'm assuming you're talking about non-financial performance targets in health or education or social services or transportation. What legislators did in B.C. was pass a piece of legislation called the *Budget Transparency and Accountability Act*, which set expectations in place that said: "Government, we want to know what are the results that you're expected to achieve in terms of costs and results — in measurable terms. We want three-year vistas, and we want those plans to be tabled the same day that the overall budget of the government is tabled."

In addition to that, I think I gave you a copy of a quick reference guide to the principles that have been adopted in B.C.

There are two tracks going on. The ultimate aim is linking costs with results. So you need a full statements of costs — for example, the full cost of public education, the full cost of university public education — and to link it to changes to graduation rates or whatever the specific targets are

and the costs of achieving those targets. They come together in a strategic way, but in terms of making them happen in B.C., they're taking two courses. It's not a GAAP requirement for a three-year plan to be tabled. That's a policy position of government.

J. Maloway (Manitoba): I'd like to ask: given that the prepaid capital advances were removed from the assets of government, how much more room did that give the government to assume or accommodate more debt?

W. Strelloff: The prepaid capital advances was — I'm getting into technical stuff — a quasi-consolidation of the health sector and the education sector. Now that we're going to just consolidate the full costs of education and health, there was no need to keep on recording that advance, because we now will have the full assets and liabilities of the health and education sectors in the overall financial statements of government.

You asked, I think, a different kind of question. In my audit opinion on the '03-04 financial statements of the government, I said that the annual deficit was overstated by about \$350 million. The annual deficit was overstated by about \$350 million, and the assets and liabilities of the government were understated by several billion dollars each. So when you ask how much additional room is there in the financial framework of the government if they would have adopted generally accepted accounting principles earlier — I think this is what you're talking about — their annual results would be about \$350 million less in an annual deficit than what they said. I can't remember what the recorded deficit was. It might have been about \$1.2 billion, and it should have been \$900 million — in that ballpark. Was that what the question was?

J. Maloway: Yes.

W. Strelloff: Okay.

L. Sandals (Ontario): I've got a couple of questions. The first has to do with universities, which I think you had indicated there was even a court case around or some problem in terms of whether they were part of the SUCH sector that would be included in the accounting. It occurs to me that with universities in particular, they tend to have a substantial amount of money tied up in research which may have to do with private research contracts or may in fact be a federal transfer rather than a provincial transfer.

How are you dealing with that if you're bringing that into the province's books, given that that section of the financial enterprise is not provincial funding?

W. Strelloff: Universities in British Columbia get their sources of funding from primarily three sources: a grant from the province, tuition fees and research grants. The main source of research grants is the federal government.

When the financial results are consolidated, you'll see the total revenues and expenses of universities regardless of the source. You'll be able to track what the total cost of public university education is. You'll also be able to track the extent to which there are shifts in revenue sources taking place, and then be able to debate whether those shifts are the right shifts. Of course the main shifts are that the federal government is taking a more active role in universities, and more revenue is being raised through tuition fees compared to provincial grants. Those are all significant policy decisions that you need to argue about and discuss, and you need the full accounting to do that.

L. Sandals: But is that revenue from non-provincial sources then ending up on the province's books, if you're consolidating the statements?

W. Strelloff: Yes. The revenues from tuition fees will be part of the total revenues of the province, as well as the revenues from research grants from the federal government and also from private sources. You'll get a full picture of the state of finances of the public university system as it gets incorporated into the government's finances.

L. Sandals: Okay. I'm wondering, from the practical point of view of a politician: if this is all getting folded into the province's books, do you tend to get a situation where you now have provincial politicians answerable for a bottom line over which they have relatively little control — as opposed to the more traditional provincial presentation of the books, where as a provincial politician, you're answerable for that which you are directly responsible in a policy sense, as a politician?

I'd be interested in your reaction to that, because it seems to me you're getting a much larger entity, much of which you have very little practical control over.

J. Kwan: That was exactly the issue, I think, for many politicians as they considered the concept of fully implementing GAAP. By incorporating the SUCH sector — whether it be schools, universities, colleges or hospitals — you are putting yourself in the place where you are answerable for these agencies where you don't necessarily have direct control over what the decisions are.

Having said that, the rationale that the auditors and others used to justify that move is that at the end of the day, the moneys given to these agencies are still government moneys. They're still moneys from the provincial coffers. Even when you talk about the university sense, where they are grants from the federal government, they're grants from the federal government through to the provincial government. Therefore, it's listed in the books as provincial revenue for that particular university.

People make the argument that there is only one source of taxpayers, no matter what level of government, and that somebody's got to answer for it. Therefore, that's where that argument goes. There was some resistance, which is why I say it does present challenges within it.

The court decision I talked about — which had ramifications for holding legislators accountable for answering questions and holding ministers, that is to say, accountable for these non-government agencies or quasi-government agencies, if you will — was a decision that came out of the health authorities. There are six health authorities in British Columbia which are at arm's length from government, but they get grants — dollars — from government. Their budget comes directly from government. The court actually made a decision saying that that information is subject to freedom of information and should be public information. To that end, it's the minister who ultimately makes the decision about the dollars that flow and, therefore, the services and programs that flow, so they should be answerable for it.

This does open it up. Now we do use the two arguments in the Legislature to try to hold the ministers accountable for answering questions — that is, the full compliance with GAAP and also the court decision. As I said, the court decision came out of the health sector, but it's applicable, I think, in other sectors as well.

W. Strelhoff: On the university side, in a more technical sense we also looked at the features of indicators of control that a particular government has over the university system. It varies from jurisdiction to jurisdiction. In B.C. the government has the ability to appoint the majority of the board. They can un-appoint all members of the board. If you think of a private sector comparison, that's pretty significant in terms of the policy direction of an organization.

Borrowing has to be approved by the Minister of Finance. It's pretty significant in terms of the financial integrity or financial planning of an institution. If you can't borrow on your own and it has to be approved by the Minister of Finance, well, that's a significant indicator of control. Also, disposals and acquisitions of public property have to be approved by the government. Then, of course, the significant public investment that we have in education through our governments is there. If the government doesn't provide a complete accounting of that story, who does?

G. Steele (Nova Scotia): Nova Scotia has had fully GAAP-compliant financial statements for three years. I think that makes us among the leaders in Canada. I wanted to make a few comments on our experience.

For me, it's absolutely astonishing that we didn't have GAAP-compliant financial statements. Now that we do, I have to ask myself: "What did we think we were doing before?" It's impossible to have any kind of a meaningful public debate where there are not even solid numbers that you can rely on. How can you have a debate, for example, about paying down your province's debt if you don't truly know what your province's debt is?

What has happened in Nova Scotia is there has been a complete transformation of the debate about the province's finances. In the old days the debate was: "What are the real numbers?" The government said: "Here's the number." The opposition said: "No, it's not. This is the real number." Now we have agreement on what the numbers are.

For those of you sitting on the government side, I can't understand why your governments wouldn't move immediately to GAAP compliance, because it's the ultimate defence to opposition claims. They have GAAP-compliance statements. The auditor general says they're fine. There's nothing the opposition can say. The reason it has transformed the debate is that instead of arguing about what the real numbers are, now the debate is where it should be, which is: what is the significance of the numbers for public policy? Now that we know what the true numbers are, what ought we to do? It's certainly changed the debate for the better. It doesn't mean there are no problems.

One of the things we've all realized is how much professional judgment is still involved in GAAP. The accountants have a number of choices to make, and of course we believe that every time our Department of Finance has to make a choice, they make a choice that's favourable to the government's bottom line. That's just a belief that we have. You realize just how much professional judgment there still is. Whichever choice they make, it's still GAAP-compliant.

Probably a bigger challenge in Nova Scotia is that the only document that is GAAP-compliant is the year-end financial statement. Every other financial document the government issues, like their quarterly reports and things like that, is not audited by the auditor general and is not GAAP-compliant.

Last November our auditor general issued an extraordinary special report, which he hardly ever does, where he called the government to account for several things that they'd done in their non-GAAP-compliant reports that he felt were misleading or simply wrong. It just goes to show that even in a GAAP-compliant province, the only time you can really rely on what the government is

saying is in the year-end financial statements. We still have some work to get those other statements up to the same standard.

Being from a province that's fully GAAP-compliant and has been for three years, all I can say is that I can't imagine what would be holding any other province back from doing the same. It's a big project. I think Jenny said that in B.C. it's three years. No government is going to get into power saying: "We're going to make it GAAP-compliant tomorrow." There's a lot of work that has to be done. In Nova Scotia it took three years, and it was all done. It's really improved the quality of public debate in Nova Scotia.

E. Hermanson (Saskatchewan): I'm trying to understand the impact of being GAAP-compliant. Could you just briefly explain the cultural change within government of going to GAAP-compliance, I suppose from the position of both those who offer scrutiny and those who experience the scrutiny — and also the technical changes required? How costly is it to become GAAP-compliant, and how major is the revision to the work of a general auditor and government in becoming GAAP compliant?

J. Kwan: I'll take the first part of your question in terms of the cultural change. I think the point that Graham's made — and we've just started this process — and that is.... I think that over time it will give the public confidence in terms of the numbers that government gives them — that it is a true set of numbers and that there is no fudging, if you will, with the numbers. One of the attacks on the previous administration, what people sort of attacked us on, was that there was always that footnote from the auditor general because not all of your financial statements had been consolidated, not all of your numbers had been consolidated. There's always that opportunity for people to say that somehow you've hidden somewhere. That's a major political issue, I think, in terms of GAAP-compliance.

The cultural shift. The most important one on the question around accountability is this: it really disallows the government shifting their responsibility onto these authorities or these other agencies to try and not answer questions. They are no longer able to do so, because they're in your books; they're in your budget books. It says how much revenue they're getting and so on. They can no longer pass the buck in that way.

Formerly, there were arguments that were made because all of these government agencies at the end of the day.... Who hires the CEOs and the CFOs and the board members and so on? They're all government-appointed. Even with that argument it wasn't good enough. Now that it's in black and white, it shifts the culture. The ministers can no longer sit and say: "Well, I'm not answering that question. Go and ask the authority." If they tried, they would just be mocked by the media, and of course the opposition helps in that process as well.

I think that from the accounting.... Actually, I'll let Wayne speak from his perspective in terms of the shift from the accounting side in terms of the culture within the auditor general's office. That was the impetus. As much as the PACs pushed for it, the impetus really behind moving British Columbia, in my view, to fully GAAP-compliant was the auditor general's office. Governments very much want that independent auditor's endorsement or validation of what their budget numbers are and what they look like. That is the ultimate push, in my view, that actually brought us to full GAAP compliance.

W. Strelloff: Two comments on the cultural side.

One of the hardest issues to deal with in terms of boards and their management groups is that when their organization's financial plans and results get consolidated in the overall government's, they become part of the fiscal plan. If the fiscal plan is tough and perhaps the government of the day wants to balance the budget, part of balancing the budget is financial management rigour throughout the provincial public sector. If you're there, you're part of that. A lot of the institutions know that and were very reluctant and put all sorts of different arguments on the table to say: "Well, no, we don't want to be part of this."

The second cultural part is.... The government wants plans. They want forecasts. They want quarterlies. They want quarterly updates. Well, for many large organizations, that's new. In discussing that issue with boards and senior management groups, I find there's no room for that discussion. I mean, they should have complete financial plans. They should have quarterlies. They should have forecasts, and they should be managing and working with those. That really affects the relationship between boards and management. Once they move to quarterlies, plans and forecasts that are rigorous, their boards get that information. The debate, the discussion, the oversight is more rigorous — healthy, I think — but a different cultural shift, particularly in some of the segments of the institutions.

Cost-wise, I view it as just a by-product. Providing good accounting is just a by-product of good management. If you haven't got complete pictures of revenues and expenses and costs and debts, what is that costing you? Providing it should just be a by-product of good management.

On the audit side, we're trying to carry out the audit of a significantly expanded reporting entity, as we describe it. I think there are 100 new organizations that are going to be coming into the government's financial statements for March 31, 2005. We're trying to do the audit at the same cost, and that's our target.

H. Harding (Chair): Are there any further questions for Jenny?

J. Maloway: I'd like to ask you regarding your liabilities for retirement obligations — whether or not you are including those in the budget right now.

J. Kwan: As far as I know, they are. Yes. There are issues associated with that as well, so....

W. Strelieff: Yes, they are. They have been for a lot of years.

The one issue that has surfaced in the last couple of years is that through agreements with government and unions, they've gone to a different sharing of risks. If there is an unfunded liability, the responsibility for that is shared equally with the employer and employees. Or if there is a surplus, how to deal with surpluses is a shared decision with employees and employers, which means contribution increases or decreases or benefit changes. Those have happened.

H. Harding (Chair): Any further comments or questions?

F. Branch (New Brunswick): I would like to thank you on behalf of our conference for participating as Chairman — and participant Jenny. You both did an excellent job.

I'd just like to make this short announcement: the buses depart for Gagetown at 6 p.m. sharp. There are three buses.

Un des autobus va avoir la langue française. Est-ce que tout le monde comprend ça? Nous-autres, des Acadiens, ce n'est pas exactement pareil que des Québécois. Comme ça je dis si tu peux

comprendre qu'est ce que je dis, c'est beau. Sur chaque autobus on va avoir un soldat canadien. Sur un des trois autobus, il y a un qui parle français.

There are three buses. There is going to be a Canadian soldier on each bus speaking about the endeavours at the base and their purpose. It should be a very interesting explanation of what happens at the base. One bus out of the three buses will be in French. That's what I'm told. The explanations will be in French.

That's the only announcement I have at this point in time. Don't forget, people: the lobby, 6 p.m. sharp.

H. Harding (Chair): Before we finish, I'd also like to thank Jenny and her province's auditor general for another very thorough and informative presentation. I think it probably generated the most discussion today. Thank you very much.

Business Session No. 5

Chair: Jack Reimer, MLA (Manitoba)

Topic: Public Accounts Committees and Public Performance Reporting: *Getting the Right Information...and Using It Right*

Presenters: Graham Steele, MLA (Nova Scotia) and Michael Weir, CCAF-FCVI Inc.

J. Reimer (Chair): Trying to get our sessions underway here, let me be the first to congratulate and thank the New Brunswick delegation for that excellent evening last night. That's the first time I've ever been to a place where they piped in the lobster. It was wonderful — very, very nice. Nice entertainment, beautiful evening. Thank you very, very much.

This morning I'd like to welcome everybody here and just get into our session here. The John J. Kelly session yesterday built on CCAF's accountability and audit program, which is looking afresh at connecting points between audit and accountability, particularly PACs. CCAF also has a program looking at public performance reporting, another important element of governance and accountability. Last year's John Kelly session in Winnipeg featured their work on reporting principles — work that was strongly influenced by PAC members.

The program is now turning attention to the users and the use of public performance reporting. The research is at a fairly early stage, but still we thought we would find it interesting and helpful to provide some early feedback to CCAF about how PACs see the issue; share thinking and experience about how, when, where and why we use and would like to use government's formal reporting about performance; and also hear what is emerging from the research and start thinking about how PACs might make practical use of the research findings.

To lead the discussion, I would like to introduce Graham Steele, to my left here, the MLA for Halifax Fairview, Chairman of the PAC and Deputy House Leader for the loyal opposition in Nova Scotia. Graham is a lawyer and Rhodes Scholar. He's also a member of the program advisory group that provides strategic advice and counsel to CCAF in regards to its work on public performance reporting.

On my right, assisting, is Michael Weir, a principal with the office of the auditor general of Canada. Michael is on assignment to CCAF as the lead researcher for CCAF's public performance reporting program. You can read more about Graham and Michael and about CCAF's public performance reporting program in the brochure *Connecting Canadians & Their Governments*. It's in your binders.

With that, I'll turn it over to these two gentlemen, who will take us through this presentation at this time.

G. Steele (Nova Scotia): Michael Weir and I decided to go cordless today, so I want to make...

I'd like to thank Jack for his introductions. My name is Graham Steele, Chair of the Public Accounts Committee in Nova Scotia. Michael Weir, from CCAF, and I are going to be leading you through the presentation this morning.

What is it we're trying to achieve here? Well, the first thing is just to get a look at CCAF's research, but it's a lot more than that. The research is at an early stage, but it's going to lead down the road to things that are very important for all of us. This is an opportunity for us not only to see where the research is going but to influence it and to be a part of it. That's the first objective that we have from the session this morning.

More broadly than that, we all have a role as members of a Public Accounts Committee to influence the quality of reporting to legislatures. I've heard it said that if corporations reported the

way governments do, at the very least, their stock would drop, or it might trigger an RCMP investigation.

We have a role to play in improving the quality of information that's provided to the legislature, and that's partly what the session is about this morning — at least to get you thinking about the role of you and your Public Accounts Committee in that objective. We also want to develop our capacity to use this information, because I've also heard it said — the shocking statement — that even if governments did report to us, we wouldn't know what to do with it; we wouldn't know how to use it; we as a Public Accounts Committee don't have the capacity to use meaningful reporting information. That's something else that I would like to get the wheels turning on.

We're going to try and do three things this morning in the time we have available. There's my brief introduction. I'm going to talk a little about how I got into this, how I got involved and why it matters to me. Hopefully, I'll tweak something with each of you about why this might be important to you. Then I'm going to turn it over to Michael Weir for 20 to 25 minutes or so to give a broad overview of the research direction at CCAF. These are just going to be the highlights, but if it interests any one of you, Michael is certainly available, and so is CCAF, to give you the more in-depth view of where their research is taking them. We'd like the bulk of the session this morning to be about the discussion, to draw out from you your response to the questions that Michael and I are going to be posing to you and to get your input into these questions about where the Public Accounts Committee fits in public performance reporting.

I'd like to start, then, by talking about how I got involved in this, and it goes back to yesterday's session. Jenny Kwan was kind of joking about the fact that not many people are interested in generally accepted accounting principles, but it's really fundamental.

I talked very briefly yesterday about how it has transformed political debate in Nova Scotia. I've been involved in day-to-day politics for only six years, but that is the period over which Nova Scotia has gone from being a province with terrible books to having among the cleanest books in the country by moving to generally accepted accounting principles.

Those principles didn't appear overnight. The generally accepted accounting principles are decades old; some people would say centuries old. We have this national organization, the Canadian Institute of Chartered Accountants, that is the governing body and sponsors those rules. Then there's the Public Sector Accounting Board that takes those rules and changes them and makes them more realistic for government bodies.

Then we have our auditors general. In Nova Scotia our auditor general has been crying in the wilderness for ten years, saying: "You've got to do this. You've got to do this. You've got to do this. You've got to move to generally accepted accounting principles." Finally, it became politically expedient to do that. Our books were so bad that it became a political issue, and every party then found itself having to promise clean books. In Canada, "clean books" means generally accepted accounting principles.

Now the debate in Nova Scotia is completely different. Instead of debating what the real numbers are, what we're debating is the significance of the numbers. Now that we know the real numbers, where do we go from here?

I saw this whole debate play out, and that's what is going to happen on performance reporting. We've kind of crested the hill in Nova Scotia. We've been there, done that. We have clean books. Now we're moving on to performance reporting.

The reason that I am so interested in what CCAF is doing is that I see an opportunity for me, for the committee I'm the Chair of and for you to participate in the development of generally acceptable

reporting principles, because there are no principles. If I can be just slightly unkind to my own government for a second, I want to give you an example of bad performance reporting.

This is a document that came out earlier this year. This is our government's report on health care. I was very interested in the talk yesterday about health care accountability led by Norm Sterling. You can tell what party our government is from the colour of the ink — right? It's written entirely in blue ink. I didn't even think that was possible. The entire brochure is written in blue ink.

It's supposed to be a report on health care, but of course, what the government has done is report only on the good news. They're reporting only what they want to report. There's nothing in here that's bad news, no admissions that maybe we haven't quite met certain standards. It's just the good news, printed in blue ink and distributed to every home in Nova Scotia. This is what passes in Nova Scotia for performance reporting.

How is it that our government can get away with that? They can get away with that, very simply, because there are no generally accepted reporting principles. There is no body that governs what is to be reported and how it is to be reported, unlike generally accepted accounting principles. What we're all engaged in here as members of Public Accounts Committees is the opportunity to become involved in the development of those principles.

It's not going to happen tomorrow. It's not going to happen next year. That's very difficult for politicians, who are engaged in thinking about the next election cycle. I mean, heck, in Nova Scotia we're in a minority government. We could have an election every two years or less for the foreseeable future, so it's very hard to get people engaged in that kind of long-term thinking. All this stuff about generally accepted reporting principles is maybe six, eight or ten years down the road, but it happened with generally accepted accounting principles, and it is going to happen with performance reporting.

The only question is not whether it's going to happen. It will. The only question is how we the politicians get involved. Are we going to be on the sidelines, or are we going to be directly involved?

When I started getting interested in this stuff, I learned about CCAF. I first really learned about them when they distributed this booklet, which I think went to almost every legislator in Canada. It's called *Reporting Principles*. I read it, and I thought: yeah, this is it. These people really understand this issue. These people understand the kind of context we're dealing with. They understand what the issues are.

I was very pleased to be asked to be asked to participate in their advisory committee. Now, this advisory committee they have on this reporting principles project has an advisory committee with people all across Canada. There are a couple of legislators. The other legislator on the committee is Geoffrey Kelley from Quebec, a member of the Conseil d'Administration Publique. There are also auditors general: Daryl Wilson from New Brunswick; Sheila Fraser from the federal office; John Wiersema, who is now back with the auditor general's office of Canada; and the Deputy Minister of Finance of Alberta.

Anyway, the book that was distributed this morning gives a brief bio of the people who were on the advisory committee. I know this sounds strange, but I'm very excited about this. I'm very excited about reporting principles. I find generally accepted accounting principles fascinating, so that tells you a little bit about me.

So CCAF... I learned very quickly they are serious people doing serious work, and they have the support of the auditors general. They have the support of senior managers and governments all across Canada. The question is: how much of our support are they going to have? Again I'll ask the question: are we going to be on the sidelines as politicians, as members of a Public Accounts

Committee? Are we going to be on the sidelines, or are we going to be right there, saying: "Here's what we want. Here's what we need. Here's what we can do"?

Finally, I mention this. I guess it's kind of a personal thing, but I've had the opportunity over the past couple of years, through the National Democratic Institute for International Affairs, to go and speak to legislators from emerging democracies, from Montenegro and Kosovo and Bosnia — all parts of the former Yugoslavia. They have very young democracies, and they invite people from other countries, from older democracies. We talked a little bit about why we do what we do and how we do it. It's easy to forget, when we're involved in day-to-day politics here, that Canada is a remarkable success story as far as democracies go. When you go and talk to people from another country, it forces you to think very carefully about what it is about our democracy that works.

I mean, we all carp and complain a lot, especially those of us in the opposition. But fundamentally our system works. Why is that? Part of the reason is because we have a system of financial accountability — because we have independent auditors general so that we know what the finances of the province are.

Imagine living in a province or a country where you could never, ever be sure what the state of the finances was? Many of these emerging democracies are exactly like that, where there's some fundamental level of corruption, some fundamental level of dishonesty and no generally accepted principles.

So as a Canadian, I'm very proud to be able to go abroad and say: "Here's what we do." We're not perfect. We have a long way to go in certain respects, but one of the things that... I'm not exaggerating when I say we can lead the world in this, if we want to, and go beyond generally accepted accounting principles and lead the world on performance reporting, on making governments matter to the citizens.

So that's how I got involved in it. That's why I'm interested in it, and I hope you will be too. Now I would like to turn the floor over to Michael Weir, a senior research associate at CCAF, who will give you an overview of the state of the research on this particular topic.

M. Weir: The main meat of my presentation is going to be the little doc that you have on the desk. This is the doc that we use to brief the members of the advisory group about the results of the research thus far, at such a very early stage.

But before I go there, I'm very conscious of what Jenny Kwan said yesterday — that one of the problems with government is that they have the right solutions but they forget the right questions. Similar things happen to researchers. So let me just go back to why we at CCAF got into this issue.

The simple answer to that is that we got in because our stakeholders — federal and provincial governments, and leading service providers — were telling us that they were making the investments in public performance reporting. They were putting in the money, they were putting in the time, they were putting in their prestige, but they weren't getting the kind of returns they wanted. Whether they measured those returns in terms of greater cohesion, better performance or better public confidence, they weren't getting enough back out. So they asked us to sort of take up this issue and provide some research that would help them improve the returns they're getting.

Right from the get-go, we figured that the issues were not so much technical. There are technical issues, lots of them, but the real issues are human. As Madame Dionne-Marsolais said yesterday, the technology and technologists make good servants but poor masters. So we said there are four main categories of human issues that we want to zero in on.

The first of those is leadership and ownership. Who owns this stuff? Whose view does it project? The second has to do with judgment discipline. Who puts the discipline into the reporting

so that you don't get the kind of reaction that Graham evinced this morning with respect to what is being reported and so that people can agree what should be reported and what should be left out?

Third was the issue of capacity to use the information. It's all very well to churn information out, but governments already can churn out far more information than legislators can use and the public can stomach. How do you align the information and the capacity to use it?

Finally, there is a question of reporting and auditing practices. There is a symbiosis that Shiraz Shariff referred to yesterday between the audit reporting and the management reporting. If, as and when management bellies up to the accountability bar, how do the auditors react? Do they compete? Do they collaborate? In fact, that issue is so important that it has really become subsumed in the accountability and audit program that Libby talked about yesterday and that we're moving forward.

We started with the leadership issue, and what we did was interview elected and appointed leaders across Canada. We asked them, "What are the human factors involved in reporting?" and, as important or more important: "What do you do about them?" While we were doing this, we sort of made observations about the characteristics of the kind of leadership they brought to bear around these issues. The results were published in the document called *Going Public — Leadership for Transparent Government*, which I recommend to you almost as much as *Reporting Principles*.

The next issue was the issue of judgment, and at the heart of this is an issue of trust. On what basis do those who make the reports and those who use the reports trust that the judgment will be exercised appropriately in making reports? There is no way that you can report everything, so you have to exercise judgment and choice. On what basis will that choice be made? Equally, those who make the reports need to trust that their judgment in making reports will not be unfairly criticized after the fact.

The result from that was the *Reporting Principles* document that Graham referred to and gave such a good endorsement to. Your fee will be coming shortly, Graham. It's an important piece.

Now we come to and we're opening up on the issue of capacity, users and uses. This is the focus for today's presentation, and in a sense, it's really like... Well, it's a good idea, perhaps, to upgrade the power supply to your house to 220 volts. An even better idea, if you're doing that, is to check the circuit breakers and the wiring and upgrade those at the same time.

Before we turn to the users and uses issue, let me give you a little bit of a closing of the loop on the process that we undertook to introduce reporting principles. As Graham said, we are really involved here in an exercise to repeat, for performance reporting, what we have done with respect to financial reporting. When we spoke to you in Winnipeg last year, we set out an implementation plan that operated on four basic levels. At the first level was simply making people aware of what we had done. As Graham said, I think just about every legislator in Canada has received copies of that. It's an ongoing process. This April, for example, in Quebec we appeared on a panel with Madame Dionne-Marsolais and with Louise Paget from the Conseil de Trésor of Quebec in Montreal in a presentation to bring the results of this work to Quebec public servants. It's an ongoing process.

The second level of this plan aims to support development of jurisdiction-specific implementation plans. New Brunswick is not British Columbia, is not Alberta, is not the federal government. What we seek to do is bring together all of the key participants — legislators, managers, legislative auditors — to look at the situation in their jurisdiction and say, "Okay, what makes sense for us?" and come up with an implementation plan tailored to their jurisdictions.

We've been very pleased with the initial take-up on this. All of Canada's legislative auditors have endorsed these principles. The governments of British Columbia, Alberta, Saskatchewan, Ontario, Canada and Quebec have all referred to our work in their guidance and principles or standards that they have espoused. Legislators in B.C. have picked up on this directly and made this a connection.

The challenge now is to bring those parties together to talk about the road map by which they move forward along the long road that Graham was referring to, to get to agreed reporting principles across this country. Our aim for this implementation plan is that within ten years all senior Canadian governments will be reporting their performance in accordance with generally accepted reporting standards and getting public credit for doing so. It's an extremely ambitious exercise.

The third level is to share information and knowledge across jurisdictions. For that, we have a number of events that bring together people from different jurisdictions to say: "How are we doing?"

Finally, because we are a research organization, we don't set standards. As Graham said, the body that does that in Canada is the Canadian Institute of Chartered Accountants. So we've sought to engage them in the standard-setting process. I'm very pleased to be able to say that they have now launched a program towards setting standards, using our work as the base. As an unintended spinoff and benefit, their American equivalent, the Governmental Accounting Standards Board, has just issued a major piece of research on criteria for performance reporting. Although we didn't look for it, they acknowledge precisely two non-U.S. sources in their work in a significant way. One of them is the Global Reporting Initiative out of Geneva, a UN based initiative. The other was our work. We're really pleased with that movement.

Next slide, please.

Utilisateurs et utilisations, qu'est-ce que nous ferons? Il y a quatre grandes questions pour ce programme de recherche. Ces questions nous ont permis d'élaborer un cadre référentiel pour la recherche et aussi pour la présentation aujourd'hui.

Première question: quelles sont les attentes raisonnables à l'égard des utilisateurs et utilisations? Également, et peut-être plus important, quelles sont les attentes déraisonnables et puis, existe-t-il de meilleurs moyens de présenter l'information? Troisièmement, que sont des facteurs contextuels sur l'utilisation de l'information publiée? Finalement, comment déléguer [sic] l'information et la capacité des utilisateurs?

Next slide, please.

To drive at these questions, we've got a research program. I'm not going to dwell on this for a moment, simply to say that you can see from the visual here that we have only begun this research. What you're hearing today is kind of like trying to predict the results of an election after the first couple or three polls have reported. But it also puts you right into the research and, I hope, will make you part of it. There are some key messages that are beginning to emerge, and those are what I want to talk about today.

What are we hearing about what is reasonable? I think the key thing — and Graham touched on this — is that politics is changing. The mayor of Baltimore puts it this way. He says: "We are moving from the politics of patronage, in which the squeaky wheel gets the grease, to the politics of performance." We're reinventing politics that way. Baltimore city just won a \$100,000 innovation award from the Kennedy School of Government and the Ash Foundation — a very prestigious prize, so there's more than smoke and mirrors there.

What we're also learning is that there is no simple solution to this. There's no one-size-fits-all. Just as there's no average Canadian, there's no single user of performance reporting. Rather, what we're hearing about is a continuum of different but connected users. The continuum idea connects the front-line staff through to the senior managers through to the legislators through to the public and back to the front-line staff. The key point in that, for us and for our program, is the connection point between the senior management and the legislators. It's where the public reporting starts.

Now, there's a strong perception that right now legislators represent the group that is most important to engage, or perhaps the least engaged. Now, that may be a bit self-serving, because we've been talking mainly to managers up to this point in the research. But the one point that I would observe is that this perception gives you enormous power right now, enormous leverage, because there's a real interest in getting greater legislator involvement in public performance reporting. The uses that are most often cited are those of budget-making and oversight. I personally thought we would hear a lot more about articulating, defining goals and targets and what's reasonable and what the best strategies are for achieving those, but that's not emerging very far so far in our research. I find that interesting.

Then we get to what the public wants from this. Here it's really very interesting. By and large the public isn't interested in performance information. They don't want to engage the discussion. What they do want is a general sense of comfort that they can believe that the business of government is being conducted with propriety, with prudence and in accordance with the law. Now, there are buts. There are two. The first is that when they feel that confidence in the propriety of governance is not warranted, they get very, very angry indeed. At that point, just about everything else goes out the window.

The second but is that depending on where they are in their lives, there are times when they will want performance information. They will want performance information to be there when they need it and at a level that is germane to their decisions. A classic example of this is education. In high schools and in universities, they want to know about the choices that they are about to make. If they don't get it from the service providers or from government, they'll get it somewhere else. They'll get it through their interest groups. They'll get it from *Maclean's* magazine. They'll find another way to get it.

Now, we've not found any sort of uniform theory as to how information comes into use, but one thing is clear: it's not a short-term project. Shiraz was talking yesterday about the over eight years it took to really start to get information even mentioned, and there are other stages of use that go beyond that. It starts to get used kind of slowly and unevenly. Users will go to enormous lengths to resist or reject information from sources that they do not trust or that they perceive as being contrary to their previously held beliefs. A classic example of that is smoking. The science of smoking and health risk was done in the fifties and the sixties. It took us until the nineties to move that into public policy and to see it play into personal choices.

The third thing in that subset of how users use information is that they don't use information passively. It doesn't just fill an empty space. Rather, what they do is they take it in, they connect it with their experience and with what they already know and their perceptions, and they mould it to fit that. They will perhaps change their frame of reference, but they will also change the interpretation or the spin that's put on information. So it's an active and not a passive process.

Next slide, please. We're running late.

What are we learning about better ways to report information? Well, the first thing that needs to be remembered is that a formal written report is a very weak form of communication. It makes sense, then, for serious users or for people who are serious about reporting and being accountable to talk about it as well. Decision-makers like interactive forms of communication. They like telephone, and they like face-to-face.

A second way in which to augment written reports is to make sure there are other levels of information available which connect to the formal public performance report so that people can find information at their level — whether it's their constituency or at their specific decision level. There is lots and lots of good practice advice — all of which, I'm very happy to say, very strongly

confirms the merits of what we have written in these principles. At the top of the list is summarize and focus. Decision-makers and legislators are incredibly busy people under enormous time pressures. They can't deal with the telephone book; they shouldn't have to.

The next point, as Graham was talking about, is to tell the whole story. Tell it in a mature way. Reflect the trade-offs that are involved in public policy choices — the risks, the capacity issues, the trade-off between dollars and cents and results. On the slide we say to use storytelling. That's not in the sense of putting spin; this is very much in the sense of telling the story in context. It's in terms of illustrating the implications of public policy performance on individuals. Make it human.

I think perhaps the most important bullet on that slide is the message: "Don't sacrifice the good for perfection." If there's one danger signal I would hear, it's: "We'll start performance reporting when we build a fancy-dancy new system, which will cost gazillions." Far better advice is to start where you are, use what you've got, tell me or share with me the story from the driver's seat. If the information is poor, so be it. We'll work on that.

Finally, on that slide, better ways to report. It's interesting that in the private sector now, they are demanding — in the wake of Enron and so on — their companies report on the way that they bring to bear non-executive oversight to the operations of the managers and the management. Governance reporting is now a standard requirement.

We've heard of all kinds of interesting and innovative ways through which Legislatures are seeking to leverage their oversight of the executive, from the use of caucus committees, advisory boards — it goes on — to the involvement of interest groups, as is happening in Quebec and in Saskatchewan.

I think it's germane to the issue of trust — and why we should believe this information — to talk about, in the report, what the governance mechanisms are to bring oversight to bear on these operations and on this report. The regulators demand it of corporations. Why should we expect less of governments?

The next driving question is: how does the context affect the use of information? The short answer to that is: hugely. The reporting does not happen in a vacuum. Many, many things influence the way that it's going to get used — from the social issues, the political agenda through to the procedural rules in the individual committees. Some of these are controllable or at least susceptible to influence. Others just have to be recognized and lived with, taken into account. It's easier to advance accountability and reporting issues at the onset of a mandate rather than at the tail end, for example.

The most important contextual factor that users can do something about is trust. The key to trust is involvement not just in the hearings but, often, in advance of hearings. It's building understanding between those who are reporting and those who are trying to use the reports, and through understanding comes trust.

In the federal government, the operations and estimates committee just issued, I think, a really good report. It's *Meaningful Scrutiny: Practical Improvements to the Estimates Process*. In it, they talk about the committees considering, at least, involving the auditor general and departmental officials in planning their hearings. They talked about involving interest groups to provide perspectives on program priorities and performance. Jenny Kwan was talking about the value-added of that kind of involvement in B.C. yesterday. They talk about involving central agency officials. Involvement is the key predictor of whether somebody's going to use the information. Have they been involved in the generation of that information and in understanding how it's come together?

Other contextual factors that users can do something about include the efficacy of their own procedural rules. I was struck by Josie's comment yesterday that only three, I think, of the

jurisdictions looked at had written down their procedural rules. I was struck also by John Wiersema's comment that the time allocations can be dysfunctional oftentimes. Well, particularly if you're looking at eight or four minutes, any deputy minister worth his or her salt can talk out an eight-minute time allocation.

Okay. What are we learning about building capacity to use information and aligning that with the quality of the information that's coming there? Involvement — I've talked about it far too much already.

I think Wayne Strelieff gave the key to this when he said that it can be done, and it's very clear from the discussions yesterday that things are being done. The key issue is if you choose to do it. Some of these things sort of flow out of the discussions that we had yesterday and the discussions that have gone before.

The biggest thing I would see that is just starting to emerge.... I haven't seen a lot of practical demonstrations of it yet. We've heard it said that PACs have a special role to play in relation to information and trust issues vis-à-vis other committees — the policy committees, the estimates committees. That could be by contributing to the orientation of new members of those committees. It could be by joint planning. It could be by making reports through to them.

Closely related to that issue is building trust in the information, especially when you're starting from a low base. I think, for example, of the public guardian and trustee in British Columbia, who was in a kind of embattled situation where his reputation was very poor. Because of the new legislation, he made formal public reports, which involved the auditor directly commenting on the quality of the reports that the people were getting — building trust in the information that he was providing, which indicated that the real performance story was a lot better than the public perception of it. Over time that can start to change the public perception.

I think the most important thing about building capacity is being realistic about how long it's going to take and what the expectations are. What are the mileposts that have to be passed, and what are the time frames over which this is going to happen?

I think, equally, that having a shared road map as to shared expectations is: what's in it for the other stakeholders, for all of the stakeholders? Build in incentives for all of the stakeholders to want this to move forward. That includes PAC members. That includes senior bureaucrats. That includes the executive. If there isn't something in it for everybody, somebody's going to be out there lying in the weeds.

I've gone on longer than I intended to, Graham, so I will now come off the stage, and we can start the discussion.

G. Steele: Thank you very much, Michael.

What we'd like to do is spend the rest of the time we have available to us answering these five questions. I don't believe you have them in front of you, so I'm just going to give you a minute to read. For those of you who've left your glasses back in your rooms, maybe I'll read them very quickly.

What I'd like to do is get the discussion going. I don't want you to feel you have to answer the questions in order. The first one is: what are the risks and rewards for a Public Accounts Committee in taking a leadership role re information? It's my understanding that the jurisdictions taking a leadership role are, in particular, British Columbia and Alberta. It certainly would be interesting to hear from them about their perspective of their Public Accounts Committees' role.

What can a Public Accounts Committee do about the trust issue? This is a very interesting one, and this is one that really resonates with me, because I think it's true. It doesn't matter what gets reported. If you don't trust the source, then people are going to ignore it.

I brought along another example. This is what our government calls its annual accountability report, and they issue this every year. Then each department in the Nova Scotia government issues the same thing. You know what? It's not actually that bad. There is some good stuff in here, but the problem is that nobody trusts the government to tell the truth. Whether that's fair or not, that's the reality.

A lot of work goes into this. The media ignore it. The legislators ignore it. The public doesn't even know it exists. That, to me, all comes back to the issue of trust, because nobody trusts the government to tell the truth. The only reason we trust the financial statements is because the auditor general says they're true. For better, for worse, deserved or not, everybody believes auditors general these days. What can we as a Public Accounts Committee do about the trust issue?

How does a Public Accounts Committee get credit for exercising leadership? If that is one of our objectives, how do we actually go about doing that? What are the biggest barriers to better reporting, and what can a Public Accounts Committee do about them? Finally, how does a Public Accounts Committee build a better capacity to use reported information?

Going back to what I said earlier, many people inside and outside government believe that even if they delivered better information to us, we wouldn't know how to use it or we would misuse it. So what do we as a Public Accounts Committee do about that? Those are the questions that Michael and I are very interested in hearing your views on.

I was going to call on Jenny from B.C., but I think she's been in and out. But Ken from British Columbia — maybe if you don't mind me picking on you to start. I was very interested yesterday. Wayne Strelieff, the auditor general of B.C., handed out this stuff. These are the performance reporting principles from British Columbia, all heavily based on CCAF's work.

Ken, I wonder if you could let us know what kind of role your Public Accounts Committee took in that, and what the risks and rewards were in doing that.

K. Johnston (British Columbia): Thank you, Graham. I'm afraid you've got me at a bit of a cliff, or a turn in the road here. Effectively, I probably couldn't answer this right now, because I was not actually on the Public Accounts Committee when they went through the deliberations on this. I've read the background material on the work that was done by the committee and gone through this, but I think I'd have to defer to Jenny when she got back. I'm sorry about that.

G. Steele: Perhaps I can do that when we see Jenny.

But I'd like to turn to Alberta and Shiraz. One of the other jurisdictions that seems to be leading the way in Canada on performance reporting is Alberta. I'm just wondering what role your Public Accounts Committee had in that and what role you think you ought to have in that.

S. Shariff (Alberta): You know, a lot of discussion that's going on around the tables here.... We have implemented those recommendations a long, long time ago — for example, the general accounting principles. I mean, they have been in place for over a decade now. The performance measures are a critical part...out every quarter.

The Public Accounts Committee only deals with the auditor general's report that reports on the previous year. By the time that we even take on an issue, the matter has already had significant

debate in public and in other discussions. Quite often some of the questions are very repetitive, a reclarification of positions and how we will move forward based on past years' experience.

The Public Accounts Committee does have a relevant role. It does play a very important part in getting the minister and the department to start analyzing how to move from last year's position to next year's position based on the performance measures they have identified.

G. Steele: It's not even clear that the Public Accounts Committee can play a leadership role. Speaking only for Nova Scotia, and of course only from my personal perspective on Nova Scotia, the drive towards better performance reporting is coming from our auditor general's office, and it's coming from within government. In our province the central agency is called the Treasury and Policy Board. You have something similar in every other province, usually under a different name. They're the people who are driving it, and the Public Accounts Committee is a bystander.

Let me just ask you to raise your hands. How many of you see your Public Accounts Committee taking a leadership role in this issue of better performance reporting? I don't mean just taking part and watching what others are doing. I mean actually leading the way. How many of you actually see yourselves leading the way? Put up your hand. Okay. In Quebec?

I wonder. Often, for a variety of reasons, we don't know enough about what's going on in Quebec.

Je me demande si quelqu'un du Québec peut nous expliquer ce qui se passe au Québec à ce sujet.

I'm going to invite somebody from Quebec to explain, because very interestingly, when I ask which committee can take a leadership role, I'm sure you saw that the only jurisdiction that put up their hand was Quebec.

R. Dionne-Marsolais (Québec): Au Québec nous recevons le Vérificateur général deux fois par année à peu près dans le temps où il dépose un rapport sur le travail qu'il a effectué pour certaines entités administratives qui relèvent de sa compétence, parce que toutes les entités administratives ne relèvent pas nécessairement du mandat du Vérificateur général. Je pense entre autres au réseau des écoles publiques ou au réseau de la santé avec les hôpitaux de séjours de courte durée qui ne font pas partie de la vérification comme telle.

Dans ces séances de travail, nous avons au préalable des séances de travail avec le budget pour bien comprendre son rapport. Suite à cela, nous avons des séances publiques où nous faisons revenir devant nous les entités administratives qui faisaient l'objet de recommandations parce que nous voulons nous assurer aussi que les recommandations du Vérificateur général sont suivies, sont bien en application. Alors, on valide et on vérifie le suivi du travail qui [était] fait. En plus de faire [inaudible]....

N. Ford (Québec): Just maybe to add a little bit of information on our accountability. I think some of you must know that we do have an act on public administration which obliges all the ministries and agencies to table a report. This act was implemented in the year 2000.

In addition to what the auditor general reports.... We do look at that. It does give us a basis for our investigations, if you will. But we also have the obligation.... This is an obligation of our committee exclusively right now, which we wouldn't mind sharing with some of our standing committees, because that represents about 70 different ministries and organizations, agencies, who do report in obligation of this act, *la Loi sur l'administration publique*.

The ministries table their reports to the House every year. They table every year, and within the following year our committee should actually receive the deputy ministers'. In our province, there was a previous act which made the deputy ministers accountable, not the ministers. The ministers, of course, are responsible for the policies they implement, but for the actual implementation and the administration, the deputy ministers are accountable. We receive, most of the time, just the deputy ministers. There are a few...where we do receive the ministers, but that has to do with public accounts....

[Audio recording unavailable.]

S. Shariff: Just to follow up on this example that you used, in Alberta the performance reporting has progressed so much that we can tell you precisely what the wait period is. We are moving one step further now. Patients will be able to identify facilities that have a shorter waiting period because they are in a rural setting or a different setting and be able to choose if they would like to move to that centre for a hip replacement. I believe that's a result of this reporting procedure in that, consistently, every year you're trying to outdo the previous year. Because we've been doing it for so long, there is the incentive to do better every year. Once we go on line....

G. Steele: Shiraz, what role, if any, did your Public Accounts Committee have in the performance reporting? Did it have any role at all?

S. Shariff: I think it's in the consistent questioning of how we can do better. Every year when the minister comes before us, these are the kinds of questions that are posed to him or her. How can we do things better? Why are we not progressing as much? The performance measures are reported every year, and even quarterly. Therefore, like, the waiting period is getting shorter and shorter and shorter.

G. Steele: Now that Jenny's back, I wonder if I could ask.... Jenny, you probably heard that I had suggested we might want to hear from B.C. because your Public Accounts Committee seems to be participating in the move to better performance reporting. I wonder if you could let us know what you've done and what the risks and rewards were for your committee.

J. Kwan (British Columbia): The process for British Columbia began, really, almost 20 years ago. The years that I remember would be starting from 1995 and on. The former auditor general, George Morfitt, really brought the issue to the table back in 1995. Through that, in 1996 there was a joint report of the auditor general and the deputy ministers council, which recommended the move to GAAP.

Then in 1999 there was a further review of it, which was another report, called the budget process review panel — what we in British Columbia called the Enns report. Arriving from that, in the year 2000 the government then put forward the first Budget Transparency and Accountability Act, which brought forward balanced-budget legislation. Again, through that report it was recommended that the government should move to full GAAP compliance.

Then in the year 2002 the PAC asked the auditor general to work with government to come up with the eight principles that we now use around GAAP. Then they came out with a consensus decision on those eight principles. There were some disagreements with what the auditor general originally put forward. In order to, sort of, resolve that difficulty, the PAC made that

recommendation to the auditor general and directed him to go and do that work with the government, and he did. Then he came back with eight principles for recommendation, which the PAC accepted. It was further recommended by the PAC that the auditor general work with the government to come up with a plan, a program, to implement these eight principles. Therefore, we now have what we have today, which was put in place this last year.

That's really the process. I should also note, though — and some of you may remember — that my predecessor, the late Fred Gingell, who was an accountant and was also on the national chartered accountants council, was very informed about these issues and was a strong advocate for it. He also brought those issues, as the former PAC Chair, to the PAC committee.

Really, the cycle of it involved, I think, a number of people. The PAC, at the end, drove the final step in bringing it home, and that was getting the auditor general to work with the government to come to a consensus on the principles and the program to implement GAAP, to be fully GAAP-compliant in British Columbia.

That's, sort of, the truncated version of a 20-year-long cycle of how we arrived at where we are today.

G. Steele: I'd like to, if I could for a moment, focus on the second question. To me, one of the very interesting results of CCAF's research is that one of the key issues is trust. If you trust the source, then the performance reporting information is widely used by a variety of users, but if you don't trust the source, then it's a waste of everybody's time and effort to put the information together. I was wondering if anybody has any thoughts on what role, if any, a Public Accounts Committee has on this trust issue.

Let me ask you first: is that in accord with your own experience? I've expressed the thought that it's in accord with my experience in Nova Scotia, which is that we have some performance reporting but nobody trusts the source, so nobody uses it. Is that in accord with your experience? If so, what, if anything, can a Public Accounts Committee do about the trust issue? Any thoughts on that?

N. Sterling (Ontario): I guess I'm having a little difficulty in trying to get to the nub of what you would see as leadership by the Public Accounts Committee in interfering — let me use that word — in the reporting process for a ministry or whatever. You know, legislators, over the period of time that I've been there, are reluctant to roll up their sleeves and spend a great deal of time on one specific topic or area of concern which requires perhaps more expertise than they can bring to the table.

In our case we rely very heavily on our auditor to bring our PAC the true story about what's happening in government. We see our role as looking retrospectively at those criticisms that the auditor has brought to the table and ensuring that the deputy ministers, in particular, do not forget about what he said about their performance and that we dig into, perhaps, how that performance is improving — and into the future.

Are you saying to us that there is a role for the PAC to pre-emptively say to the ministries that we want you to report this way or that way or collect this data or that data?

G. Steele: No, because of course, neither I nor CCAF has any particular view at all. I guess what we're looking for is your view. If I understand your view, it's that you don't see how a PAC could have that kind of role — that if anybody were going to enforce performance standards or build in the trust issue, it would be from the auditor general's office, because they have the institutional capacity to do it. Would that be a fair summary of your point?

N. Sterling: Well, I think that the problem that perhaps the deputy ministers and the managers under them — the directors, etc., or whatever.... They're subject to the fact that their masters want them to produce a good report. Therefore, they're going to present the data, whatever it is, in the most favourable light that they possibly can. I understand that, whether I'm in government, as I have been as a minister.... I've been in charge of nine different ministries. I understand that they want to do that, and not only for the minister and the government. They want to do it for their own self-preservation — or that they're doing a great job. That's why you look skeptically, perhaps, at what they produce, if you're on the other side or outside looking in.

I don't know whether you could ever expect a PAC to have the resources to attack the particular method in which they're writing their report. Is it realistic to think that a PAC could have that kind of ability?

G. Steele: Liz, did you have something you wanted to say?

L. Sandals (Ontario): Yeah, I think where we probably have a role in Ontario.... The way the Public Accounts Committee process works is we are doing the follow-up report and making recommendations. We would report on a lack of performance information having been collected in the first place and make a recommendation about the ministry needing to track a certain thing, or where there is enough information available, we may make a recommendation about lack of actual performance and a recommendation around how performance in a particular area is required — an improvement in performance.

I think why that perhaps has some weight in Ontario is because there's an automatic two-year follow-up so that when the auditor reviews a program and the committee makes recommendations, there's an automatic follow-up that comes back again. The auditor reports on whether or not the recommendations of the PAC have been acted on. I suspect that that's where the committee has teeth. If anything, it is because the deputy, the ministry, know that they're going to have to come back on a cycle and answer to: "Did you or did you not do what the PAC asked you to do," and "If not, why not?" That's probably because that process is imbedded where the PAC actually has some teeth.

G. Steele: Okay, very good point. Can I just call on New Brunswick here for a comment?

F. Branch (New Brunswick): Yes, thank you. There's a couple of points here I'd like to raise. The first question asked about the leadership role for a PAC. Why you didn't get many shows of hands around the table is because the PACs, by and large, have a majority of government members on them. If the majority are government members, obviously there would be some discomfort to government about our leadership role in PAC, because this might show some certain areas where government hasn't been as forthright as they might like to suggest they are. I think if you had a majority of opposition members on PAC, then you would find that the leadership role would start to emerge, because then you'd have, as an accountability balance against government spin, the PAC taking that leadership role against the government spin that comes forward.

On the issue of reporting. In New Brunswick — I think it was in 1991 — there was a document established to develop reporting for departments. It was made effective in 1994. Actually, the government departments have been a bit slow to get on board, but now most of them are compliant with this document. It's about a four-page document called AD-1605, and it's a reporting format for

government departments in New Brunswick. We use AD-1605 basically as a measurement tool for measuring the way the report is presented to us — and their format and whether they are covering targets and measuring performance of their department.

Now, there is one area that hasn't been brought up. It's not strictly in the field of public accounts, but it is related. That is the presentation of the departmental estimates. The departmental estimates are really the beginning of the process of a government's intentions for a fiscal year, which culminate sometime later in the annual report.

If you have an annual report that gives some certain amount of measurement but you don't have anything to relate it to in the departmental estimates, then it's hard to judge the veracity or the validity of the annual report. My suggestion is that we also make recommendations in the presentation of information in departmental estimates as a means of setting out the targets. Then you measure your performance afterwards. If you don't have any targets, it's hard to measure your performance. If you have a performance target, then you see whether the government's done what it has said it's going to do. But if you have no targets, the performance measurement at the end really doesn't mean a whole lot.

I'd like to make a recommendation that as you develop your discussions on the presentation of annual reports, you also include the kinds of information and the formatting of information that should be presented in the departmental estimates. We've undergone a lot of frustration in the last couple of years because the format has changed. Information that was there the year before is not included this past year — no staffing levels. There's no comparative information from previous years. Then they mixed different program components, put them together, separated them, so that you have nothing to compare with the previous year when you're going through departmental estimates. When you have that kind of confusion and then you relate back to that, to your annual report, you can see why there's some frustration trying to get accountability.

G. Steele: It's a very good example. What we've just heard is a perfect example, I think, of what happens when there are no standards. When there are no standards, governments can do what they want; they can change from year to year.

Norm's point is very interesting. What is our capacity? What can we do as a Public Accounts Committee? I certainly would be the last one to suggest that our committee should go off on a frolic of their own and do their own research and set their own standards, but I think we can look back against generally accepted accounting principles. That wasn't led by the Public Accounts Committees. That was led first and foremost, I have to say, by the private sector, and then the auditors general jumped on board and have been saying for quite a long time: "This is the way we have to go." Now, most jurisdictions are either there or heading that way.

The thing about generally accepted reporting principles is that we're right back where financial reporting was 20 years ago, where there were no standards. Our auditors general, again, are on board with this stuff. One of the groups that is the strongest supporter of CCAF and the research they're doing is our auditors general. I wonder whether one of the things a Public Accounts Committee can do is signal to our auditors general that we support this direction and that we want them to do more, to work more with government to bring this kind of meaningful and verifiable reporting information back to our committees. I think if our auditors general got that signal from us, you would see things moving rapidly forward.

I just call on Micheal Weir for a brief comment.

M. Weir: It's an important question that's been raised there. I think it's very clear that at the end of the day, a government sets the rules for the reporting in that jurisdiction. That's an executive function. The key questions that float into that are: what are the standards by which they do that reporting? What provides the discipline around that, or is it unalloyed spin? I'm being pejorative in my language there, and I don't mean it quite like that. The key question, then, is: where is the nexus, or where is the point for projecting a legislative perspective into those standards? If not the PAC, then where?

One of the things we learned when we were doing the reporting principles was that.... In essence, what we did was a process of shuttle diplomacy. We worked first with the auditors, then with the managers, then with the legislators. The final product would have been very, very different indeed if not for the input of the legislators, because they had a very distinct and very important perspective that very much drove the way that these principles finally came out.

It's not a question of dictating to government, but I think there is a need within a jurisdiction to find a way to project the legislators' viewpoint into not only the retrospective — what's happened — and to support the work of the auditor general but also into the prospective aspect of government and the choice of what the goals and targets should be and the trade-offs that are involved necessarily in setting direction.

N. Sterling: Well, let me give you an example of where we sort of ran into this debate with our PAC. May I first say that if we didn't have two researchers that were assigned to our PAC committee, we couldn't produce nine or ten reports a year.

Those reports, just by the by, are really written not for the public as such. They are public reports. They're tabled in the Legislature. They're really written to the deputy minister and the ministry — that they should clean up their act, that they should do it within a certain amount of time and that we recommend they do this as a result of what we've heard from the auditor and from them in front of the committee. I think that process is respected by the deputy ministers and by the ministries. They respect that. When they come in front of the Public Accounts Committee, it's a serious matter. Therefore, I think that is the primary role of the PAC in our province.

When you get into a situation where you want to be perhaps prospective.... We had a hearing this year on the family responsibility office. Because we changed governments in between.... Our response time is abysmal in Ontario. It always has been abysmal in terms of, you know, if somebody phones the number, they wait for 40 minutes, and then they're cut off because nobody answers it. That's a result of several different things. One of the matters relates to our IT systems and the ability of one person to find the file. I forget how many hundreds of thousands of files are on there.

The committee had a fairly lengthy discussion about the B.C. system, which has a response time of four or five minutes in terms of somebody picking up the phone. I would call the response time the real measure by the public as to the success of the system. I and my colleagues in the opposition had a devil of a time bringing the government to say that maybe we should look at our policy, which was about 80 percent coincident with the B.C. policy and 20 percent off the B.C. policy, and adopt holus-bolus the B.C. policy in order to buy their system and just install it in Ontario. If any of you have had any experience with IT, as I have as the Attorney General and all the rest, the debacle you can get into once you start writing software that hasn't been tried is unbelievable. The cost overruns — we're not talking millions; we're talking hundreds of millions of dollars that we've wasted in the province of Ontario.

My view, as a keeper of the public purse, is you're better to alter your policy a little bit in order for you to get the IT system that will work and respond to the people to do what you're going to do. There was a significant resistance on the part of the government members in that committee to actually say: "Maybe we should go to the minister and convince her that maybe this extra 20 percent is worth the system we're going to get into." I predict that when we get back into government, as we will in three years, this problem won't be solved. We will have spent \$15 million on setting up a new system that will not work.

Once you transfer yourself out of the retrospective into the prospective, you're really into policy. You're starting to jiggle those terms of how you change the system. You've got to have a receptive government. You have to have receptive ministers who say: "Hey, these people aren't there to make political hay; they're there to assist us, to help us."

G. Steele: Let me ask you one quick question, Norm, because of course we're going to have to close soon. Now that we've stimulated some good discussion, we're going to have to close.

You said one of the key public indicators was response time on the telephone. Does your committee get good, accurate, reliable and trustworthy information about response time?

L. Sandals: No. That was one of the issues.

G. Steele: Liz says no.

N. Sterling: Yeah. Well, Liz is the government. I trust her. [Laughter.] She's giving the right answer right now.

G. Steele: What we're talking about today, of course, is performance reporting, and one of the key questions is: once you know what the response time is, then you can have the public policy debate about what to do about it. But if you don't even have reliable information about response time, then your committee's got a problem.

I'm just going to turn to one more person, Elizabeth Weir, who had asked to speak for a moment before we close the morning session. Elizabeth.

E. Weir (New Brunswick): Thank you, Graham. I'll try to be brief. This really comes from an observation. Yesterday I was quite taken — I think there were two references — in terms of the indicators of Public Accounts Committees' activities, with the quantitative indicator in terms of media reports, but there was no discussion of the quality of those media reports. This is an observation, I think, that impacts on a number of questions that are asked, and it really flows out of my almost 14 years now of being elected and the changes that I've seen in terms of media during that time. Perhaps in future sessions it would be interesting to engage someone from the media.

When I was first elected here in New Brunswick, a very small province, we had national media bureaus. Every print newspaper in the province had a legislative bureau where there were experienced journalists who had covered the legislature for many years, who could read a financial statement from a department, read the auditor general's report and immediately know where the dirt was quicker than we could.

Fourteen years later, through media convergence and cutbacks, one of the challenges I'm often faced with is explaining in very rudimentary terms to a young journalist who may not be from the province, who hasn't a clue about political reporting, let alone what an auditor general's report is,

the significance of a finding. To say that they are less than engaged with the discussion about process and performance reporting would be an understatement, even though a number of members on our committee, with the leadership of our auditor general, are very passionate about this whole issue.

Media coverage is one of the tools of the Public Accounts Committee. It's often bad for government, but in the end it's how you bring about pressure for policy change. When we're dealing with a situation where there is virtually no analysis whatsoever anymore, it is one of the barriers, whether it's building trust or for the committee itself to be able to do its job. The calibre of the distribution of information through the media is highly problematic, much more so today. That's really an observation, but I think it does reflect on the work we do and the challenges we face with public information.

G. Steele: Thank you, Elizabeth. I don't think Michael and I seriously expected that we would answer all the questions, even maybe address them. I think our main objective in the session today was to introduce you or re-introduce you to the idea that the Public Accounts Committee might have a role in public performance reporting. The challenge for all of us is to figure out what that role is.

Again, going back to where I started, remember that generally accepted accounting principles started with research, development of principles and adoption of principles. That was over a 20- to 30-year time frame. For generally accepted reporting principles, we're back down at the research level. Principles will be developed, and eventually principles will be adopted. The only question then is what role do we, the politicians, take in that.

What I would encourage you to do is.... I hope we've stimulated you to at least think about these questions and how they might apply in your jurisdiction. I would certainly encourage you, if you have the opportunity to participate in CCAF's research, that you and your jurisdiction do so. These are serious people doing serious work, and the end result will be a set of reporting principles adopted nationally that gives better information for all of us.

With that, I'm going to turn the floor back over to Jack.

J. Reimer (Chair): Thank you very, very much.
Michael, maybe you just have a quick minute.

M. Weir: Yes, thank you. I really want to express my appreciation for your interest here today and for the feedback. As Graham said, it doesn't end here. It continues. My contact information is in the little brochure, and if any of you wish to discuss or follow up any of this, I'd be happy to do this either individually or through a committee.

With that, Mr. Chairman, I thank you, and I thank the audience for their interest and attention.

J. Reimer (Chair): It's been a pleasure being a Chairman when I have two great participants beside me here that have carried the whole meeting. Thank you very, very much.

I guess it's break time now for 15 minutes, from what I understand.

Business Session No. 6

Chair: Hunter Tootoo, MLA (Nunavut)

Topic: Reports from Jurisdictions (*continued*)

H. Tootoo (Chair): Maybe we can kick things off and someone by the door could ask the people out there to return for their jurisdictional reports.

Floor Comment: It's all yours.

H. Tootoo (Chair): It's all mine, eh?

Okay, I guess we're continuing on with the jurisdictional reports. I just want to note that as the Chair, it will be my prerogative that if the jurisdiction is not here, maybe they'll miss their turn. If they're not here, they'll hurry up and get back in.

We can start off. I just want to mention that at 11:30.... We have to be finished before then, because they're going to be doing a group photograph. The photographer is here now, getting set up. We've got to make sure that we're there for that. We don't want to run late, because after that item on the agenda is another very important one. It's lunch.

The one to start off our first jurisdictional report this morning is Quebec.

S. Perreault (Québec): Merci beaucoup. Je remplace ma collègue Rita Dionne-Marsolais, présidente de la commission, qui est malade ce matin. C'est avec beaucoup plaisir que la délégation du Québec participe à cette vingt-cinquième Conférence annuelle du Conseil canadien des comités des comptes publics.

Permettez-moi d'abord de vous présenter les personnes qui m'accompagnent. Je suis avec Laurent Lessard, député de Frontenac et membre de la Commission de l'administration publique. Il y a également Nancy Ford qui est greffière de notre commission. Il y avait Solange Charest, députée de Rimouski, qui vient de quitter mais qui était avec nous aussi ce matin. Pour ma part, je suis Sarah Perreault, députée de Chauveau, et je suis vice-présidente de la commission depuis peu.

Le Règlement de l'Assemblée nationale confie trois responsabilités principales à notre commission qui, je vous le rappelle, est l'équivalent de vos commissions de comptes publics. En premier lieu elle doit revoir l'ensemble des engagements financiers de 25 000 \$ et plus de chaque ministère et organisme dont les crédits sont votés par l'Assemblée nationale.

Il s'agit d'une fonction unique au Canada, qui a été introduite en 1969 pour remplacer l'étude des comptes publics. L'objet de ce mandat est d'assurer une surveillance parlementaire continue de l'utilisation des crédits budgétaires alloués aux ministères et organismes en particulier au respect des règles et des normes gouvernementales qui encadrent le [*inaudible...*] des contrats et des subventions. C'est une tâche considérable puisque cela représente quelque 20 000 engagements financiers par année. Cela exige de faire des choix réalistes, de fixer des priorités pour une session et de faire une bonne planification de nos travaux. Il nous faut aussi une marge de manoeuvre suffisante en terme de temps, d'espace de travail et de disponibilité de la part de tous les intervenants.

En juin 2003 à la suite des élections générales, la Commission de l'administration publique avait hérité d'une masse d'environ 70 000 engagements financiers à examiner dont un bon nombre avait été pris dans les 24 à 36 mois antérieurs et même davantage pour certains ministères. Dans un effort de rattrapage important pour se mettre à jour, la commission a décidé en mai 2004 d'effacer les

retards accumulés et de procéder dorénavant à la vérification des engagements sur une base régulière et mensuelle à compter de ce jour.

Ainsi, outre l'examen des engagements financiers du Vérificateur général pour l'année financière 2002-2003, la commission a tenu tout récemment, soit la semaine dernière, deux séances de vérification d'engagement financier. La commission a décidé de moderniser ses méthodes et ses outils de travail en procédant par requête écrite de renseignements au ministère concerné plutôt qu'en invitant systématiquement les ministres responsables devant la commission pour répondre de leurs engagements des mois précédents.

L'audition d'un ministre n'est certes pas exclue du processus de vérification. Mais la commission n'entend y recourir que si les renseignements adressés par écrit ne l'éclairent pas suffisamment.

En deuxième lieu, il est du devoir de la Commission de l'administration publique de questionner le Vérificateur général sur son rapport annuel de gestion et sur tout autre mandat qui lui a été confié par l'Assemblée nationale. C'est un exercice auquel la commission doit se livrer dans quelques semaines d'ailleurs pour ce qui a trait à son rapport annuel de gestion de 2003-2004.

En dernier lieu, la Commission de l'administration publique a le mandat d'entendre les administrateurs publics sur leur gestion. La commission réalise ce mandat en invitant les sous-ministres et les dirigeants d'organismes à venir exposer publiquement leurs réactions à la suite du rapport du Vérificateur général découlant de ses travaux de vérification. Ce rapport est déposé à l'Assemblée nationale en décembre et en juin de chaque année. Au cours de ces séances les membres de la commission fonctionnent dans un climat de travail constructif avec le support du Vérificateur s'en tenant aux aspects administratifs des problèmes étudiés ce qui évacue tout velléité d'en faire un débat politique, voire partisan.

La commission dépose en juin et en décembre un rapport à l'Assemblée contenant ses propres observations et recommandations. À notre avis ce rythme de travail correspond assez bien au cycle parlementaire et cela nous donne une obligation de résultat.

La commission exerce également un suivi de ces rapports en exigeant des réponses des organismes visés par ces enquêtes ou en convoquant à nouveau un sous-ministre ou un dirigeant d'organisme après quelque temps pour examiner les correctifs apportés aux problèmes soulevés ou encore connaître les raisons qui motivent ceux qui n'ont pas été faits.

Ainsi en décembre 2003 la commission déposait à l'Assemblée nationale son onzième rapport sur l'imputabilité des sous-ministres et des dirigeants d'organismes qui fait état du travail de la commission depuis septembre 2003. Au cours de cette période diverses questions ont été examinées par les membres de la commission, dont notamment, la gestion de l'amélioration des services aux citoyens, le développement des systèmes d'information du ministère du Revenu et les subventions du gouvernement à des organismes sans but lucratif.

De plus, la commission a entendu le Secrétaire du Conseil du trésor en rapport avec l'application de la Loi sur l'administration publique, dont l'objectif est de promouvoir une meilleure gestion des services offerts à la population axée sur les résultats. En effet, la loi oblige les ministères, organismes et agences qui sont assujettis à produire une déclaration sur leurs objectifs quant à la qualité des services, un plan stratégique orienté sur une période comprenant plusieurs années et un rapport annuel de gestion qui indique les résultats atteints. Par la suite les ministères et organismes ainsi visés doivent comparaître annuellement devant la commission parlementaire compétente de l'Assemblée nationale afin de rendre compte de leur gestion administrative.

Au cours de l'automne 2003 la Commission de l'administration publique s'est acquittée de deux mandats relatifs à ces exigences de la Loi sur l'administration publique en procédant à l'étude des

rapports annuels de gestion 2002-2003 du ministère des Relations avec les citoyens et de l'Immigration et de la Régie de l'assurance-maladie du Québec. Cet exercice a amené les membres de la commission à une réflexion sur son processus de reddition des comptes et à formuler un certain nombre de recommandations suggérant des modifications à la loi de même qu'au Règlement de l'Assemblée nationale.

Le douzième rapport de la Commission de l'administration publique sur l'imputabilité des sous-ministres et des dirigeants d'organismes publics, déposé en juin dernier, rend compte des résultats de l'examen au cours de l'hiver et du printemps 2004 de quatre dossiers et a exigé l'audition de quatre sous-ministres et d'un dirigeant d'organisme. La commission a d'abord examiné le rapport annuel de gestion 2002-2003 de Centre de conservation du Québec, une unité autonome de gestion devenue agence qui relève du ministère de la Culture et des Communications. Par la suite, la commission a entendu le sous-ministre de la Santé et des Services sociaux concernant les services de santé mentale à la lumière d'observations dans le rapport du Vérificateur général. L'intérêt que porte les parlementaires aux questions environnementales s'est traduit par l'audition de la sous-ministre de l'Environnement concernant la surveillance et le contrôle de l'eau, en particulier au volet de l'eau potable et de la planification à long terme.

Enfin, la commission a entendu le sous-ministre des Ressources naturelles, de la Faune et des Parcs dans le cas d'un suivi relatif à la gestion du programme de subventions destiné au soutien d'un projet du secteur des pâtes et papier. L'examen des dossiers contenus dans ce rapport a conduit les membres de la Commission de l'administration publique à recommander quatorze mesures. Ils ont appuyé les ministres et les organismes dans leur démarche d'amélioration de leur gestion administrative.

Voilà qui complète le tour d'horizon de notre juridiction. Nos enjeux sont aussi, comme pour vous tous, de diffuser les résultats de nos travaux afin que les citoyens apprécient correctement le travail de [inaudible]....

[Audio recording unavailable.]

H. Tootoo (Chair): Next on the list is Alberta.

S. Shariff (Alberta): Twenty-five years is a long time in any organization's lifespan. I want to first recognize the tremendous effort put together by New Brunswick's Public Accounts Committee, Frank and Daryl for hosting us here at this conference with wonderful hospitality. Thank you so very much.

Today I'm joined by our Committee Clerk, Corinne Dacyshyn. Over the last two days I have made a number of remarks. I'm going to keep my remarks today very, very brief, because I've filled a lot of gaps already.

The mandate of our committee is that basically, when public accounts are tabled in the legislature, they're referred to us. We review the public accounts of the province of Alberta by asking questions of ministers of the Crown with respect to expenditure items in their ministries. We also review the auditor general's annual report. The committee does not have the mandate to make recommendations to the assembly or to meet outside session.

In 2004 our committee held one meeting with the auditor general on his annual report, which includes recommendations provided for the benefit of Public Accounts Committee members, cabinet ministers and other MLAs, and the public, as well as management staff. The auditor general and his staff attend and participate in all committee meetings. This year the auditor general held an

informal question-and-answer session related to the impact of the new Public Sector Accounting Board standards for a government reporting model — about its relationship, about conduct, about the operations of the Alberta Public Accounts Committee as it compares to the federal, provincial and other territorial counterparts.

This year an opposition member asked the Chair to allow the auditor general to speak about his upcoming audit into the more than \$400 million in provincial expenditures in the current fiscal year under the mad cow disease compensation package. Because our committee traditionally deals only in previous-fiscal-year issues, the Chair was challenged on his decision to hear from the auditor general, and his ruling was overturned.

The auditor general's report on the BSE investigation was released on August 3. Since the auditor general's annual report is the only report that is automatically referred to the Public Accounts Committee, we as a committee would not review the special report unless the assembly referred it to us.

This year we also had our Premier, Ralph Klein, appear before the committee. I believe we are the only jurisdiction in which the Premier appears before Public Accounts Committees. The last time a Premier had appeared before us was in 1995. Although generally the meetings are not televised, this time around we did have some media coverage.

The 2003-04 annual report of the government of Alberta containing consolidated financial statements of the province, in a comparison of the actual versus the desired performance results set out in the government's business plan, was released in June. The ministry annual reports for 2003-04 are expected to be released next month. The ministry annual reports integrate performance targets and outcomes with financial data in a single document for each ministry. By standing orders, these documents are referred to the Public Accounts Committee. The proceedings of the Standing Committee on Public Accounts continue to be open to the public, and all meetings are recorded by Hansard.

I appreciate hearing about the operations of other Public Accounts Committees and discussions on topics that are of common interest. I thank the organizers for the wonderful hospitality. This has been a great learning experience. Thank you.

H. Tootoo (Chair): Thank you, Alberta. Northwest Territories is next.

K. Menicoche (Northwest Territories): My name is Kevin Menicoche, and I'm the Chair of the Standing Committee on Accountability and Oversight of the Legislative Assembly of the Northwest Territories. I'm accompanied by Mr. Robert Hawkins, who is the Deputy Chairman, and Darha Phillpot, our committee researcher.

It took us a long time to travel from Yellowknife to Fredericton, but it has definitely been worth the effort. I would like to take this opportunity to thank our hosts for their exceptional organization and their warm New Brunswick welcome.

The role of the standing committee. The NWT Legislative Assembly has 19 members, including the Speaker and seven cabinet members. The Standing Committee on Accountability and Oversight is composed of all 11 regular or non-cabinet members. Our committee has the mandate to examine the financial statements, the public accounts of the government of the Northwest Territories and the report of the auditor general. The committee performs similar duties to the Public Accounts Committees in other Canadian jurisdictions. The Northwest Territories does not have a stand-alone Public Accounts Committee within its current committee system.

Our committee provides checks and balances on government operations, legislation and spending by reviewing business plans, main estimates, and policy and legislative initiatives. We also monitor and evaluate the performance of territorial boards and corporations.

Just being newly elected in November, we had one budget exercise. Already I know that some of the things we're talking about at this conference — standardizing our accountability and the finances — will be something I'd like to continue to pursue with our government. What I found as we went through a department-by-department review of their budgets is that several departments were using different standards. It was kind of frustrating for myself as a new member to compare apples to oranges — that kind of thing. One department would finally get their system down pat, only to have it change — or a different system in another department.

I'll just get back to my written report here. The last year has been a busy one for the Northwest Territories. Both Mr. Hawkins and I are among the seven first-time MLAs serving in this assembly. Very early in our term all members agreed that we needed to involve other northern governments in our strategic planning.

In April of this year a historic gathering of MLAs and aboriginal and municipal leaders was held on the Hay River Reserve. The goals for the meeting were to build relationships amongst governments, to identify shared interests and priorities, to ensure a deeper understanding of each government's roles and obligations, and to establish common ground to work together on issues of territorial concern and importance. The meeting was a first step toward establishing a forum for ongoing communication among all northern leaders and to set the stage for stronger and more collaborative relationships among northern governments. It also provided valuable input into the fifteenth assembly's visions and goals, which were agreed to by all 19 members and launched in early June.

In addition to participating in a development of the fifteenth assembly's visions and goals, the Standing Committee on Accountability and Oversight held its own operational planning workshop in order to review the committee's mandate and to develop an approach of how we plan to carry it out over the life of the fifteenth assembly. I am pleased to report that we emerged from that meeting with a clear set of priorities. Our key priority is to hold the government accountable to our collective fifteenth assembly's visions and goals.

Among the many tasks ahead, members of the Standing Committee on Accountability and Oversight look forward to an opportunity to review the reports on other matters of the Auditor General of Canada relating to the Northwest Territories for the years 2002, 2003 and 2004, once they have been submitted. We hope to share the findings with you when we meet again next year.

In closing, Mr. Chairman, I wish to take this opportunity again to thank you for hosting the twenty-fifth annual conference.

H. Tootoo (Chair): Next on the list is British Columbia.

K. Johnston (British Columbia): My name is Ken Johnston. I'm the Deputy Chair of the Public Accounts Committee. On my left is Jenny Kwan, who chairs the committee. We're also here with Craig James and Josie Schofield.

I'd like to start off firstly by saying that I am a new member of the Public Accounts Committee. I was appointed on April 1 and elected Deputy Chair this past May. So this is PAC 101 for me, and I have to tell you it's been an extremely informative session so far. Saying that, please bear in mind that for the report I make, I did not participate firsthand in the committee work.

During the fourth session the Public Accounts Committee had 12 members, including the two opposition members. As you probably know, in British Columbia we have 74 government members, three I guess you'd call exiled government members and two NDP members. Jenny, who is the Chair, as you've seen in the last two days does a masterful job of holding the government's feet to the fire. I've suffered quite a few body blows over the last few days, and I guess this is how this works here.

One thing I'd like to say in our defence, if you will, being an apolitical meeting, is that Jenny mentioned our fixed election date and how the Premier was musing about changing it. I think he wasn't musing about changing May 17, 2005. He was in fact musing about changing down the road — the next potential election dates — because of really why we are here today, which is the accountability session. May does not give enough time, with a March year-end, for the books to be closed and the auditors to have a good look at them. I think, just on accountability.... For fixed election dates, my sense of it, having to live this next year, is the fact that maybe later on an October or November date would probably be more fitting for accountability purposes.

Anyways....

Interjection.

K. Johnston: No, you can't speak now; it's not your turn.

Anyways, between September 2003 and January 2004 the PAC reviewed six main reports of the auditor general and ten follow-up and progress reports. The topics were diverse and included the management of contaminated sites on provincial lands, reviews of health performance agreements and public sector pension plans, which I think we talked about, and the use of best practices in government financial statements.

One of the more interesting reports that came before us in British Columbia was the auditor general's review of the estimates related to Vancouver's bid to stage the 2010 Olympic Winter Games. During the committee inquiry, the future role of the auditor general in relation to the games was raised. At the PAC meeting in September the auditor general informed the committee that he was hoping to be named the external auditor of record for the Winter Games so that his office could monitor the significant amount of federal and provincial moneys during the pre-games period and then conduct a post-audit.

He knew the appointment would represent a significant departure from past practice, because a private sector accounting firm normally undertakes such a task. If that board were to choose the auditor general, the PAC would have to give its consent for an audit of an organization outside the government reporting entity. Just recently, in the last few days, the Vancouver organizing committee has decided that due to transparency issues and the procurement practices, they would not retain the auditor general of British Columbia to undertake that role and in fact went to an independent, outside firm.

In the past year the PAC also met to review the auditor general's proposed financial statement audit coverage plan for the next three fiscal years. I should add that this annual audit plan review is also a new responsibility for committee members. The act now requires the auditor general to outline to the PAC which financial statement audits of government organizations will be conducted by his own office and which will be done by private sector auditors.

Reviewing this fee-for-service work of the office of the auditor general, however, isn't solely the responsibility of the Public Accounts Committee. We share this function with the finance and government services committee, and to be frank, we're still fine-tuning this relationship.

For those private members who serve on both committees, the current division of responsibility can be confusing on occasion. Let me use cost recovery fees as an example. As I've indicated, the PAC is assigned the task of reviewing, amending and approving the annual audit review plan. However, under a sessional motion it is the finance committee that must approve the fees for service performed and expenditure of fees by the auditor general as well as his office's annual operating and capital budgets.

On a related matter, some committee members are concerned that the fees the auditor general charges for audits of organizations outside the government reporting entity are lower than the going market rates. They have asked that the legislative auditor supply his price comparison later this year between his office cost recovery fees and market rates for all external audits.

Last session the Public Accounts Committee also set aside a day to hear a progress report on developments in public performance reporting related to B.C.'s GAAP initiative. Just to give you a bit of background, which Jenny's given you before, back in 2002 the PAC had recommended that the government work jointly with the auditor general to develop some criteria for performance reporting in the public sector. In 2003 the PAC received a briefing on the progress made to date. Officials from the Ministry of Finance and the office of the auditor general reported that they had produced a joint report proposing eight principles, which you've seen before you in the last two days, based on CCAF principles but tailored to the B.C. environment.

Members also found that the new principles had already been incorporated into ministry and Crown service plans and reports and that the auditor general was using them to assess the quality of annual reports produced by government organizations. The PAC endorsed the principles and suggested using them in major contracts for service providers.

Just to wrap up. I mentioned earlier that the 14 members of the current PAC were appointed on April 1, 2004. We have held one organizational meeting to date, and our meetings are scheduled to restart on September 27.

In early May some committee members had the pleasure of meeting a delegation from the Parliament of Ireland who had visited Ottawa first. The visitors were three deputies from the Irish House of Representatives who serve on its Standing Committee of Public Accounts and the clerk of the committee.

I know I speak for all the delegates from British Columbia when I say I want to thank you very much. Thank you, New Brunswick, for your hospitality. It's been a tremendously informative and fantastic couple of days. Thank you.

H. Tootoo (Chair): Thank you, Ken. Next on the list is Prince Edward Island.

R. MacKinley (Prince Edward Island): Thank you very much. First of all, I want to thank the New Brunswick Public Accounts Committee for hosting us here. Especially being from P.E.I., it was awfully nice to eat them P.E.I. mussels, the P.E.I. potatoes we had last night and the P.E.I. lobsters. I think it shows we're really working together here, so I want to really thank you for cooperating with us.

Our report will cover the past two years of committee activity in Prince Edward Island. We did not attend last year's conference due to the provincial election that Mr. Bagnall and I were involved in. It was called in late summer of 2003.

I've been Chair of the Standing Committee on Public Accounts for the past five years and have served as anything from vice-Chair, etc., since 1987 on these committees. Mr. Bagnall, who is also

in attendance at this conference, has served as Vice-Chair of the committee since 2000. With me as Chair and with him as vice-Chair we have no problem getting media coverage, I'll tell you that.

The Standing Committee on Public Accounts is well attended by media events in the province. We do get the message out. The Standing Committee on Public Accounts currently consists of eight members: I, Ron MacKinley, as Chair; Jim Bagnall as Vice-Chair; Wayne Collins; Cletus Dunn; Robert Ghiz; Wes MacAleer; Wilbur MacDonald and Dave McKenna. Of those, Wayne Collins, Robert Ghiz and Dave McKenna are newly elected members to the House.

Since 1987 it has been the practice of this jurisdiction that the Standing Committee on Public Accounts is chaired by a member of the opposition. Ministers of the Crown are not eligible for appointment to the standing committee and may not attend meetings to ask questions — they can attend meetings and sit in the public galleries — other than as witnesses before the committee. The Standing Committee on Public Accounts is a forum for committee members and Members of the Legislative Assembly to hold the government accountable, as you know, outside of council or cabinet. The primary function of the standing committee is to review the public accounts of the province of Prince Edward Island, as well as the annual report of the auditor general. In addition, the standing committee may meet, by a majority decision of its members, to examine and inquire into such matters and things as the committee sees is appropriate to do.

I might add, also, that the auditor general retired and that the new auditor general, Colin Younker — who is here today but not present in this room now — is probably going to be the last auditor general who will be appointed from the executive council office. We've changed that. It's going to be appointed by the Legislative Assembly from now on. In another ten years' time, that appointment will be coming from the Legislative Assembly committees.

We have also made changes. The annual report of the auditor general used to go to the finance chair and the Speaker's office. We've changed that so that the annual report goes to the Speaker, and on the first day that the House opens, or at his convenience, he tables it. We in opposition and the government members get it at the same time as the executive council. That's made quite a bit of difference.

The majority of the committee's time was spent reviewing the details of the annual report of the auditor general to the Legislative Assembly. Several public meetings were held over the topics. In addition, over the past two years the standing committee held three meetings on the topic of electricity rates in the province. One meeting was held to discuss the Island Waste Management Corporation, a provincial Crown agency responsible for solid waste management services. The auditor general, Mr. Colin Younker, CA, accompanied by his staff members, appeared as a witness before the committee on several occasions. Other witnesses included the Minister of Development and Technology and the present chief executive officer of Maritime Electric.

In the spring of 2004 the standing committee, by motion, recommended to the auditor general that his office carry out an audit of the financial affairs of Polar Foods International. Polar Foods International is a now bankrupt company which had a significant amount of public investment in it. The auditor general will report back his findings in his next report. I think that will be pretty juicy. There will be a lot of people there. There was quite a bit of money missing that Mr. Bagner wasted, I guess — millions of dollars. It almost bankrupted the province. That could be as high as \$50 million. That's a lot of money for a little province like PEI.

The standing committee has submitted two reports to the Legislative Assembly during the same time period outlining its activities and placing recommendations before members of the Legislative Assembly. Both reports were adopted by the Assembly. In the province of PEI it's the committee's majority decision, as I wrap up here, that they invite ministers before the committee. It's not a

unanimous decision. The bureaucrats are mostly voted not to come before the committees, so it's something different. Where some of your committees bring the bureaucrats forward, mostly it's the ministers in the province that are invited by the majority of the committees.

I want to thank you for having us here, and I want to really thank New Brunswick for the fine hospitality and making us feel at home by, you know, the lobsters, potatoes and mussels. It's great that it came to be. I really want to thank you.

H. Tootoo (Chair): Thank you, Ron. I guess you have to sell a lot more lobsters, mussels and potatoes to make up that money you're talking about there.

Next on the list is Bermuda. Patricia?

P. Gordon-Pamplin (Bermuda): I was elected to our House of Assembly — house of representatives, I guess, or legislative assembly as you would call it — in 1999. In 1998, I ran unsuccessfully as a candidate in an area that was a stronghold for the now government. I was unsuccessful and as a result was appointed to the Senate, so my foray into the political arena started in November of 1998 as a Senator.

Our Senate works a little differently than yours inasmuch as a Senator in Bermuda serves at the pleasure of the leader of the party. At any given point in time, even though you have the appointment as a Senator, you could be dumped tomorrow. For anybody who has a serious interest in the political process, your best bet would be to go through the elected representative route. In February 1999 one of our members, who had been elected in 1998 for the first time, died suddenly and caused a by-election to be held. I challenged that constituency and won the seat.

Immediately after having been elected in 1999, I was appointed to the Public Accounts Committee, which was basically an eye-opening experience. It was perhaps the one part of parliament about which I had absolutely zero knowledge. Having sat on the committee, I believe I was appointed initially based on my accounting background. I'm a Fellow of the Association of Chartered Certified Accountants, and I believe that based on my accounting background, it became almost a natural fit, because they believed that I would know how to ask the right questions and to elicit the correct information. I've used that accounting background to great advantage over the course of the last four and a half years during which I have sat on this committee.

Our committee comprises five members, two of whom are opposition members. The Chair is our now leader, Dr. Grant Gibbons, and I am the Deputy Chair, so in fact, the opposition hold both the Chair and Deputy Chair in our committees. My appointment to the Deputy Chair in the second session — I was not the Deputy Chair in the first session but just a member — after our elections of 2003 was actually done by acclamation. The government members felt that with the experiences I had over the last few years, I was probably the best fit to do the donkey work and take the responsibility. So I serve as the Deputy Chair, and we also have the Chair.

The other members of our committee are Wayne Perinchief, Glenn Blakeney and George Scott, all of whom are government members. We do not have, as exists in your jurisdictions, any ministers on our Public Accounts Committee, and neither do we have the mandate to question any ministers, to have audience with any ministers during any of our PAC meetings.

The interesting thing with respect to our committee in Bermuda is that.... I think if you have an appreciation that party politics came into being in Bermuda only since 1968.... It was in 1998 for the very first time in the political process that we did have a change of government. As a result of that, any of the recommendations that have been made to the Public Accounts Committee for any substantive change have met resistance from the now government members, because their belief is:

"If you guys didn't do it for 30 years, why do you want to scrutinize us? Why are we being held to a higher standard of accountability than you were when you were the government?"

There is a little resistance. As a result, our committee actually still meets in camera. I believe it is for that reason that it is fairly useless to have the ministers come in, because we have the opportunity and the privilege of hearing the ministerial propaganda on the floor of the House, and we don't necessarily need to listen to it in the Public Accounts Committee when there is no external level of accountability in terms of what they are likely to say.

We do find that it is more efficient to get information from the senior civil servants. During the course of preparing our last report, which was recently tabled in the House, we've actually had meetings with the accountant general's department, talking about their financial reporting. We've talked about debt collection, both with the pension and the tax commissioners. We have had the contributory pension fund and the social insurance department; the Bermuda hospitals board that we've brought in for consultation; the Bermuda housing corporation and the Berkeley Institute senior school capital project, both of which have actually been subject to special audit reports based on some things that were going on; the parish councils that were way behind; and a recommendation with respect to the Public Accounts Committee meetings that we actually start to come into the twenty-first century and hold our meetings in public rather than in camera.

As you can imagine, the auditor general, having tabled his reports regularly on an annual basis.... When I came into the committee in 1999, the reports for the years 1993, '94, '95, '96, '97 and '98 had not been reported on to the House of Assembly. So our first order of business was to actually bring the reports based on those annual accounts up to date and to table a report in to the House of Assembly, which was done in August 1999. Subsequent to that, we then were responsible for 1999, 2000, 2001 and 2002, and you can imagine that once you fall behind, you start to play catch-up.

The interesting thing is that for the period 1993 through 1998, the responsibility for those PAC reports would have fallen to the now government, the then opposition, and they never took advantage of their opportunities to bring themselves up to date. Now that we as opposition recognize not only the importance of the PAC function but have chosen to do what is necessary to bring things up to date, it has unfortunately caused some of the government members to become a little bit uncomfortable. However, that having been said, we do not intend to waver from our responsibility to hold the government accountable, especially for some of our members — certainly not I — having been on the other side of the coin and having an appreciation of what is important reporting information, as far as the committee is concerned.

The auditor general, in the tabling of his annual reports, also had the responsibility to table special reports on two major projects and now another report very recently, which did not form the subject of our last PAC report to parliament and has received severe public criticism by the government members speaking from the floor of the House of Assembly. He has been called everything but a child of God. He has been called racist. He has been called interfering, meddlesome — the whole nine yards — based on the fact that he has chosen to identify challenges and problems with respect to certain major government projects, one of which was a senior secondary school, which had a contract that has just run totally over budget and completely out of control. That particular project has not yet formed part of our PAC scrutiny, and that is the first thing on the agenda once we get back.

The other report that he tabled as a special report was that on the housing corporation. As a result of his tabling of the report, the government made a decision that they would not allow that report to be discussed publicly, because there was a determination by the prosecutor — the

department of public prosecution — that there would be criminal charges brought as a result of that report. So as not to create any prejudice or bias for something that was sub judice, we made the determination that the report would not be made public.

Charges have now been brought by the prosecution against members who used to work for the corporation. The government ministers were implicated in the report for acts that might have been deemed to be improper. However, as a result of the legislation regarding public officials being over a hundred years old, the police department in their investigations made the determination that notwithstanding that the government members' actions were deemed to be unethical, they were not illegal. There has been no fallout; there has been public support by the Premier for the ministers who were involved in these scandals, but it has yet to unfold. The content of that housing corporation report is now open for discussion, since there will be no criminal activity brought and it is therefore now not deemed to be sub judice.

We will have our work cut out for us on a prospective basis. We have made a commitment that we will ensure that, going forward, we will have annual reports. It is counterproductive and useless to have reports from the PAC go to the House of Assembly that are so old.

One of the things that happens now, having tabled this report, is that we now have to wait for the responses to our recommendations. There were some 15 recommendations included in our last report. We have to wait until the responses to that report come back from the Ministry of Finance, which is responsible for the auditor's report. Once those responses come back, the reports themselves will then be open for discussion in the House of Assembly.

Unfortunately, we don't have the opportunity, given that sort of climate, to do things on a very proactive basis. I'm hoping that as we move forward and move ourselves into the twenty-first century, we will have a far better opportunity to be more proactive as a committee and to employ some of the resources that we've been able to garner as a result of our exposure and experiences with a committee such as yours. I'm appreciative of the opportunity.

This is my first chance of attending any of these types of meetings. I'm certainly appreciative of that which I have learned during these last few days. I thank everybody for their input, for their concern and for listening to the challenges that I've been moaning about with respect to how things are going wrong within our particular jurisdiction. Hopefully, next year we will have a report that would indicate more proactive involvement by our Public Accounts Committee.

H. Tootoo (Chair): Thank you, Pat.
Next is New Brunswick.

F. Branch (New Brunswick): Thank you very much, Mr. Chairman. My name is Frank Branch, Chairman of the New Brunswick Standing Committee on Public Accounts. I represent the riding of Nepisiguit, which is located in northeastern New Brunswick. I would like to acknowledge other members of our Public Accounts Committee who have taken part in this conference: Mr. Milton Sherwood, Vice-Chair of the committee and member for Grand Bay–Westfield; Mr. John Betts, member for Moncton Crescent; Mr. Eric Allaby, member for Fundy Isles; and Mrs. Elizabeth Weir, member for Saint John Harbour. We are also pleased to be accompanied by Donald Forestell and Shayne Davies, who are both Clerks of the Committee.

As you are probably aware, a general election was held in New Brunswick in June of last year. Of the 55 members elected to the assembly, 22 were newly elected members. Similarly, seven of the 12 members appointed to the Public Accounts Committee were first-time members of that committee. Therefore, much of the committee work over the past year has related to helping

members gain an understanding of the role of the Public Accounts Committee, as well as an understanding of the mandate and operation of the various government departments and agencies.

Prior to beginning the review process for government departments, an orientation session was held for members of the committee by the staff of the office of the auditor general of New Brunswick. Topics of discussion included the role and mandate of the office of the auditor general, the annual report of government and how to make a departmental annual report.

In December of last year the committee met jointly with the standing committee on Crown corporations to receive and review the 2003 report of the auditor general of New Brunswick, volume 1. Auditor General Daryl Wilson appeared before the committee to present the report and answer questions posed by committee members. In a subsequent meeting the auditor general again appeared before two committees to present volume 2 of the report.

It is the tradition in New Brunswick that all government departments appear annually before the Public Accounts Committee for review. Departments are represented by the deputies and senior staff. Ministers of the Crown do not appear.

Generally, the committee meets when the House is not in session. Committee meetings are open to the public except for in-camera sessions, which allow for deliberations leading to a report to the House.

The Public Accounts Committee held a total of 17 meetings during the current session to review the public accounts, annual reports and financial statements of various government departments. As a result of an unusually long session and a provincial election in 2003, the committee has reviewed both the fiscal years 2001-02 and 2002-03 in order to expedite the review process.

In total, 16 departments or agencies appeared before the committee. As I noted earlier, much of the questioning was centred around gaining an understanding of the various departments and their responsibilities.

Other areas that received significant scrutiny by the committee included the budgetary independence of the office of the auditor general, the pension fund allotment of government employees, the fiscal implications of refurbishing the Point Lepreau nuclear plant and the assessment for nursing home contributions and health care expenditures for prescription drugs. The Public Accounts Committee is expected to meet over the next few months to continue its review of government departments. It is anticipated that the next session of the House will open in early December, and the committee is expected to report early in the new session.

As well, in concluding, I would like to share with you this little note to our staff, which I wrote and which our committee agrees with, because for me to take credit for this conference and how it was organized would be totally unfair. I'll just share this little note with you that I wrote to the staff of the New Brunswick Legislature.

"Your organizational skills made our entire New Brunswick Public Accounts Committee very proud of the excellent manner in which you looked after our guests during the most recent conferences of Canadian Public Accounts Committees and legislative auditors. You showed New Brunswick at its best in all ways. Everything was done in a very professional and appropriate way. I am sure that I now communicate to you on behalf of our entire committee when I say thank you one and all for an excellent job well done. We are grateful and proud to be associated with excellent people like yourselves.

"Once again, thank you.

Frank Branch, Chairman of the Committee"

H. Tootoo (Chair): Thank you very much, Frank.

The group photo is going to be in the main lobby. They're asking that you take your dog tags off. At 12 o'clock we'll go into the room where we had breakfast this morning for lunch. That's where lunch is going to be served, in there, right after the group photo at noon.