

CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

EIGHTEENTH ANNUAL CONFERENCE SEPTEMBER 15 and 16, 1997 EDMONTON, ALBERTA

Monday, September 15, 1997

8:40 a.m.

MR. VALENTINE (Alberta): Good morning, ladies and gentlemen. If you could take a chair, we will commence with our agenda.

My name is Peter Valentine. I hope everybody enjoyed the reception last evening. Good morning, and welcome again to Edmonton and to Alberta. I'm particularly pleased to welcome our colleagues from Bermuda, Larry Dennis and Tracey Robinson. I send a special welcome to the newly appointed Auditor General of New Brunswick, Daryl Wilson, and of course a warm welcome to all those who traveled from Down Under to join us at this joint conference.

My office is very privileged to co-host this important conference, and I hope that you will call on any of us from Alberta if you have any needs or requirements during your stay here in Edmonton.

We have a very full agenda. It recognizes, I believe, the environment that we find ourselves in today, an environment of accountability and measurement, particularly performance measurement. In that light, I'd like to recount for you a small story of a volunteer management consultant student from a local university who was asked to do an analysis of how a symphony orchestra could reduce its expenditures in order to balance the budget. He found four things that were happening that were of considerable interest to him. The first was that for a considerable period the four oboe players had nothing to do. Therefore, the number of oboes should be reduced, and the work spread more evenly throughout the whole concert program, eliminating peaks and valleys in activity. The second thing he noted was that all 20 violins were playing identical notes and this seemed to be an unnecessary duplication, so the staff in this section should be cut drastically. Thirdly, much effort seemed to be absorbed in the playing of demisemiquavers, which seemed to be an unnecessary refinement, and he recommended that all notes be rounded up to the nearest semiquaver. If this were

done, it would be possible to use trainees and lower grade operatives more exclusively. Lastly, there seemed to be too much repetition of some of the musical passages. Therefore scores should be pruned to a considerable extent. He observed that no useful purpose is served by repeating on the horns things that have already been handled by the strings. In concluding, the student estimated that if the redundant passages were eliminated, the concert time could be reduced from two hours to 20 minutes and there'd be no need for an intermission.

Seriously, I wish everybody a successful conference, and I look forward to having the opportunity to dialogue with many of you individually as the conference proceeds.

With that, I'd like to turn it over to my co-host, Mr. Lance White.

MR. WHITE (Alberta): Good morning, ladies and gentlemen. By the sound in the room prior to the commencement, everybody's bright-eyed and bushy-tailed and having a good time renewing some old acquaintances and making some new ones.

I have the pleasure of co-hosting this conference, and it's my responsibility to first introduce some very important people to me, those that sit with me in the Legislature and sit on the committee. To my right, a little beyond my immediate right here -- we'll get to the important part of the administration here in a bit -- Mr. Shiraz Shariff, MLA from Calgary and a member of the Tory caucus. On his right we have Dr. Raj Pannu from the ND Party, who is a Member of the Legislative Assembly for an area that includes our university in this city and is also a professor of some merit there. On his right is a colleague of mine in the Liberal caucus, Ms Laurie Blakeman, from downtown Edmonton. You're sitting in her riding at the moment, so all be very good for her. On her right is LeRoy Johnson, who is an MLA from a little farther south, from a smaller centre. It includes a great deal of rural Alberta, the heartland for growing some of the produce you'll be eating over the next day or so.

Now, there are some announcements that must be made in the way of getting on with the business at hand. We have our clerk and one of the fundamental organizers of this. She's the one to take all the accolades to, and if you want to complain, bring it to the politicians. We listen rather poorly at times. This is Corinne Dacyshyn. Are you about to give us some of the ins and outs of what we have to do at the moment?

MRS. DACYSHYN: No. I thought you were going to do that.

MR. WHITE (Alberta): I'm going to do that. Aha. Right. Please pass the paper. Right. Ah, there we are. We are recording these sessions, so these things are most important -- the microphones -- so as to have the translation and to

have *Hansard* recorded. It is important to introduce who you are and from where you come virtually every time you speak, unless there's a bit of a dialogue going on.

These devices are for translation, English and French only. Unfortunately, the Swahili got lost in the shuffle somewhere. They are most necessary. Sign the devices out in the corner there if you need them.

Is there anything else I'm supposed to say?

MRS. DACYSHYN: No. I think that's it.

MR. WHITE (Alberta): Now we have a parting of the ways here rather quickly. The COLA group is going next door to discuss their business and CCPAC are to stay back.

Peter.

MR. VALENTINE (Alberta): Well, we're going to rejoin one another for our breaks and for lunch today and for dinner tonight and for breaks and lunch again tomorrow and for our joint session. So those of us in COLA will now adjourn to the room immediately beyond us here, and we wish everybody well in their deliberations.

[Mr. White in the chair]

MR. WHITE (Alberta): I think now we're ready to commence, fly into action here. First of all we'll have Corinne Dacyshyn and Craig James give us a little bit of insight as to where we're headed for a while.

MRS. DACYSHYN (Alberta): Good morning, everyone. By now I've met all of you, and it's my pleasure to welcome you all to Edmonton. I just briefly wanted to say hello, and if you have any concerns or questions, you're certainly welcome to bring them to me or to any of our staff outside at the registration desk.

Important things first: coffee break at 10 o'clock and lunch at noon. We'll point you in the right direction for both of those. That's all I really wanted to say. If I can help you with anything, please ask.

MR. WHITE (Alberta): And Craig, please.

MR. JAMES (British Columbia): Well, my name is Craig James. I'm Clerk of Committees and Clerk Assistant in the British Columbia Legislative Assembly. Since 1986 I have been executive director of the Canadian Council of Public Accounts Committees. Over the years we have undertaken a number of projects and collaborated between jurisdictions, struck a number of committees and produced a

variety of reports which have been circulated to public accounts committees across the country and indeed around the Commonwealth during that period of time.

In the last two years British Columbia has offered to initiate and build a CCPAC home page. I'm sure many of you have had a look at it. It's more or less in its infancy, but it does contain a number of interesting elements. One is something that I do as the executive director for this organization: prepare the handbook for the Canadian Council of Public Accounts Committees. We print very few of these. We put the whole thing on the Internet. It consists of a number of interesting topics. One, of course, it lists the executive and provides some continuity from year to year so members of the council can gauge not only who's on the executive but where forthcoming conferences might be.

We do have a constitution, which is rarely amended. You may like to have a look at it. I do have a box of material which has been couriered up that will contain some copies of the handbook for you to have a look at.

It also lists a directory of chairpersons, clerks, legislative auditors, and controllers general not only in Canada but in the U.K. and throughout Australia. The home page and the handbook also contain summaries of a number of reports. One is the comparative jurisdictional implementation survey, which compares each jurisdiction as to the kinds of operating guidelines that they follow based on a report which was published in the '80s. Also there's the task force report on Crown corporations' accountability, which was completed in 1992, a follow-up to that report in 1993, and then the review of the constitution which occurred in 1994.

Following that in the handbook and on the home page, for those who care to have a look at it and compare how they're performing, say, with other jurisdictions, there is a list of all the terms of reference, Standing Orders, and other operating guidelines that various public accounts committees in the country use, so you can see at a glance what Ontario may be operating under and British Columbia and the Yukon and so on. It has proven to be a fairly informative document and we hope a valuable exchange of information on the Internet for those jurisdictions around the world that would like to see how Canada is performing.

I have a number of suggestions that maybe we can have a look at tomorrow afternoon under Council Business that might incorporate two or three jurisdictions getting together and doing some work over the course of the next year that would have some value not only to this group but to their membership as well and also to the Conference of Legislative Auditors.

That's basically all I wanted to say for now about the council. I can speak more at length tomorrow afternoon to some of the things that we do.

Before I end, I'd just like to welcome back Alain Major from Quebec, clerk to their committee. Alain and I go back to the early '80s in this business, and it's nice to see him back at the table.

MR. WHITE (Alberta): Thank you, Craig.

Session One

Reports from Jurisdictions

MR. WHITE (Alberta): We do have now no further business to conduct other than the reporting from the regions. The chair from each province, as it were, and a couple of regions will make a presentation on behalf of their committee and what's transpired.

Is this not functional? Is the microphone functional? I can't really hear any feedback. It is? Oh, good. I speak loud enough for my children to hear anyway, and as a coach of hockey and soccer I'm not usually having difficulty being heard.

Starting here and working right the way around, finishing up with Alberta here, from British Columbia we have Fred Gingell.

Fred.

MR. GINGELL (British Columbia): Thank you very much, Mr. Chairman. I can remember taking advantage of the opportunity when I chaired last year's meeting of coming on last and deciding that B comes before A.

We are pleased to commence this reporting of committee activities over the past year. Members of this organization who attended last year's meetings in Victoria will remember that British Columbia is in the midst of a joint project of the Deputy Ministers' Council and the Auditor General of British Columbia on enhancing performance and accountability in the British Columbia public sector. That initiative is moving forward now and is slowly coming into play within the various ministry programs of the government.

The committee has furthered its work in review and evaluation of the program in making recommendations, and to that end some members of the committee traveled early last winter to Washington, D.C., where the GPRA -- the Government

Performance and Results Act -- is coming into effect basically now. We were very fortunate in having a very good agenda organized for us and had the opportunity to meet both with staff of Senate committees that are concerned with it and various departments within the U.S. federal bureaucracy. The issue there is that for U.S. departments to have their budgets approved for 1997-98, they're required to have a fully developed business plan with clearly identified goals, outcomes, and measures for this year. This has been pending for some time.

It was interesting to note that some U.S. departments immediately got to work when this legislation was introduced in 1992, and they're in pretty good shape. But some other departments, I think, never believed that it would actually happen, and they're in a little bit more of a push at this point to meet the requirements to get their budgets approved.

Also, a small delegation went to Sydney in New South Wales to attend the Australian joint public accounts committees' biannual meeting in Sydney, and whilst we were there, we had the opportunity to meet with various New South Wales departments to see how they are moving forward on issues of outcome measurement and accountability for performance. That was a well worthwhile trip.

Closer to home the committee, which normally meets on Tuesday mornings at 8 o'clock when the House is in session and sits till half past 9 in the morning, dealt with a series of reports from the Auditor General's office. Unfortunately, the information that I needed to make this report is in Craig's box, which was sent off from Victoria on Thursday but has not yet arrived, but from memory we dealt with the issue of the issuance of health care cards. I'm sure many of you around this table will be interested in that subject: the various controls and checkpoints that are put into place to ensure that only people who are entitled have in their possession valid health care cards.

We dealt with a report dealing with safety in the trucking industry, which was very timely because a member, actually Mr. Kasper here, had been doing a special study for the Minister of Transportation and Highways on the issues of trucking safety.

We also dealt with safety, maintenance, and training issues at B.C. Ferries. Probably all of you know that British Columbia has a very sophisticated ferry system, which runs along our coastline. We did something unique. We had the hearing on board the ferry traveling from Tsawwassen to Swartz Bay on Vancouver Island, and that was a unique experience. We will, I think, be coming back to B.C. Ferries issues.

The committee also considered in some depth a report on the planning and engineering criteria that have gone into the planning and design of the Vancouver Island highway. The last report that we considered from the Auditor General's office

was dealing with the issues of revenue controls in the Ministry of Forests: how do we ensure that all the lumber that is harvested in our woods has been properly accounted for and the correct stumpage and royalties that are due to the province have been paid? To that end the committee has arranged with the Ministry of Forests for a trip at the end of this month, and we are going to visit logging and forest operations on the coast, in the interior, and in the north in the last few days of September.

We've also started one other new project, a project that we will be speaking about at this conference this afternoon and, I think, a subject that, if it hasn't concerned you yet, will be concerning you all soon. That's the issue of the entity. What is government? What should be included in the financial statements? British Columbia, for the year ended March 31, 1996, included for the first time all of the financial statements, operations and balance sheets of schools, hospitals, universities, and colleges. In the meantime, after the decision was made to include them, the Minister of Finance changed. There was an election. The then Minister of Finance lost in the election, and a new minister was appointed. The minister has come to the committee and asked us to consider this issue. As the committee gets into the subject, we realize that it is not a simple issue. It's a complex issue that goes to the basis of what the constitutional rights of the province are, and we anticipate holding a series of hearings on that subject during the latter part of this year and the early part of next year.

I think that fairly thoroughly covers the subjects that we have dealt with, Mr. Chairman. I thank you for your patience.

MR. WHITE (Alberta): Thank you, British Columbia.

Now from the breadbasket of the nation, those that provide a great deal of food for the nation as well as an awful lot of people for the province of Alberta certainly, Saskatchewan, we have with us today the chair, Gerard Aldridge.

MR. ALDRIDGE (Saskatchewan): Thank you, Mr. Chairman. I would just like a brief opportunity to introduce my colleagues that are here with me. Violet Stanger is a member of our accounts committee in the province, and to my right is the clerk of the committee, Gregory Putz.

What we're going to do is divide our presentation up somewhat. I'll touch on a few administrative business notes of the committee, and Violet will round out the presentation with a few items that would be of potential interest to the delegates attending here.

I was elected chair of the committee in January of this year after the resignation of Mr. Rod Gantfoer, who had attended this conference last year along with Mr.

Andrew Thomson of the government. Mr. Gantefoer stepped down from the committee itself in April of this year. Aside from Mr. Gantefoer there was only one other change to the membership of our committee during the past year, so it was a rather small turnover. A member of the government side also stepped down, and two people were newly appointed.

I'd like to touch also on our committee now being on the Internet. As of February of this year our committee discontinued the publication of printed copies of our minutes and verbatim reports, or *Hansard*, and this new policy actually coincided with the establishment of our Legislative Assembly Internet web site. With the establishment of this web site, the Assembly's Board of Internal Economy concluded that printed committee documents could be replaced with these electronic versions at an overall cost saving of \$37,000 to \$45,000 per annum. The Public Accounts Committee itself had budgeted about \$15,000 for printing in this and the previous fiscal year. The new policy is that committee members do continue to receive paper copies of the minutes and the *Hansard* reports as well as the offices of the Provincial Auditor and Controller. The paper copies are provided as well to libraries on request of our Legislature Library and also to the public on request for single copies. Otherwise all the documents are posted and available in the electronic format on the Assembly's web site.

Just to give you an idea in terms of our committee and what documents are currently available on the Public Accounts Committee web pages, we have our committee's mandate, our operating principles document. I have printed copies of both of those here this morning for comparative purposes if any of the delegates would like to see them. As I say, I have some copies here. Just come to me after, and I'll be happy to provide them to you. We also have on our web pages our terms of reference, our membership list, all the verbatim *Hansard* reports for the current Legislature, minutes and reports for the current Legislature, meeting notices, general information on our committee system in the province of Saskatchewan, and also current reports of the Provincial Auditors. All of these documents are fully searchable, so you can see that our committee now is able to offer a much wider array of information to the general public than we were previously in the printed form. The address of our Assembly's web site for those who are interested is www.legassembly.sk.ca, and from there you'll be able to easily access our Public Accounts' web pages.

A couple of business notes. At the last conference our chair had reported a considerable backlog of business that our committee had to address, and I'm able to report at this time that for all intents and purposes this backlog has now been put behind us, and we're at this time considering issues in the fall 1996 report of the Provincial Auditor. The second report of the committee was presented to the Assembly on April 22 of this year, and it contains some 24 recommendations to the

government and dealt with something like 140 issues that had been raised by the Provincial Auditor. In total some 85 officials and witnesses had appeared before the committee during the 1996-97 hearings. The committee had also considered the government's response to the first report of the session as well.

Those comments having been made, I'll turn this over to my colleague Violet.

MS STANGER (Saskatchewan): Thank you, Gerard. As you can tell, we have made a concerted effort in our Public Accounts to make this a nonpartisan group. Even though we have very strong opinions on all sides, we have tried to make it an excellent working committee since 1991. I'm Violet Stanger. I'm one of the government members on the Public Accounts Committee.

We thought that you'd be interested in a couple of the things that we have dealt with this year that are quite interesting. Greystone Capital Management Inc.: an issue that might be of some interest at this conference was the committee's deliberation on the question of whether the office of the Provincial Auditor should be permitted to audit the accounts of Greystone Capital Management Inc. I can tell you one thing: whatever else, nothing is ever boring in Saskatchewan. So the auditor says that he has the right to look at and audit their accounts included in Greystone Capital Management Inc. and SaskPen Properties and SP Two Properties Ltd. They are investment managers for the pension funds of a number of government but also for a number of private people as well, and they have private-sector clients. For a number of years this question has been the subject of disagreement between the office of the Provincial Auditor and the investment companies, especially Greystone Capital Management Inc. In consideration of this matter the committee heard testimony in support of both sides of the issue. Greystone officials reluctantly came to the committee. The committee had access to separate legal opinions prepared for the office of the Provincial Auditor and also for Greystone.

As well the committee requested and received legal opinions from the Legislative Counsel and the Law Clerk and the Department of Justice. The committee found no other legal opinion supported the Provincial Auditor's position. Therefore the committee came to the conclusion that Greystone Capital Management Inc., SaskPen Properties, and SP Two Properties Ltd. are not subject to an audit under the Provincial Auditor Act. That was one of the issues that was quite interesting.

The other was the Workers' Compensation Board. In May of this year the committee initiated deliberations on chapter 3 of the 1996 fall report of the Provincial Auditor concerning the Workers' Compensation Board. The committee heard testimony from the chair of the Workers' Compensation Board, who very reluctantly appeared before the committee, that the board is a quasi-judicial, independent body with no

relationship or accountability to any committee of the Legislature and that this body continues to question the jurisdiction of the Provincial Auditor's office. So you can see the interesting conflict there.

Both the Provincial Auditor and the WCB claim to have legal opinions supporting their respective opinions, so the committee directed the chair to request these opinions and to seek separate legal counsel and written arguments with respect to the autonomy afforded the Workers' Compensation Board and how the autonomy relates to the jurisdiction of the Provincial Auditor to audit the Workers' Compensation Board. Opinions and arguments were asked for from the Provincial Auditor, the WCB, the Legislative Counsel, the Law Clerk, and the Department of Justice. These opinions are now in the hands of the committee and will be taken up at the next meeting. We would be interested to hear whether the workers' compensation boards in your jurisdictions come before the Public Accounts Committee.

I think that rounds off a couple of the items that might be of interest to you and what we've dealt with. Thank you for the opportunity to make our presentation.

MR. WHITE (Alberta): Thank you, Saskatchewan.

Now I have Manitoba represented by the chair of the committee, Conrad Santos.

MR. SANTOS (Manitoba): Just a general background on the Public Accounts Committee meeting of April 17, 1997, and the Public Accounts Committee meeting of May 15, 1997. I will open and conclude with some comments.

First, the general background. The Standing Committee on Public Accounts in Manitoba is responsible for examining the public accounts of the province and for examining the Provincial Auditor's report, which is issued every year. Manitoba's Public Accounts Committee has 11 members, including the Minister of Finance. Manitoba's Public Accounts Committee, like most public accounts committees, is traditionally chaired by an opposition member. Since the introduction of the position of vice-chairperson for standing committees in 1995 my colleague here Mr. Ed Helwer, MLA for Gimli, a government caucus member and chairperson of that caucus, has served as vice-chairperson of the committee.

Perhaps unlike some other public accounts committees in Canada -- I don't know -- the committee does not have the authority on its own to call its meetings. The meetings are scheduled by the Government House Leader upon consultation with the opposition parties. At times this arrangement has led opposition members to call for more frequent and timely meetings of the committee.

As part of the preparation for the scheduled meeting of the Public Accounts Committee the chairperson sends a letter to its committee members in advance of the meeting requesting that items and questions be submitted to the chairperson for inclusion on the agenda. Based on the information received, a draft agenda is prepared and circulated in advance of the meeting with copies sent to all committee members, including the Minister of Finance and the Provincial Auditor so that professional staff from the Department of Finance and also from the Provincial Auditor's office can prepare detailed answers to some complex questions. This procedure works well. It helps meetings stay on course. It also allows information to be provided to the committee members in a more timely manner.

Manitoba's Public Accounts Committee has held two meetings, as I've said: the first one on April 17, 1997, and the second one on May 15, 1997. Let's now focus on the Public Accounts Committee meeting of April 17, 1997. At the April 17, 1997, meeting the committee had to consider the backlog of reports from 1995 from the public accounts and the Provincial Auditor's report for that year. This is in addition to the 19 questions submitted for inclusion on the committee's agenda. Some of the items discussed during this meeting included questions about the privatization of Manitoba's Hazardous Waste Management Corporation, the status of the child and family information system, the topics of accountability reporting in terms of timeliness of estimate supplements and annual reports, and questions about financial transactions between the Manitoba Telephone System, the Manitoba Trading Corporation, and Faneuil Inc.

The committee was able to discuss 13 questions on the agenda. The committee passed volumes 1, 2, 3, and 4 of the public accounts for the year ended March 31, 1995. It also passed volumes 1, 2, 3, and 4 of the report of the Provincial Auditor for the year ended March 31, 1995. The Public Accounts Committee meeting of April 17, 1997, marked the first time that our new Provincial Auditor, Mr. Jon Singleton, who was appointed in the summer of 1996, appeared before the committee.

Now I'd like to go to the second meeting of May 15, 1997. The committee meeting of May 15, 1997, considered six reports from 1996 and 21 questions submitted as agenda items by the opposition Finance critic, Mr. Tim Sale, the MLA for Crescentwood. The matters discussed at this meeting included questions about reconciliation statements regarding the consolidated surplus and deficit amounts reported in volumes 1 and 3 of the public accounts, questions about the balanced budget Act, questions about the fiscal stabilization fund, questions about the final payments relating to the Winnipeg Jets, and questions concerning calculation of income for foster children used by the Department of Housing for income and property tax credits. The committee managed to discuss 14 out of the 21 questions submitted. However, the committee did not

complete consideration of all the items on the agenda. None of the six reports before the committee were passed, so these 1996 reports are still outstanding today.

Finally, some concluding remarks. The change in procedure agreed to by the Manitoba Public Accounts Committee in 1991 consisting of the submission of questions in advance of scheduled Public Accounts meetings for inclusion on its agenda, which was first implemented five years later, in 1996 -- that was last year -- has apparently become routine practice now in 1997. The then Provincial Auditor recommended in 1991 that members of the Public Accounts Committee provide advance notice of questions requiring detailed answers to serve as the working agenda for the Public Accounts Committee meetings if agreed to by the Minister of Finance, who has the primary responsibility under the Manitoba Financial Administration Act for preparing the public accounts in accordance with the accounting practices of the government of Manitoba. Notice that phrase: if approved by the Minister of Finance.

What's the reason for this? Apparently -- this is my observation -- because the Minister of Finance has the primary authority to prepare the public accounts of the province, and as you know, authority always corresponds with corresponding responsibility. It seems to me that like many other ministers of finance in many jurisdictions in Canada they are like the centurion in Capernaum who can say, and I quote: "I am also a man of authority with soldiers under me, and I say to one, "Go," and he goeth, and I say to another, "Come," and he cometh, and I say to my servant, "Do this," and he doeth it."

He's the person in authority, and he's accountable and responsible. However, all human authority, as we know, is temporary. Moreover, as long as they last, they should be held accountable and they should serve no other but the ultimate master: the sovereign people. No other interest, private or group, should subserve the interests of the people, because it is stated -- again I quote: no man can serve two masters; either he hates the one and loves the other, or else he will hold to the one and despise the other.

Thank you.

MR. WHITE (Alberta): Thank you, Manitoba.

And now from Ontario, the vice-chair of the committee in that fine province, Mr. Richard Patten.

[Translation]

MR. PATTEN (Ontario): Thank you very much, Mr. Chairman. I am very glad to be with you this morning and I must say that it is the first time I take part in this conference.

[English]

That's just to get your attention. I think it may be difficult to follow the details of every report.

As was said, I'm vice-chair of the Ontario Legislative Assembly's Standing Committee on Public Accounts, and I represent the Ontario riding of Ottawa Centre, in which resides the federal Parliament Buildings. It's quite a rowdy crew to try to represent, let me tell you. I'm also obviously a member of the opposition in Ontario. With me is Donna Bryce, who is Legislative Clerk and clerk of our committee.

The committee's focus this year was the Provincial Auditor's 1996 annual report, which was actually released in October 1996. The committee conducted its review between October '96 and May of '97. As for me, I actually joined the committee in January of this year to discover how interesting Public Accounts really is, because from the outside it looks like it's fairly boring. At the point at which I joined the committee this year, it was already in full swing in its review.

Prior to the report's release, the subcommittee had decided that the committee would review more than the two sections of the 1995 Auditor's report that were examined in previous years. It was quite a limited though more exhaustive review of perhaps just one or two areas, so the committee decided that we would take a different tack than it has. The committee decided to look at 13 sections of the Auditor's report in 1996 -- isn't that exciting? -- two from our Ministry of Community and Social Services, two from our Ministry of Education and Training, five from our Ministry of Health, and one each from our Ministry of Environment and Energy, the Ministry of Labour, our Ontario Realty Corporation, and our Ontario Transportation Capital Corporation. And, yes, we too have the opportunity to look at WCB, which is in transition at the moment, a new name.

It was a very ambitious agenda, and unlike last year when the committee tabled two separate reports on its review of the '95 Auditor's report, this year the committee is preparing an annual report, which is really a departure from its historical pattern of doing work, and that'll set out its observations and recommendations on all the matters that it reviewed.

So the committee is at the report-writing stage, which means that I can't give you the juicy details, which would make it far more interesting. There will be some that will

be quite fascinating, I believe, and a basis for learning for all of us. But anyway, we're at that stage at this point, and a formal report to the Legislative Assembly will be forthcoming, I expect, in the next couple of months.

Our review this year began with opening statements from the Provincial Auditor, of course, and staff from our Ministry of Finance. We don't have the same luxury as Manitoba with our Minister of Finance. He does not sit on our committee.

They also took members through the province of Ontario's annual report, so throughout the review members had the benefit of having staff from relevant ministries and corporations appear before the committee upon the committee's request to present responses to the report on the audit, provide annual information, outline subsequent actions, and respond to members' questions and concerns. Their expertise added to our understanding and appreciation of issues raised by the Provincial Auditor. This is indicative of the conciliatory and co-operative atmosphere that usually prevails between the bureaucracy and the committee.

As I mentioned, the committee reviewed 13 sections of the Auditor's report, and I'd like to briefly highlight three areas. The committee looked at the Ministry of Community and Social Services' provincial allowances and benefits program, which is the ministry's largest program area. The program is administered under the province's Family Benefits Act. It provides assistance for prolonged periods of time primarily to those in need and considered permanently unemployable as a result of a physical or mental disability or sole-support parents with dependent children. The second part, of course, of Ontario's social assistance program is the general welfare assistance, which is a shorter term program. The Auditor's report found that the administration of the program needed to be improved. It reported that the program was understaffed based on the ministry's own staffing standards, that the ministry's efforts to prevent and detect fraud were insufficient, and that due to a lack of verification, information used in calculating allowances, we had an estimated \$30 million to \$50 million paid out annually to recipients in excess of their entitlements.

The committee also reviewed the Ministry of Health's assistive device services program or activity. This program facilitates the rehabilitation of Ontario residents who have long-term physical disabilities by providing financial assistance to purchase selected basic personalized assistive devices. The Provincial Auditor recommended that the ministry ensure that appropriate criteria are used to determine eligibility of individuals, implement guidelines for ensuring independent determination of eligibility for home oxygen benefits, and negotiate better prices with vendors providing home oxygen. This was probably the area that the committee spent most of its time on, at least while I've been part of it. We had invited the deputy minister and members of the department several times for some discussions, and we had very, very

good discussions. That one I would love to tell you about next year, because I can't tell you at the moment.

The third area of the committee's review was the Ontario Transportation Capital Corporation's Highway 407, which is a central project. This is a Crown corporation agency given the responsibility of implementing on behalf of the government the project, which is Highway 407, which was announced in February of 1993 by the former NDP government and was officially opened in May of 1997 by the present government and is a multilane toll highway extending 69 kilometres across the northern part of metropolitan Toronto, one of the first fully electronic toll highways in the world, still to be, in terms of its device, fully installed because of the volumes that superseded the estimates. At the same time as the committee was reviewing issues surrounding the process for awarding contracts -- always an interesting area to explore -- issues of the highway's safety arose in the provincial news media, making the review that much more poignant.

I'll conclude in about 30 seconds.

The committee looked into the issue of whether a fair and competitive selection process was followed and documented in the awarding of the highway contracts and whether there was due regard for economy and efficiency in the planning, development, and implementation of Highway 407. So the committee is in the final stages of its report, and I suspect that within the next month or so we will have that tabled in the Legislature and begin to review the Auditor's report for the next phase and also look at submitting an annual report for the first time, but the nature of its number of issues that it will examine will be determined as we begin the next session.

Thank you very much, Mr. Chair.

MR. WHITE (Alberta): Thank you.

Now we have a treat from New South Wales. We have Terry Rumble here to make a presentation as chair of their committee there. Unfortunately we don't have translation equipment to translate from the outback, but they assure me that they're going to try and use some of the coastal chat here. We'll do the best we can to understand the version of English that you do present.

Thank you.

MR. RUMBLE (New South Wales): Thanks very much, Mr. Chair. I think you'll be able to all understand us. We might have some problems with the Western Australians here though. However, on behalf of my parliamentary colleague, Mr. Ian Glachan,

and the director of the Public Accounts Committee in New South Wales, Patricia Azarias, thanks very much for inviting us along here today, and we wish you every success in your deliberations.

Since the New South Wales Public Accounts Committee reported to this conference in August of last year, we've been active in a number of areas. Probably the most important one of these is our inquiry into the public's debt to New South Wales, to the state. The New South Wales public owes over \$2 billion to the government at present. These debts consist of user charges for services such as water and electricity, taxes such as land taxes and payroll taxes, fines for offences like speeding and illegal parking, and licence fees for business operations.

The percentage of state revenue represented by these debts has risen considerably over the last three years. The committee has watched this increase with some concern. For some time it has seemed to us that the government agencies could do a lot better in the way they manage the debts owed to them by the public, so because we have the authority ourselves, we have given ourselves a reference in this instance in the last year, and we've gathered a large amount of evidence. We've visited numerous government agencies which collect moneys from the public, notably the office of state revenue. We have visited credit reference bureaus and private-sector debt collectors. Our staff has visited several other private firms, notably a large mailing house, with the aim of learning with the private sector.

One of the things we have learned from these visits was that the private sector appears to train credit management staff much better than the public sector does. We saw private-sector debt collection agencies send new staff on extensive training courses, while in the public sector staff were expected to learn on the job. We saw private-sector firms operating efficiently at low margins, while some public-sector agencies appeared to be stuck with lengthy and outdated collection procedures.

We have considered outsourcing as a possible solution to these deficiencies, but we've had evidence from our Legal Aid Commission that caution is necessary when dealing with private-sector debt collectors. Legal Aid told the committee that they have evidence of harassment by private-sector debt collectors and were strongly opposed to the outsourcing of debt collecting to the private sector. There appears to be no inherent reason why the public sector has to be inefficient in debt management, and we're looking at ways of improving public efficiency so that the management of the public debts to the state might be kept in public hands. We're looking at possible ways of centralizing some debt collection operations, possibly within the public sector or else maybe in the private sector.

Here we've come across an interesting problem with privacy. Under the federal privacy Act it is illegal for a credit reference agency to provide information on an individual customer to a state-governed body, but it is quite legal for such an agency to provide information on an individual customer to a private-sector provider. So centralization of debt collection operations in the public sector might be a problem in that information on individual customers would have to be shared amongst government bodies, which might possibly violate the law.

One of the improvements we are recommending is much greater use of electronic payment methods. At present bills to the government agencies cannot be paid by ATM in New South Wales, and electronic transfers between agencies are uncommon, yet the cost of electronic payment is less than 20 percent of that of an over-the-counter transaction and less than 25 percent of payment by cheque. We feel this is an excellent way to reduce the cost of debt collection by the ATMs.

We are now looking at part payment, time payment, and staged payment. Right now a customer in difficulty is told to pay the full amount after a specified period of time and is not allowed to pay off the debt gradually in instalments, and this has led to many defaults. Debts written off, interestingly, have not risen as quickly as total debt. This anomaly, however, is easily explained. Agencies are reluctant to record a debt as written off because this signals publicly that they've failed to collect it. If they just leave it in the outstanding debt category, a failure to collect the debt is not publicly recorded. This is clearly misleading because in many instances the debt will never be recovered, and quite obviously it should be written off as a bad debt.

One of the radical new proposals made to us in this enquiry was that the government should securitize, factor, or otherwise sell off a part or whole of the public's debt to the private sector or, instead, to a dedicated public body specifically set up for the purpose. The advantage of this proposal was that the state would receive a one-off payment for these debts up front and leave the risk of collecting to the public sector or the dedicated body. The disadvantage was that the cost of borrowing the funds to do this would exceed the normal Treasury borrowing rate so that there would be no reason to do it at all. The committee is still considering that one; however, we would welcome any ideas from you on the subject. We have held a major conference on debt management with 12 speakers and a full house in our Parliament House. We have advertised for submissions and have received 65 so far. As I said, we would welcome any ideas you may have on the issue of debt management because we do not anticipate tabling our report until Christmas and we'd still have time to incorporate your views and suggestions.

I mentioned the conference we held on debt management. This is one of the many conferences held in the Parliament House of New South Wales by the Public

Accounts Committee. Another that we'd held during the year was the public/private infrastructure: is it still feasible? Again we had a full house. The subject was one we had specialized in over the years. So far we have issued a total of seven reports on the matter, and I think it is fair to say that it has decisively influenced the thinking in Australia on the subject at both federal and state levels. That conference showcased a number of speakers from both Australia and abroad. The then Chairman of Euro-Tunnel, Sir Alastair Morton, had agreed to come, but at the last minute his health prevented him from making the trip, so we arranged a video linkup with questions put directly from the floor after his speech.

A further note on our conferences: they are not intended to be profit-making activity for the committee. However, I might say that with any profits we do make, the Speaker of the New South Wales Legislative Assembly gratefully receives any cheque we hand over to him for any surpluses we make. We have been able to use this surplus productively in an age of budget cuts. For example, we've been able to hire specialists such as the former Deputy Auditor General to do specialized research for us, and we've been able to pay for additional staff. I recommend that all PACs consider holding conferences as a means of fulfilling their obligations to keep the public informed about public finance. Over the years we have created a staff team which knows all the ins and outs of holding conferences, and we would be pleased to share our experience with you.

Our program of following up on the Auditor General's performance audits has got into stride over the last year. We have issued a total of three follow-up reports on the Auditor General's performance audits. One is on courts administration, in which we recommended an improved focus on customer service; one on the effect of utilization of school facilities, in which we recommended that school principals actively consider non school use of these facilities; and one on joint operations in the education sector, in which we recommended that the department of school education look at setting up more facilities in other areas of New South Wales.

Now, the aim in these follow-up reports to the Auditor General's performance audits is twofold. First, we focus on the aspect of the report that seems to us to be more relevant and valuable for the community. Second, we aim to take a critical look at how the Auditor has prepared and carried out the report himself. We never try to second-guess his work or query his conclusions, merely to reinforce some of his recommendations and to determine whether he has carried out the audit in an efficient and an effective manner.

Our follow-up reports into the Auditor General's performance audits are different from the annual report we make into matters arising from the Auditor General's report. Every year our Auditor General produces four large volumes on numerous

aspects of public-sector management. The committee carefully chooses from these usually about six matters which it believes warrant further investigation at a committee level. We then make our own recommendations on these matters.

Another inquiry we're carrying out is examining the ways of bringing down the legal costs incurred by local councils. Again, this has escalated in the last few years, and one of the best ways of bringing them down is the greater use of alternate dispute resolution or mediation techniques by the local councils. We are writing a detailed report on this matter. Indeed, we envisage broadening this inquiry to encompass all government departments. In other words, we expect in the near future to look at the whole question of how government departments could reduce costs by the adoption of alternate dispute resolution techniques.

Two more inquiries we are beginning are on accountability for grants and the overpayment of salaries in the public sector. The first looks at the grant trail from federal to state to community level to see whether there have been adequate procedures ensuring accountability. The second builds on our debt inquiry, where we have found that a considerable proportion of the debts the public owes to the state represent salary overpayments to certain state employees which have not been reimbursed.

As you can see, the committee's work is varied and our schedule is a busy one. We publish eight to 11 reports a year, hold an average of two conferences a year, have an average of 12 hearing days a year, and undertake numerous inspection visits outside the confines of Parliament House.

Mr. Chair, there are copies of our last annual report on the table behind us here, and anyone that would like a copy is quite welcome to it.

Finally, our committee is a committee of five: three government members, two opposition members. We always have unanimous reports. We work in a very harmonious type of way. There's no political point-scoring. Our main battle is not between ourselves but between ourselves and some bureaucrats that try to snow us. I also would like to point out that the Treasurer of New South Wales is not a member of our committee. We don't report to him. We don't report to the Premier. We don't report to the government. We report to the Parliament.

Thank you very much, Mr. Chair.

MR. WHITE (Alberta): Well, thank you for the very thorough report, including the knowledge that snow exists in Australia. I gather it does not exist in Western Australia, though, from all reports.

We have with us today Max Trenorden, and he's going to present on behalf of his committee as well as later on in the day has a special presentation for us.

Max.

MR. TRENORDEN (Western Australia): Thank you, Mr. Chairman. We do have occasional snow in Western Australia but very occasional, and it maybe stays on the ground for 24 hours or some like period.

I'd like to introduce myself. I am a National Party Member of Parliament. Like New South Wales we have five members on our committee. We have three government members. The chair comes from the government, as do all Australian public accounts committees, and we have two opposition members. There's a coalition in Western Australia between the National Party and the Liberal Party.

On my immediate left is my vice-chairman, Larry Graham, who is an Australian Labour Party member. Next across is Ian Osborne, who's a Liberal Party member. Next is Alannah MacTiernan, who is a Labour Party member, and we have Monica Holmes, who is a brand-new Member of Parliament who's been there for six months and has traveled the world twice. On my right is our principal research officer, Andrew Young, and on my far left is Kirsten Robinson, a research officer. We only have one extra person. We have three staff in the Western Australia Public Accounts Committee.

As in New South Wales we report to the Parliament. We are bound by our Standing Orders. I'll give you some of those details a little later on this afternoon when I do my presentation.

At the moment the Western Australia Public Accounts Committee is the Australasian Council of Public Accounts Committees' lead committee. We do it on a biennial basis. Therefore, I will chair the Australasian Council of Public Accounts Committees' meetings for two years, and our committee will organize a midterm conference next year and a biennial conference in 1999. That will be in February of '99, and the weather will be a little different in Western Australia in February '99 than it is here.

UNIDENTIFIED SPEAKER: A little payback.

MR. TRENORDEN (Western Australia): Well, yes, but we'd very much like to have representation like we did last year from one Canadian committee. It'd be very good to have more, and I'll talk a little bit later on this afternoon about my point of view in that area.

Our committee was elected in March. We had elections in December of last year, so we are a brand-new committee. We have a four-year term, so we're setting off into a new range of inquiries, and I'll tell you shortly what some of those inquiries are. Immediately after this particular conference we are moving on to do a tour of the United States to look at government on-line activities. It's one of the things that, being isolated in Western Australia, we do get out and about and have a look at other places quite consistently. The Public Accounts Committee travels in recent times about every two years to have a look at other places and to come back and report on key issues.

In the previous committee a major report was on financial assistance to industry. It was a very substantial effort. It was a bit like a horizon-to-horizon inquiry because once you start talking about financial assistance to industry, it really has no end to the scope. We put our definitions as tight as we could and set off trying to argue the position of defining state assistance, so one of the first things we did was actually define it. We also highlighted the fact that Western Australia doesn't have an industry policy, and without an industry policy it's very hard to establish criteria, or at least true criteria, for lending. We had a lot to say about past evaluation of state assistance and a lot to say about reporting of state assistance. That inquiry took us close to two years to do and was of some substantial note.

In this particular committee -- as I say, it was established in March of this year -- we have structured the committee in three levels. We have short, sharp follow-ups to the Auditor General's reports. The Auditor General in Western Australia reports twice a year on general matters, then has a host of specialized reports. We examine all of those reports and follow up those sections that we feel require following up. We meet with our Auditor General from time to time. He's not a part of our committee. We have a very close relationship with our Auditor General, but we are very much independent of him. Our attitude is that it is his job to do the audit; it is our job to do the policing of some of his audits.

We have a medium range of inquiries which lasts about four to six months. Currently we are inquiring into an arrangement in Western Australia where in an events attraction the government gave some small amount of money to a private individual and that term money for all intents and purposes has been lost. It's been of some interest to us. We took the inquiry on because the Auditor General reported on this particular instance and commented on some problems in the structure of the tourist commission.

For the first time, a few months ago the Premier of Western Australia appeared before the Public Accounts Committee. In fact, our records show that it was the first time the Premier of Western Australia appeared before a committee of the Parliament at all since 1912, so we have a slightly different climate in Western Australia than has been

there in the past. It was great for us to see the Premier come before our committee because it's a sign of a changing time, but it was a little uncomfortable, perhaps, for myself and the three other government members. He was not amused. [interjection] Well, I must admit -- I'm not sure he'll read this transcript -- I enjoyed it too. But the fact is, it really was a change in the climate in Western Australia, and it is a credit to our Premier: the fact that he voluntarily attended, the fact that he came and was shown in the full glare of television, the fact that he was prepared to bat for his position as tourist minister at the time.

The other things. In the period, hopefully, of the four years we have two major inquiries. This particular event we are in now is a government in an on-line environment, which we will be talking to you about this afternoon. We're getting very, very excited about this particular inquiry. It is quite a change. If this report ends up where I think it'll end up, it'll be talking about major changes to the Western Australian government.

Mr. Chairman, I'd just like to say that we report annually to our Parliament, and just to repeat what I said earlier, we are a process of the Parliament, and I'll tell this particular gathering a little later on this afternoon some of the more structural things about our committee and some more of our functions.

MR. WHITE (Alberta): Thank you, Max.

Next we have la belle province, and I'm at the pleasure of those assembled here as to whether we break now and return in the first order of business with Quebec or whether we wish to continue through. [interjection] Let's get in front of the Auditors. It doesn't happen very often that we do that, and I think we shall. With the permission of the delegation from la belle province we'll take a break now and commence immediately after with Quebec.

[Translation]

Is it okay?

MR. CÔTÉ (Québec): Yes, Mr. Chairman.

[English]

MR. WHITE (Alberta): Terrific. Then we stand temporarily adjourned until approximately 10:30, when we'll reassemble. Thank you.

[The meeting adjourned from 9:56 a.m. to 10:36 a.m.]

MR. WHITE (Alberta): Ladies and gentlemen, might we reconvene here. We must be operating on political time, because we are six minutes late by my watch, but that should be just right on time. We're 20-some minutes ahead of Newfoundland time; are we not? Let's hear from Newfoundland. They're half an hour ahead of everybody else, I'm sure.

Ladies and gentlemen, now we have a presentation from la belle province. You may have to take a moment or two to adjust. Michel is probably much more comfortable doing his presentation en français.

Michel.

[Translation]

MR. CÔTÉ (Québec): Thank you, Mr. Chairman. Good morning all.

Mr. Chairman, first I'd like to thank you for having given us the opportunity to go for a good cup of coffee before I made my presentation. I think we're all in a more relaxed mood for that and we'll be able to pay that much more attention to our future work.

I'm Michel Côté. I'm the vice-chair of the committee. I'd like to introduce the people with me. On my left the Member for Robert-Baldwin, Mr. Pierre Marsan, and on my right the secretary of the committee, Mr. Alain Major.

First, I'd like to give you the greetings of the chairman of the Public Administration Committee, Mr. Jacques Chagnon, who's not here with us because he's on a parliamentary mission to Israel.

Although this is the first time I'm participating in this annual conference, I know that Quebec's representatives in the past have told you how the terms of reference of the old Budget Administration Committee were different from those of a public accounts committee.

Things, however, have changed recently to allow greater convergence between what you do back home and what is presently being experimented with in Quebec. Last April the National Assembly set up the Public Administration Committee on a pilot project basis, and its duties are similar to that of your committee's. Without a doubt the previous participation of Quebec parliamentarians in this annual conference on public accounts will have led to better knowledge of the Canadian model of a public accounts committee and its efficiency.

But this is also due to a sea change based on a consensus between political parties to do more and better in the area of monitoring the expenditure of public funds, which led us to revamp past practices. Basically we have to admit that Quebec commissions only exercise sporadic control over public expenditure in the past because of their multiple responsibilities while the challenge in this day and age is the rehabilitation of public finance.

Before the changes brought about this spring, each one of the eight sectoral commissions had an obligation to undertake a yearly examination of the management of at least one public organization, to undertake a quarterly audit of the financial undertakings of the departments under its jurisdiction, and finally to hear all the deputy ministers and heads of organizations in their sector on their administrative management. These audit functions were overlapping other functions the government held to be a priority, such as consideration of Bills, public hearings on government reform, or the examination of estimates. Somebody once said: don't bite off more than you can chew.

Parliamentary supervision of the management of public funds is a detailed exercise that requires time and, from the members, a sense of thoroughness and often an interest in details. It's clear that this role doesn't interest all members equally. Not too long ago during a meeting one of my colleagues got impatient with a technical presentation on the management of human resources in a public organization, and he said that all this was just red tape for him. However, healthy management of human resources is of utmost importance to ensure the efficacy and efficiency of public services, because the services are always delivered by people. In view of the fact that almost 50 percent of government expenditures are due to labour costs, it is more than imperative that one be interested in that kind of detail.

So we set up this new committee made up of 10 members specialized in the supervision of the administration of public expenditures. The committee is two-pronged: first, the accountability of deputy ministers and heads of organizations as well as the audit of the financial undertakings of departments and public organizations. It has a governmental scope; in other words, it exercises this supervision over all departments and public organizations that are part of the government's central structure. Thus, the committee is called upon to look at the administrative management of some 20 departments and 40 public organizations. A certain number of government organizations do not fall under our purview because of the very criteria that prevent the province's Auditor's looking at them. Just as an example, the staff are not members of the public service; the funds are not voted by the National Assembly.

For the first part the committee behaves much as a public accounts committee. It examines the management of a department or organization based on comments made in the Auditor General's report. The committee can also take its cue from the Ombudsman's report or any other source such as the public service commission, for example. It first hears the Auditor General during a preparatory meeting and sets up a list of matters to be examined during public hearings with the deputy ministers and heads of organizations.

During the meeting the members of the committee work in a constructive atmosphere with the Auditor's support and stick to the administrative aspects of the problems under examination, which precludes any attempt to turn it into a political or even partisan debate. The committee tables a report in the National Assembly containing its own comments and recommendations.

In that respect, the committee has chosen to organize its work around the two reports tabled in June and December each year by the Auditor General. Thus, the committee has six months from the tabling of an Auditor's report to undertake its own investigations and come to its own conclusions and recommendations before the tabling of the next Auditor General's Report.

In our opinion, this work pattern pretty well dovetails with the parliamentary cycle and imposes an obligation for results. The committee also intends to follow up on its reports by demanding answers . . .

MR. WHITE (Alberta): Just a minute, Mr. Côté.

[English]

We're having a little difficulty with the translation. [interjection] Change channels. There we are. We're back on-line with M. Côté.

M. Côté, resume at your pleasure.

[Translation]

MR. CÔTÉ (Québec): Yes. Thank you. So I'll start over, Mr. Chairman.

The committee also intends to follow up on its reports by demanding answers from the organizations subjected to its investigation or by calling before it once again a deputy minister or head of an organization after a certain time to examine what remedial action has been taken to solve the problem raised or, if not, find out what

reasons justify that nothing was done. The committee tabled a first report last June containing seven recommendations.

As for the second part, which is the audit of financial commitments, last April the committee inherited from the sectoral commissions a mass of some 12,000 projected expenditures of \$25,000 and more for review, a good number of which were financial commitments undertaken in the 12 or 24 preceding months or even longer in some cases. A serious catch-up effort was made last spring and will continue this fall to do away with all those accumulated delays. To date, in effectively two months of work, the committee has decreased its backlog by some 20 percent in the area of financial commitments to be audited.

As the government machinery recurrently produced over 7,000 financial commitments to be audited every year, the committee, in the short term, will have to modernize its methods and tools that it also inherited from its predecessors. More particularly, it intends to review the nature and format of the financial information produced for the committee's needs.

That's quite a contract. For us and for the committee's steering committee in particular that means making realistic choices, setting the priorities for a given session, and planning our work properly. We also need to be given enough leeway in terms of time, working space, and availability of all parties. In this respect, there is clear goodwill on the part of all the players, beginning with the government and party leaders.

So the pilot project was set to end October 22 next. We intend to demonstrate the efficiency of the new formula, and we're confident that the committee will then be made permanent.

On the conference's documentation table you'll find a few copies of a text that gives a broad outline of the committee. You'll also find appended to that the provisions defining the makeup and mission of the committee.

I would also like to add that Quebec's National Assembly also has an Internet page, where you'll find the committee's work agenda as well as the reports it has tabled in the Assembly together with a transcript of the debates.

Mr. Chairman, members of this meeting, thank you for your kind attention.

MR. WHITE (Alberta): Thank you.

[English]

Now to present on behalf of the smallest but proudest province in Canada -- and some would say the origins of Canada -- from the province of Prince Edward Island we have Robert Morrissey, the chairman of the committee there.

Robert.

MR. MORRISSEY (Prince Edward Island): Thank you, Mr. Chair. I would like to introduce my colleague Elmer MacFadyen from the government caucus. Mr. MacFadyen is the chairman of the government caucus and sits as vice-chairman of the Public Accounts Committee.

Since the last report given by Prince Edward Island, there have been a number of changes. There was an election in the fall of 1996 and a change of government, so I find myself now sitting in the role of chairing Public Accounts after having spent 11 years being the object of the Auditor General. It's a learning process for me as well.

The Public Accounts Committee is not dissimilar to other committees that reported. It is chaired by the opposition party, and the committee currently has nine members, the majority from the government caucus and a member from the New Democratic Party as well. No ministers sit on the Public Accounts Committee of Prince Edward Island, and meetings are held at the call of the chair. As I indicated, I was elected chair this spring, and we began our meeting process shortly thereafter, reviewing the report of the Auditor General. As I indicated, the report we are now reviewing is the Auditor's report on what was my last term in government, so I haven't had many questions for the Auditor at this particular time.

Obviously, the areas that Public Accounts takes a particular interest in are again similar to other jurisdictions. We take the role of the Auditor's report very seriously and do pursue. We look at special audits. Currently we're looking at the government's accounting of capital projects and its tendering process.

One of the areas that will give some difficulty to the committee is the Public Accounts Committee's wish to have the Auditor review and do an audit on the university as well as the college. We haven't made a final decision as to what process we'll follow, given the university's public position that the long-standing educational autonomy of the university must stand and that the Auditor should not review the books of the university or the college, even insofar as the public accounts do fund those two institutions to a large degree. So the committee wishes to have the Auditor pursue those, but we haven't looked at what process we're going to follow and, indeed, if the university continues to take the position that it should not be audited, what jurisdictional or legal process we may have.

So that, Mr. Chair, is what's been happening on Prince Edward Island. Besides that, this session of the Legislature is historic because our Legislature changed. We reduced the number of seats, the number of members in Prince Edward Island, and the election was fought for the first time on those new boundaries and the new makeup of the House. We are currently proceeding to that area.

The Legislature had a spring session and will have a fall session as well, which is something new for Prince Edward Island. Generally, we went with one session, but the government indicated it wanted to have both a spring and a fall session, so the Public Accounts Committee is following through.

Besides that, Mr. Chair, the only thing I have to report is that Canada has now linked up to Prince Edward Island via the Confederation Bridge, and I must say it is marvelous. So far traffic on the bridge is up 40 percent, my colleague tells me, so by all accounts the Confederation Bridge project has been successful for all of maritime Canada.

With that, Mr. Chair, that's all I had to report. I'm looking forward to possibly at another meeting having a bit more to add, because as I indicated, this is a new role for me. I must say I've enjoyed the early parts of your assembly here, and thank you for the hospitality which you've shown to us so far.

Thank you.

MR. WHITE (Alberta): Well, thank you kindly, Prince Edward Island. It's nice to know that the rest of Canada can now join you islanders, and it was nice of you to allow us to do so by the bridge.

MR. MORRISSEY (Prince Edward Island): The government will have to speak for that.

MR. WHITE (Alberta): That changes periodically in your neck of the woods, which doesn't happen in Alberta: governments changing we're talking about here.

New Brunswick is up next, and from that province we have Dale Graham, the chair of their committee. Dale, if you would.

MR. GRAHAM (New Brunswick): Thank you very much, Mr. Chairman. My name is Dale Graham. I represent the riding of Carleton in central New Brunswick. I am chairman of the New Brunswick Public Accounts Committee. With me today is Harry Doyle, member for the riding of Albert -- he is a government member -- and Don Forestell, Assistant Clerk of the House, which is the only staff that we do have on

New Brunswick's Public Accounts. So I certainly want to go on record as thanking Don for his input.

I am fairly new in this position, having been elected chair in January of this year. In another change the province's Auditor General, Ralph Black, announced his retirement earlier this year. He had served as Auditor General since 1993. He is replaced by Mr. Daryl Wilson, who was sworn in as the Auditor General just a few weeks ago, September 2. Mr. Wilson is with us, and I believe Mr. Chairman introduced him this morning at the start of our conference.

Our Public Accounts Committee in New Brunswick consists of 12 members: eight government members and four members of the Official Opposition. Two government members were promoted to cabinet over the summer, so we'll see some new faces as the House opens later this fall. In New Brunswick by tradition all government departments appear annually before the Public Accounts Committee for reviews. Departments are represented by their deputy ministers and senior staff. Ministers do not appear. Usually the committee only meets when the House is not in session. Committee meetings are usually open to the public except for in camera sessions to allow the deliberations leading to a final report. As a means of ensuring accountability, the practice of having all departments appear before the committee is quite effective. Each deputy knows that they will be called before the committee to account, even though issues may not have been raised by the Auditor General concerning their department.

I sometimes question, however, whether the committee is as effective as it could be if it were to narrow down the field somewhat and concentrate more on specific items of concern. It is sometimes difficult for members to prepare for questioning 25 different departments. Believe me, I used to be on before I was chair, and it is very difficult as in our province we only have six opposition members.

I also feel it would be beneficial if the committee were to work a little closer with the Auditor General. The practice as it now stands is for the Auditor General and his staff to meet with the committee prior to the commencement of committee hearings. This serves as a preparatory meeting at which the committee can review the annual report of the Auditor General, identify matters of importance, and define issues to be raised with the various departments. However, the Auditor General is not present throughout the remainder of the hearings and does not take any active role in the committee's work unless requested to do so. The previous Auditor General indicated his wish to work more closely with the committee and to meet with the committee on a more regular basis. This has been changed somewhat over the past few years with the committee having asked the Auditor General's office to investigate certain matters that came to light during the hearings. I realize, however, that in some jurisdictions the

Auditor General and his staff attend committee meetings on a regular basis and assist the committee throughout. I think that perhaps it is time for our committee to take a closer look at this, especially where the committee has no staff or researchers assigned to it aside from the committee clerk.

Recently, as I said, the committee has adopted a number of motions calling on the Auditor General to carry out investigations. For instance, it was revealed during the committee hearings that the provincially owned power utility was funding certain economic development activities in the village of Minto. The committee questioned whether NB Power had the mandate or the legislative authority to fund development activities in the province and called on the Auditor General to investigate the matter.

Another item of importance was the questioning of public/private partnerships such as the building of a new youth correctional facility in Miramichi, New Brunswick, and the construction of the Evergreen school in Moncton, New Brunswick. Both facilities are being financed and constructed by private companies and then leased back to the province over a period of 25 years. Questions were raised regarding the accounting methods to be used in the recording of leases and whether the financial statements of the province would properly reflect the substance of the arrangements. The Auditor General had even raised the notion of creative accounting when referring to such matters. The committee adopted a motion requesting the Auditor General to review the leases and compare the cost of the private-sector arrangements to traditional financing methods.

Concerns were raised by the committee over the accountability of health care spending and the inability to question officials of hospital corporations. At present the committee can only question hospital corporations, the expenses, through the Deputy Minister of Health.

Other areas where concerns were raised include expenditures on education, income assistance, and dollars spent on certain government contracts, especially in regards to the Department of Justice and its dealings with Andersen Consulting to develop and implement an integrated justice system for the province. This initiative has since fallen through, but only after significant funds were expended on the project.

So far this year the committee has sat 14 days and will meet again in the fall to follow up on documentation received from various departments and to prepare a final report to the House.

At this time I'd like to thank the Alberta Public Accounts Committee for hosting the conference this year in this beautiful city. On behalf of my colleagues, certainly we enjoyed the reception last night and look forward to the rest of the conference agenda.

Thank you very much.

MR. WHITE (Alberta): Thank you kindly, New Brunswick.

Now we have a sister province. From Nova Scotia we have John Leefe, the chairman of the committee in that fine province.

John.

MR. LEEFE (Nova Scotia): Thank you very much, Mr. Chairman. I, too, would like to commence by thanking you and those who have been associated with you with respect to organizing this conference and for the very warm hospitality, which, for anyone who has visited Alberta previously, one anticipates would be forthcoming. I thank you on behalf of our delegation.

Our committee very much marches to the beat of its own drum. We decide our own agenda; we decide our own schedule; we determine our own rules and procedures and of course function within them. We also function under a mandate which was recommended by our committee to the House and subsequently adopted by the House so that we work within a very, very clear framework. We work very closely with the Auditor General. The Auditor General and various of his staff meet with us on every occasion, not as of right but as of a decision by the committee that we wanted them there to participate with us. We usually have closed-session briefings a week in advance of the public hearings, and those briefings generally are provided to us by the Auditor General and his staff. It gives us a much greater opportunity to get down to the bare bones of what it is we want to find out when our witnesses come before us, and also it provides us an opportunity to develop a focus. One of the consequences of this has been that we have been able over the past few years to remove the intense partisanship that had previously characterized the Public Accounts Committee in Nova Scotia, and we now are functioning in as relatively nonpartisan a way as is possible considering the system within which we all do work.

We also do not have any ministers of the Crown or leaders of parties on our committee; they are persona non grata. That also has greatly assisted us in having a more collegial and more independent atmosphere within which to work.

Over the past year we've followed much the same kind of regimen as it's clear the other provinces have. Whether the House is in session or not, we meet regularly through the fall, winter, and spring, infrequently in the summer. After we have tabled our annual report in the Legislature, our first order of business is always to deal with the Auditor General's report and then to move on from there.

We had a subcommittee undertake a thorough review of the finance Act and of the Auditor General's Act, and as a result of that review our committee has tabled 18 significant recommendations in the Legislature. We are hoping that the government of the day or possibly a new government will look to moving forward with those recommendations. A couple of the most important would be that it would be mandatory for all departments, all agencies of government, all Crown corporations to table annual reports in the House and that there would be cross-government guidelines which they would be required to follow with respect to the substance of their reports. In the event a report was not tabled in that 12-month period, the minister responsible would have to provide in writing to the Clerk the reason for the delay in tabling the report and provide a date by which time that report would be tabled.

We also are recommending significant change with respect to the ability of the Auditor General to report in that now the Auditor General's annual report can only be made after the public accounts have been tabled in the House in preparation for the provincial budget. We have unanimously recommended that the Auditor General himself should determine when it is in the public interest for him to table his annual report and that he should not be tied to a government timetable.

The committee is functioning reasonably well. We are, I believe, understaffed. We could certainly use more research capacity, which I think would help us to do our job even better. It's always most interesting to learn what is happening in other jurisdictions, and I've found that with each of these meetings I've attended, I've been able to go home and meet with my committee and provide to them ideas that have come from other jurisdictions so that we can further amend the way in which we do our business and meet the demands which the public quite properly has a right to make of us.

That's the end of our report, and I thank you, Mr. Chairman.

MR. WHITE (Alberta): Well, thank you very kindly. I could have listened a little more and had you expound on it and will perhaps do that privately. You seem to be a committee with the acceptance of the Legislature of the reason for your being and the value that you do present to your Legislature and to all of your members. I know the highly charged partisanship in which the government of Nova Scotia operates and the changes in government there, and it's a credit. We shall be speaking again to learn some of your operation. Thank you very kindly.

Now from the Rock, as they call it in Canada, the province famous for exporting cod and people, not necessarily in that order, we have the pleasure of having the chairman and some members of the committee here with us today. From the fine province of Newfoundland we have Tom Lush.

MR. LUSH (Newfoundland): I don't know whether I'm the only Lush around the table or not. I made the mistake when I made my maiden speech in the House of Assembly some 20 years ago of saying that I thought I was the first Lush ever elected to the House, and promptly a member said: no; there have been several.

I'm the vice-chair of the PAC in Newfoundland, and the chair, Mr. Ed Byrne, sends his apologies. The only thing is that if he had come, one of us wouldn't have been able to come. I introduce to you my colleague to my left, Bob French, who's a member of the committee sitting on the opposition side of the House, and our executive officer, Mr. Mark Noseworthy.

Our committee reports to the House and to no other entity or any other person. There are seven of us on the committee: four from the government and three from the opposition. The chair comes from the opposition and the vice-chair from the government. We operate in a very nonpartisan manner, very co-operative and very efficient.

Our reports come from three main sources: first, from the Auditor General, the issues and agencies on which he's entitled by law to report, some 200 government agencies, Crown corporations, and the like; additionally, the House of Assembly may by resolution request the Auditor General to audit some particular agency, some Crown corporation; and thirdly, the committee may by resolution decide to ask the Auditor General to examine, to audit some Crown agency, which we have done in the past year and will allude to a little later in the report.

During the past year the committee had five sets of hearings. They were as follows -- I will talk about these in detail; I'll just list them now -- the Marble Mountain Development Corporation, the board of the Commission of Public Utilities, Department of Social Services, Newfoundland and Labrador Housing, and the Western Health Care Corporation. So out of that really there was one department of government; namely, the Department of Social Services. I expect the Newfoundland and Labrador Housing might be classified as a department too, although it comes under the department of municipal affairs.

Marble Mountain Development Corporation is a ski resort, and it became a Crown corporation a couple of years ago in an attempt to develop that into a world-class ski resort. We're not there yet, but we're getting there. I think it's fair to say that we're probably one of the most popular resorts in Atlantic Canada at this point in time.

The Auditor General decided to audit this particular corporation, and the kinds of issues that we investigated as a result of her audit were noncompliance with the Public Tender Act -- actually, you can group all of these things that I will outline to you from

the Auditor General's reports on these various agencies into three or four umbrella issues with which the Auditor General found some problems, one being the Public Tender Act.

We have a Public Tender Act in the province of Newfoundland and Labrador which requires all government agencies, Crown agencies, corporations to call for a public tender when the service required is in excess of \$7,500.

All of these situations with respect to noncompliance with the Public Tender Act do not always mean that the government or the people were not getting the best value for their dollar. Some of these organizations would have come up in a nonstructured manner, and then all of a sudden they became Crown agencies, so they sort of carried on the way that they were used to. They weren't used to having any great amount of money given them, so they would have fund-raisers. They had to beg, borrow to get their money, and a lot of them didn't get into the public tendering. In one particular one, with respect to Marble Mountain, they probably saved the taxpayers \$300,000 or \$400,000 by not following the Public Tender Act. By following the Public Tender Act, their actions would have resulted in expenditures far in excess of what they did by not following the Public Tender Act.

Another issue identified with respect to the development corporation and found in others was with respect to improvements needed in the hiring of external consultants. Again, with external consultants there was no requirement to call a public tender. As a matter of fact, there were no specific guidelines, so different agencies found themselves doing different things. There was no consistency throughout the province in what one agency did. As a matter of fact, there was no consistency in what an agency would do from one year to the next when it was looking for consultants or engineers or architects for that matter.

Another common complaint was the corporation's management practices: inadequate in terms of how it managed its money, in some cases using credit cards in an excessive manner and sometimes not reporting to the board. No minutes were kept. Sometimes it was a question of who was really calling the shots, whether it was the management or whether it was the board of directors.

We also did a hearing with the board of commissioners of public utilities. I think this was probably motivated by two sets of circumstances in the province: one, hydroelectric prices were escalating, and the public utilities board also controlled the cost of insurance, particularly auto insurance, and auto insurance rates were escalating in the province. I think that as a result of these two things we thought we'd examine the board of the Commission of Public Utilities. Again, what the Auditor General

identified here were inadequate management practices, noncompliance with legislation, and improvements needed, again, with respect to hiring of consultants.

With the Department of Social Services we were particularly investigating the system that they called the integrated delivery system. This was a system whereby they were going to improve their data collection and the whole administrative structure of the Department of Social Services provincewide through a new and updated computer system. It barely got off the ground. The original cost forecast for improving the Department of Social Services throughout the province with this computer system was \$3.7 million. In a period of two or three years, I think, it escalated to almost \$50 million. Needless to say, the system is incomplete, and the Public Accounts Committee wanted to investigate that.

The Newfoundland and Labrador Housing Corporation. Again, the Auditor General identified problems with the hiring of consultants, consistent with all of the other agencies that we've mentioned.

The Western Health Care Corporation. In Newfoundland, I expect as in other parts of Canada, in the past couple of years we've been downsizing and collapsing our health care system to come up with a more efficient health care system. The Western Health Care Corporation was the creation of a regional body consistent with the government's policy of downsizing and collapsing local offices, in this case hospitals and clinics, and bringing them all together under one board called the Western Health Care Corporation. The Auditor General took a look at this and identified many problems due to deficient management practices. This one in particular dealt with corporate credit card usage, executive remuneration, accounting, budgeting, monitoring, and deficit debt. They were doing things that they weren't permitted to do under the Act in terms of borrowing money and lending it to other agencies within the corporation and using credit cards for purposes other than those intended by a government corporate card. They were giving bonuses to their doctors, making loans to their staff: all things in contravention of government policy. Needless to say, that was a very interesting public hearing we carried on in this particular case. It just finished, as a matter of fact, a couple of days ago. Also, the Auditor General identified instances of noncompliance with the Public Tender Act.

That sort of finishes the public hearings that we've had. For the future, in the next month or so there are some interesting ones that we'll be doing. Chief among them is the following: the Cabot 500 Corporation. I don't know whether you'd be familiar with that, but we're celebrating our 500th anniversary, and that's worth celebrating. The government set up a Crown corporation that was going to have a gala time, going to have tourists from all over the world. It looked as though the corporation was spending the people's money rather liberally, so in this particular one the Auditor

General herself decided that she would take a look at the activities of the Cabot 500 Corporation. Very shortly after that, I think, the government scuttled it and decided that they were going to have other arrangements for the 500th celebration. It is now over, and we'll be investigating the activities of the Cabot 500 Corporation shortly.

We had a great time during the summer when we sort of did a replica of the trip from Bristol by Mr. John Cabot on the ship Matthew. There's a little bit of dispute in the Atlantic provinces as to where Mr. Cabot really came, whether he came to Cape Breton or whether he came to Newfoundland. I don't know about the academics, but I think we won out in the media war. There's no question in Newfoundland as to where he came first.

Then we're also going to do the St. John's Health Care Corporation. This is the sister, you might say, or the opposite to the Western Health Care Corporation. The St. John's Health Care Corporation is what has resulted from the amalgamation of the health care on the east coast of Newfoundland. There was some inclination, some propensity that we thought we'd like to take a look at the St. John's Health Care Corporation. That was an initiative, a resolution, of the Public Accounts Committee, that we thought we should ask the Auditor General if she would audit the St. John's Health Care Corporation. She has the report done, the special report, as with the municipality, the town of Pouch Cove. We'd been hearing in the public about a lot of irregular activities in this particular municipality, and the Public Accounts Committee passed a resolution asking the Auditor General to audit this particular town, which she's done. We have the special report in hand, it was made public, and we'll be conducting public hearings with this particular entity in the next little while.

We'll also be looking at a department of government, the Department of Industry, Trade and Technology, with particular attention to its EDGE program. I've forgotten what the acronym stands for, but it's a program to encourage, entice, promote job creation; to encourage companies to come from all over the world and from all over Canada to do business in Newfoundland. For that opportunity and challenge to work in Newfoundland, we've offered them a 10-year tax incentive, a 10-year tax holiday, and the Auditor General has found some problems with that tax incentive program. She doesn't like the lack of guidelines for this particular program, so we'll be looking at that.

We'll also be looking at the Newfoundland Medical Care Commission. This is the commission that administers medicare in the province, and we do have problems with that too. We want to look at that to see that that's operating as efficiently and as effectively as possible.

As well, we're going to be looking at the Department of Justice, specifically with respect to the hiring of outside legal counsel. Several departments of government, the Department of Justice among them, even though we have a large legal component in the Department of Justice, seek outside legal work. Again, the Auditor General wasn't satisfied that was the most efficient way of going about things, and there were not sufficient guidelines ensuring that the public was getting the best value for its dollar.

Lastly, we're going to look at the Royal Newfoundland Constabulary. We have two police forces in Newfoundland, the RCM Police and the Royal Newfoundland Constabulary, and we're thinking of keeping the most effective one, the most efficient one. So we're looking at the Royal Newfoundland Constabulary in particular to see that the services they offer are offered in the most economic and the most efficient way possible.

That's the end, Mr. Chair.

MR. WHITE (Alberta): Thank you very kindly for the very thorough report.

Today we have the pleasure of having with us a member of our federal Parliament. He is a member of the opposition, a member of the Reform Party of Canada, and a neighbour to this city, a city immediately north called St. Albert. He is the counterpart federally to what we do in the provincial arena. His name is John Williams, and he's here to make presentations for us today.

John.

MR. WILLIAMS (Canada): Thank you, Mr. Chairman. It's certainly my pleasure to be here, perhaps in an unofficial capacity because the federal election was held last May, as we all know, and the standing committees of the House of Commons have yet to be constituted. However, I did sit on the Public Accounts Committee in the last Parliament, and my name has been submitted by the Reform Party to sit on it again. So I appreciate the opportunity to be here perhaps officially as an observer.

I'd also like to introduce Mr. Brian O'Neal from the Library of Parliament, who is here today, and Mrs. Antonine Campbell from the Auditor General's office, who is also here to observe what is going on.

The Public Accounts Committee in the federal Parliament is chaired by a member of the opposition parties and has a government majority. In the upcoming Parliament the committee will be composed of eight Liberals, three Reformers, two Bloc members, one New Democrat, one Tory, and the chairman, being presumably from the Reform Party: the 16 people who sit on the committee.

The Public Accounts Committee's agenda is largely derived from the Auditor General's reports. We have a very close working relationship with the Auditor General, who reports now to Parliament three times a year. He used to be restricted to one report per year. However, early in the last Parliament the legislation was amended to allow the Auditor General to report up to four times. This was a welcome change in order to make the analysis by the Public Accounts Committee on a more timely basis. If per chance, say, the Auditor General was taking six months to do his investigation, tabled the report on that in the House of Commons, and it could be six months to a year later before the Public Accounts picked up the issue, it could get quite stale by the time Public Accounts got around to reporting on its observations. Therefore, the changes in the opportunity of the Auditor General to report more frequently have certainly been appreciated.

In the past the committee, as I say, has enjoyed an excellent working relationship with the Auditor General. The concept of the committee is that it meets primarily when the House is sitting. It has an in camera meeting with the staff from the Auditor General to brief the committee on the issue to be investigated, followed by a public meeting where the Auditor General makes representation, where the department under investigation makes its representation, then opens it up to questions and answers, followed by a report to be tabled in the House of Commons. The government has 150 days maximum in order to respond to any report by the Public Accounts Committee, and should the Public Accounts Committee wish to take up the response by the government, then that is their prerogative to do so.

We also find that the Auditor General follows up on the issues that he has reported on previously, including any recommendations by the Public Accounts Committee and sometimes as a follow-up investigation into a department to find out if they have listened to the Public Accounts Committee, and reports accordingly, which certainly helps us a great deal. The Auditor General is our eyes and our ears and gives a great amount of solid assistance to the committee.

The issues that the committee has looked at in the last while are, for example, systems under development, and our colleague from Newfoundland has just reported on some of the problems there. The Treasury Board, which is the department that handles the internal management of the government of Canada, had identified 25 large systems under development, for a total budget of over \$2 billion, which is very, very significant. The Auditor General audited four of these systems and found only one of the four that was managed in such a way as to deal effectively with the risks associated with the project. We're finding in common with others that these high-technology, innovative programs are costing an arm and a leg and seldom really deliver the goods that we had hoped they were going to.

There's a story breaking in Ottawa at the moment where one of these programs has gone way overboard in costs and, like that of our colleague from Newfoundland, may not ever be able to produce the goods. So we certainly have a very real role to play as Public Accounts to ensure that the civil service who are setting up these tremendous commitments by government are capable of following through and that it be mandatory that the guidelines of proper planning are set up ahead of time to ensure that they know exactly what they're trying to achieve before we get into that type of real high-cost, high-tech development.

The government also looked at a controversial issue. We do try and be as nonpartisan as we can, but that's not always the case. There was an issue called family trusts, where it was perceived by some that a large movement of capital out of the country to the United States had been achieved without the payment of income tax or capital gains tax, and that was debated at very significant length by the Public Accounts Committee and also by the Finance Committee and was, I'd say, one of the more controversial issues that the Public Accounts looked at in the past two years.

The committee certainly felt and recommended to the minister of revenue that procedure should be followed when important decisions regarding tax policy interpretation are to be properly documented. One of the rationales being given by the government officials was that since this was such a normal, routine decision, there was no documentation in the file to support it. We thought that \$2 billion was a fairly significant amount of cash, that advanced tax rulings that had been counter to previous tax rulings required more than what we were told was just a perfunctory analysis and a decision rendered. As I say, it was a very controversial issue, perhaps the most controversial that Public Accounts dealt with in the last Parliament.

We looked at Revenue Canada combating income tax avoidance, a difficult issue of Revenue Canada wielding a big stick and at the same time having a job to do in order to ensure that the tax system is administered fairly and positively and that each and every person pays their fair share of income tax. We looked at service quality regarding the departments and the way they offer services to the public where service quite often does not meet the quality that we get in the private sector. We looked at these types of issues.

We looked at the Canada infrastructure works program. That, again, was a bit of a political potato because it was an election promise by the government in the 1993 election. We had some concerns and the Auditor General also had some concerns about the way in which the money was being spent, and the committee shared the concern that in many cases the framework agreements and the umbrella agreements on these particular spending arrangements contained no provision for a timely audit to

verify that the funds were spent on the intended purposes and that the goals and conditions were actually met as intended.

The report recommended that a compliance audit system should be negotiated for future agreements and called for greater efforts to assess the ability of the program to generate additional investments in infrastructure beyond what already had been planned for. I don't remember the exact percentage, but a large amount of the money that was expended on infrastructure programs only advanced spending. It was not new spending as it was intended to be. Therefore for the expenditure of \$6 billion in total by three levels of government, it was difficult to ascertain or difficult to believe that we actually obtained the benefit that we had hoped would be there. Rather than creating new spending which would create new jobs, we actually advanced anticipated spending, and therefore the impact or the benefits in the future would be minimized by the spending at an earlier date.

We looked at materiel management and materiel management in the federal government. It's hard to believe, but the federal government has about \$50 billion worth of goods and inventory, which is a phenomenal amount of stuff, that they hold on to, and it's estimated that between \$8 billion and \$10 billion worth of superfluous and old and out-of-date inventory is kept in warehouses at an estimated annual carrying cost of 2 billion to 2 and a half billion dollars.

I recall one particular report by the Auditor General. It was dealing with a warehouse in Halifax for the Navy, which of course has a very large base down there, and they were building this warehouse to hold the inventory, a huge warehouse costing many millions of dollars. After the warehouse was half built, someone said: "Well, what are we going to put in here?" They pointed to all this inventory, and somebody said: "That old stuff? We should get rid of it." By the time they realized that the warehouse was now going to be too big, they went back to the architect and said, "Can we make it smaller?" and he said, "Fine," of course for a fee. We ended up paying more for a smaller warehouse than we would have if we'd built the whole warehouse as originally intended, again because there was no accountability by the people who were commissioning and authorizing that type of expenditure.

We looked at Canada pension plan disability, again serious concerns there. The committee learned that beneficiaries under the disability program had increased by 93 percent between 1986-87 and 1995-96. That was a nine-year period when the number of claims virtually doubled. That has been a very serious drain on the resources of the Canada pension plan, as we all know, and it certainly is something that has to be further investigated to ensure that the leakage of money into that particular area does not affect the pension plan as a whole. Therefore the committee was looking at stricter

eligibility requirements. Mr. O'Neal from the library has a summary of the issues that have been raised by the Public Accounts.

I mentioned earlier that we amended the legislation to allow the Auditor General to report more often. That was an initiative by Senator Jean-Robert Gauthier, who was the chairman of Public Accounts for many years. For those around the table who may know the Senator, I understand that he is ill at the moment, and therefore our good wishes should certainly be conveyed to him.

The Auditor General tabled the first of his more than annual reports in 1995 and will be coming out with another one on October 7, just after the Parliament convenes next week.

That, I think, concludes my report, Mr. Chairman. Again, I thank you for the opportunity of reporting to this conference, albeit in an unofficial capacity.

Thank you.

MR. WHITE (Alberta): Thank you kindly, Mr. Williams.

Now we have a report from the smallest government area but the largest land mass in all of Canada, from a Legislature that is unique in Canada and would stand some review by those of us that live in this highly partisan-charged system of government. They do not have that and in fact effect government rather well, so I'm told. So from the Northwest Territories we have Roy Erasmus, an MLA and the chair of the committee in that territory.

Roy.

MR. ERASMUS (Northwest Territories): Thank you, Mr. Chairman. Before I start, I would like to introduce my colleagues. On my right is David Krutko, the MLA from Mackenzie Delta, and on my left is Doug Schauerte, the Deputy Clerk of the Assembly and our committee clerk.

I'd like to thank our Alberta hosts, particularly Lance White, Peter Valentine, Corinne Dacyshyn, and the CCPAC executive director, Craig James. I must say that we've been treated very well, and we've enjoyed our stay here so far.

The Standing Committee on Government Operations is composed of seven members. Currently the chairperson, myself, is from the west and the vice-chair from the east, and it's deliberately set up that way. All members are ordinary members, and as the chairman indicated earlier, that's basically because we're all independent members.

There are no political parties in the Northwest Territories. There are three other committees, and they are also comprised of ordinary members. In addition to myself, the chair and one other member from each of those three committees are members of the Government Operations Committee. Our committee differs from that of the provinces somewhat in that we also consider matters other than public accounts and that our meetings are at the call of the chair, unless we decide at our current meeting when the next meeting will be.

In general, we've had a quiet year in the N.W.T. as our committee has focused on fiscal restraint and division-related issues. The committee will be meeting shortly, next month, to review the Auditor General's report on other matters. Key issues that have been identified in last year's Auditor General's report include government and public agencies' reporting requirements, contingencies, and the government's financial position.

Under the government and public agencies' reporting requirements, the Auditor General particularly was concerned as they relate to timeliness, the need for better results information, and the need for data on subsidy programs, which are currently hidden in departmental costs. As we reported last year under contingencies, contingencies continue to be an item of interest, particularly the unknown potential liabilities for a pay equity complaint of the Union of Northern Workers and for environmental cleanup and restoration costs.

The government's financial position actually continues to deteriorate as federal transfer payments and our own sources of revenue fail to keep up with our booming population and the related program delivery costs. For instance, our birth rate is almost three times that of the rest of Canada, and our budget is being hit with a double whammy. First, the federal government cut our budget by 10 percent, and everybody knows that we're very, very heavily reliant on those transfer payments. Secondly, our transfer payments are also tied to the provincial and municipal budgets. So as the provinces and municipalities in the south reduce their budgets, our transfer payments are reduced. An example is that last year we lost \$50 million to \$60 million because of the reductions in Alberta, Ontario, and other places.

Currently we're getting ready to create two new territories, and we have many division-related issues. April 1, 1999, of course, is when it will occur. The N.W.T. will divide, and Nunavut, or the eastern part of our territory, will become a separate territory. The Canadian map will be altered for the first time since Newfoundland joined Confederation in 1949. This of course presents unique financial statement issues. Each government will need to produce its own set of public accounts, and assets and liabilities will have to be divided. Many technical details will also need to be addressed. Computer systems, government contracts, insurance policies, and

intellectual property are examples of issues that will need to be negotiated from a financial statement perspective.

Community and parliament, of course, is one of the key initiatives of the 13th Legislative Assembly. Responsibility for program management is being devolved to municipal governments at a very rapid pace, and our committee has expressed some concerns in light of the significant transfer of funds and responsibilities. Our committee recommended and the Legislature subsequently approved our request to the Auditor General of Canada to conduct an independent review of how our Department of Municipal and Community Affairs assesses and determines the financial health of communities through municipal reporting processes. We expect to receive the review report some time this fall.

With that, I'd like to express our appreciation to the office of the Auditor General of Canada for their continued advice and assistance, particularly Deputy Auditor General Raymond Dubois, Assistant Auditor General Don Young, and Principal Auditor Roger Simpson, as well as their whole team, which is based out of the Edmonton office.

As most of you probably know, we will be hosting the 1998 conference of CCPAC and COLA next year in Yellowknife and will probably be looking at mid-August so we won't have weather like this. I understand that it's a little bit cold for some people. It's actually a little bit colder here than it is in Yellowknife right now. We're looking at mid-August, if people are okay with that.

We look forward to hosting you all next year, and we'll try our best to approach Alberta's excellent organization and warm hospitality. Our committee clerk, Doug here, will leave some tourist information at the back this afternoon. Please feel free to take some if you wish. If you require further information, contact Doug again and he will be happy to provide you with further information.

Thank you.

MR. WHITE (Alberta): Thank you kindly.

Now I'll take off my hat as chair and put on the hat as the chairman of our Alberta committee and try to capsule what we have done and what we intend to do briefly so as to get onto a much more important item on the agenda called eating.

I'll break this report into two parts: first, the context in which we operate here in Alberta and then a brief report on our '97 program. Recognize that we operate in a very different environment than we have over a number of years. Many of you have

heard of the Klein revolution in this province that's been emulated in a number of other provinces or at least started to be. Some of the same kinds of actions had taken place in other provinces prior to when they did in Alberta, but it was much publicized here for some unknown reason.

The changes in budget in lowering of overall expenditure are quite well known. What you may not know is that some of the service levels and a great deal of the method of deliverance of service have been affected. I'll point to two areas in particular in health care. Regionalization of services has presented a great deal of savings in the administrative end of deliverance of health care. Those of us being in opposition cried loud and long many, many times about this and that and the other thing, but in fact we tended to agree that the deliverance of services is better and much more efficient in the way of costs. Also, in education a major change occurred. The autonomy of the local school board is maintained; however, the collection of the tax as it's applied to property for the purposes of education has been centralized in the province and disseminated in a different manner from which it was collected. The object of the exercise is really to present an overall education service to all the citizens of the province equally.

Now, those major changes in two major areas of deliverance of service present some problems as they relate to examining, which we're charged with doing, the methods and the expediency of deliverance of the service as opposed to the policy under which the deliverance of service is rendered. The procedures in accounting have compounded that difficulty for a committee such as ours to review in that the accounting policy in some areas has changed at least once or twice over the last five years in how the accounting is delivered. For a poor engineer here trying to follow the accounting procedures, it's rather difficult at times. So that's a little bit of the context.

Another part of the context -- and I'll review this -- is the political context, recognizing that Alberta has had the same party in government for some 26 years now and prior to that it was some 35 years of one-party government. That does present some difficulties in a government having to review its own operations and maintain some efficiency in doing so. Sometimes it runs the peaks and valleys of operations of a Public Accounts Committee. The peak of it would be the way New Brunswick currently operates as master of its own house, calling its own meetings and all of that sort of thing. To others the Legislature has not a great deal of respect or concern for the service that the Public Accounts Committee can actually deliver to the Legislature and to the people of the province through an examination of accounts.

We on our committee have a very good relationship individually in that we are all private members. None of us have a high office in our respective caucuses, so we are able to deal with it at the level of individuals, although we do bump into partisanship

now and again just from history and a small "c" conservative approach, so as to not cross the barriers into trying to manage policy from our committee. Although we have a great deal of light at the end of our tunnel, we've come to realize through this meeting as well as some discussions that we've had individually with our members that maybe some representations should be made to each of our individual caucuses on the value of the Public Accounts Committee and redefining the relationship between the committee, the Legislature, the Auditor General, and how value-for-money audits are performed, how a private member might be charged with the responsibility of reviewing public expenditures as a private member, not as a private member with a label and therefore some area of protection being required.

We have performed a service in the last year, in my belief, in that we have reviewed the Provincial Treasurer's office and have found it to be relatively efficient in fact. In the deliverance of health care, aside from some very partisan views on how health care should be delivered and the extent to which it should be covered, we found that the examination of the accounts went very well, and we did some service in that regard. Of course, with being only allowed to meet while the House is in session, we have had in '97 only seven one-and-a-half-hour sessions, so that limits the amount of service we can render. We may in fact be able to review that, perhaps with some outside help through the vice-chairman of the committee in making representations to his caucus.

We have a great deal to learn from those that are here present. Unfortunately the format that we are under currently does not allow us to do that, so I am going to do the best I can to get around and speak to a number of you over lunch and things -- I suspect my colleagues on the committee will also -- and, in doing so, hopefully will learn.

We are now two minutes to noon, and in the true fashion of a good Liberal, I will give you directions -- and they'll be politically charged directions -- on how to have lunch: one left turn in the light, one left turn in the dark, another right turn in the light over an enlightened bridge, and you shall be at lunch. Basically follow your nose out to the left, and we'll direct you to where you go.

Thank you for your attention. We are now adjourned until 1:15 back in this room. Bon appétit.

[The meeting adjourned from 12 p.m. to 1:24 p.m.]

Session Two

Overview of Public/Private Partnerships

MR. WHITE (Alberta): Ladies and gentlemen, I hope the lunch satisfied you. [interjections] Oh, good. We do provide notes for those that had a healthy lunch and did not imbibe too much in the desserts. I'll write a note to the spouse to say that you were a good person. We also note that that club is not a luncheon club, but the level below the level we dined on is an athletic club. So those that feel they ate a little more than they should can go to the running track down below. Actually, I don't think we paid for that service, but it's a nice thought and a thought that counts. We'll keep you busy here otherwise.

Today we are very privileged to have with us a very experienced person in her chosen area, being on both sides of the public/private fence and now in a consulting business in exactly that area: in the public/private partnerships. With the recent advent of cutting back on our public expenditures and still having to provide the service, there are other methods of providing that service, and this is certainly one.

Glenna Carr, to my left here, is the President of the Canadian Council for Public-Private Partnerships, a national organization which fosters innovative forms of co-operation between the public and the private sectors for the benefit of all Canadians. The council sponsors Canadian research and events, providing a forum for local and international experts, publishing guides to the formation of partnerships and alternative service deliveries across Canada. It's a nonpartisan, nonprofit entity sponsored in part by the Canadian council and is supported by a broad spectrum of individuals, governments, and other organizations.

Specifically, since 1965 Glenna has been the chief executive officer of Carr-Gordon Limited, a Canadian consulting practice which specializes in public and private partnerships. Prior to '95 Ms Carr was the vice-president of corporate affairs for Laidlaw, participating in the formulation of environmental health care and community transportation partnerships across North America. In another life she was also a deputy minister in an Ontario government, serving as deputy minister of skills development, deputy minister of consumer and commercial relations, deputy minister of the management board of cabinet, and the chair of the Civil Service Commission.

Glenna will make her presentation now. Glenna, it is yours.

MS CARR (Canadian Council Public-Private Partnerships): Thank you, Mr. Chairman, and good afternoon, ladies and gentlemen. Bonjour, mesdames et messieurs. Ça me donne grand plaisir d'être ici à votre conférence. I am looking forward very much to the next hour. I will be doing a bit of a presentation on the Canadian council to give you a little bit of background, and I've been asked by the conference organizers to talk a bit about trends within Canada, across Canada in this area of public/private partnership formation. Lastly I'm going to talk a little bit about

some of the current issues, some of the things that are giving people heartburn, both on the government side and to some degree on the private-sector side. Then I would be delighted to open up for questions and discussion.

I wish I was going to be able to stay with you for the rest of your conference because you have some very interesting topics and speakers. However, I do have to catch a plane and head to Toronto. This is actually not my day job. In January of this year I was elected for a two-year term as President of the Canadian Council for Public-Private Partnerships, but it is a pro bono position. So as much as I would love to stay, certain other commitments call, but I would be very happy to take your questions during the course of the session and would invite lots of dialogue and discussion, because this area of partnership formation and delivering public services through public/private partnerships is very much a new and emerging area. There is no official blueprint, if you like.

I would like to thank you for the opportunity of meeting with you and sharing some mutual perspectives. The subtheme for this could be called scar tissue and speculation, scar tissue because, as your chairman has said, I did in my career within the Ontario government as a public servant engage from the government's side in launching a number of partnerships: the Ontario Training Corporation, which was a partnership between government, labour, and the business community; the Teranet, which is a strategic alliance and partnership between the Ontario government and a consortium of private companies which is automating land registration and producing a land titling system for Ontario and marketing it internationally; and more recently the formation of the Technical Standards and Safety Authority, which is a self-managed industry, consumer, and public interest board that has been delegated responsibilities by the government for public safety in certain industry areas. I'll go into that in a little more detail. Also on the private-sector side in the last five years I've had the opportunity of working in Mexico, the U.S., and Canada in the area of environmental partnerships and competitive contracting out of public transit, ambulance services, and a whole host of other community transportation services. So it's very much an opportunity, I guess, to share some of the scars.

I've also had the opportunity to appear before public accounts committees and to have programs that I was managing audited by the Provincial Auditor. I'm happy to say that I never really got on the hot seat for very long, but certainly I'm well aware of the nature of the responsibilities that you have.

So let me talk a little bit both from a personal perspective, having lived through some of these things, and also from the perspective of the council's role. If you're having trouble hearing me, just put up your hand, but hopefully you can both see the transparencies and hear me as well.

The mandate of the Canadian council is to foster innovative forms of co-operation between the public and the private sectors for the benefit of all Canadians. The council was formed five years ago, and I've been on the board of directors for the last three years. We have for the past two years had an executive director who provides assistance and support, but it is a nonprofit organization, and the membership pays fees and supports that. We do not receive funding from any other sources. The activities of the council I will go into in more detail, but they are funded by a broad-based membership right across the country.

Why were we created? It's really part of the worldwide change in looking at the role of government. It is based upon the assumption that government's role, to use the old cliché, is to steer and not to row. It is to direct, to form policy, and to provide and protect the public interest, whereas the private sector can and should play an important role in delivering and to some degree financing projects and services for the public. That is not to say that one is better than the other at doing it, but it is to say that each can bring a unique and beneficial role to the task.

It also is our view that one size does not fit all and what works in P.E.I. or in Nova Scotia is not necessarily what works in British Columbia. Therefore, there is an element of innovation and creativity that is needed to meet the needs of Canadians. We in fact act as an advocate in many ways for partnerships and to increase the role of the private sector in public services. We also advocate that government focus on what only government can do. There is a need in fact, we think, to improve the efficiency and the effectiveness of what governments do, and there I think we have a common interest with your group.

We do encourage public/private partnership formation. We provide advice to ministers, to members of Legislatures, to public officials, and we organize a variety of fora to put information and different perspectives together. So we do not represent just one perspective, but in fact we see our role as a catalyst or a broker to provide information and to encourage debate.

We produce every two years an inventory of partnerships across the country at the municipal, provincial, and federal levels. We are producing best practices guidelines, sort of how to: how to issue RFPs, how to measure and evaluate proposals, how to deal with unsolicited proposals. We produce case study examples, in-depth case studies, and if you have an opportunity to look at some of the material that's over on the table near the door, you will see in this public/private partnership review a number of case studies of interest from right across the country, from the city of Moncton water treatment to Navigation Canada commercialization, the Teranet in Ontario, and so on. That publication we produce three times a year.

Lastly, we do host an annual conference as well as a number of other seminars, and our conference this year is in Toronto. There is a blue brochure at the back which gives you a bit of an advance preview, and we're fortunate in having Terence Burke join us from Australia this year. We do try to bring in people from other countries as well as right across Canada who have, we think, an interesting perspective and experience to offer. This year, for example, we have Yves Landry, the president and CEO of Chrysler Canada. We have the Hon. James Lockyer, the Minister of Justice from New Brunswick; the Hon. Donald Macdonald, former Minister of Finance, who chaired the commission on hydro; and a number of others from right across the country. So we do attempt to be regional and representative. We have politicians, former politicians, bureaucrats, and industry managers and executives as part of our membership.

We do believe that there is a need to really stimulate interesting dialogue and debate on this topic. There is a need for good research and applied research. So we have created during the past year a task force on public/private financing to examine the pros and cons of having projects and services financed by the private sector and to look at those in an objective way.

Just a little bit more about the council. As I said, we are nonprofit and nonpartisan. Our membership is growing. We represent almost 200 organizations now. Actually, this is a little bit out of date. Our fastest growing increase in membership, which is in the thousands of individuals represented, is from the public sector. Originally most of the interest was from the private sector, and in the last two years we've had a huge increase in membership from provincial governments, municipal governments right across the country.

Our office is located in Toronto, we have a web site, and our board of directors currently does represent all regions and sectors of the country. We have Ron Hystead, who is with Carmacks Construction based here in Edmonton, on our board of directors currently; Chris Lorenc from Winnipeg; Steve Davis from Inland Pacific Water Works in B.C.; Al Strang, who's the chief administrative officer from the city of Moncton, and a number of other firms -- legal, engineering, financial, and so on -- as well as operating entities like Bombardier, TransAlta Utilities, AGRA Inc., and so on. So we have quite an interesting and very committed group of people who are committed to seeing partnerships as a way of providing service.

Let me now go into just what we mean by partnerships, because it tends to be a rather used and abused word at times. Let me talk a little bit about what we mean here. Our working definition, if you like, because I think there are lots of definitions, is that a partnership is a co-operative venture between the public and the private sectors based

on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks, and rewards.

Imbedded in this definition are a few key elements. First of all it is a co-operative agreement. It's based on mutual goals, interests, and respect, hopefully, for the partners. That can sometimes be contractual. It can sometimes take other forms. It can be a corporation. It can have delegated, legislative, or administrative authority. The second element is that there is shared risk and shared reward. That does not necessarily mean on a 50-50 basis of course. Lastly, the other key element is that it is to serve defined public needs. That implies a degree of measurement of what those needs should be, what the outcomes should be, and what the responsibility is for achieving them.

The full range of public/private partnerships can and does include everything from what has been called alternative service delivery -- I've found that means that if the government isn't doing it, then it's alternative service delivery. It includes contracting out or outsourcing. It includes strategic alliances. It includes projects which are related to infrastructure, designing, building, operating, and in some cases transferring back to the government after a period of operation. It includes financing or cofinancing. It includes right up to the end spectrum of commercialization and full privatization.

In the Canadian context -- and this is the case I would like to make here this afternoon -- pure partnership seldom exists in the sense of a 50-50 deal. I'm going to look at some specific examples and look at the issue of the state of readiness for both public-sector entities and the private sector to participate here. I'd also like to talk about public opinion and how it is changing in this country with regard to partnerships and a little bit about the private-sector capacity to participate in these effectively.

There are now literally dozens of examples of public/private partnerships right across the country. The ones on this overhead are not necessarily the best. They're not being highlighted because they are the best, simply to give some idea of the diversity and scope. I'm sure some of these will be familiar to you. They include everything from building highways, bridges, fixed links, whatever you want to call it, roads, water and sewage treatment plants to Nav Canada, the air navigation system entity that was created last year. It also includes many other kinds of partnerships. The Alberta research entity that co-operates with the University of Alberta, biotechnology firms, pharmaceutical companies, agribusiness firms to produce products and innovation for citizens in the province of Alberta: they have a very strong partnership here in Alberta among those entities. Sheridan College in Toronto has partnered with Walt Disney, Nelvana productions, and Industrial Light & Magic to produce opportunities for students and citizens in computer animation. There are partnerships that are occurring in the area of home care, among hospitals and laboratories, private-sector

entities to provide new partnerships for laboratory services. There are partnerships in the regulatory area, such as the Alberta boiler and pressure vessel and the Alberta Safety Codes Council.

So there is a whole range of partnerships that are covered under this rubric, and I'm sure some of you will tell me that some of these are working well and some of them you may have doubts about, but the fact is that it has become a very substantial way of doing business and providing services to Canadians.

What has gone on during the past five years in terms of Canadian public opinion? There's no doubt that support and interest has increased. The trend now is to favour more private-sector involvement in delivering public services. A study done by Angus Reid looked at -- since 1988 there has been a significant increase for the role of the private sector in delivery of public programs and still some support for maintaining a role for government regulation. The best approach according to this study, which was conducted right across Canada, was to combine the two in some form of public/private partnership, and the majority of Canadians surveyed, 81 percent, felt it was a very good or a good idea to continue with some form of government role in policy but with the service delivery side, the program delivery side being conducted by the private sector. Only 4 percent of Canadians two years ago felt that this was a bad idea.

There is a bit less support and a bit less certainty by Canadians in terms of financing, purely financing by the private sector. Two years ago 48 percent felt that was a good idea and 46 percent thought it was a bad idea. So there's less certainty around the issue of financing, much more certainty around the issue of program delivery.

The Canadian Council for Public-Private Partnerships two years ago sponsored quite an in-depth survey and a series of interviews with political and management people right across the country. In each province we interviewed provincial ministers, deputy ministers, mayors of cities, and people in the federal government as well. So this was a survey that was conducted by people making decisions about how to deliver programs and services, and 81 percent of them gave public/private partnerships a very high priority as a form of delivering programs. Support was highest -- and this was two years ago -- in the prairie provinces and in the Atlantic region. Support was lowest in the province of Quebec.

The highest areas of priority that were seen at that time were energy, environmental services: everything from garbage removal and treatment to hazardous waste treatment, although you do have Swan Hills here; don't you? Transportation: public transit, roads, airports, bridges, and parking. Recreation: arenas, parks, leisure services. And real estate. Lower on the list of priorities were the so-called soft

services: health, education, social services. But many of those people, politicians and officials alike, who were interviewed felt that even in these so-called sacred cow areas, there were a number of things that could and should be delivered through partnership.

No-go. There was very little support at all for involvement by the private sector in the area of justice administration, that is the courts; taxation -- although they could see them collecting taxes and bad debts but not setting tax policy -- the broad area of access to health care; and policy-setting or regulation determination. So those were the areas two years ago that were still regarded as very much within the government's domain.

This year a study was commissioned, which has just been published, on alternative service delivery at the municipal level, and it shows a very strong increase in municipal activity in terms of competitive contracting out of municipal services, in some cases inviting internal employees in municipal and local governments to compete. In other cases they are looking at contracting out solely to the private sector. There's also an increase in financing specific projects at the municipal level.

Where does the impetus come from here? In terms of the officials interviewed, a very high level of leadership, if you like, or impetus from senior officials. Some 85 percent of these initiatives have been undertaken by senior officials, followed next by politicians, 75 percent, and lastly 72 percent by interested private-sector firms. So many of these things have their impetus in both the fiscal restraints of government and the desire to provide services more efficiently and focus the role of government on its so-called core businesses.

Well, what are some of the benefits of this approach? This is as articulated by Canadian politicians and senior public officials, not by private-sector proponents. This is also from people who have been involved in at least one or more public/private partnerships, so they're speaking from an informed knowledge base. They see it providing access to capital that they wouldn't otherwise have. That's both to invest, perhaps in areas like information technology, or infrastructure, like building a bridge. They see a benefit being providing buying power, economies of scale. This is particularly true at the municipal level or in some of our smaller provinces or jurisdictions enabling them to have a more flexible organization, to anticipate needs, and to be able to respond more quickly to change.

Containing public-sector wage creep, a lovely term; isn't it? That was an area that was mentioned by a whole host of leaders. They felt that they would really like to involve the private sector because they had to be more responsive to market conditions. They were concerned about escalation of public-sector wages.

They also remarked on many occasions about the unique access that they now had to expertise and knowledge that was perhaps only available in the private sector and that they could not afford to have in-house on a permanent and ongoing basis in their public service.

Also, in addition to these ones that are noted here, they were able then to do some planning and to have some services delivered that go beyond political boundaries. For example, if you bring in a private-sector consortium to build a pipeline, they are able to go beyond a municipal boundary. They are able to actually deal with a whole watershed area, for example, and that was something that they couldn't get otherwise. So it's sometimes easier for a third-party group to come in and provide a service to municipal or provincial entities than it is to have one governmental agency provide that service.

Lastly, they commented over and over again on the benefit of having to define more clearly what the outcomes or results were as a result of contracting out and having to set out parameters for performance, whereas if it were done in government, quite often they emphasize process as opposed to defining the results that they wish and then having to measure and evaluate them periodically. For example, in British Columbia, where they contracted out highway maintenance and operations starting back in 1988, one of the chief things they learned from that was that they had not clearly defined what they expected, and in fact they had problems the first few years because they hadn't put that effort into what kind of performance they wanted. They finally achieved some cost savings when they were able to do that more clearly.

There is a Bank of Canada study that was published in August of this year which shows some significant paybacks to the federal government and provincial governments in the magnitude of \$14 billion from full-out commercialization in the past few years as well as in cases of partnership and not full-out commercialization, improved productivity, improved self-sufficiency, improved revenue streams to government and, the important observation, I think, that competition must continue to be an element. If you're going to replace a public-sector monopoly with a private-sector monopoly, you're not really going to achieve your objectives of saving money and getting better program results and services in the long run. Those are some of the background issues and some of the trends in public opinion in this area.

What are people scratching their heads over currently? Is real risk-sharing going on? Some private entities are asking governments to guarantee more than governments feel they should. In a public/private partnership there is a sense that some of the risks should be transferred from the government to the private sector. Otherwise is it really a partnership? So that whole area of negotiating and managing risk transfer is very much a matter of public debate.

Doing it over a significant period of time. Generally the most success has been achieved in the past in some of the infrastructure projects. If you build a bridge, you can plan for what will happen, how it will be financed. You can estimate what the traffic will be and so on, although they haven't done a very good job of that on Highway 407 in Ontario, as Richard Patten mentioned earlier this morning. What will the benefits be over time? How accurate are your predictions? If you're looking at generating some sort of user fees and you haven't done that in the past, how effective are your projections? If you're counting on getting some payback from savings, for example, how accurate are those?

Many of the more complex partnerships now are being considered in areas like welfare services, the use of technology in courts administration, probation and aftercare and so on by bringing together databases from different systems and saving significant funds as a result of doing that, but it does mean that you're having to project over a period of, say, seven to 10 years what the paybacks will be, and a lot of things can change in that period of time. The need to adjust and assess and have mechanisms as part of partnerships whereby you can renegotiate if circumstances change is an important element, and people are very much feeling their way in this area.

The fear of loss of control and the whole area of accountability in a partnership management situation is also very crucial and very much the subject of debate. Most governments across this country do not have accountability frameworks in place, do not have policy frameworks in place, although many of them are in the process of developing them. So the issue is: how do you make it work effectively? How do you, if you like, develop a framework or checklist for what works? Concern for job loss in the public sector has been an impediment, particularly in an economic recession, and it is very difficult to prove. People have not been able to track at all what the net effects have been in terms of job creation and job loss.

Another area of concern has been the area of municipal capacity. As federal governments and provincial governments pass down or devolve or off-load, some might call it, responsibilities from one level of government to another, at what point do you say: do we have the capacity to do this? There are many across the country who feel that as you push programs and services down to the municipal level, at some point in time your ability to manage those effectively and to have the necessary sophistication and know-how is going to be an issue and is already in some areas. So you see regional entities forming, for example, to deal with the fact that in rural areas, remote areas, or whatever, areas with lower population, you may not have the base of resources to manage something as sophisticated as some of these partnerships need to be.

There is a great deal of reform going on, not only on the partnership side but also in looking at what remains in government. Some people call it the Swiss cheese effect. When you devolve responsibilities or push out services, whether to the private sector or some form of partnership, at some point in time you have to look at what you have left. Does that make for a coherent government structure? Is it clear? Do you have the right kind of resources in place? Is there a rationale for it to hang together? So those are some of the issues that people are grappling with across the country.

What are the lessons learned in Canada so far? This is just my own sort of particular laundry list. We have experienced some chill, if I can put it that way, from the Pearson airport situation. There was a sense that that situation caused people to back off, both on the public-sector side and on the private-sector side, from engaging in significant partnerships. However, since that time we have moved on, and we've seen many examples. People have learned from that experience. They've learned that if you're going to do it, you'd better look at an open and transparent process, you'd better look at taking into account the needs of all the stakeholders, and you'd better look very clearly at how it will look five and 10 years down the road. What will those risks and rewards be not only for the partners in the immediate deal, so to speak, but for the Canadian public?

So we've developed a uniquely Canadian blend coming out of this. We are moving more and more into the soft services or soft infrastructure, the use of technology, the use of partnerships even in some of our areas like health care and education, young offender programs, and we are becoming a lot better at clarifying our purpose as we go into these partnerships. We are learning, for example, to differentiate between what is expected of a partner in a relationship and what is expected of a subcontractor, a very different kind of role and relationship.

Let me just spend five minutes or less on some of the shifts that I think still need to occur and where I believe public accounts committees can play a role. In setting out these frameworks for accountability in a partnership management environment, we need to consider control but not controls. The old management models with hierarchy, policy, rules, procedures, prescriptions, and compliance are not going to work in this new world. They don't fit. We do need a new management model. We do need some control, but it is appropriate control. There is a rationale for economy of control, for relevance. Some of these supersede, in fact, very detailed process and procedures.

There is also a need in this new management model for an emphasis on ethics and values. In a partnership arrangement you have to trust and know your partner. You have to go through a period of deciding whether you've got the same values and objectives. So at the front end of a partnership you have to spend a lot more time clarifying what those values and ethics are going to be that are going to shape that

partnership. Relationships are needed. These are very different ways of measuring whether you're doing something effectively than the old hierarchical models. You need to spend more time on risk assessment and risk management, a whole different skill set as opposed to total risk avoidance. It's not possible.

The second area of interest is, as I've mentioned before, accountability. We really need to work on clarity of the results that are needed and the responsibilities in achieving them. There is a need for much more exercise of discretion by managers and partners as well as the will to take responsibility for action, and there is a need for a spirit of continuous improvement, because in many ways we are inventing ourselves as we go along. It's quite a shift from blame and faultfinding to an environment of let's learn as we go along; let's continuously refine and improve what we're doing.

Lastly, there is a need for credible reporting and for the ability to demonstrate in a very public forum that what you're doing makes sense and is in the best interest of your public. So for the private sector this is one of the toughest things, as many of you know, because in the private sector, apart from your shareholders' meetings, you don't usually have to answer for many of your decisions unless it's to the media. So we need to educate the private sector as we work more and more in a partnership delivery mode as to what this means, how to involve stakeholders. The whole process of issuing RFPs, requests for proposal, is one that is coming under much more scrutiny. These are not necessarily the best vehicles for forming partnerships, and a number of governments across the country are now moving to common purpose procurement and other means of bringing in a consortium of partners. An RFP might be great if you've got one service provider. It's not good enough if you've got diverse partners or a consortia of expertise is needed.

What about unsolicited proposals? How do you deal with those from a public-sector perspective and from a private-sector perspective? If you invest the capital and the expertise in coming up with a unique proposal, should you be recognized for that in some way and rewarded for that? So these are areas of current debate and I think ones in which public accounts committees can play a leadership role.

Just to conclude then. In terms of what we have found in the last five years, the elements of accountability that are most critical in making partnerships work are setting out a very clear set of expectations, having clear roles and responsibilities that are well defined, and having a balance of expectations and capabilities. Those are defined by legal frameworks, by working through in a very explicit way what your authorities are, whether they be human resources, financial delegation, sharing or transferring resources and assets, and so on.

Fourthly, the issue of credible reporting, with performance measures and a reporting regime that's agreed to in advance. Fifth and last is a reasonable review and adjustment process where you can redress any things that go off the rails and where you also have an opportunity to resolve and initiate any changes that are needed.

In conclusion, the future emphasis I think will be on training managers to work in this new partnership management environment, to educate the public and members who are elected by the public, and to set a whole new set of responsibilities and measures and evaluation in process.

I would invite your questions and discussion, and I would simply close by asking you if there's some form of partnership that we can engage in between the Canadian council and your council.

Thank you, Mr. Chairman.

MR. TRENORDEN (Western Australia): Glenna, you said earlier on that public support for private financing has reduced. I apologize for being Australian and not knowing the Canadian system, but why would public support for financing reduce?

MS CARR (Canadian Council Public-Private Partnerships): I think the area of financing by the private sector is not as well understood. There hasn't been as much of that in this country as there has been in the U.S. or the U.K. or Australia. There has been some private financing. In general, I would say that the benefits of private financing are not as well understood here as they are in some other jurisdictions. People see it as much more of a user fee issue. In general, because governments in Canada have had room to raise their debt load, it has not become as much of an issue here.

MR. PATTEN (Ontario): [Not recorded] very big, challenging areas other than big government with big business. The area, as you know, that I have a great interest in is the area of the voluntary sector. With exceptions, I've seen nothing, by and large, but devastation of voluntary organizations by government because of their obsession with financial accountability and no flexibility. So when you talk about accountability -- and I think this is an issue, as I see it, for Public Accounts -- it doesn't look at quality of service really. It looks at systems and looks at money and looks at whether another auditor did the audit and looks at: did that audit system get audited well enough from our point of view as we audit that system?

I don't know what the role is. It would be a good debate, I think, a good discussion here. It would be good to go through a case study and see how this has worked out, because I think it's a clashing of institutional cultures, as you said. I think the

implication of what you said is that really you've got to change attitudes. But I see government tightening up and moving almost in the other direction while they're looking at this. The general culture to me is not more open; it's more closed. They may be more open to other, quote, subjective models, but I don't see too many examples. When government uses the term "partnership", I get worried. I get worried for the voluntary organizations, you know, because they don't really mean partnership. They mean: you can pick up what we've dropped. Very often that's the code word. But I still think that there are oodles of opportunities not only in the private sector, commercial and industrial, but also in the whole voluntary area as well. That really worries me. I wonder if you have any experience in that particular sphere.

MS CARR (Canadian Council Public-Private Partnerships): I agree with you that that is a problem. One area where I think it will become a significant issue is in the area of home care as hospitals are closed and people are moved out of institutional care in the health care system. What is the capability of the Victorian Order of Nurses and other nonprofit entities to deal with what is a very complex and challenging and difficult-to-organize sector, if I can put it that way? Yet the expectation is that if health care and home care are provided in this way, the nonprofit sector will be there to participate. I have to say also that the private sector isn't always that well organized or that well able to cope either and that there are areas in this country where there really isn't much of a private sector which can participate in these kinds of partnerships.

So there is the sense that we have to look at -- and this is why I call it uniquely Canadian. Because we have vast distances to cover and in some cases small populations to serve, the role of government has traditionally been to be a fairness or equity broker, to make sure that people get reasonably served. I can imagine some partnerships which will be formed by the nonprofit sector together with government and the private sector. Those are pretty complicated entities. Usually when you're going to have a successful partnership, you try and minimize and streamline so that it's clear and easy to comprehend. But in this one area, I think particularly care for seniors and home care, we're going to see a lot of difficulties, and those different cultures are going to clash.

MR. WHITE (Alberta): Violet from Saskatchewan.

MS STANGER (Saskatchewan): Thank you. Glenna, I've really enjoyed the presentation. I have much interest in it because I serve an area that has many companies in the oil business, and I can really see a lot of areas where we could do partnerships. Why wouldn't we do partnerships in areas where if we do something well, we do it, and if they do something well, we partner with them to do something well? That isn't going to be my question; I'm just commenting.

The area of home care: why would we ever want to partnership there in Saskatchewan? We just do it perfectly. We started it under Blakeney. I mean, why would we ever want to go to the private sector? But there are many things, for instance, that the private sector does much better than we could ever do. So why wouldn't we partner with them and let them direct us in that way? The old co-operative mode again coming out because it was born in Saskatchewan.

Anyway, you said in your remarks that \$14 billion back to governments was commercialization, that there was \$14 billion going back to governments. My question is: could you give me an example of that?

MS CARR (Canadian Council Public-Private Partnerships): The Navigation Canada deal, for example, raised about \$3 billion, or that is the intent. It was the single largest financing ever completed in Canada, and the federal government received \$1.5 billion. The only problem with that is you can only sell an asset once, and once you've sold it, it's gone. Still, it's a very significant chunk of money. If you like, I can provide to Corinne the reference from the Bank of Canada study that was released in August of this year. It was published in the Financial Post, and it goes into what provincial governments have been able to achieve as well as the federal government from commercialization.

MS STANGER (Saskatchewan): I'd sure be interested in that, Glenna. Thank you very much.

MR. WHITE (Alberta): Other questions?

MR. LEEFE (Nova Scotia): Perhaps you could explain to me why taxpayers should take any risk at all in a public/private partnering when in fact in most of the instances I can think of, the private partner is virtually guaranteed a profit as a consequence of the partnership. I don't understand why the taxpayer should have to bear the risk in that. Perhaps you could explain that to me.

Secondly and finally, it has been our experience with respect to the first example that you showed on the screen, highway 104, that public/private partnership has been used as a means of ensuring that the public is shortchanged with respect to the information it receives, because in every instance or virtually every instance when demands have been made that information be made public, government has hidden behind the veil of the corporation being a private entity and that that information therefore belongs to the corporation and not to the public. That surely is not in the public interest.

MS CARR (Canadian Council Public-Private Partnerships): I would tend to agree with you, and more particularly from the point of view of shaping government policy

for the future, that's where I think the Public Accounts Committee needs to be able to put some of these things in the context of: how do you show that you have thought of the public interest, and how do you show that the public interest is being taken into account? Usually these things are covered under the veil that there is some commercial benefit that must be protected, and I would tend to argue on the side that you should be leaning as much toward full disclosure as possible. That does make it difficult when you have a competitive process and you have bids being submitted. Having said that, I think if you can construct it at the beginning and give thought in advance to what it is the public needs to know and how it is you can get that into the public domain, you can make that a condition if you like.

With regard to whether or not the public should take any risk, I have to say that having run a number of public services, the public takes risks every day in what it gets from the government, and just because a service is operated in the public sector doesn't necessarily mean they're getting the best value for money or that there are not some risks. The difference between private financing and public financing really is the degree of recourse that you have to the taxpayer or to other sources. I believe that generally governments can borrow money at the pure coupon cost of the money more cheaply. In some cases governments have run out of room to do that. In some cases the financing side is only one small portion of the partnership, and there are other benefits: building a road or a bridge more quickly, using value-added engineering concepts that would not normally be part of putting it in place if you did not do it through a partnership with the expertise that can be brought to bear from the private sector. So there are reasons other than simply the pure coupon cost of financing in order to do these partnerships, but it's a tough area to explain in a clear way to a member of the public because it is complex.

MR. WHITE (Alberta): Thank you.

MR. MARSAN (Québec): Pierre Marsan from the Quebec Liberal Party. First I'd like to thank you very much for the quality of your presentation. As you mentioned, I think that we all agree on increasing a better partnership among the public and private sectors. But one of the important actors is the union organizations, the union leaders, and I would like to know how you deal with that issue when you're talking about privatization. How do they react? In Quebec we have some examples that I'm sure are not always that good, but I would like to know your point of view regarding this issue.

MS CARR (Canadian Council Public-Private Partnerships): Thank you, Pierre, for raising that. It's an extremely important area. I think that from the point of view of the council we try and involve unions and union leaders in our discussions and debate. As I said, what we do is provide a forum for getting different points of view represented. It has been difficult, frankly, to get unions to come to the table, so to

speaking, for these discussions. Although we try to involve them, it's not always an easy thing. Apart from that, there is a sense, though, that there is an opportunity for not just unions but employee-led enterprises, whether they be associations or whatever, to participate in this.

South of the border we've seen a lot more activity through a managed competition process at the state and local government levels with employees competing out, to use that phrase they use in the U.S., where they're actually competing for provision of services, or the shadow bid process. But unions I think also need to be educated, if I can put it that way, and need to learn these skills of putting together their proposals and their bids. We are in a state of transition from looking at the delivery of services by unionized employees as a right to a situation where in some cases it won't always be a right. In general, it's been a lot easier, and that's why many of the areas for partnership involving the private sector have been new projects. They have been green-field situations as opposed to conversion of existing programs and services.

In the study that I mentioned of municipal partnerships across the country that was just released, the single biggest problem identified by municipal leaders to doing services differently was the existing collective agreements. However, many are finding ways to deal with that. In some cases they are changing their collective agreements. In some cases they're simply sitting down with union leaders and developing separate agreements for the provision of services in a different way in a particular area.

MR. WHITE (Alberta): Joan Smallwood, British Columbia.

MS SMALLWOOD (British Columbia): Thank you. I was particularly interested in some of the comments you made about the need for flexible management. I want to juxtapose my comments or use the comments from the member from Nova Scotia as a bit of a springboard with respect to shared risk as well.

In this heightened climate for governments I think we're all recognizing a demand from taxpayers to be accountable and transparent in the way we spend money and provide service as governments. When we are, to use your words, embarking on this new partnership method of delivering services, I guess my question is: do the partners understand that? Do they understand that they're functioning in a fishbowl, as public services have done traditionally? That fishbowl and the people who have demanded the accountability for taxpayers' money now are on the other end of that scrutiny. Are the private service providers up to that task? That's a big question for people in Public Accounts, especially when we all feel that we've got our feet to the fire.

MS CARR (Canadian Council Public-Private Partnerships): I agree with you, and I alluded earlier to the fact that I think for private-sector service providers this is one of the toughest areas. We have many companies in this country that provide services every day that are really public utilities. I mean, they run school buses. They provide gas. You know, Consumers' Gas is a public utility, but it happens to be a private corporation. So there are many services that have traditionally been provided in this country by the private sector, and they understand this quite well. I think the issue is: who's responsible for what? Who's going to stand up when there are questions?

I'll give you an example. I'm on the board of the Technical Standards and Safety Authority, and we have responsibility for public safety in areas of fuel safety, elevators, amusement rides, boiler and pressure vessels, and everything else. Well, if something goes boom, is it going to be the board of directors, the president of Consumers' Gas, who is on the board? Is it going to be the inspector who didn't inspect that fuel tank properly? Is it going to be somebody who didn't train or prepare that inspector properly? Where is the accountability going to be? So the role of public accounts committees I think will be to appreciate the fact that in some of these areas you're going to have multiple responsibilities, and you're going to have to drill down, if I can put it that way, and see where the appropriate issues are.

In the best of all possible worlds you will construct those entities, those partnerships, with the fore-knowledge that you're going to have to do that at some point in time, and you will think it through at the front end when you're designing the partnership.

MR. WHITE (Alberta): A supplementary?

MS SMALLWOOD (British Columbia): Thank you very much. If you don't mind, along the same lines, what you're saying basically is to front-end load. Make it clear what the rules are in the beginning. If, then, governments are embarking on significantly more in the way of public/private partnerships, is the private sector going to be comfortable with this same public scrutiny? Are they going to be prepared to open their books and disclose the health of their organization and bring the confidence necessary from the taxpayers' perspective that they can do the work, that they'll be around to maintain and fulfill the contract? I can think of a number of different issues there that the public sector is very comfortable with and having to deal with on an ongoing way which the private sector has fought against traditionally.

MS CARR (Canadian Council Public-Private Partnerships): Well, I think the private sector is not a single entity where everyone behaves in the same way. I think there are private-sector providers who are public corporations. They have their own form of accountability, and they have to provide a fair degree of information. There are also private-sector entities that are not public corporations, so there are differences

there. I also think that you're sort of mixing apples and oranges between letting a contract and what are the appropriate things that need to be shared publicly and a long-term partnership. I think you have to distinguish between what's appropriate and needed for, say, running a particular service for three years and a long-term partnership that involves significant investment and potentially some risk.

MR. WHITE (Alberta): Well, thank you. We're running significantly behind time at the moment. Glenna will be here for a little bit. She has a 4:20 plane to catch. The airport for this city is halfway to Calgary in any event, so you have a running start. She has a long way to go. Perhaps you could spend some moments speaking with Glenna before she departs.

Before she departs, it is my distinct pleasure to thank her for the time she's spent today with us explaining, scratching the surface of some of the varied public and private partnerships that are available. Certainly each and every one of us in our jurisdiction has had some experience with them: some good, some bad. There's a great deal of information now available, and this being a much more emerging science or art, if you will, there's much more information available, I understand, from the council. The five rules to follow is a very good start, which many of us made some notes on. It's all available through her office, and I'm sure she'd be happy to share it.

On behalf of you who are assembled here, I have the distinct pleasure to offer a small token of our appreciation for dragging her all the way from Toronto, with decent weather, out here to Alberta in some of this weather. Thank you very kindly, Glenna.

MS CARR (Canadian Council Public-Private Partnerships): Thank you.

MR. WHITE (Alberta): It's my suggestion that even though we do spend a great deal of our time posterior oriented, perhaps now is right for about a two- to five-minute bend and stretch, talk to your neighbour. If you could come here, Max, and make that presentation. So, first, while Max is walking from there to here, a bend and stretch for a couple of moments. All right?

[The meeting adjourned from 2:34 to 2:41 p.m.]

Session Three

Government in an On-line Environment

MR. WHITE (Alberta): Ladies and gentlemen, after that two- to five-minute break that stretched a little bit, we're reassembled. We do have another break coming real quick.

I am informed by some of his colleagues that the next presenter, if he were squeezed way down and we didn't have a whole lot of time left over for him, would not cry a whole lot, being the gracious British Columbian that he is.

I'm just informed that after Max we have a break, and then we have a nonpresentation by British Columbia, being the easy west coasters that they are. Actually, what they wanted to do to complete the day is initiate discussion on the subject matter and have a roundtable discussion, which they would be happy to lead.

So with that in mind, we have with us today -- you've heard him speak once, twice, and now you are getting used to the Western Australian drawl -- the chairman of the Australasian Council of Public Accounts Committees, a position which he's held for two years and will hold until March of '99. He's also, as you know, the chairman of the expenditure review committee. He is here on the subject of government in an on-line environment. Ladies and gentleman, Max.

MR. TRENORDEN (Western Australia): Thank you, Mr. Chairman. I would like to take a little bit of the time of the conference to go through the Australasian Council of Public Accounts Committees just to give you some oversight. British Columbia was with us last year, but I would like to see some of you others in '99 in Western Australia getting involved in our process.

The Australasian council has the same objectives, basically, as you have yourselves: increasing knowledge on issues of common concern amongst public accounts committees, both staff and members. We actually have a staff meeting at the same time as we have these meetings. The staff stay on for an extra day. This is in fact quite important. We get a lot out of our staff getting together and talking about how public accounts committees work, and we have some concrete outcomes. In the last meeting we held, which was chaired by New South Wales, sitting down in the corner there, we debated for some time and came to agreement on the minimum independence requirements for auditor generals, which was an issue that was developed over a couple of years.

Why I'm raising this today in my role as chairman is that I have some personal thoughts of where I'd like to change the Australasian council and make it a little bit different in how it operates into the 21st century. Before I start, I'd like to say that I'm a devotee of public accounts committees. I was thrown into my position by the leader of my party in 1989. I was dragged, kicking, to the table. I did not want to be a member of the Western Australian Public Accounts Committee, but once I learnt what the process was, I've been an absolute devotee. I have a very, very strong belief in the role of public accounts committees, but I have a high concern about the continuity of the effort. We have a high turnover of members on public accounts committees, and

what concerns me is that by the time many of our members get to understand what a Public Accounts Committee is about, they've moved on to other services or left Parliament. I believe that every Parliament needs a strong, independent, motivated Public Accounts Committee.

One thing I'd like to do with our Australasian body is increase support for individual state public accounts committees. Like you, as I heard going around the table this morning, not every Public Accounts Committee is resourced the same in Australia, and I would like to see some of the more poorly resourced backed by a federal body; that is, a body covering all of Australasia. We call it Australasian because Papua New Guinea always turns up to our meetings; New Zealand regularly comes to our meeting; Fiji in the past has come to our meetings. Again, I would like to extend that a little farther out into the Pacific.

I think we need an increased role for the chairman. I'm not saying that because I'm the chairman. I hope the role that I'm speaking about will start after I've gone so somebody else can do the work. I do believe that there has to be a capability of the chairman under certain controlled circumstances to speak on behalf of the movement of public accounts committees so there is a greater understanding in the general public out there and also with the press and also with the executive. I know from my own state and some of the other Australian states that many ministers come in to government, have a short period of time in the government Houses themselves, then into a ministry and do not understand either the accountability systems or parliament itself.

I believe we have a really strong role we could play as an overall body. I just raise those issues, and I'd like to get some feedback from yourselves, because I would like some capability to raise that issue outside of Australia. I do believe that the Canadian circumstances and the Australian circumstances are very similar, and we can all gain by getting together from time to time, but I think we should have a very strong agenda and really get into some fundamental issues.

Now, I'll just talk for a little while about the Western Australian Public Accounts Committee. It also has the responsibility of expenditure review. The committee is born of the lower House. We have two Houses in Western Australia. Every member that is here is a lower House member; that is, from the Legislative Assembly. The chairman always comes from the government party out of our Standing Orders. So the committee itself reflects the Parliament. Our committee is born from the Standing Orders of the Western Australian Parliament. Many of the other committees in Australia are born from a legislative base. We've had some discussion about that in the past. Being born from the Standing Orders, our committee has the same powers as

the Parliament itself, and those of you who have been around for a while will know those are very substantial powers.

We initiate the vast majority of our inquiries like some of the practices that I heard going round today, so most of the things we do come from the five members of the committee. The matter which I'm talking about today, Mr. Chairman, was decided to be carried out from within the committee itself.

Now, three of the members of the committee, the white-shirt brigade sitting down at the other end, are from regional areas. I'm from a regional area, and two of the other members are as well. So we have a particular knowledge of how communications has affected Western Australians, particularly rural Australians. I was interested to hear Newfoundland say that they were losing population. Well, that's obviously a debate that comes out of rural Western Australia as well and how you attract infrastructure and keep services within regional areas.

The regional areas have traditionally suffered from technology, but this particular area, if it's properly handled, can do the opposite. It can bring back many of the services that have been taken away by the changes of the last 50 years. Properly run education and health issues can come to regional Australia. It's within cities as well. Quality can come back, where in the past many of those issues have been contentious issues for people who live out there. So we're looking to see if we can effect reversing that situation as a part of our inquiries.

Now, beyond these concerns government on-line is a fundamental reliance to all public accounts committees. There are implications here. Expenditure is enormous. If a government goes on-line, what will happen to the expenditure side of it? Service effectiveness and efficiency issues are core to an inquiry. You'll have a total change of face on how services are delivered, how public service is motivated, where the direction, the requirement of work comes from. It'll come from outside the public service, and that is something that we will have to struggle with. I think all of us here will have to struggle with that issue.

There are issues of commercial activity. If you have a single window to government, then there is going to be commercial activity in that single window, and one of the other things we're finding out very quickly if you have a government on-line is that many of your government services will actually change to intellectual property; that is, they'll become an asset. That is something we are very aware of. The standard way we operate is we have interim terms of reference, and that's what we've done in this particular case. We conducted a series of briefings with industry people, some public people, and then we revised the terms of reference to what you see on the screen. The terms of reference are broad, but we believe they capture an important theme for the

convergence of information technology, telecommunications, and its content, which is sometimes referred to as multimedia. The committee is not concentrating and will not concentrate on the technical issues. These issues move too fast and are not core to the committee's concerns. The committee can best add value by looking at the role of government in managing the state's most underrated assets -- that's its information and its knowledge -- and turning that into profit.

Now, the viability and relevance of a government cannot be taken for granted in a global, digital world. There is going to be change and you're all seeing it now. Australians are arguably leaving the government behind. I'm doing well after lunch; aren't I? I think I should be asleep as well. We are the second highest users per head of the Internet of the nations out there. Over 30 percent of Australian homes have computers. So the question is: is government keeping up to that situation? What if people can access their education, their health, or their planning services from the state or overseas or an on-line service provider? What happens in going through that process if they get better quality?

Now, for an example, in telehealth you are going to have situations where a person can be examined internally or externally at a location where the doctor is external to that location. When you have telemedicine, then you will ask your question. If the doctor's not where you're at, does it matter where the doctor is? Does it matter if the doctor is in a regional area or your capital city or another state or in fact the Mayo clinic? If the doctor is at the Mayo clinic, will people who are now accessing government services in Western Australia decide that the Mayo clinic is a better place to be and a better place to spend their money? And what will that do for the service? So why should these people continue to access a government service that is not on-line, is not user friendly, or is not kept up to date?

Another example of how this is all going to work -- and I'll apologize for the Australian context here. In our local government circumstances if someone wishes to obtain information on the latest rate notice -- that is, your taxes for local government - they will be able to pull it up on the Internet, and that information will include the valuation. No doubt your taxing situation here is the same as ours. In Western Australia you pay a percentage of property valuation. Well, that property valuation actually comes from the state government. It doesn't come from local government. Also other information they'll want to know: what are their water rates, what are their sewage rates, questions relating to their power, which are all state government services. So that will come through a single window.

In the near future, once they're satisfied with those issues, they will pay from their lounge room. A lot of people will pay from their lounge room, and if they don't pay from their lounge room, they'll go to the local post office or service provider or in the

Western Australian context we have places called telecentres. But people will be able to do what takes them a considerable period of time now: get all that information. They'll be able to do that within a short period of time and, I might add, in terms of government a major saving in costs in the collection of funds and the way it's organized. Now, no doubt all of you have some government agencies which are on-line already.

The issue of equity, of access is very important to us in Western Australia. Western Australia is one-third of the Australian total landmass. It covers more than 2.5 million square kilometres, which is about a quarter of the size of Canada. The capital city, Perth, is arguably one of the most geographically remote capitals in the world. Perth has long been overcoming its geographic remoteness by using technology, but the same can't be said of the regions. The regions have been having a hard time. The Internet costs are high in the regions. Band width and those sorts of issues are major issues out in the regions. So do we regard being on-line or access to being on-line as a universal service obligation? Is it the same as roads, water, power, health, education? Well, I think the answer is clearly yes, but those decisions have not totally been made. Certainly with the federal government in Australia privatizing, many of those people who were supplied -- what was a public service is now going private, and the question is: will many Western Australians miss out on a fundamental service? Can government services be truly effective unless all people have affordable, workable on-line access? Those are the questions that we are asking ourselves.

Now, important in all of this argument -- the committee has been told by the people that we've been speaking to in our hearings and briefings that the line of division between government, business, and the community is ever diminishing in the global on-line world, and that's true. You're going to get the blend of commercial activity with the government service coming across that single window all the time. So perhaps we have to redefine what government is and what its services are and how it works, and I'm sure we're going to have to do that.

The move to on-line, I suggest to you, is not one of evolution but of revolution. The effect of government going on-line to the public service is going to be absolutely enormous, and some people would argue about whether the public service could really adapt that quickly, because the drive for the information will be coming from a totally different area. The front line to your agency will not be the people at the counter; it'll be the window, and the people in your agency will be the people putting the information into that window. The most important thing for government will be to make sure that that information is relevant and very much up to date -- very, very up to date.

For the public a service will be less identifiable with a responsible agency. Into the future people won't recognize the agencies as clearly as they do now. Concepts of a single window of government must mean some blurring of government, business, and the community, but at the end of the day people will still expect government to be government and government to provide services. But that window, as I keep talking about, will be delivering many services that'll be paid for coming from the private sector; that is, people will want to access all the information about whatever particular issue they're looking for. They won't just want the information that government gives. They'll want the whole question relating to the issue they're looking up. So, in fact, some of that will have to be private enterprise, and some of that they'll have to pay for. Then you have all these questions of accountability.

Getting down to the last issue, Mr. Chairman -- we got through this pretty quickly -- the question of accountability. We are having a look at accountability of government on-line, but we haven't found that there's any grave concerns about accountability of government on-line because the issue's the same. The trails are very much alike. In fact, we have heard argument that data trails may be more effective to follow than paper trails.

Then we have an issue that I spoke about with one or two of you last night: real-time reporting. I have a great concern myself about annual reports. In Western Australia by the time an annual report comes out, it is two budgets old. In fact, it's pretty close to useless, though I have a few members growl at me when I say that, so I'll retract that statement. They're not the tool for Members of Parliament that they used to be. Western Australian members, like you I'm sure, are using Auditor General reports. Also, our budgetary papers in Western Australia are very much up to date. You can get more information out of the treasury papers that we've changed to. We've had quite a change in the method of delivering our budget. You can get more information on a more time relevant basis out of our treasury papers than you can out of annual reports. I think annual reports really are becoming mastheads for agencies for promoting themselves, spelling out to people what their services are. They run through the mission statements and all those sorts of questions, but the real issue of why we started putting annual reports together has long gone. So real-time reporting on-line becomes an opportunity. The same for the people next door: it also becomes a potential for real-time auditing.

I think this is a very exciting issue for the Western Australia Public Accounts Committee. We keep getting told that a year in technology is three weeks and that if we don't get onto the inquiry and come to a conclusion quickly, the passage of time will make our report fairly irrelevant. We will report in November, early December. We are actually going from here to look at some remote delivery in Alaska, some very specialized delivery in Seattle, and down to Carolina and Virginia to look at an

Internet city in Virginia, which should be an interesting exercise for those of us from regional areas.

Mr. Chairman, I've run through that fairly quickly, but I think you can see that this has great scope. The one thing I will say to you is that our briefings have been extremely enthusiastic. The people who have come to our hearings have been -- to say they're enthusiastic is an understatement. They've been right at us. They keep on kicking our door open and telling us that we must get on and do certain things within this inquiry. It's exciting, and I think we'll have a good report in three or four months' time.

MR. WHITE (Alberta): It seems that we do have a moment or two for some questions, some queries on, it seems to me, the cutting edge of government on-line. Nothing being pressing other than coffee, I assume Max will be available -- well, he will be available all the time. It's a keen interest of his, and he'll talk your ear off if you'll buy him a beer and then listen to on-line stuff.

MR. TRENORDEN (Western Australia): I'll talk about anything if you buy me a beer.

MR. WHITE (Alberta): You can buy him off.

Mr. Santos.

MR. SANTOS (Manitoba): [Not recorded] on the government confidentiality bit.

MR. TRENORDEN (Western Australia): It doesn't change. If you look at an on-line situation, the information is there now. Whether your information's in a manual or it's on-line, whether the information's in the individuals or it's on-line really doesn't change the accountability issues. We thought we would have more problems in this area when we started doing the briefings, but the people keep on telling us: what's the difference? And if you think about it, what is the difference?

MR. GINGELL (British Columbia): Have you worked out your timetable? Are you working on that side at all as to the sequence when you will bring various government ministries or departments onstream, or do you anticipate that there will be a big bang?

MR. TRENORDEN (Western Australia): We've yet to decide that. It's not for me as chairman to decide, but I think the probable chances are that it will likely be somewhat of a big bang. A couple of our major agencies are already on-line. One of our agencies has won a couple of international awards for their site. So I think you have to have an attitude of changing it all over, because the public service will be very, very different in an on-line government.

MR. GINGELL (British Columbia): One further question. Being someone who occasionally accesses the Internet to discover how badly Australia is beating England at cricket, I have discovered that it takes quite a time to get access. You dial and you dial and you dial and you dial. Are you dealing with the issues of what additional infrastructure may be necessary to ensure speedy and reasonable access?

MR. TRENORDEN (Western Australia): Yes, we are. That question is a relative question. If you have the right equipment, the right band width, you don't wait. So with the resources you can have with government agencies, you don't have a situation where you wait.

When we first looked at this issue, we were very concerned about how we'd get the technology out into regional and very rural small country towns. We kept on getting told that technology is moving so fast that we don't have to worry about laying the networks down. People spoke to us in the beginning about ribbons of blue; that is, having spaghetti lines of cabling going throughout the state. Well, they're now telling us that the telephone lines will carry that information, that within a short period of time the Americans will have devised the technology to be able to drive far more information over the ordinary standard telephone line.

Getting back to your question, if you have the service and it's slow but it's a service where you didn't have a service before, you'll be very happy with it.

MR. GINGELL (British Columbia): But in many of your rural areas of Western Australia you must still have copper wire strung. Will copper wire work in the same fashion? It won't all come to a grinding halt?

MR. TRENORDEN (Western Australia): Well, we're told that copper wire will carry an increasing amount of traffic. I don't know how this works, but we're constantly being told that the Americans are working very hard on having the technology to put a greater amount of information over copper. So there are the things we're looking at.

As I've said before, we're not spending a lot of time on the physical parts of the inquiry, but we are looking at doing simple things, looking at what we just call black boxes in communities and linking internally in the community. We have examples. We have a few places in Western Australia where a provider will put the band width into a community and link the whole community into their band width. The things we have to think about are things like CD stores in Western Australia where currently a CD would cost \$26 to \$30, but most of you know you can buy that on the Internet for \$18. So are people going to keep on buying from the local store down the road at \$26

to \$30 when they can buy on the Internet for \$18? It's the same with books; it's the same with videos. We are going to have a change in how people shop.

So one of the things that local people need to do -- and it's not really a part of the inquiry -- is to make sure that they not only have the external Net, but they actually have an internal Net where you can encourage your own people to shop locally or, as I said earlier in my address, apply your services from local areas, because you don't want people going past local services. As much as this has got a capacity to bring great things to capitals like Perth in Western Australia and isolated places, it can also do the opposite. It can take things away if it's not properly controlled.

MR. GINGELL (British Columbia): May I ask one more question, Mr. Chairman? Is your committee, the Western Australia Public Accounts and Expenditure Review Committee, WAPAER, the only committee that is considering this on behalf of the people of Western Australia and the Legislature, or are there other select standing committees of the Parliament that are considering the issues?

MR. TRENORDEN (Western Australia): We're the only standing committee. There are many other committees within government and private enterprise that are out there looking at a whole range of things, but we're the only government committee. There is a brand-new government agency being established, and there's a minister put in charge of that agency, but I would say that most people coming to us are telling us that that agency will not be able to move fast enough to meet the demands of private enterprise or even more importantly the speed at which technology is changing.

MR. WHITE (Alberta): Well, from copper wire to cake, cookies, and coffee, I think the transition is now. How about reconvening 20 minutes hence, sort of, approximately? That would be 3:30.

[The meeting adjourned from 3:12 p.m. to 3:37 p.m.]

Session Four

The Reporting Entity

MR. WHITE (Alberta): Ladies and gentlemen, if we could reassemble, that would be nice, and if we could yell over the top of the mountains and let British Columbia know that we're alive and well on this side of the mountains -- there they are. Yeah, they're really gathering. We have a time specific that we do want to end so as to allow people to freshen up, do what they must in preparation for the buses and all.

We have with us the chairman of last year's convening of this sort. Fred Gingell, the Deputy Leader of the British Columbia Official Opposition, the Member for Delta South, explains to me that it was a pure accident that he was elected in '91. Not so in '96. I gather he decided that it was well worth running at that time. He first started in electoral office with a school board, which he says was not real politics, in 1965. So that's some span of a career. Fred is going to lead us in a group discussion, and I'll sort of try and direct traffic, and Fred can add comment and one thing and another as we go. It's The Reporting Entity.

Fred, please.

MR. GINGELL (British Columbia): Thank you very much, Lance. If I may, one of the problems of speaking first this morning was that you haven't got a script. There are a whole bunch of things that you forget to do that you remember as soon as the next group speaks and they do, and that was to introduce to you all my colleagues that have come to this conference with me. I'd like to do that now, if I may: Joan Smallwood, the deputy chair; Rick Kasper, on the committee; Rick Thorpe, on the committee; and Richard Neufeld. Actually, I think he's probably Rick Neufeld, but he changed his name for this trip so that we wouldn't get confused with all these Ricks. Of course, you all know Craig, who is our Clerk of Committees.

To start this discussion off, I would like to suggest to you all that accounting practices and standards within Canada in the public sector have changed over the last 20 years or so fairly rapidly, in some jurisdictions faster than others. If you go back 20 years, many jurisdictions were still keeping their accounts on a strictly cash basis, something that had been done from the 19th century, when provincial governments were created. But 20 years ago or so most of us got into the accrual method of accounting. It's not necessarily strictly an accrual method but a modified accrual method that was an improvement in measuring the costs and the resources being used by government to deliver programs. We then moved into the next stage, which was to bring into the government accounts many government organizations and to prepare what we call summary financial statements, which add to or consolidate with the consolidated revenue fund the accounts of Crown corporations and agencies, usually those that are in the service business rather than the commercial Crowns.

In recent years all of us have been discussing the issues of capitalization of assets, something that we have been discussing and have moved on in British Columbia, something I'm sure we will all be coming back to. The latest issue, I think, is the issue of: what is the entity? What is the government body? How big is it? What should be included in the financial statements of the provincial government?

This discussion has really been generated by a committee of the Canadian Institute of Chartered Accountants called PSAAB, the Public Sector Accounting and Auditing Board. They have put out recommendations -- those who want to make a note, it's recommendation 1300 -- which deal with standards related to government financial statements, and within those recommendations are some recommendations on the entity.

So why has this become the big issue that it is in British Columbia? The Minister of Finance approached me last summer and asked if I thought it appropriate and would lead a discussion by the Public Accounts Committee on what the entity in British Columbia should consist of. Well, the reason that it's an issue in British Columbia is that we took a giant leap forward in our statements for the year 1995-96 and included therein a group of organizations and government bodies that are known by the acronym SUCH -- that's schools, universities, colleges, and hospitals -- and the government of British Columbia or the Minister of Finance is now having some second thoughts about whether they have gone too far in including all these organizations and has asked that the Public Accounts Committee consider the issue.

As one knows, in the parliamentary practices and procedures there are a lot of things on the docket. Things take a lot of time, and we haven't been able to get at this quite as quickly as perhaps we should have. I now understand that the province of British Columbia intends to extract or omit the SUCH organizations from their financial statements for the year ended March 31, 1997, which we would anticipate hopefully being issued sometime between September and December. I say that long a period of time because in past years we've had the public accounts issued in September or in October, and last year it was December. It was a Christmas present for us, gave us something to read in bed on Christmas morning. That delay and the timing issue I think was primarily caused over the inclusion of these additional entities.

Now, as a school trustee for 10 years in British Columbia and as a college board member, as the chairman mentioned, I think about the schools and colleges portion of this new group of entities that are included in the financial statements and question in my own mind whether they meet the recommendations of PSAAB for inclusion.

Before I get onto what the PSAAB recommendations are, I would like to state from my viewpoint that although I am myself a member of the Canadian Institute of Chartered Accountants, I believe that the decisions about the content of the financial statements of the provinces or of the federal government of Canada are decisions that are to be made by the provincial governments and by the federal government of Canada. I think the work that is done by the PSAAB committee of CICA in making recommendations is most useful and most helpful and much appreciated, but they

can't set our rules. Parliament and the Legislature are supreme and do not pass on that responsibility to some independent body.

The suggestions for what the criteria are by which a particular agency is included or excluded in the government accounts are basically two. First of all, they say that the organization has to be accountable for its financial affairs to a minister or to the Legislature. It has to be accountable for its financial affairs. Secondly, it has to be owned or controlled by the government.

Now, one can appreciate that there are a lot of assets and a lot of organizations within each of our provinces or each of our states that are not literally owned by the government but are owned by the people. In my own community the Delta Centennial hospital was started by local citizens who were concerned that we didn't have a hospital within our community. They went fund-raising. There was an organization called the Delta Centennial Hospital Society. They had another organization which was a fund-raising foundation, and that organization owned the eight or nine acres of land on which the hospital is located and has title to the property. That property is subject to a mortgage through the capital financing authority. They have borrowed money for the construction of the hospital and subsequent additions, and they owe that money to the lenders through the provincial government, through the organization that's known as the hospitals capital financing authority.

But who actually owns that property? I know that the members of the society, who each paid the great sum of \$1 to become members, don't believe they own it, and certainly the people in the community of Delta believe they own it, but whether they believe -- what they believe, I'm not quite sure, but if the question of ownership of the assets is an issue in the matter of the inclusion or exclusion of hospitals or colleges or school boards, it is sometimes difficult to clearly define who does own what, except that it's not privately owned. It is owned somewhere in the public domain.

When I was a school trustee there was no question that the school board owned the schools. The trustees are elected by the citizens. The school trustees are not appointed by the government, which clearly would be one of the criteria that would be at issue on the subject of whether or not something is included in the entity.

Every situation in every province in Canada is different. There may be great similarities in the relationships between school boards or college boards or hospital boards or university boards or senates with the provincial government from province to province. I read in the paper that in Ontario the provincial government is planning on taking the schools back, as I understand it, and giving local governments responsibility for some other compensating issues. There are issues within Alberta, I guess, where you have two distinct and separate school board organizations: the

Protestant school boards and the Catholic school boards. So from province to province the issues will be different, and the greater the differences we have in our financial reporting practices, the less comparability is able to be practised.

As an accountant, I have some fairly firm ideas on the purposes of financial statements. I think that the prime purpose of them is to be informative rather than technical. Clearly, they need to be comparable. The more we can make meaningful, worthwhile, sensible comparisons between provinces, the better tool they will be. I don't think they should be used to necessarily rate people but just as useful tools for legislators in carrying out their mandate of the allocation of government resources.

While I use the word "rating", I would like to suggest to you all that there are something like five rating agencies in Canada that rate the provinces, give them credit ratings. The Dominion Bond Rating Service, Standard and Poor's, and the federal government's StatsCan produce information, and there are two others whose names don't pop into my mind. They all rate us differently, every single one. None of them have exactly the same pattern in their ratings and in their reports on whether they include Crown corporation debt of commercial Crowns, whether they include what we in British Columbia call capital financing authorities, authorities set up for the purpose of financing schools, universities, colleges, hospitals, and more recently transportation infrastructure. One of the major agencies even includes an organization called the BCMFA, the B.C. municipal financing authority, which is an organization from which many municipalities but not all borrow money for capital purposes. You can see that the treatment is not consistent across the country, and I for one would prefer that our treatments became closer aligned rather than a greater separation.

Under normal circumstances all the information that is required to properly evaluate the financial position of the province and the results of its operations is available. That doesn't mean to say that it necessarily all has to be on the same sheet of paper, but it is all available. No one has any reasonable and valid excuse for saying that it isn't.

Carrying on, just one more brief item on the issue of consistency. I've got a schedule that shows the various provinces. If B.C. reverts to its '94-95 status, we will be right in the centre with most of the other provinces. Quebec includes a little bit less in their summary financial statements than other provinces do. Prince Edward Island and New Brunswick include in their public accounts more entities, a little broader scope than Alberta, Saskatchewan, Manitoba, Nova Scotia, and Newfoundland, who are all somewhat similar.

One of the matters that Max mentioned when he was talking about the on-line project in Western Australia was the issue of the timeliness of information. It really is an issue, in my mind, that timeliness is important. The longer period of time that passes

from the period which the financial accounts cover and the time that it is available, the more useless they become. It is fascinating that our large banks, whom we're so critical of in other means, all manage to get their financial statements out, finished, and published in the newspapers within 30 days. They all have October year-ends. You look in the month of November, and you will see that starting around the middle of the month to the end of the month the financial statements are being published. So I don't want to see, personally, anything happen that will further delay the issuance of financial statements. Accuracy to the closest dollar is not as important -- you can never get it anyway -- as currency.

If I may, I'd like to throw this open to discussion at this point. I'd be most interested if any other public accounts committees have dealt with this issue -- what is the entity? - - or believe that the subject will be coming up on their agendas shortly.

MR. SANTOS (Manitoba): Given modern developments like privatization, contracting out, alternative service delivery, rationalization, integration -- name it what you will; it's really a function of what is traditionally performed by governmental structures now being performed by private, nongovernmental, entities. In other words, the function stays the same. It's still expected to be a public service function, yet the ones who are delivering it now are mostly nongovernmental entities or voluntary organizations, blurring the traditional distinction between public and private. My question is: how do we draw the line now as to what will be the scope of the reporting entity when the public structure will say: "We're not governmental. You cannot expect us to open our books to the public. We're a private firm, private entity, private corporation, private partnership" ? How do we deal with such a problem?

MR. GINGELL (British Columbia): I would like to suggest to you that there isn't any problem. What the public accounts do at the moment is tell us how much money we have spent or what resources we have allocated to various government programs. I'd suggest to you that all that has changed is that instead of paying wages, paying car expenses, paying for office rent, paying for this, paying for that, paying for the other thing, in its place a lump sum has been paid to the private agency that is going to deliver the service. In fact, those privatization issues may help in the accountability issues.

I'd like to suggest to you that we as legislators spend far too much time worrying about how much is paid in wages and how much money is paid in contracts and how much money is spent on buying cars instead of focusing on what has resulted from these outcomes. So perhaps because the information on how much money within that private organization, what the allocation has been to various cost accounts within them, isn't going to be available, we'll get legislators to turn their minds more to what has been accomplished. What are the outcomes? What are the goals? So our

accounting will try and relate, I hope, the cost of delivering services against the outcomes and the results that they have accomplished.

In this issue to do with such, all these bodies -- schools, universities, colleges, and hospitals -- within reason operate balanced budgets. The ministry of advanced education reports how much money they have given to the universities, reports how much money it has paid over to the colleges to deliver their programs. It reports on how much money is paid to the school boards, even breaks those funds down as to how much is for operating and how much is for debt service. So if those organizations did in fact break even, the consolidation of their financial statements within the consolidated revenue fund or summary financial statements isn't going to show one whit of difference. Instead of showing grants to school boards, it will show teachers' salaries, heating oil; you know, maintenance of school property.

MS MacTIERNAN (Western Australia): Can I just comment on that, Fred? I find that sort of an extraordinary proposition really. If what you're saying is correct, that we should really just be prepared to give a private organization a lump of money and then rather than analyze how that lump of money is spent, just say, "Well, how good were the services that were delivered?" -- I mean, using that whole logic, then, we shouldn't as a Public Accounts Committee be scrutinizing the public agencies either. We should say: well, we're not interested in how much you've spent on wages or whatever; we just want to look at that lump of money and see what services you've delivered.

I think the comment made by the gentleman from Manitoba -- and I think it sort of picked up something that Joan was saying earlier in the previous debate, and John too -- is that there is a very, very real problem now with this contracting out of services where you get taxpayers' funds basically being directed to commercial entities and those contracts are not available for scrutiny. We don't know. We're handing over great big lumps of money, often hundreds of millions of dollars, for provision of services yet have no way of knowing whether or not these moneys are being spent wisely. Now, this is particularly a problem because a lot of these contracts are effectively cost-plus contracts. Particularly in the long haul, I think that we could see ourselves in a very vulnerable situation.

MR. GINGELL (British Columbia): I don't think that we have many cost-plus contracts. I would like to suggest to you that legislators have spent far too much time worrying about whether a deputy minister or a program manager hires six people at \$30,000 a year or three people at \$60,000 a year. The important thing is for there to be a clear understanding about what the programs are to accomplish, how they shall be measured, how those measurements will be verified.

You know, we have been paying money over to municipalities, school boards, colleges without any information coming back in a public forum as to whether that's spent on wages or insurance or what it is, but that doesn't mean to say that there isn't an ongoing, careful evaluation of the quality and volume of services being delivered for those funds. There is. That's the role of the Ministry of Health, and they do it all the time. But for years we've been using voluntary organizations. In my own community we have a whole series of them, which are nonprofit organizations, separate and distinct from government but totally funded by government, with a clear responsibility to deliver services to autistic children, for instance. Within my community there's a facility that looks after autistic children from all over the province. There is a sum of money paid over to them annually for them to deliver those services. I can assure you that the ministry that's responsible is concerned about quality, ensuring that the services are being delivered. Whether they spend that money hiring people at this wage level, a lot of them or a smaller number who are more highly qualified, is the kind of decision that should be left to local management, not for us to second-guess.

MS MacTIERNAN (Western Australia): Could I just ask a follow-up question on that? I agree with that part of your statement, Fred, but can I just say that with the arrangements with nongovernment organizations, generally those contracts are available for public scrutiny. There's no claim of commercial confidentiality by the nongovernment organizations. Those claims are made by the private contractors. Now, using that analogy, I wonder whether or not it is appropriate that we have this commercial confidentiality -- I'd be interested to know what the thoughts are around the table -- whether or not the time has come for us to say to these commercial service providers: if you want to do business with the government, if you want the taxpayer to buy your services, you have to be prepared for your contracts to be in the public domain.

MR. GINGELL (British Columbia): Well, I think they are, and certainly the amount of money paid to each organization is published annually in a book this thick.

MS MacTIERNAN (Western Australia): The terms of the contract though.

MR. GINGELL (British Columbia): Well, you just have to go back to the original bid documents. Certainly, you know, the role of quality control within the ministries is to ensure that those things are being done. I think we're a little off the subject, because not even the Public Sector Accounting and Auditing Board believes that those private organizations should be included in the entity, and this is purely and simply determining what goes into the packing case for the financial statements.

MR. WHITE (Alberta): It does have some validity, though, insofar as the presentation we had earlier by Glenna Carr on the public/private enterprises. Certainly it's the public's right to know in some cases, and in others it certainly isn't. I think if you run the black and white test here, it doesn't really work that well. Yes, we have the case of the NGOs that are open to full scrutiny of their accounts and aren't overly concerned with it. At the other end of the spectrum we have private contractors that compete with one another to provide the service, and it's the legislators' function to decide whether that is a service that's contracted. If they in fact are competing, then set the criteria for performance, understand what it is, and leave the financial reporting to those.

You're talking about that which falls in the middle and where to draw the line. The public's right to know versus the provider of the service, the entity, as to how much they report is in that gray area. That has to be continually defined, I think, and in this jurisdiction is continually defined. It happens to be that right at the moment we have a relatively right-of-centre government that falls way over here in letting people say, "Well, do what you will; we just measure the service", which I think is your complaint and concern, versus other jurisdictions that are much more what the right wing would call much more intrusive. So it runs that gamut, but it's certainly worth talking about and explaining it.

Nova Scotia has some contributions in this regard, I believe.

MR. LEEFE (Nova Scotia): Well, I'm not sure it's a contribution; I'll leave that up to you to judge.

I think we've come from a time when public accounts committees -- and I'll speak within that framework -- have had great difficulty getting information from government departments, agencies, boards, commissions, Crown corporations, to a point where finally governments, as a consequence of public pressure, have been forthcoming and have opened up the information respecting the business dealings associated with all of those entities so that through the work of the Auditor General, through the work of public accounts committees and other media, the public is beginning to understand where their dollars are being invested and whether or not those dollars are being invested wisely.

Now what we're doing with public/private partnering is slipping into a whole new era where government once again, if it so chooses, is able to hide information from the public purview by claiming that it falls behind the veil of proprietary information. So again we as one entity which is responsible for reviewing the way in which government operates have a responsibility to tear that veil down and make sure that that information is as readily available to the public as we can possibly make it.

With this new concept of public/private partnering, if in fact the corporate veil is not removed, excepting in the case of patent information and so on -- everybody understands that that is not going to become public -- it holds out the prospect, the possibility if not the probability, of abuse, because the more that governments can hide behind that veil, the greater the likelihood that somebody is going to see that a political party can gain by making behind-the-scenes arrangements with the private partner that will never come under the public purview and will, as a consequence, benefit from it. I mean, there's a real opportunity here for graft, and this is one of the things that our committees, I think, are going to have to begin to understand and to deal with as we subject these kinds of partnerships to the sort of scrutiny that I think the public has every right to demand. We can't do it by ourselves, but we can be one of a group of partners who can do that. Maybe I've just been around so long that I'm too cynical.

MR. WHITE (Alberta): Max had something to contribute.

MR. TRENORDEN (Western Australia): Well, I was just going to repeat what I said a little earlier, Mr. Chairman. I think public accounts committees should have a clear understanding of what they're about. I think we should be having discussions and coming to conclusions about some of these areas. Basically, if there's a public dollar, it should be chased to the end of the trail, even if it's one dollar. Again, basically if you have a core monopoly service that is responsible to a minister, then that should be a part of the accountability process, perhaps not so much the reporting process.

The question is of your systems. Every parliament here will have different systems, but there should be no difficulty for any Member of Parliament being able to get the accounting records and pursue whatever the matter is down to the local hospital, but that doesn't mean that that hospital has to be included in the core reporting process. That's a ridiculous notion, in my opinion. If your health department's got an annual expenditure of \$2 billion and it's broken down into the core components of that expenditure, that's fine. That doesn't stop you as a Member of Parliament from asking the questions that pursue that matter down to the last dollar, and it certainly doesn't stop the Public Accounts Committee from doing it.

The difficulty I have -- and it announces what I'm trying to say -- is that we have a process of examining budgets in our Parliament, which is not fantastic but works to a degree. You don't want to get the questions of reporting and accountability mixed up. You want a situation where the trends in reporting are often more important than the actual yearly activity. Reporting is getting better and better and better in the Australian Parliaments, and in fact I think without any doubt all Australian Parliaments are getting very much sharper reporting. It's easier for members to see

where those agencies are going. The trends, the mission statements, the programming, the budgeting, performance auditing: all of those sorts of questions are very much a part of our culture now.

So I don't think you want to get mixed up between this reporting process and the accountability process. I'm not concerned, frankly, about the reporting process; I'm concerned about the accountability process. In the Western Australia Parliament if a government agency is not on the line expenditure -- that is, doesn't take a dollar from the consolidated revenue -- then our committee process of examining the budget doesn't allow Members of Parliament to question that particular agency. So it's privatized, corporatized. It's outside of the question ambit, which I think is unacceptable. It should be unacceptable to Members of Parliament; it should be unacceptable to public accounts committees. But even in Western Australia it does not preclude the Public Accounts Committee looking at any of those matters. We can call any person, private or public, force them to present the papers, in theory jail them.

So I think you really have to decide which pillars you're going to put these things under. I think they are different issues. Reporting is one issue; accountability is another.

MR. WHITE (Alberta): That does lead to a question from the chair. It's all well and good to say that, yes, this is what should occur. We can all understand and draw principles that public knowledge of the expenses is the *raison d'être* of a Public Accounts Committee and that the operations are all headed in that one direction in a simple statement. The difficulty I have is I'm a member of the opposition. I can sing till I'm bloody blue faced, and the government is just going to smile a lot.

MR. TRENORDEN (Western Australia): But surely, Lance, not if you're on the Public Accounts Committee. You have a right to pursue that. I don't know how your Public Accounts Committee works. That's why I'm saying that one of the things we can all do for each other is have some standards within public accounts committees themselves, and if some public accounts committees don't have the powers that mine has, then I should be trying to assist those public accounts committees to get those powers.

MR. WHITE (Alberta): That was my point exactly. In Alberta it happens every year that this association's Guidelines for Public Accounts Committees in Canada is put before the committee and is voted upon and is lost. Now, I don't know why or how that occurs and what the government caucus says about it; I'm not party to it. But what I'm saying -- and it was the second part of your statement -- is that collectively we may be able to help each other out in defining these.

There are some, like Nova Scotia and New Brunswick, that have a highly charged and very old political system that works there, whereas out here we're neophytes in dealing with changes of government and how it's reported. We lose a great deal that goes by the board on exactly what Nova Scotia was mentioning in these public/private arrangements that are hidden now under the veil of a contract and proven to be to the detriment of the public in general. The money gets lost and they say three years later: son of a gun, we lost a bunch. I guess what I'm asking and asking this collectively, only having held this current position that I do now since March of this year: look; if I'm going to sit here and do this thing, why can't I do it better? I can't do it within the borders of my province. I'm saying to those that are gathered here -- and I've mentioned it individually -- that I would like to have a delegation come to my Legislature and speak to the government caucus to explain to them the advantages for a private member to do his or her duty to the citizens they represent in examining the accounts, because currently they don't seem to fully understand the value of it. I think that's almost from where we started, from where Fred started, to the questions and answers that came to a different conclusion.

Others that wish to contribute? I took the liberty of the chair on this matter.

MRS. HOLMES (Western Australia): Yes, Mr. Chairman. I'd just like to ask Fred - in your statement you said that accounting practices and standards have changed over the last 20 years and that the greater the differences between financial practices the greater the difficulties experienced.

MR. GINGELL (British Columbia): I'm sorry?

MRS. HOLMES (Western Australia): The greater the differences between financial practices the greater the difficulties. I just wonder in view of that if you believe that if uniform practices and standards were adopted in order to harmonize the process, the outcomes would be easier to overcome and there would be less difficulties. Would you think that the harmonization in that regard would be of assistance?

MR. GINGELL (British Columbia): Yes. The only problem, though, is that each province has the opportunity to deliver services in a different manner. If the province delivers education services directly by running the schools themselves, they are clearly going to have to do their accounting differently than if there are independently elected school boards who have the right to raise taxes themselves.

Up until the early 1980s school boards in the province of British Columbia had the right to levy property taxes for the purposes of education, and the amount of money that was spent on education in each district was a decision made by an independently elected school board. In the mid-1980s that right was watered down by requiring them

to only spend the moneys that were allocated to the provincial government. Instead of the school board getting property taxes, those property taxes now came to the provincial government, and the provincial government gave the money back to the school boards in the form of grants. They were allowed to assess additional property taxes to raise additional funds only by means of referendum, and there were all kinds of rules put around the referendum on what kinds of things the money could be spent for, which effectively neutered the ability to raise additional funds.

The next issue becomes: has that moved the accountability from a local school board to the provincial government when it's the provincial government that decides how much money is going to be spent? The school board only determines how it is going to be spent. Another province may do it completely differently. So the consolidated financial statements of each province are going to reflect the conditions within that province.

I suggest to you from a practical viewpoint that the way it works in British Columbia about schools really doesn't matter much because they get all of their revenue by the minutest portions from a government grant from the province. So as long as they break even, don't spend more than their grant or substantially less than their grant, which they don't, then the financial statements are going to reflect the expenditure of resources in British Columbia on K to 12 education without consolidating the financial statements. But the rules may require you to do it differently in B.C. from Alberta.

Does that answer the question?

MRS. HOLMES (Western Australia): Yes, it does. I understand the differences between the provinces and the way their governments run, but sometimes underneath the top layer there might be an area which actually could be made to be harmonized that maybe hasn't been looked at.

MR. GINGELL (British Columbia): I have suggested to the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants that they should have a database that allows us to make the adjustments we need to make so that the accounts of British Columbia can be compared to Ontario, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nova Scotia, New Brunswick, P.E.I., Northwest Territories, and Yukon. They say that they haven't got the resources to do that. It's quite a big job. Now, they are going to do another survey soon, I hope, which will help, and I hope that they get that information out to legislators who are concerned not only with public accounts issues but concerned with all finance issues.

MRS. HOLMES (Western Australia): Yes. I believe that would go a long way towards accountability.

MR. GINGELL (British Columbia): Yeah, it will.

MR. WHITE (Alberta): We have Joan Smallwood. Did you wish to close off discussion of this matter?

MS SMALLWOOD (British Columbia): Thank you. I just wanted to make a point and perhaps say what Fred has said a little differently. I co-chair the Public Accounts. Fred is a member of the government's opposition, a Liberal member, and I'm a member of our government. It's interesting that we should agree on this particular issue but from very different perspectives. Fred's training is as an accountant, so he speaks as an accountant. My background is different from that. I want to start my comments from the introduction of the conference and the example of the orchestra. I think it's really important that we all recognize when we're dealing with this issue that this is not a technical accounting question, but it is a governance question. It's a political question. Because of that, we have to be very careful that we don't deal with the orchestra in the same way as perhaps, with all due respect for my accounting friend, his profession may deal with it.

I wanted to pick up the point that was made by another speaker with respect to confusing the question of the entity and the question of accountability or reporting. The question we are trying to grapple with in the province of British Columbia is the question of governance. Should the provincial government be accountable through an expanded entity or reporting process for a democratically elected hospital board or a democratically elected school board? You can all envision what that would look like if you carried that out to its logical conclusion. If a provincial government is directly accountable, then what is the need for the school board or for the hospital board? That is not to say, for instance, that the Ministry of Finance should not be accountable and be prepared to speak for health dollars going to an agency that is skimming half of that money for profit as opposed to providing care for patients. That's a very different question and a question that I suspect many of us would have different perspectives on.

MR. GINGELL (British Columbia): I didn't know of those kinds of markups in health care.

MS SMALLWOOD (British Columbia): We should talk.

So for the province of British Columbia and the question of entity: I just want to emphasize that it should not be left in the hands of accountants and auditors, but

instead politicians themselves should take direct responsibility, because the question is far more complex.

MR. WHITE (Alberta): Right. I think that sums it up.

We have now completed this session. We have two buses, at 5:30 and at 6 o'clock, to take you to dine. It is a matter of not very far away, so if you do in fact miss the bus, there will be somebody here to direct you where to go.

Unless there is any other business, we do stand adjourned until tomorrow morning with the exception of the dinner tonight.

[The meeting adjourned at 4:32 p.m.]
