

[Mr. MacDonald in the chair]

THE CHAIRMAN: Good morning, everyone. I would like now, please, to call this meeting to order. The first item of business this morning is the approval of the agenda. I would like to point out that this is a revised agenda sent out on the first of November by the committee clerk. Are there any questions? Yes.

MS BLAKEMAN: Well, I had spoken to you about a question I have arising out of the minutes, which is the next item.

THE CHAIRMAN: Yes.

MS BLAKEMAN: So if I could get back on the list to speak to that.

THE CHAIRMAN: Certainly.  
Can I have a motion, please?

MR. GOUDREAU: I move the approval of the agenda.

THE CHAIRMAN: Thank you. Now the approval of the minutes.  
Ms Blakeman from Edmonton-Centre, do you have a question?

MS BLAKEMAN: I do have a question. It's on business arising. In the May 9 minutes there was a motion to send certain delegates to the Canadian public accounts committees in Regina, Saskatchewan, and I'm wondering if that happened.

THE CHAIRMAN: No, that did not happen. The meeting was to occur shortly after the tragic events unfolded in New York City with the World Trade Center. That meeting was canceled at the last minute. There were three members of the committee. The clerk, Mr. Shariff, and myself were to attend as delegates to the conference, but it was canceled.

MS BLAKEMAN: So the money in the budget that would have paid for that is still in the budget.

THE CHAIRMAN: That is correct. There is, I believe, in excess of \$6,000 in that account.

MS BLAKEMAN: Well, I'm never sure about how to do this, but I guess what I'd like to do is put a motion forward for consideration. My hon. colleagues always want more time to think about this, so maybe it's a notice of motion that we could, then, discuss at the next meeting.

Given that last year we were only able to scrutinize nine out of 24 ministries, about a third, this year we'll get through about a half. The reason for us never being able to meet outside of session was that we don't have the budget, but now we do have the budget, and between now and the end of March we could be using that money to meet outside of session and continue our work in scrutinizing these departments. We have to make up about 10 of them in order to get through scrutiny of all 24 departments that are now available under the government reorganization. So I'd like to make a motion that we authorize the use of the travel money not expended to pay for the expenses of the committee to continue meeting outside of session to allow us to scrutinize all government departments.

Can I do that?

THE CHAIRMAN: Very well. Notice has been given. Thank you.

Now, if there are no further questions, could I please have approval of the minutes? Thank you.

The next item on the agenda is of course the Auditor General. The Auditor General's report came out recently from Mr. Peter Valentine and his staff. Before I go any further, I think it is appropriate that on behalf of the committee I acknowledge the contributions of Mr. Peter Valentine, the Auditor General, to this committee. Mr. Valentine was appointed Alberta's Auditor General on March 1 of 1995 and has indicated that he will be retiring in December of this year or January of next year, so the meetings this fall sitting will be the last opportunity we will have as a committee to express our appreciation to him. I would also like to express publicly my wishes for all future endeavours of Mr. Valentine. I hope they're very successful. I wish he and his family the very, very best.

I would also at this time like to introduce Karen Sawchuk to the committee. She is the new committee clerk. This is her first week on the job, and she's with Corinne Dacyshyn today to see how our committee operates. She will be working with the Standing Committee on Legislative Offices and the Standing Committee on the Alberta Heritage Savings Trust Fund. Please join me in making her feel welcome in her new job.

MRS. SAWCHUK: Thank you.

THE CHAIRMAN: Now if I could please call on the Auditor General if he has any opening remarks he would like to make to the committee regarding his latest annual report.

Thank you.

MR. VALENTINE: Well, thank you, Mr. Chairman. Today with me are my senior colleagues in the office, all Assistant Auditors General. On my immediate right is Nick Shandro, whose primary responsibilities are the ministries of Health and Wellness and Learning. To Nick's right is Brian Corbishley, who is responsible for the office's systems auditing methodology. On my immediate left is Jim Hug, whose major responsibility is the Department of Finance, and he also looks after Energy, Innovation and Science, and Agriculture. On Jim's left is Ken Hoffman, who has overall responsibility for performance measurement and the ministries of Infrastructure and Children's Services. On Ken's left is Merwan Saher, who is responsible for the office's professional practice matters and is also responsible for the production of our annual report.

I am particularly pleased to also introduce to you some 29 members of my office who are in the gallery and are here to observe your committee's examination of the government's management and control of public resources.

Last year this introductory meeting took place in a committee room, and I was looking forward to the Public Accounts Committee continuing to meet in less formal surroundings. I understand that the new committee rooms are not quite ready yet, and we look forward to continuing our dialogue with you, the committee, when those premises are available to us, hopefully in the not too distant future.

The Legislative Assembly funds are at work to assist legislators, in particular this Public Accounts Committee, to hold the government accountable for managing public resources. By identifying opportunities and proposing solutions for better systems and better practices, we assist government and public agencies to improve on their performance.

On Tuesday, October 9, I released my 2000-2001 annual report, the seventh report of my term in office. Clear, precise communications are essential if we are to be useful. In that regard we are trying to move to the use of plain language to make our meaning clearer, but this is a change that will take some time. We

plan to keep working at improving our clarity. Other changes that should make it easier to navigate through the report have been made. You can access the report on the office's Internet site, or if you would like to have the report in a CD format, please call and we will send you one. The CD version contains our last three reports and is readily searchable.

The Government Accountability Act is vital legislation that we in the Auditor General's office use continuously to guide our audit focus. We use the word "accountability" a great deal, but there is a risk that overuse can devalue its significance and even lead to complacency. On page 2 of the report I have explained what we mean when we use that word. It's important that we don't treat accountability as an abstract concept. There is a direct correlation between measuring and improving performance. Measuring cost and effect is key to reducing cost and increasing effectiveness. If we don't use the accountability information that is made public, we lose the opportunity to influence how we are governed. For those who take a linear view, evaluating results and providing feedback to refine or adjust plans is the final step of the accountability process. Others may say that evaluating results is a starting point for setting expectations of the future, or is evaluation of results a continual requirement? Whichever way you come at it, the challenge is to use performance information wisely.

We have not yet tried to assess the extent and quality of the evaluation of results since we have been gaining experience about reporting on results, but now that the government reports on more results, we all have a plan to use that performance information. At the end of September the government released the ministry annual reports. Members of the Assembly, the media, and all Albertans should use these reports which tell the story of what was accomplished with the money entrusted to the government. We should look at the expectations set out in the business plans and discuss the results reported in these annual reports. Did we get value for money? How can this information be improved to help us assess the performance of the government? Among all others, this Public Accounts Committee is a primary user of performance information. The government's annual reports and the Auditor General's annual report are your inputs, your raw material. My job includes making recommendations to improve systems to plan, manage, control, and measure government performance.

Mr. Chairman, with your permission, I'll have Merwan summarize this year's recommendations and give you an overview of the government's progress in implementing past recommendations.

**8:40**

MR. SAHER: Thank you. Our report has 88 recommendations to the government and its managers. For the first time we've listed all the recommendations in one place, and you can find that starting at page 15. If we think the recommendation needs a formal government response, we've numbered it. There are 50 numbered recommendations. Each year we analyze our primary recommendations using the accountability framework. We do this to stress that accountability is fundamental to improving performance. If you turn to page 25, you'll find the analysis.

We want to show the government and its managers where they have further to go in planning what needs to be done, doing the work, and then reporting on results. We think the analysis could be useful to the Public Accounts Committee as you prepare your questions for the ministries. The government continues to accept most of our recommendations, but that doesn't mean our work is done. The test is whether the recommendation is implemented. We've created a more prominent section of the report, starting at page 265, that shows the status of past recommendations. The

Auditor General's goal is to get implementation of recommendations no longer than three years after they are accepted. At this time there are 17 recommendations that are more than three years old and have not been fully implemented. We'll be following up on these every year until they are implemented.

We see this committee as part of the impetus in getting recommendations implemented. Your lines of inquiry and questioning can bring focus to issues and signal what you believe needs to be improved. Of course, the responsibility for taking action on audit recommendations rests with the deputy ministers to whom the recommendations were made. We acknowledge that resolving some issues is difficult and is a demand on ministry resources, but we have seen that when senior people invest time, effort, and personal commitment, the chance of favourable action on a recommendation is greatly increased.

MR. VALENTINE: Now I'll turn to areas of major concern and also some improvements that are worth noting. I want to draw to your attention the fact that certain internal controls at the University of Alberta, the University of Calgary, and the Alberta Treasury Branches are inadequate. My recommendations for improvement are addressed to the management of these entities since it is management that is primarily responsible for reviewing and regularly testing the effectiveness of internal control, but we should not forget that the governing bodies of these organizations have a duty to ensure that internal control is operating in practice.

Brian, if you could speak about some cross-government issues, please.

DR. CORBISHLEY: Thank you. The government has recognized that implementing solutions to complex problems requires ministries to work together. It has set out a number of cross-ministry initiatives including, for example, the aboriginal policy and the children and youth services initiatives. However, working together is not limited to major policy issues. Working together also includes solving administrative problems, implementing multi-user computer systems, sharing knowledge, and identifying best practices. So cross-ministry thinking is becoming a reality for many government employees. However, the long-standing tradition of each department and organization operating in virtual isolation of other parts of the government has not been completely eliminated. The operating-alone mind-set continues to exist in the government, particularly around budgets. We encourage deputy ministers under the leadership of the Deputy Minister of Executive Council to continue to emphasize the need to think and act in a way that recognizes the importance of working together.

To meet the goals of government and to improve the delivery of services, ministries make significant decisions to enter into new complex projects and initiatives. One of the main tools supporting this decision-making process is a business case. A comprehensive business case should include a cost-benefit analysis which quantifies wherever possible the advantages and disadvantages of each reasonable alternative, enabling the decision-maker to identify the optimal alternative. Where outcomes are not quantifiable, they should be assessed qualitatively.

Our audit objective was to determine whether the government has systems to ensure that comprehensive business cases are prepared for significant initiatives to support decisions regarding those initiatives. We evaluated whether the business cases comply with good practices and include all relevant costs and benefits for making rational decisions. There is a need for governmentwide standards to guide ministries in developing business cases so that decisions are made with sufficient consideration for value for money. This is why

we have recommended on page 33 “that the Ministry of Executive Council work with other ministries to develop standards for business cases.”

Ken will now brief you on Children’s Services and Infrastructure.

MR. HOFFMAN: Thank you. Mr. Chairman, we’re pleased with the progress made in the Ministry of Children’s Services. The administration of the new service delivery model turned out to be more difficult than the government had anticipated or was prepared for, but we were optimistic that the newly created ministry understood and would begin to resolve the problems.

The ministry’s success in achieving cost-effective children’s services depends on how well each authority board governs. It will take several years to fully implement our recommendations for effective governance systems, but the progress has been satisfactory. Without good financial management and reporting, the Children’s Services initiative will not be cost-effective, but to control costs, one must first understand them. Case files need documentation to show the costs and results of service delivery options, the option chosen and the results achieved. It’s not good enough to simply report actual spending against budget. The department and authorities have made progress and improved systems to provide information on cost-effectiveness of programs and treatment alternatives, but more work is needed. We have again recommended on page 62 “that the Ministry improve its information systems that report the costs and results of services.”

Turning to the Ministry of Infrastructure, a central point is similar to the issue on Children’s Services. The issue is that management needs good information to assist in decision-making. We acknowledge that capital asset planning systems are improving, but we draw attention to the fact that the ministry does not have reliable information on the extent and cost of deferred maintenance. The ministry estimates that the replacement value of infrastructure it owns is over \$22 billion and that the infrastructure funds are about \$20 billion. The ministry faces a continuing challenge in allocating scarce resources to build new infrastructure and maintain existing infrastructure. The ministry can postpone maintenance and thus increase the amount it can spend on new facilities, but postponed maintenance often has a cost. On page 158 we have recommended that the ministries of Infrastructure and Transportation

- establish a consistent definition of deferred maintenance
- acquire and use systems that accurately measure the extent and cost of deferred maintenance
- disclose the extent and cost of deferred maintenance in its annual report.

Now Nick will talk to you about Health and Learning.

8:50

MR. SHANDRO: Mr. Chairman, we’re concerned with the department of health’s progress in implementing past recommendations. In the introduction section of the report, page 6, we’ve shown that what we said three years ago still applies. Here is a summary of the major problems. Authorized business plans are not in place at the beginning of the year as a basis of accountability and direction for the year. Sustainability is an issue. Balanced budgets are an issue and business plans as a tool by which you achieve this. However, the business plan system is not working. Continued onetime funding is not compatible with well-managed budgets.

The next item is better reporting of cost outputs and outcomes so that decision-makers can know whether value for money is being achieved and to also support evidence-based planning and resource allocation decisions. We also believe that an assessment of risks in a physician payment system should be completed and the system

further improved to promote cost-effective use of resources.

Finally, because of inadequate financial reporting, the audit opinion was reserved on the financial statements of the ministry. The Health and Wellness section of the report, starting at page 109, has eight numbered recommendations. In total they deal with the primary risks for the department, eight health authorities, and physicians. The risk is that costs will escalate but results won’t improve. The principle of managing within resources that we have doesn’t seem to apply.

Switching to Learning, we’ve included eight numbered recommendations to the Ministry of Learning and its provincial agencies. Of these, four are repeated from previous years. New issues relate to the quality of data collected from postsecondary institutions, and this is the data the department uses to assess performance and make funding decisions. We believe that the department should issue updated guidance on capital funding sources so that these institutions can produce better capital budget plans.

Jim will now discuss the Department of Finance.

MR. HUG: Thanks, Nick. Implementing recommendation 45, pertaining to government corporate accounting policies, is critical. Some departures from generally accepted accounting policies have been outstanding too long. Whenever we form the opinion that a set of financial statements prepared by the government does not follow Canadian generally accepted accounting principles, the Auditor General issues a reservation of opinion. The number of Auditor’s reports with reservations is gradually decreasing, which means that the quality of financial reporting is generally improving. However, we are concerned that there remains a nucleus of departures from the standards that have been outstanding for too long. Recommendation 45 to the Ministry of Finance again recommends changes to the corporate government accounting policies. We encourage the Controller of the province together with senior financial officers of the ministries to work with us to resolve the outstanding issues on pages 245 to 249 of the annual report.

Last year there was only one recommendation that the government did not accept. It related to identifying the expected and actual results from forgone revenues. In our opinion the government and MLAs must reconsider this issue. The Alberta government has established an accountability framework that includes budgets and business plans, quarterly updates, performance reports, and annual audited financial statements, but there is a significant gap in this accountability framework. There is a lack of transparency for social and economic benefits targeted at specific segments of Albertans as tax expenditure programs rather than as direct expenditures. An example is the Alberta fuel tax exemption to farmers. These programs result in significant amounts of forgone revenues for the province. Forgone revenues have the same fiscal impact as direct expenditures of equal amount, but revenues forgone are not scrutinized and approved by the Legislature on a regular basis, nor are the goals for such programs set and performance measured. On page 254 we are recommending that the Department of Finance identify “the expected and actual results” from tax expenditure programs. These tax relief programs are paid for by higher taxes on other individuals and organizations or by reduced services.

MR. VALENTINE: Mr. Chairman, that’s our synopsis of the 2000-2001 annual report. Our intention was to assist the committee in preparing for meetings with management groups from the ministries. We are ready for your questions.

Before you commence, let me thank you for the very gracious words at the opening of this meeting. My term has been a unique opportunity personally. The success of the past seven years is a

credit to the capable, professional staff of the office, for which I am deeply thankful. I don't plan to be very far away, and I look forward to maintaining the friendship of so many people in the public sector as I have been privileged to come to know.

Thank you.

THE CHAIRMAN: Thank you, Mr. Valentine.

We will start with the questions. I would like to remind all committee members that there is a question and a supplementary question. I would ask Ms Blakeman from Edmonton-Centre to start, followed by Mr. Shariff.

MS BLAKEMAN: Thank you very much, Mr. Chairman. My thanks to the Auditor General and his staff for once again elucidating the recommendations that have been made by this office. I'd also like to join in welcoming the fans who are up in the public galleries, and I think we even have some visitors with us today. It's a wonderful thing to see participation like this. This is such an important committee for the public and the media to be aware of.

Now, picking up on some of the comments that have been made, I'd like to discuss a little further recommendation 45, which was around the Canadian GAAP, generally accepted accounting principles. It's been brought out several times that these reservations have appeared in previous years. I think at least two years these points have been made. My question is: in struggling to understand what these deficiencies mean, could the Auditor General or his staff outline for me which department or ministry has the best record regarding using the GAAP in their accounting and, I guess, correspondingly which is the least successful?

MR. VALENTINE: I've never approached it from that point of view, so I'm not sure I can readily respond to your question. Having said that, I could talk about the significance of the departures from generally accepted accounting principles, the most important one being the entity. The definition of the entity in the Alberta government scene is one that excludes the consolidation of regional health authorities, school boards, and postsecondary educational institutions. While the accounts admittedly in the Ministry of Learning, in the Ministry of Health and Wellness, in Municipal Affairs, and in Community Development include the grants that are transmitted to those entities that are not included in the consolidated entity, it does not bring into the government's financial statements the total picture of the operations of those organizations which we believe are part of the government entity.

I sit as a member of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and I'm in the first year of a two-year term. I will continue to fulfill my membership in that committee. The most significant thing we're dealing with as a committee today is this issue of the definition of the entity. I can report that for the first time the statement preparers, representation from the analyst world, the bond rating world, and the auditors all sat in the same room six weeks ago and had our first initial group discussion about what we felt were the pros and cons of the definition of the entity. So progress is being made. This problem was here seven years ago when I arrived, and it sort of stood still for awhile. Now it seems to have some movement, and there is a willingness on all the parties' parts to move to a definition that will allow us to get on with reporting on a GAAP basis. So I'm encouraged by that one.

9:00

The other ones are of less impact and, with the exception of the definition of a capital asset addition, are particular to a variety of different departments. The issue of the capital asset addition is a problem, though, because while the definition the government uses, which is that an addition, a singular-item cost of greater than \$15,000 is a capital asset and something less than that is an expense in the period, may be relevant for a large department – Children's Services' annual budget is in the \$600 million range. The Treasury annual budget is in the \$2.9 billion range. Health is in the \$6.1 billion range. Those are big numbers. So \$15,000 is not a material item and the error that can be caused by choosing a capitalization limit that's too high is not material to the financial statements of those entities, but in the smaller entities and in the smaller organizations like the Alberta Foundation for the Arts or any one of the small agencies, boards, or commissions – the Alberta Research Council is another good example – this amount represents a more material sum. If there are a variety of additions in the range of, let's say, between \$10,000 and \$15,000 and \$10,000 is material to those smaller organizations, then we have difficulty in putting a GAAP opinion on those financial statements because there could be a significant error. That issue goes across all of the entities that flow into the government consolidation.

On the other hand, liabilities for site restoration costs are particular to Infrastructure and to Environment. There are some gravel pits and fuel dumps where we haven't yet recognized the future cost of restoration of those sites. In the case of the Ministry of Justice, there's a reservation of opinion because the liabilities for certain accident claim costs and the Crime Compensation Board awards are not recorded when it becomes obvious that there is going to be an obligation on the part of the government.

I guess about the last one I could speak of is that in one case this year there was a recording of a transaction in the current year that really should have been recorded in the future year. It was the accrual of an expense for some activities in the Ministry of Innovation and Science, and the journal entry was to debit expense and credit accounts payable. There was no cash transaction involved as yet because the cash isn't due for some time.

Maybe I'll ask Merwan to make sure I've covered all the ones that result in significant reservations of opinion. But I should say that we did solve a big one in the past year, and that is the question of the allocation of costs to those ministries where services are being provided by other departments. The classic one is the occupancy costs. We now have a methodology to report those costs that are incurred by others for the benefit of a particular organization, not the least of which includes my office, on the financial statements so that people are aware of the total costs of the operations of a particular office, such as mine, for example.

Do you want to add something, Merwan?

MR. SAHER: Just to confirm that the Auditor General, I think, has briefed you on the major causes of reservations of his opinion. For the committee's benefit there's a full listing of all the reservations of opinion, and that can be found on page 299.

MS BLAKEMAN: Thanks. That was such a thorough answer, and perhaps you've already answered this question as well. In reforming my first question, perhaps I could put it as: in what area has the most progress been made? You may have answered that in saying that it was allocation of costs.

MR. VALENTINE: That would be correct, yes.

THE CHAIRMAN: Thank you.  
Mr. Shariff.

MR. SHARIFF: Thank you, Mr. Chairman. I'd like to begin by first acknowledging the Auditor General. As he indicated, he has worked here for seven years. This is my seventh year in office, and I can say that he's one of the finest public servants I've ever worked with. He's a man of integrity, conviction, very just, and above all a man who believes in Alberta and has worked hard to improve the quality of life of all Albertans. Mr. Valentine, you will be missed, but I have full confidence that your service to Alberta will continue. Thank you for all that you've done for us.

Given that we are entering into a winter season, I'm tempted to ask this question, which you have highlighted on page 251 with regards to the energy tax refund. This refund gave out \$345 million to Albertans to help deal with the rising energy expenses, but it did not have the appropriate legislative authority. What would have been the proper sequence of events if the correct authority was to be provided in distributing the Alberta tax refund?

MR. VALENTINE: The sequence would have involved a decision by the House to support the payments, but I'm going to ask Jim Hug to respond to the detail of it.

MR. HUG: The problem as described was the fact that the payments were made prior to the bill being enacted. The appropriate sequence would have been that the bill would have been passed, thereby providing the authority for the payments to be made, as opposed to the other way around, which had occurred.

MR. SHARIFF: Well, given the circumstances about the election being called in between, would you have any specific suggestions which we could use in the future to allow important expenses to be made when elections interrupt the opportunity to provide the proper authority of this Legislature?

MR. VALENTINE: I think, Mr. Chairman, we'd like to respond to that in writing just to make sure we've got a complete answer and have the benefit of my internal counsel, and we will do that through the Clerk.

THE CHAIRMAN: Thank you, and thank you for your question.

Dr. Taft from Edmonton-Riverview, followed by the Member for Red Deer-North.

DR. TAFT: Thank you, Mr. Chairman. I was pleased to see in the Auditor General's report some comments on an issue of particular concern to me, which is conflict of interest in the regional health authorities. Just as a brief preamble, I have looked carefully at this issue. I've spoken to people in the private sector, I've spoken to business ethicists, I've spoken to all kinds of people, lawyers and so on, and the reaction I get is universal, that there is a serious issue when we have senior executives or managers on the public payroll who have close ties to companies that come under their jurisdiction. I assume you share some of that concern, although I wasn't fully convinced – and maybe you can convince me – of the solution you recommended. So I'm trying to get a sense of the standards here. I'm wondering if the Auditor General would endorse or accept a situation where companies owned by government managers or their immediate family members would have contracts to the branch of government under that manager's jurisdiction. Would the Auditor General endorse that sort of situation; for example, where a senior

manager of Transportation owning a road-building company contracts to the Transportation department?

9:10

MR. VALENTINE: Well, Dr. Taft, I don't think I'm going to get embroiled in some hypothetical relationships. I think we have to deal with the real relationships.

Let me say that I have a very strong concern about the issue of conflict of interest or independence, whichever way you want to look at it, in the health care field because I think historically in the public health care system we have today, it came along with the birth of that system. Doctors' offices are private facilities that are paid for by public money, and the doctor's stethoscope, if he didn't get it as a Christmas present in first-year medicine, was also acquired by public funds. I know that in my own personal circumstances I think the first and probably one of many times I had an X ray, I had an X ray in a private facility, downstairs from the office of the doc that I had gone to. If I needed a urine sample, I was sent down the street to a lab that was also a private facility. This went on from the '50s, when medicare came to be, until fairly recent times.

The only things that I see different about current times are, one, that the dollars have multiplied exponentially, so now we're concerned about things like MRIs that are owned in the private sector and are owned by physicians as opposed to whatever the X-ray equipment was in the basement of the medical centre that I happened to attend. By the same token, we've also regionalized the delivery of health care. Those are the two significant things that I think are different today than they were 25 and 30 years ago.

I think that docs, in partnership or in association in clinics, have always had a management role at the local hospital, and they may or may not have had an interest in the clinic. They certainly probably had their own office, and they provided certain services to the public through those private offices. So I don't know what the resolution of the problem is. I know what the definition of it is. But somehow in order to encapture a continued first-class medical system properly run and at the same time recognizing the birthing rights of the way medicine is practised, they have to come together so that we have a clarity and we have a transparency and an openness about all of these relationships. That's about as far as I'm prepared to speak on that matter.

DR. TAFT: Well, the issue from my perspective isn't private ownership in this case. It's the fact that we have senior managers, sometimes on very, very substantial salaries, who also have close ties and investments in companies that are contracting under their jurisdiction. So the issue isn't private ownership. It's conflict of interest. I'm wondering then, given, for example, that most other health authorities have avoided such serious problems as we've seen in Calgary, why the Auditor General isn't requiring or isn't recommending that senior staff of all RHAs who are closely tied to companies contracting to their RHA meet the normal standard of either resigning their public position or selling their interest in the private contracting company.

MR. VALENTINE: Mr. Chairman, my report and my remarks today are really as far as I want to go at this particular point in time. It's an evolving subject. I spent my life, my professional career, working in the area of conflicts of interest of my partners. That was my job. I think I know something about the subject, and the whole issue is not finished. We have outstanding recommendations to the regional health authorities in Calgary and Edmonton, and we're calling on them to enhance their conflict of interest processes. We'll be back visiting the very same subject area this current year. It's on

our work plan, and I would suggest that you stay tuned to see what their actions will be. Our recommendations weren't just made to those two regional health authorities. We say at the bottom of recommendation 20: "We believe this recommendation should apply to all regional health authorities."

DR. TAFT: I commend you for taking that step.

THE CHAIRMAN: Dr. Taft, please.

The Member for Red Deer-North, followed by the Member for Edmonton-Highlands.

MRS. JABLONSKI: Thank you, Mr. Chairman. Well, Mr. Valentine, I just want to add my kudos for all the work that you've done over the past seven years. I am grateful for it. This is an extremely well done report, but I have to tell you that it's not the best bedtime reading.

MR. VALENTINE: Well, we have it on a CD-ROM while you're surfing the Net.

MRS. JABLONSKI: Thank you. I'll take that into consideration.

You state on page 119 – this is with regards to physician billing – that the process by which extraneous or incorrect physician billings are detected is still not as extensive as it should be, even though it has caught four times as many extraneous or incorrect billings this year than last. What are some of the methods through which these extraneous billings can be detected and recovered aside from the method adopted by the claims analysis and reporting unit?

MR. VALENTINE: I'd like to have Dr. Shandro respond to that question, please.

MR. SHANDRO: Our point that we're making here is the way that the department is doing their assessing needs to be thoroughly reviewed and to assess the billing on a risk basis. I think right now the major emphasis is on those who bill at a high level; in other words, at a high volume. I'm not entirely convinced that just high volume is an inappropriate service, although there may be people who think that way. I mean, somebody who knows how to organize himself, be very efficient often ends up being very effective as well, but the issue is that the department is not assessing the billing in terms of whether the service was inappropriate or unnecessary, whether that service could have been replaced by another acceptable service or whether the service was medically required. Those issues have to be dealt with more closely in the investigation and assessment process.

MRS. JABLONSKI: It's a beginning.

Do you believe that the current system can be successful with modifications, or do you think that a new system needs to be developed to catch these extraneous or incorrect billings?

MR. SHANDRO: I believe that the system has to be reviewed and new processes introduced to deal with those issues that are not currently dealt with. It is far too superficial to just look at the volume. Largely it's a volume-type assessment. If you have high volume, we've got to look at you. What is the safety level for those who do three or four procedures a year? I think there may be an issue there that's just as significant as those who maybe are not spending enough time with their patients, but we have no evidence that that is in fact occurring. We're just basically looking at the

assessment processes, and the assessment process, as I mentioned, ends the focus on the high-volume billings.

MRS. JABLONSKI: Thank you very much.

THE CHAIRMAN: Mr. Mason, followed by the Member for Innisfail-Sylvan Lake.

MR. MASON: Thanks, Mr. Chairman. Well, I'd certainly like to add my voice to those expressing appreciation, Mr. Valentine, for your excellent service. With respect to the report, maybe it's just because I'm in the opposition, but I look forward to this report the same way I used to look forward to the Eaton's catalogue at Christmastime.

9:20

MR. VALENTINE: Do you know what? It doesn't work as well in that little building out back.

MR. MASON: I'd like to ask about the foregone revenue. I notice that on page 256 you indicate the energy tax refund program for a value of \$690 million over two years. Do you have any estimate, however approximate, of the total value of the tax reduction program to which you're referring here?

MR. VALENTINE: Jim might want to correct to correct me on this, but I don't think we approached it from that point of view. In the area of the Treasury we looked at whether or not certain tax expenditure programs would be appropriate, to have the recording of them in the accounts, and as well and perhaps even more importantly, have them form part of the estimate process in such a way that the program, because it's an expenditure, would get the debate usually surrounding the estimates.

You see, once you've adopted a farm fuel tax relief program, then the program is implemented and it goes on year after year and nobody relooks at that expenditure, but if you have a cash expenditure program to support another activity, then because those funds are necessarily a part of the estimates, it does get reviewed every year. So this fundamental lack of review on a tax expenditure program, we believe, needs to be solved and brought to the floor of the Legislature.

MR. MASON: I appreciate that. I'd like to just ask a little bit about what kind of process you might go through to determine whether or not the tax expenditure has been effective.

MR. VALENTINE: Well, no different than anything else in terms of performance measurement. There would be a setting out of the goal of the program, there would be a number of indicators that would indicate whether or not you had achieved the goals, and at the end of the day there would be the usual accountability report, I think.

MR. MASON: Okay. Thank you.

THE CHAIRMAN: Mr. Ouellette, followed by Ms Blakeman.

MR. OUELLETTE: Thanks, Mr. Chairman. I, too, would like to commend you on all the fine work you've done here in this book, and I think that it's a little too important to use this book in that little building out back.

On page 255 you encourage the government to "improve disclosure of the budgeted and the actual cost of annual revenues foregone" from tax policy. You present the example of the state of

Oregon, which lists among other things the revenue loss for each tax and “a determination of whether each tax expenditure is the most fiscally effective means of achieving its purpose.” Would you propose doing this analysis for all taxes in Alberta?

MR. VALENTINE: Well, I’m not sure I’d do it for all taxes. I would do it for foregone tax revenue, and that differs from an ordinary tax. Like, the personal income tax doesn’t represent a foregone tax; it’s the tax itself. Modifications to that tax or the exclusion or inclusion of certain people to certain aspects of the general tax provisions would result in a tax expenditure. I mean, there’s a tax expenditure when you make a donation to a charitable organization. That’s a form of tax expenditure. There’s a tax expenditure when someone makes a donation to your political campaign, and presumably there’s very good value for money obtained there.

MR. OUELLETTE: Lower taxes mean more money in the pockets of taxpayers. Is that not the most important thing to understand in discussing tax expenditure? Can you give a concrete example of a program in Alberta where you think doing further analysis of tax expenditure would bring greater transparency to an issue?

MR. VALENTINE: Well, we used the farm fuel tax example in our material this year, and I still think it’s a classic example. At the moment you really don’t know what subsidy you’re making to that agricultural community in the same way as you would know if you were writing an annual cheque to some form of activity or business interest that you’re interested in supporting. You know what it costs you in the area of tourism development, because the numbers are in your budget and they’re in your actual expenditures and they get debated in the House.

MR. OUELLETTE: Thank you.

THE CHAIRMAN: Thank you.

Ms Blakeman, followed by the Member for Calgary-Buffalo.

MS BLAKEMAN: Thanks very much. I’m looking at page 41 of your report, and you also mentioned it in your discussion around the Alberta Corporate Service Centre. I think there’s something curious here, but let me explain my question and we’ll see if I’m right. So we have an Alberta Corporate Service Centre that’s set up to improve cost effectiveness of delivering administrative services. It’s got a three-year plan, and it’s supposed to reduce costs by 20 percent over three years. We start out with a budget of \$1.8 million. We seem to now have a budget in this current year of \$138.7 million. So where’s the cost savings here?

MR. VALENTINE: Ken, do you want to respond to that?

MR. HOFFMAN: First, a little bit of explanation on the various budget numbers. The \$1.8 million was an amount specifically allocated to help set up the ACSC, and it was centrally funded. The \$138 million was already in the various ministry budgets in their departmental support services category. So what they’ve done is gone through all the departments and said: how much do you spend on these particular activities that are shifting over to ACSC? They grabbed all those numbers and moved them now into ACSC, so you can see the full number.

The savings will come when they reduce the \$138 million, and because it’s located in the Government Services department, there’s an amount of \$4.5 million that’s associated with Government

Services, so the number is a little higher there. When they re-engineer their systems and change their processes, that will reduce the cost of that \$138 million. That’s where the savings are going to come from. So, again, you can’t compare the \$1.8 million to the \$138 million. The \$138 million is just all that total quantity of money that’s always been spent through the various ministries’ departmental support services on this range of activities that are in the Corporate Service Centre now.

MR. VALENTINE: We have not yet seen it far enough along to know whether the savings are going to be realized.

MR. HOFFMAN: That’s right. Government Services will have a performance measure that will speak to this particular goal in future annual reports so you can see that if you follow. Like, next year’s annual report should illustrate some of that number.

MS BLAKEMAN: So what I’m hearing is that this experiment is in such an early stage that we can’t tell whether it worked, although I note that the three years were to be, I take it, fiscal year ’99-2000, the second year is fiscal year ’00-01, and third year is the year that we’re in. So we’re in the third year of this plan. They had a goal to reduce 20 percent over three years, so we should be pretty far along in that 20 percent reduction at this time.

MR. HOFFMAN: Yes. The essence of this particular point, this recommendation 2, for example, was encouraging the deputy ministers to get this thing done. If you read the rest of the text, you will see where we talked about the process being slow. Introducing shared service initiatives in organizations like a government or even in the private sector has a very long fuse on it. It takes a number of years to really do the early objectives. Perhaps we’re ambitious.

I was just going to check. I think there might have been some reporting in the Measuring Up document – I just don’t remember off the top of my head – on savings that were realized in the current year. I was just going to look in this book right now and see if that’s the case.

9:30

MS BLAKEMAN: You can give that in writing.

MR. HOFFMAN: Well, that’s fair enough. We can give a written response, Peter? Okay. We’ll look for that and see what we can find.

MR. VALENTINE: I think 2000-2001 was just the first year though. I don’t think there was any activity that would produce savings in the ’99-2000 year.

MS BLAKEMAN: Well, it was set up in October ’99.

MR. VALENTINE: I think in point of fact there was never any budget for it until the 1st of April 2000. In any event, we’ll respond to you.

MS BLAKEMAN: Okay.

THE CHAIRMAN: Thank you, Mr. Valentine.

The hon. Member for Calgary-Buffalo, followed by the hon. Member for Edmonton-Riverview.

MR. CENAICO: Firstly, I want to thank Mr. Valentine for the tremendous job that he’s done over the years and for faithful, loyal

service to the province of Alberta and to Albertans in the fair and honest manner in which he produces the annual report every year. I do look forward, though, to continuing to work with you, Peter, on the numerous volunteer roles that you personally take part in in the community. So, again, thank you for the tremendous job that you've done.

Your recommendation 29 on page 185 repeats the 1994-1995 recommendation that the Department of Justice "determine the results and costs of its fines collection activities." In the report you state that the department should "determine the number of fines levied, collected, outstanding and written off." As well, you state that the department "should determine the costs of collecting the fines in order to determine whether its collection activities are cost-effective or whether alternative strategies might be needed." Would the determination of these costs not just simply add to the cost of fines collection?

MR. VALENTINE: Well, at the moment we would observe that there isn't a reasonable amount of accountability around the fines system. This is a subject that we have discussed with Justice on a number of occasions, including prior years, where we think that the accountability for the management of the fines system needs enhancing. I think that for all of us who pay the occasional fine, we'd like to know that that accountability is there. I'll ask Jim if he wants to expand on that.

MR. HUG: Thanks, Peter. We've had discussions with the department in terms of how extensive a costing system would be necessary. I just want to make the point that we're not talking about an elaborate system that would account for every last dollar that would be involved. What we're really talking about is a methodology which would come up with a reasonable estimate of what the costs are. So, in our view, we're not asking for something that would not be cost-effective.

MR. CENAIKO: I think that ties in with my next question: do you have any suggestions for alternative strategies?

MR. HUG: Well, alternative strategies I guess are something that would be considered if the methodology produced costs which appear to be exorbitant, and in our discussions we have not yet got to that point with them.

MR. CENAIKO: Thank you.

MR. VALENTINE: One of the interesting areas of motor vehicle fines that sort of intrigues me is the number of people who are not resident in Alberta but maybe resident in adjoining provinces who ignore a speeding ticket. In the fullness of time, as long as you don't get caught twice, you can get away with that because the other provinces simply send a letter to you and suggest that you pay or the world will fall in sort of thing, and if you ignore that, eventually the whole thing goes away. I think it would be worth while exploring in co-operation with the other provinces to ensure that those fines are collected at least on the renewal of either your driver's licence or your motor vehicle licence. Now, that doesn't happen anywhere in Canada today. It would be nice if it did, because I think there are probably some popular border crossings where the revenues could be rather high. The Ontario-Quebec border is a good example.

THE CHAIRMAN: Thank you.

Dr. Taft, followed by Ms DeLong.

DR. TAFT: Thanks, Mr. Chairman. Again I return to the Department of Health and Wellness, which got extensive commentary in your report. In fact, I noticed that the report quotes at length I think the 1997 or '98 report making similar concerns. You do indicate on page 7 that "I do not believe that management ignores my audits and recommendations." I'm glad that's the case. I'm wondering what progress the Auditor General has seen from that department to indicate that they are taking your recommendation seriously.

MR. SHANDRO: There are a number of working committees studying these recommendations and discussing recommendations with other stakeholders. There's probably no other department that has so many processes and so many committees working on this. We see that work happening at the department, and that's why we do think they're taking it seriously.

DR. TAFT: Okay. I would have liked more specifics there.

MR. VALENTINE: You'll have the opportunity to examine management on this issue when the minister appears before this committee.

DR. TAFT: Okay.

Could you comment at all on the challenges that exist within sort of the management framework and structure of that department that may make implementing your recommendations more difficult? Are there structural problems in there that make it cumbersome to implement your recommendations?

MR. VALENTINE: Well, I think that's really a question you should direct to management. They may have some feeling about structural problems that we would either agree or disagree with, but I'd be interested in knowing what their response was first.

We go to a great deal of length in the due process of preparing this report to ensure that our recommendations are practical, that they're implementable, if that is a word, and that the whole thing makes sense. It's not in our best interests to come up with a recommendation that is folly or that can't be implemented because then it gets into the statistics that make us look like we're not doing our job. Our benchmark is to have the particular department implement the recommendation within three years of the time that it's accepted, and as we indicated in our report this year, the success of that benchmark is not as good as it might be. So we'd like to see some improvement in that, generally speaking, but we also recognize that some of these recommendations are not entirely easily adopted in that they have budgetary implications. They have to start with changing the budget process leading to the preparation of the budget, leading up to the actual tabling of the budget, leading to the approval of the estimates, leading to the actual expenditure of the money, leading to the ultimate audit of that activity. That's about a two-plus year exercise. That's why the benchmark for us is a three-year benchmark, and very often the whole budgetary process, as I said, has to be adjusted.

As we conclude our audit activities, we expose our thinking and comments and our suggested recommendations to management for their comment to make sure that we've got something that's practical and can be dealt with, and they may object to that. They may say that it's not worth while keeping track of how much tax is forgone on fuel consumed on the farms in Alberta, and we go back and rethink our position. At the end of the day we think we're right on that comment, so we proceed with it. So I would encourage you to ask the question of management because it's a good test to



determine whether or not we've done our work.

9:40

DR. TAFT: Thank you.

THE CHAIRMAN: Thank you, Mr. Valentine.

The Member for Calgary-Bow, followed by Mr. Mason.

MS DeLONG: Thank you. I'd like to thank Mr. Valentine for his service. You've been very influential in providing Albertans with the responsible government that they very much desire.

On page 83 of your report you comment on the business plan by stating:

While vision, mission, core values and core business sections are familiar to business plan readers, elements such as goals and performance measures are quite different in their articulation.

Could you please comment further on how the department's goals are different in their articulation?

MR. VALENTINE: I'm going to ask Ken Hoffman, who is responsible for the Environment ministry, to respond to your question.

MR. HOFFMAN: In the business plan draft that we looked at, the goals were very generic in nature. It states "establishing a framework" for environmental management. So they didn't seem to deal directly with the outcomes that the ministry was trying to accomplish with environmental management responsibilities and stewardship, and that was the basic problem we saw.

Then another part of the plan had a series of measures they called behavioral indicators, and there's another set, environmental indicators, which they linked to the government goals but didn't in fact link to any ministry goals. We thought that if they really would look at the goals they wanted to accomplish, what their basic purpose was, and set goals around that related to their core businesses and then measured that, it would be a more useful plan in terms of: are they achieving the results with the money they spent?

MS DeLONG: I'm not sure, although you've probably answered it: is this an area to be improved upon or merely a statement of fact?

MR. HOFFMAN: Well, we're making a suggestion that the department improve on it in their business plan, so presumably in their next business plan you'll see whether or not they've dealt with it when that comes down in the next budget.

MS DeLONG: Thank you very much.

THE CHAIRMAN: Thank you.

Mr. Mason, followed by the Member for Calgary-Shaw.

MR. MASON: Thanks, Mr. Chairman. On page 115 of your report, Mr. Valentine, dealing with the health authorities under Health and Wellness, it indicates that there's been special funding for health authorities but on a onetime basis. Without that, there's really about a \$40 million deficit for health authorities. I'm just wondering, generally given the government's position on deficits for the government, ought this not to be counted in with the government's overall financial position? Isn't it really an arm of the provincial government, and shouldn't their deficits be considered deficits of the entire government?

MR. VALENTINE: Well, what you're telling me, Mr. Mason, is that you support my view of the consolidation of regional health

authorities in the government entity, and thank you very much indeed. I need help on that.

In the particular transaction that is described on pages 114 and 115, we were concerned because the nature of the funding was unrestricted funding, which means it goes into the general revenue of the entity, but the letter of instruction also said that they had to spend it on capital assets. That sort of sets up an oxymoron that is in conflict one with another. If it was funding for capital assets, then the amount should be deferred and amortized over the life of the capital asset. Had that happened, then a deficit would have been revealed. But it was labeled unrestricted funding for the purchase of capital assets – as I said, that's the oxymoron – and because it was unrestricted funding, it went into general revenues and masked an otherwise reportable deficit. That's correct.

MR. MASON: Now, I guess I want to ask a general question. Do you have sufficient information to offer an opinion on whether or not the creation of these health authorities in general has been an effective way of delivering the services and provides value for money for Albertans?

MR. VALENTINE: I think the answer to that is no. Nick?

MR. SHANDRO: I don't think we have any more evidence that the previous structure in fact may have been worse. We don't have any evidence to support that kind of decision-making.

MR. MASON: Is there something better?

MR. SHANDRO: I think we need the system that we're talking about in terms of accountability to be implemented, which includes proper systems of business planning and those accountability tools that are well understood: measuring outcomes properly, benchmarking. There's a whole raft of things that need to be done, which we're pointing to in our report. So those things have to be done regardless of whether it's totally administered by a department, administered by health authorities, or administered through hospital boards.

THE CHAIRMAN: Thank you.

Mrs. Ady.

MRS. ADY: Thank you. I'd like to add my voice to the rest today that have expressed, you know, appreciation. I suppose it's too late to say don't go. Maybe that's not mature, but it's how I feel. I've always felt like you've had a really nice steady hand on that particular tiller and I'm sad to see you go, but I've been very thrilled with the work you've done.

The question I have today is on page 94. It's something we've been kind of looking at, so I'm quite interested in this one. On the Council of Academic Health Centres, you describe the role of these organizations as "partnerships of medical faculties, health authorities, and academic physicians" that "educate health professionals, conduct health sciences research, and provide specialized clinical services." You point out some serious concerns you have about these centres, including a concern about a "lack of understanding among stakeholders of the scope of academic health and lack of transparency of funding." Could you please expand on what you mean by that idea. How do you find that?

MR. VALENTINE: Brian Corbishley is the one in the office who participated in the study of the two academic health centres, or the total of the Academic Health Council of Alberta, and I'd get him to respond to your question.

DR. CORBISHLEY: Thank you, Peter. The scope of academic health is something we struggled with two years ago to try and define because no one had defined it before, and we came up with an estimate that it represented about \$350 million. That was three years ago, so the number will be quite a bit higher now. If you look at the budgets of the universities, for example, for the faculties, that is in the order of 15 percent of that \$350 million. If you look at the budgets of the RHAs and what they spend on academic health, it's a similar order of magnitude. When you pull together all the pieces and all the research work, the physicians who are members of the faculty but also have a private practice and so on and so forth, then you come up with the \$350 million. So this was, I think, the first time that the full scope had been defined. Therefore, saying there was a lack of understanding of the scope was reflecting that finding.

9:50

MRS. ADY: Thank you.

You mention on that same page that in order for "stakeholders to agree on who is accountable for what" in these centres, one group needs to assume a leadership position. You mention both the university and the government as the two potential candidates to assume the position. Which group would you recommend today as the ideal candidate to lead?

DR. CORBISHLEY: We obviously didn't make a recommendation. This is a structural, organizational type issue which we prefer not to express an opinion on because there really is no one right answer necessarily. What's important is that an answer be adopted, that one be picked.

MRS. ADY: That one be chosen.

DR. CORBISHLEY: Yes, so accountability can be exercised.

MRS. ADY: Thank you.

THE CHAIRMAN: Thank you.

Ms Blakeman, followed, time permitting, by the hon. Member for Calgary-Fort.

MS BLAKEMAN: Thank you. I want to talk about business cases because I'm fascinated by this planning process and the Auditor General and his staff's take on this. I note that there was a numbered recommendation. It's actually number 1, "that the Ministry of Executive Council work with other ministries to develop standards for business cases," and what follows is that everybody seems to be putting in the history of the initiative. I'm sorry; I'm on page 33 of the Auditor General's report. Then there are suggestions of some other things that should probably be in there and aren't consistently. I'm wondering if in the business cases the Auditor General examined, the business case took into account the worst case scenario. If something went really wrong, then how would they recover from it? And are we still getting value for money or is it still cost-effective? For example, the Supernet, which is something that's been causing me some concern. You know, what happens – that was a contract with IBM, I think. Was it considered: what happens if we lose that major provider? Is this still a cost-effective, value-for-money endeavour?

MR. VALENTINE: Well, those are the very kinds of questions that need to be addressed in a business plan. Ken Hoffman led this work, and I'm going to ask him to respond to you. But having said that, you know, almost every time we've entered an area such as grant

management, as a good example, where we've come up with recommendations, and contracting out services, where we've come forward with good practice principles of running those kinds of business activities, the government has listened to us and made some significant changes, and we hope they'll do the same thing in the business planning area.

Ken.

MR. HOFFMAN: Thank you. On page 34, that paragraph at the top speaks to this risk assessment issue, and what we're suggesting is that it be improved. We see examples where in some cases they do one, in other cases they talk about doing one, and in other cases they don't do it at all. So this is the essence of the recommendation: let's be consistent; let's have some standards. Certainly in an area of risk assessment, what the downside potential of an implementation is and how you mitigate that should be part of that business case analysis.

We did some further work in business cases in Infrastructure, and you'll find some other conversations in there about the need for risk assessment as well when they look at some of the initiatives in the new models. I think specifically we were concerned that they look at the financial viability of the prospective private-sector contractor they're dealing with. You see some reference to it but not a sufficient analysis to form a view, so this is an area that needed to be improved.

Does that . . .

MS BLAKEMAN: Sort of. Maybe I'll focus in a bit more. Does the Auditor General think we are likely to get value for money with the Supernet project when clearly the wiring just takes us to the outside wall of the buildings? How successful is this project likely to be when it's then up to the occupants of the building to pay for the wiring in through the wall and upstairs and to the terminals? My prime example there is libraries. They're going to put the Supernet into the library in every little town, but would it be a good expenditure of money if the libraries, chronically underfunded in this province, are not able to provide the wiring through the wall and up the stairs and to the computer terminal? So in fact you don't have Supernet. It just goes to the outside wall. Is that good value for money?

MR. VALENTINE: Well, I must say that we're not finished with Supernet.

MS BLAKEMAN: Glad to hear it.

MR. VALENTINE: But at this point we don't have a report for you on Supernet.

THE CHAIRMAN: Thank you.

Mr. Cao.

MR. CAO: Thank you, Mr. Chairman. On behalf of my constituents and all Alberta, if I may say so, I would like to take this opportunity to express our appreciation for the outstanding services of your department and your important personal leadership in helping us to keep the Alberta government accountable. I wish you the best in your new endeavors, Mr. Valentine.

My question is regarding page 227, recommendation 41, Municipal Affairs. In your recommendation you suggest that the Ministry of Municipal Affairs should "improve the controls designed to ensure that municipal property tax assessments are fair and equitable." Now, the situation in my area, my riding, is that the business tax market value assessment by the municipality has

produced an endless upward spiral. For example, the owners of commercial property keep increasing their lease rent paid by the renter and passing the increase of the tax onto it. The increase in the lease rent is then counted as revenue of the property. Hence, its market value is higher and then is taxed on that. That is the endless spiral. It's kind of pushing small business downwards and out of business. I would like to ask you what suggestion or comment you have on this area.

MR. VALENTINE: Well, Mr. Cao, over the page, on page 228, we describe some of the risk that is increasing in the market value uniform assessment basis that we have adopted in Alberta. The theory of it is grand. The theory is that everybody gets the same kind of assessment and that the relative comparability from one to another is maintained. We think there are substantial risks involved. The significant three are listed in the bullets on page 228. We're calling on the ministry to implement a management control system such that they will ensure there's uniformity across the province. You'll note that there's very little attention paid to the use of field audits in the assessment process in the various municipalities. As that falls behind schedule, it'll take a great deal of resources to bring it up to date. Yet the taxpayer in Edmonton versus the taxpayer in Red Deer may or may not be working on the same footing, so it's of substantial concern to us. I think there's considerable sympathy in the ministry for the issue we've brought to their attention, and hopefully we'll see some progress in this area in the current year.

MR. CAO: Thank you.

THE CHAIRMAN: In light of the hour, I would like to thank the Auditor General and his staff for their time this morning. I would like to now call, please, for a motion to adjourn. Thank you.

[The committee adjourned at 10 a.m.]

