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[English]

Session Five

Completing the Circle of Control

A Fresh Look at the Business of Supply

[Mr. White in the chair]

MR. WHITE (Alberta): Good morning, ladies and gentlemen. Everybody's here bright-eyed and bushy-tailed. Oh, we've got the grinch from New South Wales. Yeah, there he is, present and accounted for. We've got half of British Columbia here. What happened to the other half? Just around the corner. Yeah. Or under the weather. One or the other, eh?

We have with us this morning from our federal counterparts, those that peruse the books on behalf of all of us Canadians, John Williams. John was first elected to the House of Commons in 1993 and again in 1997, and in the last Parliament was lead spokesman for the Reform Party of Canada in the Public Accounts Committee and is Treasury Board critic for the caucus. He is well versed in how the money is spent in Ottawa and is going to lead us in a presentation that he's called Completing the Circle of Control: A Fresh Look at the Business of Supply.

Ladies and gentlemen, John Williams.

MR. WILLIAMS (Canada): Thank you, Lance, and good morning, ladies and gentlemen. I hope we're all bright-eyed and bushy-tailed on this second day of the conference. Before we start, I would just like to say thank you very much for your

hospitality last night. That was just a wonderful meal that we had over at the armoury. I enjoyed it very much indeed. I think on behalf of all the colleagues here: our appreciation to the government of Alberta for their hospitality.

Ladies and gentlemen, as Lance mentioned, I am the Treasury Board critic for the Reform Party. I have been on the Public Accounts for three and a half years. When I went down to Ottawa, as an accountant in my former life I thought that Parliament controlled the public purse, and it didn't take me too long to find out that perhaps nothing could be further from the truth.

I have assisting me Mr. Brian O'Neal from the Library of Parliament, who is handling the overhead slides.

[Translation]

To my colleagues from Quebec, I would like to say that I am sorry my overheads are in English only. I will have them translated, and Mr. O'Neal will be sending you copies in French as soon as possible. There are a few copies of the parliamentary committee report.

I think you may have already got the copies. Thank you.

Some years ago Mr. J.J. Macdonell, who was an Auditor General of Canada, said that he was deeply concerned that Parliament and indeed the government had lost or was close to losing effective control of the public purse. As many of you know, we ran up huge deficits and a huge debt here in Canada over a number of years. There's no question that our finances are not nearly as healthy as they were in the past. That led to the creation of a Royal Commission on Financial Management and Accountability back in 1979. It was called the Lambert commission. Their concern was that while the government may have some control over the public purse, the question really was: did Parliament have control over the public purse? Being the ultimate authority on approving expenditures, that was a question that was serious and certainly needed to be asked. As you know, in our British parliamentary tradition it's the Governor General in the name of the monarch who requests funds from Parliament, and Parliament has a responsibility to examine that request and to approve or do otherwise. But really how capable was Parliament in being able to analyze the request from the Crown for funds, and therefore really how much control did Parliament have?

To put it somewhat in perspective, what is the nature of the control that Parliament has? By and large, we say that it is influence rather than direct power. It's advice rather than command, criticism but not obstruction, scrutiny but not initiative, and

publicity rather than secrecy. These are the ways in which Parliament can influence the government expenditures.

In this presentation I want basically to give an overview of how we handle the business of supply, which of course is the tabling of the estimates -- the business of supply is the term that we give to the process by which Parliament approves expenditures of money -- explain why in my opinion the process does not work and the consequences that has created, outline some changes that are now under way, discuss improvements proposed by a committee of Parliament, the Subcommittee on the Business of Supply, and indicate how those proposed improvements will complement the work of our Public Accounts Committee and lead to better parliamentary control of the public purse. The topics that I want to cover this morning are basically the business of supply and how it's defined, the current process and why it's not working, the results, recent improvements, the Subcommittee on the Business of Supply, steps towards a better process, and concluding comments and hopefully some discussion as well.

So we start with the business of supply and what exactly it is. It is the process by which the government submits its projected annual expenditures for parliamentary approval and also the relevant work of the Public Accounts Committee, which examines the way in which government has spent the money and holds the government accountable for that spending. A more complex definition of the business of supply coming from our Standing Orders is:

The business of supply consists of the consideration of the main estimates, including motions to restore or reinstate any item in the estimates, interim supply, the passage of any bill based thereon, and opposition motions considered on allotted days.

What we're talking about here is the start of our first real effort since 1968 to reform the business of supply. Prior to 1968 Parliament held up the government, and the government was confounded in its ability to move forward in the expenditure of funds because they could never rely on Parliament giving them approval by a certain time. The Standing Orders were amended in 1968 to provide a fixed calendar whereby the government could be assured that the business of supply would be dealt with and finalized usually by the end of June.

In granting Parliament that assurance that they would have the funds available, the Parliament of Canada has given up a tremendous amount of opportunity to hold the government to account. While they set aside several allotted days, 21 in all, for the opposition to discuss the business of supply, what we have found actually is that the opposition tends to bring up motions that are much more political, much more in tune

with the political fight of the day rather than dealing with the estimates, and the estimates tend to get shoved aside.

Now, the link to public accounts committees is that in the circle of parliamentary control over the government's financial activities public accounts committees enter into the picture once the money has been spent, as we all know. Their role is retrospective. The business of supply takes place before the money is spent, and this is the point where the parliamentary role needs to be strengthened so that we as parliamentarians have real opportunity to hold the government to account for the way it sets out its plans and its visions for expenditure and then see that followed through into Public Accounts, which is a retrospective look at how the plans were implemented and how effectively that money was spent and what kind of return the taxpayers received for their money. Better scrutiny at the beginning will also complement the excellent work already being done by the public accounts committees and the auditor generals and result in a more effective overall parliamentary review of expenditure.

I come to the question of the current process and why it does not seem to work. In the House of Commons we have not a fixed calendar, but we expect the budget to be tabled before the end of February. The reason for that is that the main estimates should be tabled by the 1st of March by the president of the Treasury Board. When he tables the estimates -- and they're a stack of documents close to a foot and a half, maybe two feet high -- they're automatically referred to the appropriate standing committees. The estimates contain what we call the part 3s, which is the particular spending by the individual departments, each contained in their own individual book. These are referred to the appropriate standing committees -- the standing committee on environment, the standing committee on agriculture, the standing committee on foreign affairs, and so on -- to give them the opportunity to examine the minister on the planned spending of the department.

These committees have from March 1 to May 31 to report back to Parliament. However, the Standing Orders also say that if they don't report back to Parliament, they are deemed to have done so by May 31. So there is the first opportunity to let the examination of the estimates slide. If a particular committee does not wish to look at the estimates and report back to the House, they are deemed to have done so anyway and of course in the affirmative.

Committees, as we know, can only do three things. They can approve them as they are presented to them, they can reduce them, or they can reject them. As we know, in our British parliamentary system we do not have the opportunity to increase spending in any particular area. When we take a look at the limited influence that the committees have, even if the committee decides that they want to amend an estimate, there's

always a government majority on each individual committee. We find that the estimates as tabled don't give any detailed information for us to be able to look at a program and analyze and see where there's waste, overlap, duplication, opportunities for change. It's hard to write a report back to Parliament from the committee setting out a reasoned rationale for a reduction in estimates. Therefore, if there are reductions proposed, these are usually political in nature.

If there is a report by a committee back to Parliament to reduce or eliminate a particular estimate, we run up against roadblock number two. Rather than debating the desire to reduce or eliminate, the fact that a committee reports back asking for a change causes a motion from the president of the Treasury Board calling for the reinstatement of the expenditure. So rather than debating the elimination or reduction, the debate takes place on the motion for reinstatement by the president of the Treasury Board. Of course, that causes a vote in the House of Commons, and if one votes in favour of reinstatement, it's very difficult after that to then go on discuss the motion to reduce. So these are the types of roadblocks that we have very much in front of us.

Not only that, in the House of Commons itself there's only one day, the final day of the estimates, allotted for debate on the estimates. If perchance we have put up many amendments to reduce and to eliminate, these are debated one at a time. What happens is that you spend the whole day dealing with the first motion to amend and any subsequent motion is never even debated, but at 10 o'clock the Standing Orders call for the debate to cease, the votes to be put. Therefore, we're voting on something that has never even been debated in Parliament. These are some of the things that we have to deal with and the disincentives that we have in Parliament.

We also have the confidence convention. Party discipline. The government will always say to its backbenchers: if we lose a vote on a money Bill, the government will fall; you must support the government. Therefore, it uses its majority and the Whip to ensure that the confidence convention is used to their benefit.

So these are, again, the problems that we have. If we take a look at the results over the last 25 years, we find that the last time that Parliament ever made any change to an estimate was back in the 1972-1973 Parliament, and that was when we had a minority Parliament. At that time, the Parliament was able to effect two cuts in the total spending. They knocked \$1,000 off the CBC president's salary because they didn't particularly care for the president of the CBC, and they knocked \$19,000 off a particular subsidy to CN Rail, for a total of \$20,000 in 1972-73. Since then, we have not reduced the estimates by one single penny. When you add the spending of the Parliament up over these years, it may add to over \$2 trillion, and 25 years ago we reduced the estimates by one-millionth of 1 percent. Therefore, I think it's legitimate that we ask the question: does Parliament still have control? In the textbooks in school

we tell our kids that parliamentary scrutiny is the opportunity for Parliament to scrutinize government policy and is best afforded through the consideration and examination of the departmental estimates.

But how effective have the committees been in taking their role seriously? For example, in the year 1993-94 the parliamentary committees held 467 meetings, but only 48 of these meetings were held on the estimates. During that time the parliamentary committees issued 82 reports, but they only issued one report on the estimates, and that particular report was the Public Accounts Committee reporting on the Auditor General's estimates. We have to always compliment our Auditor General on the fact that he's prudent with his estimates; he has voluntarily reduced his own budget over the years. While we commend the Auditor General on his fiscal frugality, again the Public Accounts Committee wouldn't be able to change his estimates if they tried.

Now, the other thing that really struck me when I went down there: we don't vote on the spending by the government. We only vote on nonstatutory spending, which means that we only vote on \$50 billion worth of spending, not the \$160 billion that the government spends in any one year. There's \$110 billion of spending that goes through government, and Parliament does not even have the opportunity to express an opinion on it, far less vote on it. That was one of the shocking things that I found when I went down there.

So what has been happening so far? Recent changes: the government has recognized that there is a desire by parliamentarians for more influence and more control, and they've amended the Standing Orders to allow the committees to examine and report on future plans and priorities of the departments for three years into the future. Rather than just looking at the estimates for this year in isolation, they said: within the context of the next three years, let's examine the estimates. In theory that will allow Members of Parliament input into future expenditures, and they will be able to criticize future decisions. But I didn't agree that that was the way we as parliamentarians should go, because we are being co-opted into the decision-making process rather than holding the government accountable and analyzing the decisions that the government makes. Parliament is not government. Parliament approves the request by government; it doesn't enter into a partnership with government to try and determine the direction government should go.

The Treasury Board Secretariat is also concerned about the issue and had a working task force that consulted with Members of Parliament to review the style in which the estimates were presented. We had the Treasury Board agree to the concept that the estimates format will be much more on a program-by-program basis, a much more understandable document that's a meaningful tool for parliamentarians, setting out the

planned expenditures for the coming year within the context of future spending plans for the next several years. In the fall that will be complemented by a performance document which will be in the same style as the estimates, showing the actual historical spending. Over the next number of years we will have the estimates and this year's spending in the same format, which will allow us to scrutinize this year's spending as anticipated, this year's spending as it actually happened through the public accounts within the context of five to eight years of planned and actual spending formats. By using the same format, we will be able to understand it much more easily and much more readily and that way hold the people to account.

Some of the concerns that we have, of course, are that the information must be accurate, timely, and complete and reported uniformly, because you can't look at the estimates in one format and the actual expenditures as they happened after the fact in a different format. You can't compare apples to oranges. One of the things that we have had is that the Treasury Board agreed that this process, the presentation style will be the same all the way through.

It wasn't enough, in my opinion. Back in 1995 as a Treasury Board critic I organized a little protest and put up many, many motions to amend the estimates, which would have caused Parliament to sit all night or maybe even longer. We saw that happen in the province of Ontario just a few months ago, where the opposition were able to create a little bit of a problem by keeping Parliament sitting and voting for a long, long time. We had planned to do the same thing in Ottawa, and the government recognized what was going on and agreed to discuss the issue and created the Subcommittee on the Business of Supply. That was the committee that spent two years working and has presented an I think excellent report to Parliament. Copies are available at the back table. It's about a 95-page document and, in the words of the Clerk of the House of Commons, is perhaps the best work of any parliamentary committee on the process of supply in 50 years.

It was set up in June '95, began in September of 1995. It had all-party membership. It was chaired by Marlene Catterall, the deputy Whip of the Liberal Party. While we came from different political perspectives, I think we all shared the same goals: to improve the supply process and make it more workable, to bring full participation of the Members of Parliament into the business of supply, to provide an opportunity for better scrutiny of the proposed expenditures and enhanced government accountability. As I said, the committee worked for over two years. We heard from 19 witnesses, including the Auditor General of Canada; the Clerk of the House of Commons; the high commissioner from New Zealand, the hon. Maurice McTigue, who was the Minister of Finance in New Zealand at the time that they had their fiscal problems; Jean-Pierre Boisclair, the executive director of the Canadian Comprehensive Auditing Foundation; several academics; and several current and former Members of

Parliament, including those who put the process into place back in 1968 who now had the opportunity to reflect on why the system wasn't working as well as they had anticipated. The final report, as I said, is available at the back. It was adopted unanimously by the subcommittee, submitted to the Procedure and House Affairs Committee, and was tabled in the House of Commons in April of 1997 and contained 52 recommendations. Parliament, of course, was dissolved almost immediately thereafter. I intend to see what I can do to carry the agenda of the committee forward to work towards its implementation.

Now we'll take a look at some of the recommendations of the committee that worked for two years. The first thing it called for was the creation of a new standing committee of the House of Commons called the estimates committee. We debated whether or not an estimates committee should look at the estimates alone and the estimates should not be referred to standing committees, but we felt that was not appropriate, because standing committees in many cases have the expertise and the understanding of the individual departments and the agendas of individual departments that an estimates committee wouldn't have. Therefore, we wanted to ensure that the respective standing committees would still have their own input.

We didn't call it a super committee, but it is a committee that we envisaged to have overarching responsibility or interdepartmental responsibilities. Its roles would be to monitor and review the estimates and the supply process to see that this evolution that we're trying to set in place does continue to enhance the whole process; to review governmentwide expenditures, where if there's a multidepartmental involvement in any one program, the estimates committee would take a look at that rather than be narrowly confined to one standing committee; to support and enhance the work of the standing committees; and to review Crown corporations. Crown corporations are one of those areas of spending -- it can be quite massive in some years when we have spent several billions of dollars in Crown corporation subsidies and they all fall through the cracks because there's no real mechanism for us to examine the role of Crown corporations. So these are the areas that we saw the estimates committee looking at.

The second major recommendation that we came up with was the reallocation of funds. If Members of Parliament are to take the estimates process seriously, they must have an opportunity to make a difference. If the government considers confidence a bar to reducing or eliminating an estimate, then perhaps the government should be prepared to accept a recommendation by Parliament to move money from one particular program to another particular program, the bottom line remaining exactly the same. We considered and recommended that the government consider that. These changes would still remain within a department. There would be no opportunity to move money from one department to another department but to take a look at the

programs within a department, analyze them, and if they felt that one was more important than the other or one was more deserving than another, make recommendations to move money from one up to another to a maximum of 5 percent. Thinking of the Department of National Defence, of course, that could be a very sizable amount of money.

It could not be politically driven, because it would require the report to Parliament to have clear justifications for the recommendation. To ensure that the government would take the recommendation seriously rather than ignoring it, we also suggested that the government be required to respond in a like manner. If it rejected the recommendation of the committee, it would have to table a report in Parliament outlining in detail its reasoned objection to the change.

We also looked at the concept of government spending in its totality. As I mentioned, the estimates process only covers 30 percent of government spending. What about the other 70 percent of government spending? We broke the spending down into five conceptual areas.

Statutory spending. When we pass legislation creating a particular program, it contains an authority for spending on an ongoing basis, and it doesn't matter how old that legislation is. Be it 50 years old, there's no requirement that the government come back to Parliament for a renewal of its authority to spend and an investigation of the worthwhileness of that particular program.

We looked at tax expenditures, and this is becoming a very major cost to government through tax breaks granted to individuals and corporations. We think of pension plan tax deferrals. We think of education tax deductions. We think of charitable tax deductions. All these legitimate tax deductions that are granted by the government amount to literally billions of dollars of revenue that the government does not collect. Therefore, is the government getting a worthwhile return for its investment?

We looked at loan guarantees. Again, no up-front cost, but if the loan guarantee has to be paid, it can be a very substantial amount. We looked at the statutory spending, the nonstatutory spending, the tax expenditures, the loan guarantees, and Crown corporations, which are the five areas of spending that we broke the spending down into, and tried to deal with each one individually.

On the statutory spending, which is 70 percent of government spending, \$110 billion of federal government spending does not even require an opinion by a Member of Parliament and he cannot vote on it. What should we do? What we are proposing is that program evaluation, which is an evolving discipline, be instituted as a review of these statutory programs. Some have been in existence 50, 75 years and have never,

ever, ever been reviewed to find out if they're providing any benefit to the taxpayer. I can think of one that was reported on by the Auditor General and taken up by the Public Accounts Committee: Atlantic freight rates assistance program. It was costing the federal government \$108 million a year in a subsidy program. In the words of the Assistant Deputy Minister of Transportation, it provided absolutely no economic benefit to the government of Canada, and when they finally realized that, the program was killed in 1992. How many more programs are there that are costing us that kind of money and providing zero return to the taxpayer?

Program evaluation, as I mentioned, is a new discipline that's evolving. We want to try and apply it in the following format: on a periodic cycle -- not every year, because some of these programs are far, far too big to analyze and detail every year, but perhaps even as little as once every 10 years -- we take a look at these individual statutory programs and evaluate them based on four fundamental criteria.

Number one, what is the public policy that this particular program is intended to address? Many times we find out the public policy is vague at best and in many cases not even articulated. So the first thing the program evaluation would do would be to cause the public policy to be articulated so that we know why we're spending the money. Once we know why we're spending the money, we then say: how well does this program achieve the public policy that has now been articulated? Perhaps it's an overlap of doing 50 percent in excess of what it's intended to do, or maybe it's only doing 60 percent of what it's intended to do. But once we know the public policy, we can now measure the effectiveness of the particular program and how well it's achieving that particular objective.

The third concept is to look at the managerial quality and say: how efficient is this particular program? Of course, government does not have the discipline of a bottom line, but we need always to take a look at the efficiency by which these departments are operating to ensure that they are functioning in a normal manner that would be equivalent to the private sector. The fourth issue would be: is there a better way to achieve the same public policy? Just because we've done it this way for the last year or the last 20 years or the last 50 years doesn't necessarily mean to say that circumstances haven't changed and we can achieve the same public policy by a different way.

So the four fundamental things that we're proposing in program evaluation are: one, let's articulate the public policy; we measure the program and how well it is achieving that public policy; how well is the program being delivered; and can we achieve better results or the same results in a different way?

Program evaluation. These particular reports would find their way to the front of the standing committees and be analyzed. That would give Parliament control: an opportunity to express its opinion and an opportunity to call in witnesses and perhaps even to write a report on the individual programs that account for the 70 percent of spending over which Parliament has no control at this point in time.

Tax expenditures. It hardly ever appears on any government document. The Minister of Finance tables a quick report every year, but there is never an analysis of the cost of tax expenditures. Are they achieving the public policy that they are designed to do? They don't show up in the public accounts because it's revenue that was never collected. It doesn't show up as an expenditure because we never wrote a cheque for it. But tax expenditures amount to literally billions of dollars a year in Canada; therefore, we need to and should address that particular issue. The former Auditor General, Kenneth Dye, said that tax expenditures are a huge, hidden financial budget in the financial affairs of Canada. Therefore, it's only appropriate that parliamentarians have the opportunity to express their points of view. Again, I think that program evaluation is an opportunity to take a look at these tax expenditures and, again, evaluate them. What is the public policy that we want? Do they address that public policy? Efficiency of administration is really not appropriate because they're easy to administer. And, number four, is there a better way? Perhaps not as far as a tax expenditure, but who knows? The question should be asked.

Loan guarantees. Again, Parliament never has enough information on the risks that are being undertaken by the government. Again, no opportunity to pass an opinion. In 1991 the Auditor General estimated that the potential liabilities amounted to approximately \$8 billion for the government of Canada, a very, very significant amount of potential liability. Parliament has little or no authority to comment on or approve what's going on there. So the challenge again is for Parliament to demand and to get the opportunity to have the information, to hold the government accountable as they spend money, deliver goods and services through loan guarantees. Eventually the cost shows up where Parliament is being asked to write off or pay on a loan guarantee, and of course at that time it's far too late.

Major recommendation number four was the relaxed application of confidence, and I mentioned earlier there was a real barrier to better scrutiny. It's more a political than a procedural matter because we all know that confidence is in the eyes of the beholder. If the government decides that confidence is involved, then confidence is involved. If they lose the vote and confidence wasn't involved, then so be it. As I mentioned, back in 1973 the government did lose a vote on the estimates, but that wasn't considered confidence by the government, and they just carried on.

In conclusion, I've mentioned that in my opinion the current process does not work; it does not give parliamentarians a real opportunity to hold government to account. Will the recent changes help? If we have the opportunity to get the report implemented partially or in its entirety, we have made a great deal of progress in my opinion.

The process now is that the clerks of the House of Commons have to draft amendments to the Standing Orders, and these get referred to committee and will wind their way through. If the government is prepared to accept the changes, then we will see them implemented. But I see this as a catalyst. I don't see this as the job having been done. I think it is a very small part. In the last 30 years MPs have realized that it doesn't matter how hard they try; they can't effect change. Therefore, they've given up on analyzing these documents, because what has been the point? It requires an attitudinal change by Members of Parliament to say: "Here we spend \$160 billion a year. I'm the person who votes on this. I want to ensure that we have the best and most efficient government that we can have. It's my job to hold government accountable, to build a process whereby parliamentarians take the estimates seriously, call the witnesses in front of them, call the ministers in front of them, hold the departments to account."

This is basically a vehicle to try and make the whole process more simple, more understandable, more open to them. We must remember that parliamentarians come from all walks of life. Many have had no real past experience in dealing with budgets and financial statements and holding senior bureaucrats to account in these very, very large departments. That's where we hope that this will be a start of the process and that the estimates committee we're recommending be created would be the driving force in Parliament to ensure that the process continues to move forward.

Mr. Chairman, I'm going to stop there and see if there's any discussion on the issues. I'm glad to answer questions on it.

MR. WHITE (Alberta): Yes. We have some questions from Mr. Santos of Manitoba.

MR. SANTOS (Manitoba): I will first lay the groundwork of my two-pronged questions. This is relating to the theory and practice of government. As a political scientist I think that we believe in a democratic system where the people are the ultimate source of political authority to govern. I believe that all Assemblies, including Parliament in Ottawa, are representatives of the people, given temporary authority to govern for their benefit and for their interest. But we have certain institutionalized assumptions and premises in our system of governance. For example, we assume confidentiality and secrecy instead of openness, and there is nothing more prominent than the historical doctrine of parliamentary confidentiality when cabinet makes decisions.

Now, if the people we call the public are truly the sovereign people and the ultimate source of authority to govern, and if we as legislators are servants of the people with a temporary mandate to speak as agents for our principal, the populace, is it not the case that such a principal is entitled to all the information that we as agents possess? My first question is this. If that is the case, do you think we would have come to such a situation as our fiscal situation now, where there is mounting national debt and increasing interest, if the assumption had been the reverse: open information as to basic premises of decisions made by political decision-makers, all the alternatives laid out on the table, and when they make the decision, the people know exactly on what basis and with what resources and for what purposes they are making the decision? That's my first question.

MR. WILLIAMS (Canada): Well, you're certainly right in the fact that we need to have an open process, that the people should know what is going on, but we have the problem of either not enough information or too much information. If you deal with the overview of a department, that does not provide you with the detail to go down and pick the department apart. If you look at the trees in the forest, you can't see the overview. With the experience that I've had with parliamentarians in Ottawa, and again remembering the variety of backgrounds they have and the differing skills and talents that they bring to Ottawa, if you want to take a look at a department in an overview, it does not provide the information to get in and do a complete analysis of what this department is doing. The estimates that have been tabled in Parliament have not been formatted in a way in which the parliamentarians can understand what the department is doing. That has now changed. The Treasury Board has a pilot project to change that so it now becomes more understandable in a program-by-program process.

For the few parliamentarians who really want to get right into the meat of particular programs, there has not been an opportunity and a mechanism for them to do so. That's why we called for the creation of an estimates committee. For those who feel that they have something to contribute in that environment, where they can look at the detail of Crown corporations, they can look at the detail of tax expenditures, and they can take a look at loan guarantees in detail, which does not always excite every parliamentarian, then there's an opportunity for them to get right in there and hold the government to account. So we have the overview by all parliamentarians and the opportunity to get right into the detail through the estimates committee by the few parliamentarians who want to do that particular thing.

MR. SANTOS (Manitoba): I don't think my question was answered, but the second question I'll ask. If it is the case that it is the veil of confidentiality and secrecy that covers decision-making that leads to our deficits and national debts, what is the remedy?

MR. WILLIAMS (Canada): Well, I'm not sure that I agree with you that it's a veil of secrecy that is a confounding problem. The information is there. It's to be able to get it out in a format that is presentable so that you can build a political force to make a change. Up until now and, as I said, since 1968 the procedures in place have prevented a political force saying: I think these estimates are too high; they have to be reduced. For example, the government's spending is too high; it needs to be reduced. The opportunities have been stacked against change in the estimates process. That coupled with, as I say, the confounding problem of either too much information or not enough information and not enough interest by the parliamentarians to mount a concerted drive to hold government to account has caused in some measure the problems that we have today.

MR. LUSH (Newfoundland): First of all, I want to commend you on your presentation. I found it interesting and a bit provocative. I'd like to say that the present structure of Parliament with its rules and regulations is a reflection of the political system that we have. It's designed to accommodate that system. It seems to me that your recommendations are great for a corporation, but we're talking about politics: raw, practical, functional politics.

A government, a party, gets elected in the system that we have. A political party gets elected because the people believed in the policies and the programs they advanced during the election. When that party gets elected, Parliament must be able to accommodate the process by which they execute that program. Obviously, if the rules of Parliament weren't designed in a way that allowed the government to carry out that program, what kind of a schemozzle would we have? So I'm not sure that we can set up Parliament under the procedure which you suggest.

The rules under the present system must always be such that they allow the government to carry out its program, that the opposition can't tie up the government in knots in terms of carrying out that program, because their major policies were presented to the people and the people want these policies. I can't see getting consensus in Parliament from all the members to carry out programs with which they don't agree. Obviously there are programs carried out in every Parliament which members of the opposition don't agree with. It's contradictory to their philosophy.

Now, I do agree that Parliament's got to become more functional. I'm not sure that your suggestion makes it more functional. There are those who would say that the estimates should not be done by committee. There are those who believe that all of the business of Parliament should be conducted on the floor of Parliament, because to take them outside, we don't get any press coverage. Press is very important. Committees carry on their work, bring up some strong points, some strong objections, but it never gets reported. Maybe we should bring them back to the floor of the House

so they can be scrutinized by the press or so that the things that are carried on in the House can be reported by the press, which is not being done today.

I want you to react to that and to the comment: would you believe your suggestion takes away from political parties the ability to carry out the programs they were elected to carry out?

MR. WILLIAMS (Canada): I don't think it takes away from political parties to pursue the mandate on which they were elected. As we know, political mandates at elections are sometimes fairly narrow documents, but the government goes on and in the case of the federal government spends \$160 billion a year on a myriad of programs that in many cases most people have never even heard of. Through the statutory spending, which is about \$110 billion a year by the federal government -- these programs, some of them, were set up before the last war and have never, ever been examined by parliamentarians, never formed part of any public policy during an election time and just go on and on and on and on. They need to be held up to scrutiny by parliamentarians, which is what program evaluation proposes to do on a periodic basis, not an annual basis. Say once every five to 10 years a program would be reviewed based on the four criteria that I laid out. Now, the public policy part. It is very much within the domain of the government to determine what the public policy is that that program is designed to do. Then the other three issues follow from there on.

With regards to the estimates process within the House of Commons, prior to 1968 they used to deal with the estimates on the floor of the House, and that was where Parliament was tied up for months on end. They said there has to be a better way, at which point in time they devolved the responsibility to the committees. The point was that while the government was given an opportunity of a fixed calendar, knowing their money was going to be approved, Parliament lost the opportunity to pass comment on these particular expenditures.

While I agree with you that Parliament and politics is different than running a corporation, just because the rules were written in 1968 doesn't mean to say that they're absolutely set in stone and cannot be changed. I pointed out that if a committee that has a government majority -- because all committees have a government majority -- makes a recommendation back to the floor of the House saying, "We recommend there should be a change in this particular estimate," that report recommending a change does not find its way to a vote in the House of Commons. It triggers a response by the president of Treasury Board saying: notwithstanding that report I want to reinstate the expenditure. It's the motion to reinstate the expenditure that is debated and voted on in the House of Commons; it is not the parliamentary report to

reduce. The government then says: if this is dealing with money, confidence applies; you must reinstate the expenditure. That has caused the process to grind to a halt.

We are still very, very much wanting to work within the parliamentary process rather than dealing with it in a business environment like a corporation, but parliamentarians have to know that if they work hard, if they have a real rationale and the government agrees with the change and the bureaucrats agree with the change, surely it should be able to carry through to its finality and achieve that change. That's the process we want to put in place.

MR. LUSH (Newfoundland): If I just might make one more comment. I do want to emphasize the point that the estimates, the supply, is the means by which the government of the day carries out its public policy, and I think that's got to be remembered. They can't be curtailed in carrying out that public policy, because they were elected to do so. It seems to me that what Parliament needs to do is ensure that its rules are carried out. For example, I think you mentioned that the committees are required to report by a certain time, and if they don't report at that time, they're deemed to have reported. That to me is nonsensical. I don't know if that happens in our House -- I don't believe it does -- that we have certain times, and I think you've got to have time constraints. If you don't, Parliament would never get its business done. But they must abide by that. If the committee is to report by a certain time, then that committee should report, and if it doesn't report, well, then I don't think the estimates can be passed. You know, the reporting has to be done. So I think what we've got to do is to make sure that the present rules are followed.

MR. O'NEAL (Canada): Mr. Chairman, if I may add a few comments to the discussion. My name is Brian O'Neal, and I worked for the subcommittee that examined the issue of supply as its researcher. Normally I wouldn't comment, but this is just to respond to a couple of the questions that were asked. The report is a massive one. It does contain some 52 recommendations, and a lot of the concerns that were expressed by the speaker were concerns that were quite well recognized by the subcommittee and are reflected in its recommendations.

First of all, you mentioned the issue of time constraints as far as the reporting is concerned. The committee recognized that that was a bit of a problem. On the other hand, it felt that it was necessary to keep those deadlines in place in order to ensure that government would get the funding when it needed it. Also, the committee felt that the length of time that was set aside for examination of the estimates as stands was quite adequate.

The other thing. I think you asked whether or not what the committee was proposing would in effect tie up the business of the House and make it more difficult for the

government to implement its policy. Again, the subcommittee was very concerned about that. So a number of the major recommendations have got a requirement that there be a review done after a period of a year or so to make sure that if the changes we're recommending are implemented, they function as they are intended to function. I'm sure that if they are not working, then Parliament will get rid of them or amend them in some way.

MR. WHITE (Alberta): Is it Ian or Patricia who wants to have a word here?

MR. GLACHAN (New South Wales): Thank you, Mr. Chairman. Patricia has deferred to me. I guess in a perfect political world it would be wonderful to think that the parliament had the opportunity to scrutinize government policies and that the suggestions of committees would be taken into consideration and acted upon, but in the real political world and particularly in the Westminster system, we have executive government. They have the numbers, and they have the right, because they were elected by the people, to do whatever they choose to do. So I do agree with my colleague from Newfoundland that in the real political world executive government often chooses to spend money unwisely and even in fact to waste it, knowing that it is being wasted, and to do that for political gain and political purposes.

So I guess that committees can only really, if you think about it, advise and offer suggestions, and executive government chooses to accept or reject those suggestions. I see your point, though, that if it is publicly known that these suggestions have been made, then there is pressure from the public on the government to accept that advice. When you said that the press is important -- I think perhaps my colleague from Newfoundland said that -- that really is the key to it all, that unless you get the publicity, unless the public knows that the committee has discovered some fault in the government's expenditure program, then there isn't much point in any of it.

MR. WILLIAMS (Canada): Yeah. I hear your arguments, but I'm not sure that I buy into the one that a government has a mandate to waste money if they so choose. I think they have a responsibility to spend as wisely as they can, and the political debate of course sometimes is over which particular programs are wise and which aren't.

What we're trying to do here in the estimates process is to try and stay away from the political influence of parties with different political philosophies and to look at the estimates from a more managerial point of view. Insofar as the government of Canada, as I said, only 30 percent of the spending is scrutinized or potentially scrutinized. What about the other 70 percent? This particular report provides a mechanism by which the other 70 percent of spending is going to be scrutinized in an intelligent manner by all-party committees where the government has a majority and brought into the public domain where witnesses can be heard in public and where the

program, its public policy or lack thereof, can be looked at and debated and held up to the scrutiny of the public. That, I think, is vitally important.

As far as the estimates themselves are concerned, again they deal with the ongoing administration of the bureaucracy: salaries, office rent, telephones, and the basic ongoing, nonstatutory spending of government. Very little of it deals with political philosophy. But we have waste and mismanagement that is endemic to our government because you can't find it. It's the opportunity for Members of Parliament to think: if I go into government and bring the ministers and the deputy ministers in front of the committee and have the information, I can point out a serious mismanagement. I mentioned yesterday the warehouse in Halifax and the fact that the Auditor General's pointed out that we carry about \$8 billion or \$10 billion worth of inventory that we don't need. That's not political; that's managerial. If we were to tell a department, "You're going to buy less inventory this year because you've got more than a year's supply already on hand," we couldn't cause that change even if we wanted to. To give parliamentarians the hope and the challenge that they can hold ministers and deputy ministers to managerial account is the role that we're trying to introduce into Parliament.

MS STANGER (Saskatchewan): Mr. Chair, I totally agree with Tom Lush and our colleague from New South Wales. I think fundamentally it is a question of what type of system we want to have in Canada. The Westminster system has served us well. That doesn't mean that we can't make changes, and it does not mean that people from Saskatchewan do not believe in open and accountable government. Our estimates are done on the floor of the House with the minister and any officials that he wants. Also, they're televised in Saskatchewan.

I believe that this is paramount to having the system work, but I don't know what kind of system philosophically you're suggesting here. Is it the American system? The American system to me is not as democratic as our Westminster system. I found your comments quite provocative, just the same as Tom Lush did. What are you proposing here? Changes to make it more open and accessible and accountable I believe in, but to fiddle around with somebody's salary -- salaries are set in our Legislature statutorily. I believe that you can have an open, accountable government. We are going to bring in our fourth balanced budget, and we are paying down our debt. You can have the people participating, but I don't believe in tinkering with a system that has served us well for 200 years. I believe that ultimately the people decide when they mark that X on that ballot.

We do have a party system in this country, and as long as we have a party system in this country, I don't see how we can be totally nonpartisan, as we can see by the presentations that were done. I leave it up to the people here to see which people who

were presenting were partisan and which were nonpartisan. If you have a party system and philosophies, you tend to be partisan.

MR. WILLIAMS (Canada): Well, I appreciate your point of view. I'm not going to say that I agree with it, because I would like to try and move the Westminster system forward to the point where individual parliamentarians -- and we are individual parliamentarians. We may adhere to the party system, but especially in the Westminster system we are individual parliamentarians who are elected to do a job, and one of the jobs that we're supposed to do is approve the supply requested by the Crown.

Now, I'm not familiar with how often the Legislature in Saskatchewan has made changes to the estimates, but I pointed out that in the federal system it's one-millionth of 1 percent over the last 30-odd years, and that seems to indicate that the process does not give parliamentarians any opportunity to effect change even if they so desire. I'm not in any way, shape, or form proposing the American system. I don't even know the American system; I only know the Westminster system. As I said, there were two things that really bothered me when I went down there. One was that I only vote on 30 percent. I have no opportunity to pass an opinion on 70 percent of spending, yet I think that as a parliamentarian I should have that opportunity. We are giving a real opportunity to pass that opinion.

Number two, as far as the 30 percent is concerned, as I said, it's the compounding problem of too much information and not enough information. When you take a look at the spending by any particular department -- the salaries and the rents are there, and these things are all provided to us -- it's impossible for any parliamentarian to determine whether a department needs 75 senior bureaucrats or 73 senior bureaucrats. That's beyond the power of a parliamentarian. But if the minister is in front of a committee with the estimates, he's required to answer any question on his department. If he knows and admits and his bureaucrats admit that any particular expense is superfluous, then why can't it be eliminated? Why can't it be eliminated if the minister and the deputy minister agree that it's superfluous spending? At this point in time the system, even with that acknowledgment, does not allow the change to be made, and that's the point we're trying to say.

MR. O'NEAL (Canada): If I may, I'd just like to add something to that and point out that the subcommittee consulted very, very closely with the Clerk of the House of Commons and with his Table research people, his procedural experts, because we wanted to make absolutely sure that there was nothing here that would in any way infringe upon the functioning of the Westminster system, which I think everyone agrees is a good system.

The other point is that this was a unanimous report, so through the subcommittee and then through the parent committee on Procedure and House Affairs everyone unanimously gave their support to this report and its recommendations. The only thing I can think of that it contains that might constitute an infringement would be the 5 percent reallocation that's proposed. But again, this is something, oddly enough, that was suggested by the Clerk himself when he appeared as a witness before the committee. So I don't think that it should harm things at all. It's just a question of affording better scrutiny.

One more point. In a way the 5 percent reallocation is a means to attract the attention of MPs and to let them know that they can really do something concrete. I'd also point out that they already have the ability to reduce or eliminate estimates, and certainly if you want to look at it from one perspective, that could be seen to be an infringement on the government's ability to decide how it's going to direct its programs. So they already have that power.

MR. WHITE (Alberta): A question, Violet?

MS STANGER (Saskatchewan): Just for a minute. I could agree with all that. I especially do not believe in limiting estimates and then deeming them passed if they aren't done in a certain time. But as my Liberal colleague here says, we were elected, if you just remember, to be politicians, not bureaucrats.

Thank you.

MR. WILLIAMS (Canada): That point is well taken too, that the last thing any politician should ever think is that he's going to get right down into the detail of administration and administer a program. That's not his role in any way, shape, or form.

MR. WHITE (Alberta): Fred.

MR. GINGELL (British Columbia): Thank you. Many of the questions that I had have been answered, but I would like to suggest or put into the debate the fact that there are very many different procedures in the different parliaments just across the provinces of Canada in the manner in which estimates are handled. There isn't any standard. So when we keep talking about the Westminster standard, I don't really understand what it is you are talking about, because we all do things differently. I personally find the way in which we handle estimates in British Columbia frustrating. I don't think it accomplishes a great deal. I would like to see it change. I certainly am going to take a copy of this report and read it, because it's another viewpoint on things that have been looked at by an all-party committee. This is not the political document

of one party or one philosophy. It's a unanimous report, as I understand it, of a parliamentary committee that would have representation on it from all the parties.

One question that I had was: what is its current status? It was tabled in April. The House was dissolved shortly thereafter. Was it adopted? Is it going to be the manner in which estimates are handled in this coming Parliament? So should we be watching to see whether you muck things up or whether you've made some genuine improvements?

MR. WILLIAMS (Canada): Well, I wouldn't wait with bated breath, Fred. Because Parliament was dissolved in April, very quickly after the report was tabled, it doesn't require concurrence by the House for the report to move forward. But when the Procedure and House Affairs Committee, which was a parent committee of the supply committee, did table the report, it asked that it be referred to the new Procedure and House Affairs Committee in the subsequent Parliament, which will be convening next Monday.

So there was, again, all-party support that the issue not be finalized and another report to Parliament that goes nowhere but that it be taken up by the 36th Parliament and to instruct the Clerk to draft Standing Orders to make the amendments so that the Procedure and House Affairs Committee would have real meat to debate as to the recommendations of the report.

So that's the challenge we have, to move it forward from this point now that the report is there, the analysis is being completed, and the recommendations are there. There are 52 in all. As I say, I think it was the Clerk of the House who said that this is the best report on parliamentary procedure in 50 years that he has seen. It does, in my opinion, bring Parliament up to the door of the 21st century, giving the Members of Parliament the opportunity to make a contribution.

MR. GINGELL (British Columbia): That remark was made by the Clerk, who voted?

MR. WILLIAMS (Canada): No, the Clerk does not vote.

MR. WHITE (Alberta): The Clerk does not vote.

Joan, do you have a wrap-up question or comment here just to finish us off in this session?

MS SMALLWOOD (British Columbia): This is the second time in our conference that I get wrap-up. My timing is impeccable.

I was looking at the report for a list of members of the committee. I'd be very interested to know what members sat on the committee and what parties were represented on that committee, so if you could supply that information.

I have another couple of points that I'd like to make. In listening to your presentation, I'll have to add my name to the list of speakers who found your presentation quite provocative and, I might add, partisan, but being a very partisan person myself, I don't see that as a problem. I think we should all, you know, be very comfortable in recognizing the bias that we bring to the work that we do.

I am a strong advocate of parliamentary democracy. I find the American system an interesting one, but it is not one that I would choose. I think it has tremendous weaknesses, especially when it's juxtaposed with the system that has developed our country today. Having said that, the criticism you bring to the system that you're now functioning in, it seems to me, disproportionately reflects concerns as a member of the House with respect to the rules of the House, not the system as a whole. In British Columbia our estimates are conducted both in the House and in a smaller committee outside the purview of the camera. Those changes were changes made by all members of the House, not by the government but by all members of the House, and if there are concerns, it will be all members of the House who will change those rules.

I was interested to hear the member from Newfoundland comment on that and, further, the member from Saskatchewan reflect on the fact that the estimates are conducted in the full light of day with the media available and scrutinizing both the government and the opposition to ensure that the opposition does its job. I would hope that in the work your committee does, you're able to separate those two issues: the issue of accountability and ensuring that the government within a parliamentary democracy is accountable for its work -- in other words, the job of the opposition -- and at the same time, if you feel that the rules of the House are encumbering the opposition in some way, that you address it in that way and not confuse the two issues and suggest that what you have here is a system where the baby needs to be thrown out with the bathwater and what you need instead is a system where the opposition votes expenditure rather than the government that was elected to do so.

MR. WILLIAMS (Canada): To answer your first question, the committee was comprised of the chairman, Marlene Catterall, the Deputy Whip of the Liberal Party; myself, a representative of the Reform Party; Mr. René Laurin, from the Bloc Québécois. We invited a member from the New Democratic Party, who participated in one meeting only. So that was primarily the committee. The parliamentary secretary to the Prime Minister, Dr. Rey Pagtakhan from Winnipeg, was also on the committee. We also had two or three others that showed up periodically from the Liberal side as

well. They always had the majority on the committee as in all committees. As we pointed out, it did receive unanimous support.

The estimates process in the Parliament of Canada is dealt with in committee. They're not dealt with on the floor of the House. There's only one day of the House allocated to the estimates process. As I mentioned, quite often only one motion gets debated, and any other motion on the Order Paper is voted on without debate because there is no opportunity for debate.

It's not so much an issue of a Westminster parliamentary system as opposed to any other. As I mentioned in my presentation, the government's original intention when they were talking about changes was to have Parliament express opinions and give direction to the government as to where they should go in two and three and four years down the road. I felt that it was not the role of Parliament to become co-opted into setting the government's agenda. Parliament's role is to critique and approve the government's requests, which is the Westminster system. The Westminster system is not government by Parliament but government in Parliament. That is the role that we as parliamentarians have, not as partisan party people but as Members of Parliament: to critique and approve the requests of supply by the Crown. We kept ourselves strictly to that point.

As I said, the point we're trying to make is that the rules need to be updated because they are not working, they're not giving the opportunity for any Member of Parliament, and the government backbenchers are just as frustrated as anyone else because the opportunities to participate in the process are not there.

Do you have a further question?

MS SMALLWOOD (British Columbia): Just a comment. I'm reminded by my colleague that in British Columbia the estimates this year were an unprecedented 500 hours.

MR. WILLIAMS (Canada): Therein lies the difference in the rules.

MR. WHITE (Alberta): That's right, and the reasons for the change.

Well, we identified the difference in the rules, and we had an hour and a half of change in rules.

We have our final small-town man from Quebec.

MR. MARSAN (Québec): Thank you very much. First I'd like to thank you, John, for the interesting presentation. When there's a will, there's a way. I'd like to know: what's your expectation toward the Auditor General? Do you think the mandate of the Auditor is appropriate to achieve the goal that you have, or do you think Parliament will have to enlarge this mandate?

MR. WILLIAMS (Canada): We felt that the Auditor General's role as currently set out is more or less sufficient. I have some personal criticism, but that's not part of this particular report.

We wanted to set a process in place so that the documentation that Members of Parliament have available to them when they are critiquing the estimates is the current year's estimates within a framework of what the government intends to do in the next two or three years. Documents that are in the same format, in the same style of presentation, show what the departments have done in the last number of years. You have the estimates within the context of what the government has done up to this point and where it intends to go in the future, so you can ask intelligent questions.

Also, the public accounts and the Auditor General's reports form part of the body of knowledge of Members of Parliament when critiquing the estimates in that format. Therefore, the Auditor General's role would perhaps be enhanced not through additional legislation but by the fact that his report would become more appropriate to the discussions Members of Parliament will be having in committee. They would have his report, they would have the historical departmental spending, they would have the government's direction they're going in the future, and then this year's anticipated spending right there within that whole context. That gives the Members of Parliament information to see where the department has come from, the mistakes and criticisms the department has had through the Auditor General, where the government is going, and within that context this year's estimates to approve or otherwise.

MR. WHITE (Alberta): Well, that's a wrap. We've completed this session. You've obviously caused a spark of debate here in each and every one of us to review the process that we have in our Legislatures to deal with estimates and therefore how to evaluate the expenditures after the fact, which is the public accounts.

Thank you very kindly for your presentation, John.

MR. WILLIAMS (Canada): Thank you, Mr. Chairman. I would just say if anyone has any further questions, feel free to contact my office at any time. We'd be more than glad to enter into any dialogue.

MR. WHITE (Alberta): You'll be here for coffee right now too.

MR. WILLIAMS (Canada): And I'll be here for coffee.

MR. WHITE (Alberta): Terrific.

We stand adjourned for a little less than half an hour. At 10:30, back here.

[The meeting adjourned from 10:07 a.m. to 10:40 a.m.]

Session Six

Recent Inquiries: New South Wales

Public Accounts Committee

MR. WHITE (Alberta): Ladies and gentlemen, if we could take our seats. We have a presentation here today.

I have a couple of announcements to make. The first is that being politicians, New South Wales would like to be able to fully account for their large expenditure coming here and making this presentation. To do so, Ian back in the corner there has a movie camera, and they'd like to be able to have your permission to take some footage to take back to that part of Australia from which they come. So those that object to being on film, please let us know now or privately let Ian know back in the corner there. [interjections] Well, that's what I said too. What you really want to know is when the camera is on so you can smile; right?

MR. GLACHAN (New South Wales): Mr. Chairman, there would hardly be a politician here who wouldn't want their photograph taken. Watch them start acting when the movie starts to roll.

MR. WHITE (Alberta): Right. I see no objection, so you have permission.

The second minor announcement is that I've been approached as your chair by a number of members that would like to do two things at the end of this session and perhaps carry it over into Craig's session on the management and organization of this association. One, they would like to have had a little more question and answer off the top, right after the presentations of the reports from the regions, to question how things are done in a region and how they might effect change and affect the operation of their PAC. That's one. The other area is to sort of stage that to set up a more effective agenda for Yellowknife, to aid those in Yellowknife to be able to put together an agenda, and aid Craig in being able to bring people in to make presentations to us.

So with that -- that discussion will lead on after -- we have a presentation from our friends all the way from Down Under. We have Terry Rumble here, who's an MP and is the chair of the New South Wales Public Accounts Committee. He was first elected as a Labour member in March of 1988 -- you're wearing your gray rather well, sir; a great deal of experience obviously -- and is a qualified accountant so that aids and abets in his work, is in public practice in the coal mining industry, has served on the regional review committee, and is the chairman of the Premier's backbench committee on the treasury, arts, and ethnic affairs. Mr. Rumble was elected chairman of this committee in May of 1995.

Terry, take it away.

MR. RUMBLE (New South Wales): Thanks very much, Mr. Chairman. It's my pleasure to make this presentation on behalf of the parliamentary Public Accounts Committee of New South Wales.

I just wanted to mention first off that two items were mentioned. One was debt collection, and the other one was the accountability for grants. I think the wires must have been crossed here, because we're doing investigations into those two subjects, and as far as debt collection is concerned, I gave a presentation on that yesterday. However, today I'll be giving an overview of the operations of the New South Public Accounts Committee and its relationship with the Parliament and the Auditor General and so on.

The Public Accounts Committee of New South is smaller than most public accounts committees. It consists of five members. Currently there are three Labour members, one Liberal, and one National Party member. The committee secretariat consists of five staff members: a director, a project officer, a clerk, a committee officer, and an accounting and auditing adviser from the audit office.

The Parliament's strongest tool, the Public Accounts Committee is the mechanism through which the Legislature exercises control over the expenditure of public money. The Public Accounts Committee is the Parliament's watchdog over the way the executive branch spends money which Parliament allocates to it. The overall objective is to ensure that the public service remains accountable to the Parliament. That was the 1994-95 committee, and at that time my colleague Ian Glachan, who is with us today, was the chairman of the parliamentary Public Accounts Committee. Since the election of March 1995 I've taken over the chairmanship of it, and that was done in a most friendly and harmonious type of way. In the New South Wales Parliament the numbers have been very finely tuned since 1991 with the previous government and the current government. If there's a change of government in 1999, the handover will again be harmonious and in a friendly, bipartisan type of manner.

The current committee, as I was saying, has five members, and we stress that five members is quite enough because otherwise a committee can become unruly. The committee generally meets on a weekly basis when the Parliament is sitting and frequently on nonsitting days. The committee has a strong bipartisan spirit and tabled 10 reports in the 1996-97 financial year.

The Public Accounts Committee of New South Wales is the second oldest committee in Australia. It was set up in 1902 with five members and a very limited brief. From 1902 to 1981 the committee was relatively inactive and met only two to four times a year, and each meeting lasted only half an hour. The committee reports during these years were a few pages long, confining themselves to instances of overexpenditure or financial impropriety and questions about procedures on contracts. During those years and until December of 1992 the committee only had two functions: to inquire into matters relating to the public accounts referred to it by the Legislative Assembly, a minister, or the Auditor General; secondly, to inquire into expenditures by ministers which had not been sanctioned and appropriated by Parliament.

The first function was not exercised until November 1981, when the committee received a reference to inquire into overexpenditure in the public hospitals and the general accountability of the public hospital system. The second function was performed only superficially until 1982, when public hearings were held and departmental witnesses examined for the first time about overexpenditures.

The first committee report differs greatly from the account reports in style and content. While the first report of the committee tabled in 1981 focused on accounts of various departments, recent Auditor General follow-ups have attempted to add value to the Auditor General's findings by examining issues of public interest and importance that might not necessarily be strictly concerned with financial matters.

A few words about the Public Finance and Audit Act, which we operate under. The Public Finance and Audit Act revived and regenerated the PAC with new powers. The Act set up three main functions: to act as the watchdog of the Parliament over the executive; to ensure accountability of the executive to the Parliament; to increase economy, efficiency, and effectiveness of the public sector. It acts as the Parliament's watchdog over the executive branch, spends money which Parliament allocates to it, ensures greater accountability of the executive government to the Parliament and to the public, promotes economical, efficient, and effective implementation of government policy. We overview government policy, but we don't buy into government policy.

To sum up, it is the eyes and ears of the Legislature over the way the executive branch manages the state's affairs. The objectives are to increase the public's awareness of the

need to be efficient, effective, and accountable for its operations and to increase the awareness and understanding of parliamentarians and the public of the financial and related government operations.

Now, the Act can be defined by, say, five functions added to the two old ones that I mentioned earlier: to examine the public accounts; to examine the accounts of the statutory authorities; to examine the Auditor General's reports and related documents; to report to the Legislative Assembly on items or circumstances connected with those accounts, reports, or documents; to report to the Assembly on any alteration the committee thinks desirable in the form of the accounts, in the method of keeping accounts, or the receipt, expenditure, or control of money. Clearly the PAC is a major weapon in the Parliament's fight to ensure accountability of the executive, perhaps its greatest single tool.

Once again on policy, the committee should not concern itself with the policies of the government or any determination of their merit. The committee should, however, be concerned with ensuring that the policies and programs of the government are implemented in an effective, efficient, and economical manner and that ultimately the taxpayers receive value for money spent. Regarding matters of administration, the committee must refrain from interference in such matters unless there are good reasons for suspecting grave abuses of the management of public finance. The PAC is precluded from inquiring into government policy unless it has received a reference from the Legislative Assembly or a minister.

PAC procedures. The committee standard procedure from conducting an inquiry to finalizing a report is as follows. The inquiry is advertised in the national and state press with a request for submissions. The relevant people or groups with expert knowledge are contacted to obtain their views. Public hearings, field visits, and committee meetings are organized to discuss the issues with witnesses as requested by the committee. In some cases a conference has been organized on the subject of the inquiry. These have resulted in the effective accumulation and dissemination of information. A report is prepared, reviewed by the committee, and tabled in the Legislative Assembly. All our reports are on CD-ROM, and there are moves afoot to have the PAC reports available on the Internet. All our reports are written for the general community with the emphasis on friendly terminology.

We also have self-referencing power. The ability to initiate our inquiries is of tremendous importance to us. It is one of the greatest weapons. In effect this means that we're able to provide ourselves with references. Fifty-five percent of the committee's 110 reports to date have been on inquiries the committee has initiated by itself, 65 out of 110 reports.

The question of how we decide on our inquiry subjects. We make the reference ourselves. When we do so, our topics come from our own interests, from previous PAC reports, from the press, and occasionally from our constituents. We also get references from ministers and the government. As well, we go carefully through the Auditor General's report now that he's tabling about 15 reports each year and carry out thorough follow-up on them.

In respect of annual reporting, the single greatest accountability mechanism the public sector has to go through, MPs are supposed to be the main readers, the targets so to speak, of annual reports. I don't know about you, but I've always found them hard to read but also overly optimistic. What I'm basically saying here is that the bureaucracy does tend to publish reports of the good things that go on for the preceding year but likes to hide or won't publish problems of a financial nature. That seems to be omitted, and in some cases we've had to do special inquiries to dig out certain information that we were after.

Report 95 into the annual reporting is the sixth PAC report over the years which has examined the issues of annual reporting and is easily the most comprehensive. It points to quite a few shortcomings in current annual reporting practice, but we've tried not to be destructive in this report. As we've often done, we pointed the finger at particular departments and provided examples of poor annual reporting. What we've tried to do is to make general, constructive suggestions and recommendations.

The whole issue of deficiencies of contemporary public-sector annual reporting has emerged in a number of other PAC reports. A recent follow-up report to the Auditor General's performance audit reports was concerned with the reporting practices of recent innovations in the education sector in which different education providers were joining forces in joint projects. As the joint operations involved subsidiary rather than parent, public, and private-sector companies, the joint operations did not constitute reporting entities as such and were therefore not required to report or prepare a separate annual report. The problem was that their operations were not sufficiently accountable. This issue reflected an instance of the complex but also unsatisfactory nature of annual reporting into the public sector.

The report we tabled before that one was not quite polite. It was entitled Offshore and Off-target. This was an example of the next to last dot point: to report to the Legislative Assembly any items or circumstances connected with the accounts or the statutory authority. In this report we unearthed a sorry and previously unknown story of mismanagement and inefficiency in the executive branch with losses amounting to millions of dollars over the years. As you know, the World Bank, the Asian and African development banks, the United Nations system, and the Australian government all finance projects in developing countries. Many of these are in areas

the state government handles through its statutory authorities: things like water and waste management, housing, power generation and reticulation, agriculture, and so on. Our state authorities have been bidding on these international projects just like the private-sector consulting firms would, and they've actually been winning a few projects. However, they've been doing very poorly, spending much more money to get these projects than they've been able to earn from them. The losses have amounted to almost \$10 million over the last three years. Nothing was reported in the annual reports, and no one knew this was going on until the Public Accounts Committee did the inquiry.

I would like to point out that the inquiry was begun under the previous government, when my colleague Ian Glachan was chairman, under a reference from the then Premier of our state, and this was continued under the present government under a reference from the Treasurer, who used to be the chairman of the Public Accounts Committee. The committee was firmly bipartisan in this report, and I would like to give an instance of one example relating to this. Millions of dollars were invested in a gaming infrastructure in a former Communist country, Hungary, from memory. What happened was that there was a change of government, and there was a change of policy, and all this money that was invested in this project virtually just went down the drain. So what we saw there was an amateurish approach by senior civil servants in trying to make a quid overseas but fouling up in the meantime.

I'd like to say a few words in respect to the rural scene. For example, one report we were asked to do was on the Rural Assistance Authority, which had been going on the same way for decades without modern management practices and systems. It meant that farmers, who were the main clients of the authority, were getting shortchanged, sometimes with catastrophic personal results for them. We recommended a complete overhaul of the authority, which I'm pleased to say the government has now carried out. There's a new chief executive, a new board, and a whole new management structure and approach. This has made significant progress in improving their performance.

Now, the next issue I want to stress, because from New South Wales we've detected that there could be a lack of bipartisanship in many of your PACs around the provinces -- what we're saying is that we've made recommendations to the government. Generally, with the exception of one or two cases, they've been unanimous. In fact, the reports have been unanimous, and we've thought, irrespective of our political allegiances, that if we were being thrown political hot potatoes that were really in the realm of the cabinet to make a decision on -- we made recommendations for and against what they tossed in our lap. We weren't going to make decisions on government policy when we don't inquire into government policy.

So we don't stick our noses in the government policy, and by the same token we're not going to allow cabinet ministers to toss their political hot potatoes into our lap.

Eighty-five percent of our recommendations have been adopted over the years, and in about 15 years there's only ever been one minority report, and that would go back nearly 20 years. In that case, none of the recommendations from either the majority or the minority report was taken up. This is remarkable and shows how important it is to get bipartisanship right first. Without that bipartisanship, we're of the opinion that the government of the day may, or possibly may not, take your reports too seriously.

In fact, in my experience we've only voted once, and that was a special case which was put to us. What happened was that it was to do with the merits or otherwise of a government getting involved with a private hospital deal with private enterprise. So we didn't make a recommendation on that one. All we did was put the pros and cons for the proposition that was given to us.

I'd like to say a few words now in respect of our relationship with the Auditor General. In a nutshell, we've got a close working relationship with the Auditor General. However, unlike the English system in the House of Commons, we wouldn't under any circumstances have the Auditor General writing our reports for us. Going up the list, the Public Accounts Committee would have very close relationships with the Auditor General. Both report to the Parliament although the Auditor General is an independent entity and the PAC is chosen from the ranks of the Parliament. The Auditor General with his vastly greater resources would unearth instances of poor management by the executive branch, and the PAC would select appropriate recommendations in his report and carry out further follow-up inquiries on its own. I might mention that in New South Wales the Auditor General is appointed for a seven-year nonrenewable contract.

In some jurisdictions the relationship is even closer, and I've already alluded to the system in the United Kingdom. The New South Wales PAC hired a project officer in 1996 for the specific purpose of following up the Auditor General's performance audit reports. A number of these follow-up reports have been tabled in Parliament and have resulted in constructive action taken by agencies to either fully implement the Auditor's recommendations or action new recommendations provided in the earlier report.

In these follow-up reports to the Auditor General's performance audit reports, the committee has adopted a two-pronged approach. The first part of the follow-up critically reviews the audit report by commenting on issues that are not only of a financial but also of a social nature that are raised in the audit. This section of the follow-up may focus on issues associated with the subject of the performance audits

or issues which impinge on audit findings and recommendations which were not considered sufficiently in the audit itself. A second part of the report evaluates whether the audit has achieved value for money, whether the cost of the audit was warranted given the degree to which it achieved its objectives.

The committee has found the follow-up reports to be of a highly constructive nature in ensuring both the accountability of the audit office and that the audit work is taken seriously by the auditees. Unlike the British system, where the Auditor General writes the PAC reports, we value strongly our own independence. We like the fact that we can initiate inquiries ourselves and we can write them ourselves. We feel that this gives our reports an authenticity they would lack if they are written by the Auditor General. Everyone knows our reports really come from us. The government knows, the press knows, and the public knows.

In some ways we represent the opposite extreme to the British case. This is not to say that we do not enjoy a good working relationship with the Auditor General, but we have preferred in recent years to take a slightly more arm's-length approach to his office. Partly this is because our Act obliges us to supervise a thorough review of his operations once every three years, and we've just emerged from this process. The review has meant that instead of considering himself the PAC's closest ally, the Auditor General has recently been viewing himself as another subject of a PAC enquiry, even though the review was carried out not by the PAC itself but by professional accounting and auditing firms under contract from the PAC.

Of course this action does have its drawbacks, the main one being that our resources are tiny compared to his. We have a staff of two professionals, one clerk, and two secretaries who are augmented by an auditor on secondment from the audit office. There is no doubt that the smallness of the resources does make it difficult for us to cover in great detail the Auditor General's reports.

Importantly, the relationship we have with the Auditor General precludes us showing him our reviews before they are tabled in Parliament. Whilst the Auditor General does not consult with the organization he audits before the audit report is finalized, the PAC has adopted the same practice. If our review of the audit is to be a truly independent review, it must not end up as an effort in which the audit office has collaborated.

Some of the issues between ourselves and the Auditor General. The real issue we are facing now: should the PAC act as the Parliament's oversight of the Auditor General? Should it recommend to the government the level of resources he should be allocated from the government? Should the Auditor General audit local government and the recipients of grants? Should the Auditor General approve a special audit program or

let others choose it for him? Should he set performance indicators? These are major issues for us now in New South Wales because there's been a lot of controversy about the Auditor General's special audit programs in recent years.

One area the audit office has developed in many of its recent reports is the provision of best practice guidelines. The committee has deliberated on the issue of whether an Auditor General should guide organizations or whether its role should be solely restricted to that of reviewing those organizations. It should be mentioned that the best practice guidelines included in audit reports have proved invaluable in steering not only newly developing organizations, such as the joint operations into the education sector that I mentioned earlier, but in highlighting areas within the audit report where organizations can benefit from existing inefficiencies.

Our firm belief is that the Auditor General should remain as independent as possible. We oppose the course of acting as his ally in any disputes with government departments or authorities. We are against approving his special audit program. We are of the opinion that we will not make recommendations to the government on what resources he should have. This is a live issue right now in New South Wales, and I'd welcome hearing your views on the subject.

A criticism of the Auditor General's work, not related to his independence but nevertheless important, is the recent tendency to sensationalize evidence presented in performance audits. Whilst strictly speaking the evidence presented is invariably correct, the manner in which it is presented has on occasion tended to create a misleading impression of the actual overall situation. For example, in one of our most recent follow-up reports the committee was critical of the audit methodology, which gathered all the unused classroom space in New South Wales schools, added them together, and reported that the result equated with an excess of large numbers of whole schools which were surplus to need. Whilst in theory this finding was statistically correct, it is impossible to add up all the vacant classrooms in a school day and then claim that you have a total number of X schools that are surplus to need. Whilst we have not questioned the evidence, the PAC has been critical of the way in which the evidence has been presented. The PAC currently enjoys a healthy relationship with the audit office, where officers of the committee and auditors cooperate in their efforts. He or she supports the committee in their endeavours by detecting the points in question, presenting them with such information concerning them as he or she has obtained, and leaving the committee to pursue them further, to consider them, and to report to them.

Now, in respect of the public accounts, let me give you a couple of examples of how we are doing this. Firstly, regarding an inquiry we've completed into how accrual accounting has been implemented in New South Wales, New South Wales is the first

government in Australia and one of the first in the world to introduce a system of accrual accounting, which gives managers much better information on which they can base their decisions. Implementing accrual accounting has cost New South Wales taxpayers a huge amount. The Auditor General estimates it to be around \$100 million. Our report, which is entitled *Pioneers -- Progress but at a Price: Implementation of Accrual Accounting in the NSW Public Sector*, found that the benefits of adopting accrual accounting have been substantial. They have enabled better information on assets, liabilities, revenues, and expenditures, all revealing costs that had previously been hidden or leading to sounder decisions on resource allocation.

However, this is not to say that mistakes have not been made. Perhaps the biggest one was to launch into such significant change without first undertaking what is normally considered an initial step; that is, an analysis of the various options for implementation followed by a strategic plan for introducing the selected options with full costs. The absence of a budget means that the costs could not have been measured against a yardstick and reduced when and where necessary. Therefore, it is unlikely that the eventual costs could have been lower than they were.

As well, actual costs for the adoption of accrual accounting were not separated out in different agency accounts, with the result that the true cost of the exercise will never be known. It is ironic that the very reason for adopting accrual accounting is to disclose a truer cost of service, yet the cost of adopting accrual accounting itself is unknown. Despite this, the committee believes that the New South Wales government can be proud of its achievements as the first jurisdiction in Australia to offer to Parliament and the public a truer reflection of the reality in the costs of the state than available before. Of course, I might say that this wasn't introduced by the current government; it was introduced by the previous government.

The committee has examined the public accounts through other inquiries. It is currently conducting an inquiry into the way government departments manage their debts. The committee is finding that there's much room for improvement in the management of debts and recoveries of moneys owed to the state. The whole portfolio of debtors across the whole of the state we estimate to be about \$2.3 billion, and it is steadily increasing.

In other areas, the committee is examining the general procedures by which grants are administered. Interest in this issue began in 1995 when the Australian council met, during which a representative from our state of Queensland raised their concerns about the practices in their jurisdiction which had implications across the whole country. As far as our state of New South Wales is concerned, we're in the fortunate position of having implemented full accrual accounting so is one of the few governments in the world that can table consolidated whole-of-government financial

statements. This has enabled the PAC to take a broad picture view of the whole-of-government level to monitor individual items within the accounts such as grants, for example.

The committee is also conducting an inquiry into the expenditure of legal services by local municipal councils. The committee has not been satisfied that the legal costs have been reduced sufficiently over the years and that more innovative approaches to conflict resolution in building and planning matters, such as alternate dispute resolution, are being wholeheartedly embraced. The committee is joining forces with the Law Society of New South Wales in a conference to be held later this year.

New South Wales has been the first state in Australia to introduce and fully implement accrual accounting within the public sector, and this has enabled better information to be distributed between departments. The PAC is currently, as I said earlier, doing inquiries into debt management because of the moneys that are owing, and also the age of the debts has been a matter of concern beyond the normal commercial terms of business. Public-sector debt collection has been adversely compared to the best practice in the private sector. In respect of grants significant funds have been allocated for the issuing and receiving of grants in New South Wales. This is a concern over the capacity of the public sector to arrange audit arrangements relating to grants. The issue of whether or not those grants achieve value for money arises.

We have certain limitations on our powers. Under the Westminster system Parliament exists to sustain government in power. The government is in the Legislature, and we as the Public Accounts Committee are also in the Legislature. In the United States the government is not in the Legislature but is chosen by the President, who has been elected quite separately from the Legislature. As a result the Legislature does not exist to sustain the government in power. Indeed, often it seems to be the opposite. In the Legislature in the United States, because of its quite separate entity from the government, committees have achieved total power, which we in the Westminster system would not be able to achieve. In fact, in the Westminster system it might be argued that it would be wrong for parliamentary committees to become involved in policy disputes, which could ultimately diminish the authority of the executive.

We do not get involved in policy one way or another. Quite often it is possible for a committee member to buttonhole a minister or the Premier or whoever and have a discussion about a particular report, just to alert the government in advance of what we're up to if it is a controversial type of an issue. We don't in New South Wales have a history of making adverse reports and having Premiers or ministers come galloping in and saying, "Oh, my department wouldn't go on like that; you must have it wrong;

go back to the drawing board," or anything like that. They're quite happy to receive our comments and our constructive criticisms.

It is important that the committee establish and maintain a constructive working relationship within the government. The goals of responsible, efficient, and effective administration are not only common to all Legislatures but are shared by government as well. If a constructive working relationship is maintained, government will more likely take action on the committee's recommendations, which increases the committee's effectiveness.

The committee can also best realize the potential of the media to extend their influence in a positive way by being effective and nonpartisan in its work. The committee believes that it should develop good relationships with the media as they can play an important part in the committee's work by informing the public about matters under the committee's investigation, why those matters are of concern, and how they can be resolved or improved. Because the Parliament believes the media have an important role to play, it has dedicated a parliamentary officer as a media liaison person. This officer also prepares a monthly newsletter on matters of interest within the New South Wales Parliament itself.

Let me conclude by telling you about one of our functions which we consider to be important, and that is the public education function. We've become adept at holding conferences on major issues of public finance and other matters. Hundreds of people have come to our conferences, even when we charge for them, but we only charge a modest fee. We held one on the financing of infrastructure projects, another on the adoption of accrual accounting in the public sector, another on annual reporting, another on internal audit debt management, and so on. One is planned on the procurement of international contracts and another on the legal costs of local government.

In recent years the PAC has conducted 12 one-day conferences on subjects relating to the PAC work. These conferences have attracted full houses and have proved to be a great success in educating and promoting discussion both within the business community and the wider community. They have operated at a profit and have become a valuable source of revenue for the committee. Recently the committee initiated a conference in conjunction with the Law Society into legal services provided to local government. Other conferences have been conducted in conjunction with outside organizations such as the Treasury.

In December 1996 the New South Wales Public Accounts Committee hosted the ACPAC conference. The theme of the conference was the administration of grants by government departments. The conference attracted delegates from all states of

Australia, who were able to enjoy not only the benefits of committees' diverse experiences and contributions from the Auditor General himself, but also people were able to visit the city of Sydney, which we consider to be a great city. By acting as hosts, we ended up stimulating debate and awareness in both the public and private sectors, increasing knowledge, and of course returning a sizable profit to the Legislature, which the Speaker gratefully received.

Approximately three years ago the committee began to focus more on holding conferences that would financially benefit the committee. All conferences since then have operated at a profit and have covered a diverse range of subjects of interest to the public sector and also to the private sector as well.

Now, in May 1997 the PAC hosted a delegation of officers and members of the South African parliament. They learned the best procedures and practices adopted by the Australian system, which is modeled on the Westminster system. Representatives from other international jurisdictions such as Russia, Sweden, and Mexico have come to the New South Wales Parliament to learn about the way we do things and the success that we've had in certain areas.

I did mention before about some of the conferences that we've held. Just as an addition to that, we've had a conference on risk and return -- traditional and innovative financing for infrastructure projects; the 90th anniversary seminar on internal audit; an audit seminar to review progress on the financial reforms in New South Wales' public-sector parliamentary scrutiny of performance. We've had four roundtables, two workshops, and one breakfast. I'd also like to state that most of our reports are on CD.

Finally, Mr. Chairman, I'd like to thank Corinne Dacyshyn and Mathew Fiszer for all the help they've given us with the electronic presentation. Most of all, I would like to thank our host, the Public Accounts Committee of Alberta, for the wonderful organization and the generous hospitality too.

Thank you very much.

MR. WHITE (Alberta): Very well done. Thank you.

We understand that Terry is open to some questions and queries on how they've effected the effectiveness of their committee. Raise a hand, turn on a mike, wave.

Yes. Richard.

MR. PATTEN (Ontario): An excellent presentation. By the way, who audits your conferences?

MR. RUMBLE (New South Wales): Well, we've got an internal audit . . .

MR. PATTEN (Ontario): I'm just joking.

I particularly appreciate the breadth and scope of your committee. I'm curious; you have how many members on it? Is it four or five?

MR. RUMBLE (New South Wales): We have five members on the committee. Three are government members, two are opposition, and in reverse to you people, a government member is the chairman of the committee.

MR. PATTEN (Ontario): Now, you had said that this really works. You seemed to explain that the rules of the game are to be nonpartisan, that there's a certain function and responsibility to be played, et cetera, and that it was done well and obviously with great support. Otherwise I don't think your committee would have the latitude that it obviously has at this particular point. So can you talk just on a personal basis about the evolution of a committee like that that is able to spring out of the partisanship element to gain the status of obviously mutual respect, it would seem to me, by all parties in order to perform that function?

MR. RUMBLE (New South Wales): Thank you. I've been a member of the New South Wales parliamentary Public Accounts Committee since 1991, and there was certainly the spirit of bipartisanship there, and I think it's just one of these things that grew up with the genesis of the Public Accounts Committee. It was just something that was always there with the exception, going back about 15 years, of when there was a minority report put in by a fellow there. He's no longer a Member of Parliament, but he was elected the Premier of New South Wales back in March 1988. He put in a minority report. There was the majority report that went in obviously, but neither the majority report nor the minority report was acted upon by the government of the day because they knew there was a split in the committee.

I know that we have been tossed some political hot potatoes, but we will not make recommendations, and this is a unanimous view of the committee. The government members aren't there to protect the government. The opposition members aren't there to put the boot to the government. We're there to do a job for the Parliament. We're there to critically examine the accounts following on from the report of the Auditor General.

I'll put it to you that if you haven't got the spirit of bipartisanship, how can you run the committee effectively when quite obviously -- and parliamentarians know this -- you have senior bureaucrats coming along and trying to snow you. You know, you've got them under oath and they're going in all directions. It's like trying to put your finger

on mercury with some of them. They're very adept at ducking and weaving, and if you haven't got total bipartisan support on a committee, it makes the job very difficult for you, not only as far as doing your job is concerned, as far as keeping the bureaucracy on its toes, but then also, following on from that, trying to get the government of the day to implement your recommendations. So in a nutshell I think it's always been there, Richard.

MR. WHITE (Alberta): Supplementary? No?

Tom Lush from Newfoundland has something to contribute?

MR. LUSH (Newfoundland): Yeah. I want to congratulate you on a very enlightening report. I just have a couple of questions. One, you mentioned the media, and I wondered what success your committee had in terms of getting coverage by the media. I know that with our province's experience there was a period of time when we got very little coverage, but I think it's fair to say that over the last year or so we've been getting good coverage. I don't know whether that's a credit to our executive officer who's informing the media of our activities, but I know that over the last year or so we've gotten extensive coverage. So I wonder what the situation is in your country?

MR. RUMBLE (New South Wales): Well, with the media they're not particularly interested in good-news stories, but with the matters that, say, the Auditor General can unearth, if there's perceived wasting of government moneys, obviously they will report on that. They're quite welcome to come along to our committee meetings and sit there and report on what we have to say. I think the only time we would ask the media not to be there would be if we had someone in from the private sector and they were wanting to discuss something of a confidential basis to do with contracts or some of their intellectual property, as it's called. The media did report on what we had to say about some of the government departments wasting millions of dollars chasing these overseas types of ventures that ended up in a bottomless hole for some departments. Obviously, they latched on to that. They will take an interest where they perceive that there's some type of controversy. We have an Auditor General in New South Wales that sometimes likes commenting on policy, and obviously the media will get themselves involved in that. When I say that he comments on policy, I'm not talking about this government. It was the previous government as well. I'm not saying that he's politically biased or anything like that. He just likes commenting on policy irrespective of what government is in.

What it boils down to, Tom, is that it's got to be a little bit controversial before the media will comment on it. If you just give a glowing report and everyone gets a hundred percent, it's very hard to get a report on that.

MR. LUSH (Newfoundland): Mr. Chairman, I have two supplementaries, if I may, neither of which is a supplementary. At one point I noticed -- and I've forgotten what the heading was, but the comment under whatever that heading was was a question: should the Auditor General recommend to government allocation of funds? I just wonder what was meant precisely by that.

MR. RUMBLE (New South Wales): Now, what it was was: should the Public Accounts Committee recommend to the government the funding that the Auditor General should receive? There's been a discussion about that, and the view of our committee is that it's up to the government to provide funding for him or her, but the Public Accounts Committee should not get involved itself in saying that the Auditor General should get X amount of dollars or so on because we're also in the process of reviewing the Auditor General every three years. I think there's a conflict there if on one hand we're saying that he should get X amount of dollars and then we're doing a review on him.

To be quite frank about this, this was a Treasury initiative, not the Treasurer but the Treasury, and as I said to you before, we're not going to have members of the cabinet tossing their political hot potatoes into our lap. I think the Treasury was trying to toss one of their political hot potatoes into our lap. There's always a certain amount of friction there between the Treasury and the Auditor General, from what I can make out, as far as his funding is concerned, and they were trying to get us to come in on it to sort the matter out.

MR. LUSH (Newfoundland): My final question, Mr. Chair, and this one might be deemed to be unprofessional, so I disclaim immediately any personal interest in the matter. It's just raised out of the tremendous amount of work your committee seems to be doing. I was just wondering as a result of that what kind of importance the government attached to your committee. Therefore, the question I want answered in very general terms, nothing specific: how are members of your committee remunerated? By salary or by per diem?

MR. RUMBLE (New South Wales): By salary or by . . .

MR. LUSH (Newfoundland): Per diem.

MR. RUMBLE (New South Wales): Oh, I see. Yeah. Public Accounts Committee chairmen like myself are allocated a special allowance, like the chairman, say, of our - that's the Independent Commission Against Corruption -- or the chairman of Ombudsmen or one of those others. We have an allowance, a chairman's allowance, and then the members of the Public Accounts Committee, the other four people, receive a yearly allowance as well. I stress that my understanding of it is that the

members of the Public Accounts Committee other than the chairman are the only members of a committee that receive a special allowance. I think that's a recognition of the pre-eminence of the Public Accounts Committee as far as the Parliament is concerned. What I'm saying is that the nonchairpersons of the other committees, such as Ombudsmen and ICAC and Road Safety and all them, do a great job as well, but they're not recompensed, which may get up their nose sometimes, but that's the system.

MR. WHITE (Alberta): Ian has something to contribute.

MR. GLACHAN (New South Wales): Yes, Mr. Chairman. I am happy to let people know that as a member of the Public Accounts Committee I receive \$2,000 a year as the allowance. But you must remember, it's not the money; it's the prestige of being on the pre-eminent committee of the Parliament and it's the opportunity to serve the community by scrutinizing government expenditure and making sure that we're doing all we can to make sure that the taxpayers get their very best value for every dollar of their money that they allow the government to spend. So that's the driving force behind wanting to be on the Public Accounts Committee, and there is enormous competition amongst members of our Parliament to be members of the Public Accounts Committee. They consider it to be, apart from being in the cabinet, the next step down from the front bench.

MR. WHITE: I believe we've had a very good contribution and some food for thought about where a public accounts committee can be. This is a far cry from what we see in our soup-to-nuts style of operation across Canada. I would sincerely like to thank you. I think that's the only presentation where we've had a round of applause. It's really the way to run an outfit. I'd like another round of applause for a fine presentation and something that some of us hope to emulate.

MR. RUMBLE (New South Wales): Thanks very much for those kind words, Lance. If any of the committee secretaries would like to approach Patricia or the chairmen approach me, we'd be quite happy to impart any of our knowledge, or with the modern means of communication these days that our colleague from Western Australia, Max, was talking about yesterday, we'd be quite happy to furnish that to any of the committees over here.

Thank you.

MR. WHITE (Alberta): Well, I should remind all of those that are present that there is *Hansard*. It is being recorded verbatim, so we should all be availed of the opportunity to review word for word your presentation. We shouldn't have any

difficulty obtaining what you've said. Further to that, though, we take your invitation to expand upon various areas, and we thank you very kindly for that.

A matter of announcement. The staff are telling me that after lunch here we have joint session, and being a joint session, they want to clear the tables. So after this session, before we go off to lunch, collect your gear, and if you don't want to take it with you, it's quite safe over here. To my left there's a table set up. We can leave it there and recollect it afterwards.

Now, as I was saying before we had Terry's presentation, members have asked to deal with a number of questions. I'll just go through those questions. Firstly, the question is quite simply this: is the Canadian Council of Public Accounts Committees doing the job in advocating the benefits of public accounts committees in the Legislatures across Canada? That's sort of the starting position.

The second question. Suggestions for style of operation of next year's meeting in Yellowknife. Roy is here to listen and take note, and Craig is here also to take some notes as to how it could be more effective. We'd like to hear those suggestions on how it can be improved. Keep that in mind too. So if you want to add that in this short meeting, then please do so.

On the first question again: is the Council of Public Accounts Committees doing the job in advocating the benefits of public accounts committees in the Legislatures across Canada? It's yours. Dead silence.

Yes, we have Max from Australia.

MR. TRENORDEN (Western Australia): Yes. Obviously, I can't speak for Canada, but I was interested in the end of Terry's address. I think we should at the next session -- because we haven't got time now -- actually talk about ethos of public accounts committees and what a public accounts committee is, because obviously, listening at the first session of this conference, what many people around this table think a public accounts committee is is not my perception of a public accounts committee. I think it's very important that we do understand, as Terry ran through his presentation, that those attitudes Terry put through his presentation are the Western Australian attitude as well. It's also the South Australian attitude and the Queensland attitude and so forth. In Australia we've developed an attitude about what a public accounts committee is, what it should be doing, and we debate the issues that Terry put up on the board. We talk about the Auditor General. We talk about the other functions and about what actually constitutes a public accounts committee. We can't do that obviously now in 10 minutes, but sometime in the future it's a process we should go through.

MR. WHITE (Alberta): Others to contribute?

MR. LUSH (Newfoundland): Mr. Chair, I think another useful exercise to make us more aware of what Public Accounts should be doing and what we are is a follow-up to the first session of yesterday, where committees reported what they're doing and what they're not doing. I think a question period would have proven to be useful, constructive, and informative as well.

MR. WHITE (Alberta): Others?

MR. PATTEN (Ontario): Are you entertaining some suggestions for procedures at this time?

MR. WHITE (Alberta): Absolutely.

MR. PATTEN (Ontario): Okay. I would have one suggestion. I guess there were about 10 to 12 presentations yesterday. I'm sure that each delegation would be capable of providing a one- or two-page summary of what they want to say, and if they want to provide any further detail, that's fine. I wouldn't mind receiving prior to arriving, let's say, an outline of what each delegation was concerned about, what their issues were, why they were coming to the conference.

My feeling would be to try to maximize some smaller groups that would identify it. I might say in my report: you know, the thing I'm most interested in is models related to the relationship between the Auditor General and the committee. This is just an example. Someone else may have another issue. I identify those, and as I read the concerns that other delegations have, I can say: "Okay; I want to get together with Alberta," or "I want to get together with Nova Scotia," or "I want to get together with Quebec," whichever one. You can have literally some self-forming groups that could spend some time getting together, and they can then share back with everyone what the nature of their discussion was, what they arrived at, and what they learned as a result of exploring those particular issues. It would add to the dynamism, I think, that is really here, because quite frankly at least as much learning takes place informally as takes place formally as people follow up on other things, and I would recommend that we might be able to incorporate that.

If there are issues related to interpretation or that kind of thing, there are models of dealing with interpretation other than just having somebody in a tent in the back of the room. I offer that suggestion, and I have some models I'd be happy to share from my own experience.

MR. WHITE (Alberta): Thank you for that contribution. Others who wish to contribute in this respect?

MR. SANTOS (Manitoba): As we also explore the implication of the current trends, now that the welfare state is diminishing in size and there is a growing nibbling at the public sector at every level of government, if pushed to the extreme, what would happen actually to what we call public governmental administration or institution? What would be left of us, for example, representing the public sector if all governmental functions are being taken over by private management?

MR. WHITE (Alberta): More food for thought.

It has occurred to me in speaking with a number of you individually that we could do well by having collective or individual papers, as I think Tom said, on what the prime function of a public accounts committee is. The Australian experience is much, much different than we have here. It's in government caucuses, I guess, where there is that problem, if there is a problem, of the perception of what benefits can accrue to a Legislature and not to the detriment of the governing party, which is currently the feeling, I know, in my Legislature. I hear it from a number of others, but it's not universal throughout Canada. Certainly the Public Accounts Committee is alive and healthy under Fred of British Columbia, and Newfoundland is healthy. Others are not so healthy.

Perhaps one of the things that would be helpful is if we could help each other in other provinces. As a member of an opposition I can hardly go into the government caucus and rant and rail and tell everybody how wonderful the committee's work is in Western Australia or British Columbia, although my colleague on the government side may be able to invite Fred and Richard to his caucus to explain it and incrementally move the cause of public accounting and review of the public accounts ahead.

Now, the chairman is not supposed to be that involved in setting another agenda, but that's what I've heard about here.

Any other contributions before we break on time for lunch? Seeing none, a reminder that we're back here in a joint session. Do clear off your tables or the staff will move it over there independently. You can put them behind you on the chairs, or you can put your books over here. We stand adjourned until 1 o'clock.

[The meeting adjourned from 11:46 a.m. to 1:06 p.m.]

Session Seven

Council of Legislative Auditors

Improving Management and Control of Public Resources

[Mr. Valentine in the chair]

MR. VALENTINE (Alberta): I hope everybody enjoyed their lunch hour.

This is the joint session of CCPAC and COLA, so I welcome everybody to come back together from our separate sessions, which have been ongoing since yesterday morning. This session is being recorded for *Hansard*, so there are a few technical items which you should be aware of. The floor will be open for questions following the presentations of the minister and Mr. Goodkey, and there are some open microphones around the table, so you can come up from the back rows and present your questions. When you do so, please indicate your name so that we'll have a record of who asked the question.

I have another story that I sort of thought might be apropos after lunch. It concerns an airplane flying from London to Toronto. There are five people on it: the Pope, a Boy Scout, the Auditor General of Alberta, and the pilot. Once they've passed the point of no return, the engines fail, and the pilot advises those in the cabin that they'd better get hold of a parachute and be ready to jump out the window. Oh, I may have messed this up a bit. President Clinton is on there too. It's as bad as the joke yesterday about three kinds of people in the world.

In any event, the four of them in the cabin look around and find that there are only three parachutes. President Clinton argues that he's the most important person, a world leader, and that he really ought to have a parachute, so he takes one and jumps out the window with it. The Auditor General of Alberta indicates that this subject of performance measurement and quality financial reporting is so important to saving the finances of the whole of the great province of Alberta that he'd better have a parachute, so he takes one, and he jumps out. The Pope says to the young boy: now, young lad, I have fulfilled my mission in life, and I know where I'm going, so you take the last parachute and you jump out the window. The Boy Scout says: Your Eminence, there are two parachutes. The Pope says: well, how could that be? "Well," the Boy Scout said, "The most important Auditor General in the world just jumped out of the plane with my haversack."

It's indeed my pleasure to welcome two guests here this afternoon. First is the Hon. Stockwell Day, who is the MLA for Red Deer-North. Mr. Day is the Provincial Treasurer. He was appointed to the position on March 26, 1997. He's the minister responsible for financial institutions, including the Alberta Securities Commission. He

has been a Member of the Legislative Assembly of Alberta since May of 1986, and he's been re-elected four times. Offices he's previously held are Minister of Family and Social Services, Minister of Labour, and Government House Leader.

Mr. Rich Goodkey is the group leader responsible for performance measures in Alberta Treasury. He has been 23 years with Alberta Treasury, involved with the Budget Bureau. Prior to his government service he worked in the oil and gas and construction industries in Alberta. In his role with Alberta Treasury he's responsible for the advancement of the state of results-based performance reporting in the Alberta government.

The minister will make his presentation first. He would like to invite comments or observations or questions following his presentation, and then we'll have Rich Goodkey's presentation. Would you all join with me in a round of applause welcoming our guests this afternoon.

MR. DAY (Alberta): Thanks, Mr. Chairman. I just had to pause, not to soak in the applause of the gathered guests but in fact to soak in the applause of one of our opposition members at the table with us here today. I appreciate that, Lance. We enjoy a good working relationship, and I will be commenting in a few moments about the importance of the opposition in terms of looking at our results and our measurements and keeping us focused on those and tuned in. I realize there are a number of elected people here today, and I congratulate you for that, regardless of what forum you were elected to. Certainly LeRoy Johnson, one of our government MLAs, and Dr. Pannu, in the opposition -- I'm casting quickly around the room. I don't know if I've missed any. Oh, Laurie Blakeman is here, also with Her Majesty's Loyal Opposition. I think those are the Alberta MLAs. It's great to see them and great to welcome all of you here. We do thank you for not only spending your time here in Alberta but of course feeling free to spend your money while you're here. As you've already been doing that, you'll know it is money that is spent sales tax free. So continue to enjoy that before you return to your respective environments.

A lot of people ask me how I'm enjoying the portfolio in terms of spending most of my time talking to accountants. I shared with our Auditor General just a couple of days ago that I've been talking to so many accountants for the last several months that I'm almost looking forward to talking to lawyers again. I hope nobody takes that as a pejorative comment. The Auditor General didn't, except I was informed later that he's now changed his assessment to a qualified statement of our books, so I don't know if the comment had anything to do with that. But all of us in our respective occupations do have times and moments, obviously, when our constituents, whoever they may be, are less than enamoured with what we're up to.

I heard of an individual who had been audited, and it hadn't been that successful an audit, the Revenue Canada people finding a number of inconsistencies in his statement. In quite a sense of anger and alarm he had contacted his accountant on Monday morning and was told by the receptionist that over the weekend Mr. Jones had died. He sat in silence for a minute and hung up the phone. About 10 minutes later he phoned back and said: can I speak to Mr. Jones, please? The receptionist said: you know, I already told you that unfortunately this weekend Mr. Jones died. Okay; he phoned back a third time about 20 minutes later. The receptionist, somewhat disturbed, said: "This is very difficult for me, sir. I have told you three times now: he is dead. Why do you keep calling and asking for him?" To which the gentleman replied: I guess I just like hearing it. I think there are moments that whoever our constituents may be, they maybe share that sentiment, but we press on regardless.

I want to press on today in terms of speaking about some of the things that we've been up to and how we've been conducting ourselves over the last four years in Alberta. When I'm finished my remarks, I'll entertain as many questions as come my way and then I will take my leave. I have to go and measure our ongoing performance back at the office, but I don't want to leave before exhausting any questions you may have or suggestions you may have regarding what you may hear or what you may have observed to date in terms of what's going on in Alberta.

The general theme, of course, of your session is Improving Management and Control of Public Resources, and to us here in Alberta, to me, certainly one of the key ways, the secret, of improving our stewardship over public resources is found in improving our accountability. If we're clear about our goals and our objectives, if we allocate resources wisely to the right priorities, if we measure those results and then tell people about the progress that we've made with their dollars, I believe we'll achieve a couple of important objectives. One, we'll be completely accountable and open to the scrutiny of our shareholders, and we'll have the information that we need, then, to in an ongoing way make increasingly better decisions.

I'd like to focus my remarks on what public accountability means in Alberta. I'll be staying fairly close to the text that I have because I understand there's also translation that is going on here, to make that easier. And I'm not referring to those from Quebec; I'm referring to the translation requirements of those from Western Australia. Having spent a delightful three weeks in Western Australia not too long ago, I can tell you that I can't wait till I get back there. That will cover the political correctness of any remarks towards Western Australia. Glad to have you folks here, and I hope that you won't be thinking of getting me on the barbie after I've made my remarks here.

I do want to focus on what public accountability means in Alberta and why we've taken the approach we have with -- and this is very key, I believe -- a legislated

accountability framework. I believe that makes the difference and has made a key difference in the approach we've taken here in the province. I'm going to talk about the general overlay of that, and Rich Goodkey is going to get into some of the more technical details that he's still trying to explain to me.

To really get ahold of it, it's important to look back to the way things used to be here in Alberta. I think it's fair to say -- and I think my colleague Lance to my right, geographically that is, will want to comment on the fact -- that four years ago the Alberta government had lost the trust and the confidence of our electors, and I was part of that government. Over the previous decade for a variety of reasons we had overspent our budget. We became attracted to what I called the seductive lie of deficit financing. We were not only attracted to it; we got involved with it and had quite a relationship, I might add. When a downturn in the price of oil hit us squarely in the pocketbook, we actually thought and hoped at that time that it was something temporary.

We tried dabbling in the economy. We tried investing in projects. We hoped those projects would create jobs. We hoped that would lead to diversification of the economy. We poured more and more money into essential programs like health and education, and we just sort of assumed that good things were going to start happening again economically. But rarely did we stop and ask ourselves some tough questions, questions like: what results are we getting for the dollars we spend? Why are we asking citizens to give us more and more of those dollars without knowing the results being achieved and whether we actually need more dollars? That's a revolutionary thought, folks. I think we have to continue to have in our mind-set today: do we actually need more dollars?

By the time the harsh reality of these mounting annual deficits and debts had finally struck home, by the time we got to 1992, I can say that Albertans' confidence in their government was at a serious and an all-time low, and it's no wonder. We showed them no clear results for our efforts, and the manner in which information was presented was complicated and hard to understand.

Today I'm pleased to say that I believe we've significantly turned that situation around. Today Albertans look to their government for responsible fiscal management. They know that we keep our promises. At the risk of sounding partisan, we actually conducted a provincewide referendum in March of this year on that very item, simply saying that we do keep our promises. As a matter of fact, about one year into our program of some serious restructuring following 1993, people who had supported us at the start of the program and who wound up supporting us near the tail end of it in midstream were saying to us: why are you doing this? We looked at them a little dumbfounded, and we said: well, we said we were going to do this; we said it very

clearly. And people said: well, we know you said you were going to do it; as politicians, we just didn't think you would. So there was somewhat of an indictment there in terms of how those of us in elected office are sometimes seen by our electorate.

But in fact we did keep our promises there, and Albertans have come to expect conservative forecasting of revenues and leadership in public accounting. There are times -- and I have been careful to record them -- when even our Liberal opposition critics have said, even recently, that Alberta does have the best books in the country. Perfect? No. Thankfully, our opposition members help us to find those imperfections, and I do say that sincerely. But it is known that our books and how we account have gone through a radical transformation in the last few years. Albertans trust us to keep a careful eye on the bottom line, and more and more they're looking for us to provide regular, understandable information about the results that we achieve.

Some things and some steps that we took to turn that around. First of all, we believed in and really made a firm commitment to open and accountable government. Could it be more open? Could it be more accountable? I think there's always room for improvement. But we had that commitment -- we still do -- and also a determination to keep Albertans well informed every step of the way. What a shock it was to Albertans to hear that we were about to embark on a bold new process of -- are you bracing yourselves for this? -- quarterly reports. Anybody in business would, and did, have shrugged their shoulders and said: what's your point? In fact, that was not a practice. When we began to balance the budget back in '93, we knew that simple rhetoric and promises were not going to cut it with the public. We had to convince them we were serious, and that meant two things. It meant we had to present the basic facts about Alberta's financial situation, facts which were not always pretty. It meant legislating a solution, not just saying: "Look, trust us. We're going to do the right thing. We're from the government. We're here to help," but in fact saying, "Here's the commitment, and we're putting it in legislation."

Now, people will say -- and they did at that time -- isn't this a big risk for government to take? Of course it is a risk. It meant laying our commitment on the line and being prepared for the consequences if we failed. Also, it was a tremendous advantage for us as government because it imposed a discipline on us that we needed with the tough course that we were setting in 1992 and '93. By legislating it, we couldn't give in if our knees got a little weak. We had to say we were breaking the law if in fact we did depart from our path.

There was no room for "A maybe." Maybe we could spend money on this good idea or that one. Maybe we could delay the costs or not cut so deeply. Maybe we could take the easy way out and raise taxes. Hello? Maybe take the easy way out and raise

taxes? With the plan that we set and legislated, there was to be no maybe about it. The importance of this kind of discipline I don't think can be underestimated. As most of you who are elected know and contrary to a lot of public opinion, politicians are more or less like other people. It's easier to say yes than no. It's easier to say, "A Let's give that a try; maybe it'll work," than to just ask the tough questions. How will this make things better for Albertans? Ask that of every program. What results will it achieve? How will we measure those results? What will we not do so that we can do this instead? It came to the issue of some very tough questions and tough prioritizing.

After four years of this disciplined and focused approach, Albertans understand that throwing more money at problems is rarely a solution. Targeting your efforts, being clear on your objectives, measuring your progress, and spending money only where it's needed most: that's the solution. So discipline and a legislated plan were both important keys to our success.

The other critical element was openness and involving Albertans every step of the way. People have also said: "A Well, isn't it a big risk to give your constituents the full picture? You don't want to depress them." To measure results is a risk -- what if the results don't measure up? -- and then making that information public. My answer again is, yes, of course that's a risk, but keeping people in the dark is a risk also. You're all familiar with the old adage that says that if you think the cost of education is heavy or high, try the cost of ignorance. Ignorance about the financial affairs in your province bears a cost that we no longer wanted to bear, nor do the taxpayers.

Here in Alberta our Premier has led the way in being open about what's happening in the province. If there's a problem, we tell people about it. We ask them to be part of developing a solution. We admit mistakes when we make them, and we consistently report on the results that we're achieving with people's tax dollars.

I can remember early on in this program being asked to be involved with a small group of people in terms of preparing a delicate and somewhat elaborate press announcement about the fact that we were extricating ourselves from a joint venture which we'd been involved in with other companies and another province, and it wasn't going well. It was pre-1992, so the political hit was not going to be that heavy, but it was going to be awkward and embarrassing. Sitting with a group of seasoned word crafters, we put our heads together. We'd been working on this statement for two or three hours and wondering how to best do this so that there was the least admission of any sense that we hadn't really thought the thing through in the first place.

After two or three hours in that meeting someone burst into the room to say: did you hear the news just on? Of course we said: "No, we never listened to the news. How would we have heard it?" The person said that the Premier was just asked about this

particular item, and when asked what had happened and how we became involved, he said: well, I and the rest of them were all stupid together. We sat and looked at each other, after two or three hours of this word crafting, and sort of said: why didn't we think of that? The story was out there, and the admission was there. We had made a mistake, and we were going to do what had to be done to fix it.

It means that we need to measure up and produce the kind of results Albertans expect from us. We're confident we can do that. We're confident that if we keep Albertans well informed, they in turn will share our confidence. The old-style politician used to try to convince people by words alone; today's politician convinces people only if able to prove it. We have to be able to back up words with real results.

Some people have said: aren't you worried that opposition parties will use the performance results against you? Well, first, of course, we worry about what Albertans are going to think of our performance, and we spend our time convincing them with the facts and figures. But I will say that the opposition do use these performance measurements, and they have shown us and have come forward with cases where it's been weak and where we've got to improve. In fact, even in the Assembly as we go through estimates and at other times of debate, they have offered suggestions on how the actual measurements themselves can be improved. Some of those suggestions we've even had the audacity to incorporate into our plan. So of course opposition is going to use it; of course the public is going to use it. That's the purpose.

Some of the key components of the framework. I want to just spend a few minutes going over the major pillars of this framework, if I can call it that. Four essential components built into Alberta's Government Accountability Act. First, there are the three-year business plans and budgets. Instead of going year by year, we look at a three-year horizon. We set out an overall business plan and budget for the government. We require every ministry of government to develop a concise business plan, setting out the goals that they expect to achieve, the strategies that they're going to use, and the measures that they'll use to judge their results. Instead of year-to-year uncertainty, we now have three-year uncertainty. No, I'm just kidding about that, obviously.

Instead of year-to-year uncertainty, we now have a fairly high level of certainty three years out and running. The ministries, the organizations, the agencies associated with them, and their clients and constituents know what is expected for the next three years in terms of a rolling three-year business plan. They know what the budget forecasts are, and they can plan their work accordingly.

Second is the area of ministerial accountability. Right at the front of every ministry's business plan -- I don't know if we have copies here today, Mr. Chairman -- there is a simple but compelling statement that's signed by the responsible minister, and I'd like to quote from that statement for you. It says this, in part. This is the minister of each department signing this.

This Business Plan . . . was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions . . . with material economic or fiscal implications of which I am aware have been considered in preparing [this] Business Plan.

The Ministry's priorities outlined in the Business Plan were developed in the context of the government's business and fiscal plans.

And here, I believe, is the most important part of the statement that is signed: "I am committed to achieving the planned results laid out in this Business Plan." This statement is signed by every minister in this government.

The third component of the accountability framework is setting goals and measuring performance. As I've already said, this is a basic requirement of every business plan. We tell Albertans what we're trying to achieve and how we are going to measure our progress. Then we lay out the results each year in an annual government report, called Measuring Up, and in the annual reports for each ministry. Rich will give you some more details on the technicalities of those reports and how the measures have been developed. It's a very clear document, Measuring Up, for everybody to see.

For me, the critical point is that these results are produced every year. Measures are tracked so we can see where we're treating the results that we planned and -- this is the scary one -- where we're falling short. Most importantly, those results are made public for all Albertans to see, even with some easy-to-read graphics in some cases, where they can see check marks where we're progressing and downward arrows where we're missing and where we're losing it. We record those as well as we do the check marks and the happy faces.

The fourth component is consolidated financial reports. The importance of these statements obviously is so clear. We're now preparing our budgets on the same basis in a consolidated way so that people will be able to see how much we plan to spend in the budget and then how much we actually spent by the year end. They can see where we made it; they can see where we missed it.

You combine these four key accountability elements -- and this is very important -- with a legislated requirement for balanced budgets, a legislated requirement to

eliminate the net debt, and a legislated requirement to continue to use conservative revenue forecasts. That's required by law. We used to aim high, hope the oil and gas would stay there, base the budget on that, and spend as if we were getting in the high dollar forecast. Of course the end of the year would roll around, and unfortunately too many of us in the room know the pain of looking and realizing that what we projected we didn't get, but we spent what we projected and we now have a deficit. It's against the law for us to do that anymore.

It's interesting. I'm sure most of you have done this. In looking around the world, internationally, when we thought how we should do our forecasting, we picked 10 or 12 of the top analysts in the world, and we said: let's pick the top one or two of these whose records can be proven to be the best; we'll run with their forecasts. So we did historic tracking as far back as 10 years with 10 or 12 of the top predictors in the business today, and we found out that they were all over the map. Nobody made it. So we are required by law to go on five-year averages as part of that forecasting.

This package of requirements sets a standard, we believe, for ourselves and for others to follow. What are the benefits? With this kind of framework in place there is a key question: does it make a difference? Obviously I believe I can say, as an accountant might want to, an unqualified yes to that. It does make a difference to have this kind of framework in place. I believe that if Alberta had had this kind of framework in place five or 10 years ago, we never would have gotten into the serious financial difficulty that we did. There would have been no room for waffling or indecisive action, and we would have been forced to act much sooner than we did and not delay and hope for things to turn around.

I think you'd agree with me that as exciting as our annual performance reports are, I don't think you'll find them on the best-seller list, on the bookshelves, and they probably won't be given one of the top 10 video ratings in the stores this weekend. But most Albertans have come to expect that this type of clear, factual reporting is how we do business right across the public sector, not just in government but in schools, health authorities, postsecondary institutions. They all know that measuring results is an essential part of the reporting process.

From the people, some of whom are here, who sit in our standing policy committee meetings or Treasury Board, we now hear frequent questions about results. There is no more rubber-stamping. There are no more pat answers that ministers or others can get away with. Questions like: "Did you deliver what you said you would deliver last year? Show us. What changes have you made in your business plan to address the problem areas and lack of results that were shown last year? Is spending more money going to guarantee better results? Where is the link between spending and results?" Those questions are no longer uncommon; they are now common. From my

experience there's a lot more serious consideration of our performance results within government than there was before. It almost matches the intensity outside of government from our opposition members, and it should.

Ladies and gentlemen, I'm confident that the framework we have in place provides the kind of disciplined management, good stewardship, and forthright accountability that Albertans want and expect. Is there more work to be done? No. We have achieved perfection, and there is nothing more to do. I didn't think I'd be able to float that one by. Of course there's more to be done. Our Auditor General will tell you that there's more to be done. Our opposition members will tell you that. The members of our own committees will tell you. Rich will have some comments on that, careful ones I hope. People from any one of the ministries actually know that they now have the freedom, the liberty, and the expectation to tell us where more work can be done.

We've made a great start, but there's a lot more to do. In some areas our performance measures are lacking. It's difficult to find good measures in some cases -- we're still experimenting -- and in others we're simply lacking the kind of information we need. The fact is, however, that I believe sincerely that we're moving in the right direction. We're taking it step by step. We're improving our base of performance measures as we go. That means that we're in a much better position to judge whether we're getting the results that we want for the dollars we spend. We now operate under the assumption that simply trying hard isn't good enough. It's an understanding that even though the results of government efforts are often intangible, it doesn't mean that we can't show results. Most importantly, it's a belief that we owe Albertans more than just promises; we do owe them results.

I want to thank you once again for the opportunity to talk to you about our legislated accountability framework, where it came from, why it's important to us. I welcome your questions now, as many as you'd like to ask, and seeing no hands, I'll take my leave.

MR. VALENTINE (Alberta): Thank you, Mr. Minister.

MR. SANTOS (Manitoba): How do you measure intangible results?

MR. DAY (Alberta): That's a very good question. I guess my first response would be: if we have a result, it really shouldn't be intangible. We find, Mr. Santos, that some of the greatest areas of challenge would be in the social service related field, where certain programs are in place at great cost, and if the results are there and if lives are being affected and improved by those programs, then they should have the dollars. It is difficult to measure somebody's progress sometimes on a quarterly report, but even though in those particular areas it's less tangible or less able to be quickly

pointed out, we do still expect that ministry for instance to be able to show results even in people's lives in terms of programs being applied. So as you move to some of, if you want to call it, the softer sciences, social services related, it can be more difficult, but we still expect performance measurements to be in place and those measurements to be met, or else something has to be changed.

MR. KASPER (British Columbia): You mentioned legislation. Are there any penalty provisions in the legislation for not reaching your stated goals?

MR. DAY (Alberta): We didn't put them in because we were afraid we might not hit them.

The question is a good one and one which a lot of people ask us. We didn't go as far as Manitoba in some areas, and I commend Manitoba for this. They have actually put provisions in there, sanctions against ministers and others. We have stated clearly that Albertans -- and as a government we respect the law, and we will not break the law. If we break the law, it should cost us our jobs. So there isn't a clause in there that says: you must resign, or you must dig it out of your pocket. That's something that might, you know, be given some good consideration, but the ultimate sanction is that we have broken the law and we would not have the moral authority to sit there as lawmakers when in fact we were lawbreakers.

MR. PETERS (Ontario): Having just talked about no sanctions, what are the incentives that you have built into the legislation? What award do you give people who perform to the expectations? Just continuation in office, or is there more?

MR. DAY (Alberta): Well, yes, some of us live with the high expectation of being returned. [interjection] Lance just said, "And some of us don't."

The question, though, is valid. We have looked at and even put in place both in the form of a pilot and now an ongoing project in terms of looking at our compensation in a more performance-based manner, too, especially at the management level. In one department in which I was involved we have run a pilot, and we're measuring the results of that in terms of the rank and file, the staff themselves. That's a little more difficult, because when you're dealing with some of the union policies -- in fact there is an official policy from our public-sector union here in the province that they do not want to be involved in anything which in fact gives a specific reward to one or more personnel for a certain area of service. That's a philosophic difference, obviously, that we have. I think it's regrettable.

So it's a little more difficult in the rank and file of the public service, but within management we are looking at some actual plans -- and in place now as a matter of

fact -- of performance-based compensation where, when they achieve certain elements of the goal or surpass them, there is some tangible remuneration for that. We're still working on it and perfecting it, and I know that we run into then the criticism: "Well, people are expected to meet those goals. So why do you reward them?" We all respond better with the thought of rewards, be it a pat on the back or a pat in the wallet, and we're looking at that area. For the elected person obviously it's to be able to meet the promise and meet the commitment that they've made publicly to their own constituents and, if you're in cabinet, to your colleagues and in fact to the Premier.

MR. WILLIAMS (Canada): Stockwell, I was going to ask a question. One of the questions that you asked early on was: do you really need the dollars as you're trying to bring the budget into balance? We have been fortuitous since then to have a good economic growth on a year-by-year basis. How do you intend to stand by the legislation that requires you to follow this path if we hit a bump in the road and have an economic downturn or if the natural resource prices go into a slump and revenues beyond your control go down significantly and you do have a crunch to make? How are you going to handle it at that time?

MR. DAY (Alberta): A good question, John. You've just painted all the nightmares that we don't like to think about, so of course my first response would be to reach for the Valium. Then after having done that, we have a number of things in place. For instance, in our budgeting we have not only conservative forecasts; we have a legislated requirement that we have a cushion in our budget. It is the combination of the cushion and conservative forecasting and of reducing the amount of our spending over the last four years by 20 percent. As a side comment on this, John, to what you said: yes, oil and gas prices have held for us in the last three and four years, and all projections are that they will continue to do so. However, all and every bit of surplus went to the debt, not to the deficit.

"Honey, we shrunk the government" was something that all of us took home to our spouses at the end of the four years. We shrunk it, shrank it, shranked it, whatever we did to it, made it smaller by 20 percent. Regardless of the fact that we had the surplus coming in through oil and gas, we actually reduced the size and the spending of our government by 20 percent. We did that because we do know that oil and gas is cyclical and that there will be an oil shock, another hit. So when that comes, John, we'll absorb that hit with 20 percent less spending right off the bat. That's 20 percent we won't have to cut.

Then we have the cushion in place, which again protects us. We've run different numbers on this -- I don't like to say this a whole lot because we hope it doesn't happen -- and we estimate we could take an oil shock of something in the order of \$15 a barrel or slightly less before we would have to consider serious cutting again. But

the hard answer to that important question is that if everything else fails -- if the cushion is not enough, if the 20 percent reduction is not enough, if the conservative forecasts are not enough -- and oil and gas hits us so severely, we still have a requirement by law that we are not allowed to have a deficit. That's a very sobering thought. There would have to be some serious, major surgery that kicks into action once again. We hope that doesn't happen.

There's been a significant diversification over the last half dozen years or so in the Alberta economy. At one point specifically and explicitly about 30 percent of our revenues were directly oil and gas related. Now it's about 17 percent. So our economy has changed also to help us absorb that hit. Those are some of the factors that are in place when that oil hit does come. We hope and we think we're into a period of sustained development here, not a boom-and-bust cycle, but we're relatively well prepared should it happen.

MR. DESAUTELS (Canada): Mr. Minister, in terms of budget preparation I wonder if you've introduced some novelties there. I'm thinking more in the line of prebudget consultation and perhaps how you might involve MLAs through committees prior to the budget being finalized or in, obviously, the review of estimates once they're tabled.

MR. DAY (Alberta): There's been a significant change, I guess, in our process under Premier Klein in 1992-93. Part of that process, if you look at the development line, involves the business plans being subjected to what we call our standing policy committees. There are a number of those committees in place, depending on the area that we're talking about. When the plans were in their initial stages of development, we pulled in a variety of ad hoc groups, the private sector, and groups from other departments. There was an interesting exercise whereby deputies were asked to come into these groups and comment and reflect on other departments and to do it without fear of retribution and without anybody taking it personally. At the outset we used a number of external sources, totally external, to reflect on the process and what we're doing. That is ongoing in an informal way.

This process of standing policy committees is an invigorating one for a minister. Your business plan in a draft form goes out to those committee members sometime before you are actually subjected to the standing policy committee itself. They have lots of time to ask you or others questions about your business plan, to use what means are at their disposal to analyze certain aspects of it, and then the fairly rigorous process of the committee meeting itself, in which about 15 to 18 of your own colleagues grill you page by page and sometimes line by line on the plan, using the performance measurements from last year.

Before coming here, Denis, I was just talking with a colleague who's one of the chairs of the standing policy committees, and she told me that one of the business plans which they looked at yesterday was a three and a half hour grilling session of the minister, with the minister having to make some changes that in fact weren't contemplated by the minister and her staff at the time of going into the meeting. Then that business plan goes back through the cabinet process and finally into a full caucus process if there are any elements left unattended. Then after going through that, it comes into the more formal estimates procedure, in fact in the House itself, which, as Lance and Dr. Pannu can assure you, is a rigorous process in itself.

MR. VALENTINE (Alberta): Jon Singleton from Manitoba.

MR. SINGLETON (Manitoba): Thank you. I'd be interested in sort of following up Denis' question by looking at the global government framework within which the departmental business plans have to be developed. Do you get public input in some way to help you develop your overall government priorities and directions? If not, are you contemplating experimenting in that area?

MR. DAY (Alberta): Certainly, again, at the outset of this whole process, the so-called round tables -- and by the way, we had so many round tables going on so many different issues, on health and on the environment and on the budget itself, that even our citizens were beginning to tell us: we're getting sick of these roundtables; call them square tables or call them something different. But we really -- I was going to use the word "taxed" people, but that's a scary word. Are any of our friends from the media here today? Neither of them are here? Okay. We taxed people severely and significantly in terms of that particular process on the public input side. We obviously continue to do that, more directly now related to a business plan, through the constituent groups that may be affected: the consumer groups, the client groups, whoever and wherever those may be.

As we have moved along, sometimes situations themselves and the climate itself have given cause to put certain very specific public processes in place, one being the Growth Summit, which I'm sure many of you have heard of. It will be taking place at the end of this month, whereby we have delegates from all of the major areas of our economy assembling to deal with the question of how we manage this growth period that we're in, not how we spend dollars specifically but how we now manage into the future. The Premier took the fairly radical step. He co-chairs that, but the other co-chair and really the operative mind behind it is a Liberal, a former Liberal MLA, an economics professor. He in fact is in charge of this particular process.

That Growth Summit has given rise to -- and I've forgotten the number right now, to tell you the truth; maybe someone from our government knows it -- literally dozens of

minisummits that have taken place back in July, August, and into this month. Some of them are related to education, some to health, some to the private sector. All over the province those have popped up under the encouragement of Dr. Percy and the delegates going to the Growth Summit, and the results of those are being channeled also into the Growth Summit. Further to that, the Internet is targeted and has been made known to be an arena by which people can enter their views, all of which go into this process.

So both in a formal process, which at the time was new, and with a heavy concentration on the roundtable approach, moving to specific constituent and client groups, and then as the need arises, for instance with the Growth Summit, looking to the public again, it's part of the modus operandi of our Premier, again reflected this weekend in Calgary with the discussions on national unity. His insistence and the insistence of a number of the Premiers is that this will absolutely be at the street level, at the grassroots level, bypassing even the elected people. How could people do anything without elected people, we wonder, but in fact we're about to find out.

So it's become part of our thinking, and I believe we've been significantly involved in it.

MS MARSHALL (Newfoundland): Could you speak about the quarterly report that you referenced earlier in your discussions, who they're available to and how the government uses them? I'd be interested in knowing whether they're all financial or whether they're both financial plus performance measurement.

MR. DAY (Alberta): Thanks, Elizabeth. Just on a personal note, if you'd say hi to Joan Marie Aylward when you go back, a good person involved in a lot of the social policy discussion and eventually resulting in the national child benefit. So pass on our hellos to her.

Quarterly reports is one of the most important areas for me and most helpful for me because you have the opportunity -- but it's time consuming and resource consuming - - to more closely monitor each ministry, not just how the revenue is coming in but, as importantly if not more so, how the spending is going. Those are then published. Those quarterly reports are first released in a press conference atmosphere but with them embargoed and going to the media beforehand, giving them the time to analyze them. Really, what they are are minibudgets saying: here's how it looks so far. From those we will make some very initial early projections on the budget, and we're able to a degree to say: okay, in some areas we are going to do some adjustment of spending.

So in the quarterly reports which were released at the end of this August, we were already able to say that we believe there is going to be a surplus significantly beyond

our legislated conservative estimate. Because we know that and because the surplus goes to the debt, thereby lowering our interest cost for that year, we then take some of that interest cost saving and apply it to certain programs that already are impressing us early on, are having unplanned, unprojected need. Now, ministers are not allowed to be off the hook just because they missed something. They're going to have to account for it and find the dollars from within.

In fact, with the economic invigoration that's been going on in the province, it has been difficult to predict the amount of inward migration into the province from other provinces and other countries, because businesses are needing more people and people are moving in. That has an impact and had an impact, for instance, on our Ministry of Education. The minister and his people and even Treasury people were not able to fully predict the very positive inward migration. That, therefore, means that in September this year that's a hit on his budget because of enrollment figures. So we have a policy that says that for education, when it comes to volume and growth, we will accommodate that from interest savings. We'll not require the minister to go back into his budget and find in this case those \$12 million for this quarter. So by tracking it on a quarterly basis, Elizabeth, and using that as just one example, if I can, you see what's coming. It's beyond the budget plan, but because of the interest saving it's still within our fiscal plan of only 1 percent growth overall in government this year. That's why those are so necessary. They are helpful, too, because each ministry is required to monitor their performance measurements also, and they can see what's coming. Nobody wants to get a negative report at the end of that particular year. I find that the quarterly reports are one of the most helpful elements to me and to the public.

MR. MARSAN (Québec): I think we all agree that your government is really taking a strong leadership regarding measuring the performance of government. But do you think that in Alberta there's still a need for a public accounts committee?

My second question would be: do you think the mandate of the Auditor General is adequate to fulfill all the goals that you have?

MR. DAY (Alberta): On the second question first: yes. He informs me where he feels it may be lacking, and he does so in no uncertain terms. So I believe it's there, but we're open to improvement and discussion on that point.

And yes, even though the reporting is much clearer and the results are required and measurable, we still are in need of a public accounts committee. I have no inkling of anybody, other than a minister who might be on the hot seat at the particular time, having a desire to see that particular committee extinguished. Even though our reporting requirements go beyond it year-round and beyond the Assembly itself, I still think it is necessary.

MR. MARSAN (Québec): And regarding the Auditor General?

MR. DAY (Alberta): Yes. I sense that the mandate is clear. If I can be so bold as to share some comments in a general way, he certainly has indicated to me where he believes there are ways in the performance of his duties that that can be improved, some steps the government could take, and I don't just mean his departmental analysis. We're certainly taking a look at those. I believe his mandate is clear.

The public -- and I don't think I'm wrong on this -- has a strong sense that somehow what the Auditor General says is smarter and better than what we say. You know, they really do. They say: if the Auditor General says it, well, then it must be. If he said that the Provincial Treasurer rode to work this morning on a donkey, people would just -- well, knowing me, they would believe that, but knowing him, they would also believe that. If he said there is no more heritage savings trust fund, even though there is, people would believe it. I can say also that he handles that sense with professional awareness. So I think the mandate is there, and I base that on the reflection that I get back from the public. Even though -- and I say this with great respect -- there are times when we would differ, if we both at the same time enter the public arena on a difference of opinion, he'll win before I even make the much wiser comments because that's just how the office is perceived.

So I believe the mandate is strong. I believe it's clear. It's certainly clear to myself and my colleagues, but we're open to improvements there at his suggestion and at the suggestion of others.

MR. THORPE (British Columbia): With respect to your quarterly reports and your annual business plans, within your Act is there a reporting requirement in the time that you have to report both quarterly and on your annual business plans?

MR. DAY (Alberta): Yes to both of those. It's a legislative requirement. We can't duck it. We'd in fact be breaking the law. It's an important question.

MR. VALENTINE (Alberta): I might add that the consolidated provincial financial statements for the year ended March are published by the end of June, and the public accounts are published by the end of September. My reports go coincidentally with those dates.

MR. SALMON (Nova Scotia): You mentioned the challenge by standing policy committees of the business plans and then the flow of them through to the estimates process. Since this performance information has been available, has there been a change in the nature and quality of debate of the estimates?

MR. DAY (Alberta): That's coming from the Auditor General in Nova Scotia, I believe. Correct?

I think the quality of debate has remained consistent.

MR. SALMON (Nova Scotia): Sounds like Nova Scotia.

MR. DAY (Alberta): You know, I think my opposition critic, Mr. Zwozdesky, who's not here today, will say and I think has said publicly that when he hits an area in which he's right and I see he's onto something and it could be done better, I have said publicly and privately: you're right; we could do better.

Part of what this whole process has done is that since I look and I realize, you know, that these results are going to be out there anyway and the reporting is much more intensive, why don't I try including this opposition member in some of even the draft reports? Now there is some risk to that because for various reasons with which we're all familiar, there are things which can't be released to the public until certain milestones have been met or certain legal requirements met. So we've had an interesting relationship in which we've sort of said: "You know, I'll trust you a bit if you'll trust me a bit. Then if I can trust you a little more, you trust me a little more." So I'm involving him, and a number of my colleagues are doing this: involving opposition members more before the fact because in fact we might miss something. If you're going to approach it from that point of view, then I think it's only fair, when the official document or whatever it is comes out, that you acknowledge. If it's an area of improvement that he pointed out, you do have to, I feel, give that acknowledgement.

You know, the public in general is getting more and more fed up, or they always have been fed up with the bickering and the positioning and the posturing. Their sense of confidence grows as they see us working together, government and opposition. Now, that's an ideal, perfect world. Lance has already got the list of times when we haven't co-operated, and probably we'll continue to bicker. But that's now the longer answer to your question.

I think the quality has improved somewhat, because there is -- Lance might say slight; I might say significant -- somewhat of an increase of trust in the information-sharing process. It's not total. We still are seen with suspicion in what we do, but, yes, I think the greater accountability and openness has resulted in a measurable improvement, and we can argue about how far the measurement goes.

MR. ALDRIDGE (Saskatchewan): Could you elaborate a little bit more in terms of the accountability Act and the notion of conservative estimate of revenues as it's legislated in the piece? I'm sorry; I haven't seen it. Also, with respect to the legislated

cushion that you described, are these quantified within the legislation? If so, at what level, or how are they expressed? As a percentage of revenues? The other thing is, too, then, the cushion that you refer to: how has that been expressed in your consolidated report? Is the heritage trust fund a balance in that? If I could just get some clarification on that.

MR. DAY (Alberta): Sure. Actually, Rich is going to address some of that in detail, Gerard, but I can tell you that the cushion itself actually shows up in our consolidated statement. It's right there in our line-by-line statement: revenue cushion. It's bracketed in there. The legislation: there are a number of things that are required, first in the forecasting, also in the revenue cushion. We even have a minimum amount that must be paid on the debt each year and over a five-year period of time. Those are all clearly quantified, and Rich can give you some detail on that. Yes, it's clear. Yes, it's quantified. The numbers are there. It is required.

The heritage savings trust fund is not part of the cushion. That is a separate savings account, and there are some interesting things that we're doing with that particular fund right now. That fund is audited separately outside of government and audits in at around the \$12 billion or so figure. It earned in interest about \$976 million last year; \$176 million of that went for the first time in a long time to inflation-proofing the fund. But that is not the cushion. The cushion is part of the budget process, part of the forecasting. It's legislated and required, and it is shown line by line right in our consolidated statements.

MR. VALENTINE (Alberta): Thank you.

Last question, John Williams.

MR. WILLIAMS (Canada): Thank you, Peter. Stockwell, you mentioned the difficulties that you were having with the performance documents pertaining to the social sciences and how difficult they are to quantify. I was wondering if you were making progress in developing benchmarks and methodologies of quantifying the value for money that you were getting from your investments. You know, you can invest money in crime prevention versus crime control. One may impact the other, and one may be a better investment than the other. Since you're now focused so much on quarterly reports and performance documentation by all departments, including the soft sciences like the social sciences, are they able to improve their benchmarks and methodologies of quantifying the return for the taxpayers' dollars spent and showing that they are doing the best they can with taxpayers' dollars to get, you know, an actual return, showing some kind of real return for the money spent?

MR. DAY (Alberta): John, I think of some of the performance results required. For instance, under the Attorney General's department one of the measurements is for rates of serious crime -- are they going up or down? -- and for those to be measured. We know that other factors can affect that, but in fact if it is not dropping, then at the very least we know that the dollars we spend are not causing a drop. Then you have to ask yourself the question: well, would it have increased even more if we hadn't been? That shows the difficulty.

On the social sciences side, I'm going to make a wild bit of conjecture here that it wouldn't surprise me if even the Auditor General were to comment in his report this month that there needs to be some improvement there. I'm saying and I said earlier in my remarks: those are some of the areas that we have to work harder on. We're charting new waters there. We can measure certain things; for instance, after a person has gone through one of our work development programs. You may be aware that over the last four years in the province we have moved away from what is called passive welfare, or a passive benefit system. If you are healthy and employable, you can no longer simply receive dollars. You have to be in an upgrading program or in fact in a work development program.

So the first measurement of that is: how many people are in the work development program when you start out? Well, that's easy to say, but one measure of success would be: six months after the person is out of the program and no longer being subsidized, are they still gainfully employed? If they're not, is that by choice or is it by some other extraneous factor? So we've begun to put those measurements there, but there's room for improvement.

Again, the Auditor General -- I'm just wildly guessing here -- may comment on that in his report on the 25th. It's new territory, and any help or suggestions you can give to us on that are going to be helpful.

MR. VALENTINE (Alberta): Thank you, Stockwell. I want to express our gratitude for taking the time out of your busy schedule to spend an hour with us this afternoon and recount where we've gotten to by September of 1997 and where some of the route ahead will lie. As a small token of our appreciation for having joined us, let me give you this small gift. You will find it to be a very timely instrument.

MR. DAY (Alberta): Thank you, ladies and gentlemen. Thank you, sir, for the gift. I know it's not a bottle of whiteout. I hope it'll help me to keep time.

Thanks for your interest, and thanks for the good work that each of you is doing in your own province.

MR. VALENTINE (Alberta): I introduced Rich earlier on, so in the interest of using our time profitably, I'll ask Rich to make his presentation and then we'll have the same sort of question and enquiry of him.

Go ahead, Rich.

MR. GOODKEY (Alberta): Thank you, Peter. Good afternoon, hon. members, ladies and gentlemen. The minister has just given you a pretty good overview of why we're into the reporting results game, and I'm going to spend a little time talking about how we got there.

Before I do, I guess I'd just like to give you my own interpretation of why we're into the area of reporting results, and I don't tell jokes very well, so I brought a picture with me. Unfortunately, I can't share it with you, but I'll describe it to you. It kind of sums up for me why we're in the game of reporting results. It's a picture of a fellow riding in a desert. He's on a camel. He's got his bed roll and all his gear. Behind him on another camel are his wife and two kids. She's obviously said something to him because he's turned to her and said: "Stop asking me if we're almost there. We're nomads, for crying out loud." When you live in a world where there are no performance measures, you hear this conversation a lot.

I'd like to break my presentation this afternoon into three parts. First of all, I'd like to tell you a little about what we actually have in the way of results reporting. Secondly, I'd like to tell you about how our performance measurement system was developed and give you a quick overview of some of the principles that drove us. Thirdly, I'd like to close with some observations on what I think we got right.

First of all, in terms of our reports we basically have two levels of public reporting. One is a measure of the whole of government, which is this Measuring Up report that the Treasurer made mention of, and the second is a series of performance reports that are included within ministries' annual reports that come out in the fall of each year. There's actually a third level of reporting that we call a watch list, which we're working on, and it's a progress report on areas that the government feels are particularly critical. Currently the three priority areas that we're focusing on there are health system accessibility, student preparedness, and job creation. We're just working on our first release of that report now. Of course, we also have management level and field level program measures, but these are normally not reported publicly.

Returning to the two main levels of public reporting, I'll just give you a brief description of each report, beginning with the Measuring Up report. This is our third annual report, which we just produced in June, and it has 23 high-level indicators in three core business areas of government which focus on people, prosperity, and

preservation. Some examples of the types of measures we're talking about here at a very high level are life expectancy at birth, educational attainment of Alberta students, provincial credit rating, crime rate, air quality, water quality: those types of things. Each measure has a few supplementary measures associated with it that help give that core measure some context.

As I said, Measuring Up was released in June, and it's released in conjunction with the first volume of the public accounts, the macro level public accounts. The ministry level measures are contained in the annual reports that are released along with the public account details at the entity level, and there are typically six to 10 key measures in each ministry. We're striving for more of a corporate model reporting. We're consolidating both the financial and nonfinancial performance information. Using the Health ministry as an example, some of their key measures are Albertans' ratings of access to health services, percentage of Albertans reporting failure to receive needed care, childhood immunization coverage, and rates for hospital-acquired infection. The Ministry of Health actually has about 18 or 20 measures. They have more than the normal ministry.

We can't really talk about performance measures in our measurement system without talking about our three-year business plans. Performance measures in our jurisdiction are simply the final piece of the business planning process. I guess I'd say here that what we call a business plan really isn't a business plan. We're just trying to be more businesslike in our planning. When we say business plan, we mean a document which contains a mission statement plus the organization's reason for being, a vision -- where is the organization headed? -- a statement of principles and values, what code of conduct we're going to operate by, some goals and objectives, what success looks like, strategies, what the keys are to achieving that success, and then, finally, the performance indicators, how we will measure the progress.

As the Treasurer alluded, the business plans and their related performance measures are just one part of our accountability framework. The other components of the framework involve the Government Accountability Act and the Balanced Budget and Debt Retirement Act. The Treasurer spoke at length about the Government Accountability Act. It describes the actions required of the Treasurer on the one hand and the ministries on the other. It talks about the need for consolidated financial statements, for three-year consolidated business plans, for three-year fiscal plans. It requires that both the Provincial Treasurer at the government level and ministries at their level produce statements of goals and measures and results-reporting, and it lays out a timetable that requires financial reporting to be done.

This Act also states that accountable organizations must submit business plans and annual reports. That's an area that's becoming of much more interest to us. As we're

moving as a government from one of rowing to one of steering, to use this much overused expression, third-party accountability becomes much more important.

The other key piece of legislation that forms our accountability framework is the Balanced Budget and Debt Retirement Act, which lays out the program of debt elimination by the year 2009-10. It also requires conservative revenue forecasting, and it lays out some rules about limiting the use of special warrants. Also included in our overall accountability framework are a few Treasury Board requirements such as salary disclosure rules and the need for ministerial responsibility statements, which the Treasurer read to you.

I'd like to now talk a little bit about how we got there, how we developed the measurement reporting framework. I'll do it in two parts. I'll talk about ministries, and then I'll talk about how Measuring Up evolved. Beginning with the ministries, it all begins with documenting the business plan, which is required pursuant to the Government Accountability Act. That in turn requires defining the core businesses of the ministry, and in the examination of the core businesses of government, the Premier communicated very clearly to all ministries that consultation with ministry stakeholders would be a key ingredient in the planning process. Other principles that we followed in the development of our business plans were conservative revenue forecasting, the balancing of the budget by '96-97, the notion that we would be much more open and accountable, that we would use a multiyear planning horizon, and that we would adopt new ways of doing business, including limiting the scope of what's expected of government and doing the right things well.

The urgency of doing all this business planning activity was supplied by the need to take serious corrective action on the expenditure side of the budget. That really had a huge influence on the way ministries examined the core businesses that they were in. Our spending was way out of line with revenue, and we determined that for the fiscal plan to work, we needed an overall adjustment of minus 20 percent to the expenditure side. So ministries were asked to submit business plan scenarios of minus 20 and minus 40 over a three-year time horizon. I won't bore you with the details of how we actually got that done, but suffice it to say that we did establish a three-year fiscal plan on a ministry-by-ministry basis that yielded us an overall minus 20 percent on the expenditure side.

I'll just add here that the difference in the multiyear planning that we did in that particular go-round and our attempts at multiyear planning previously -- why we were successful this time is because the focus was entirely on the third year. Many other times we had tried this multiyear planning notion and not met with much success, and the reason was because it was the next year that was always the focus. This year it was the third year.

The business plans and budgets went through many iterations in policy review committees before receiving final sign-off at Treasury Board, but the important thing to note here is that the business plan reviews were intended to answer three basic questions: are we doing the right things, are we getting it done, and how do we know? It's the "how do we know?" part that has to do with the performance measures. In the beginning the performance measurement part of the business plan was not key. Focus on budget warfare was and dealing with the casualties of that exercise. But the tide is turning now, and the emphasis is starting to shift more to a focus on results.

I've talked a bit about how performance measures started on the ministry side, but Measuring Up developed in quite a different way. The ministries' first business plans and related measures were published in February of '94 as part of the budget, and that budget in '94 also set out for the first time a three-year plan for the government as a whole. A commitment was also made to measure and report on results at a government level in that report.

In the fall of that year a committee of Treasury Board ministers, senior officials, and private-sector members was struck to review and recommend a general form for such a report. A key member of the review team was the member of the office of the Auditor General who worked closely with us on this initiative right from the outset.

Later that fall two deputy minister committees were struck to provide advice on cross-government economic and social measures, and following yet another review by another subcommittee of Treasury Board, again with representation from the Auditor General and with Treasury Board approval, a discussion paper was released seeking public input on a suite of performance measures the government proposed using. Ministries received a few thousand responses directly from stakeholders, but we only received about 350 from the public at large. We did not do a very good job on that exercise. Our questionnaire was much too long and complex for people. If we had to do that again, we would do it quite differently I think. But we did manage to garner a few thousand responses, as I said, primarily from stakeholders.

After further refinement and review, the first Measuring Up report was released in June '95, and as I said, this past June we've just released our third report. As with ministries' business plans and performance measures, the Measuring Up report is continuously being refined.

I'd now just like to offer a few views on what I think worked for us, whether by good luck or by good management. Here are the top 10 things I think we got right. I've already touched on a number of them and so has the minister, so a lot of this will be a bit of a recap.

First of all, the passage of the Government Accountability Act with its two points of accountability -- the Treasurer on the one hand, the ministries on the other -- was really quite key. We could have ordained all this good stuff through Treasury Board and through Treasury Board directives, but I think putting things in legislation represents the highest form of commitment a government can make. The passage of the Act really did underscore the seriousness of the government on this issue of accountability.

The second most important thing for us, I think, was the introduction of the business planning process and the fundamental re-examination of the core businesses of government. It forced public disclosure on mission, visions, goals, strategy, and results information and also the notion of adding a longer time horizon than just the one-year approach that had been taken, the incremental one year at a time.

Another really important factor for us, number three, is that there were other changes that provided an enabling environment for this to happen. As mentioned, the necessity to deal with the debt and deficit situation provided the urgency. There was a very huge window of opportunity opened for that reason. Many recommendations of the Financial Review Commission, including consolidated budgeting and conservative revenue forecasting, the urgings of the Auditor General to measure performance, and an attitudinal change toward emphasizing openness and accountability, all played a role in enabling this new initiative to take root.

The fourth thing I would say we did right was the public and stakeholder consultation. The development of a business plan and performance measures was not done in isolation, and the fact that business plans were publicly released was absolutely key. There's some danger to doing that, and many jurisdictions who are looking at this can tell you about the debates that they're going through. It takes some courage to live with what it is that you get the first time you publish these things, but there's a huge incentive once these things are put in the public domain.

The fifth thing I've noted would be the holistic approach that we took to the measurement process. We had a provincial context that incorporated the goals of the government, individual ministries, third-party partners such as school boards and regional health authorities. In other words, the model encompassed all who had a stake. It just wasn't what the government was solely responsible for.

The sixth point. We clearly recognized at the outset that the process was owned by ministries and the entities for which they were responsible. This was not a Treasury centralist exercise. It was definitely jump-started by central agencies, but there was recognition that ministries knew their business best. It was really critical for ministries to experience the voyage of discovery, clearly one of those exercises where the

voyage is at least or more important than the destination. As I said, you need to recognize that it does take a bit of courage to follow through when you tell folks in the beginning that no matter what they give you, you will publish.

Number seven I put down as the support of the Auditor General. Our Auditor General has long advocated measuring in performance. In February '93 the government accepted the Auditor General's persistent recommendation to establish a system for promoting effectiveness measurement. Then he worked with us, made it clear to all right from the beginning that they were not interested in just shooting the survivors, and they have showed great patience with us. Each subsequent annual report acknowledges the progress we've made while encouraging greater heights. Working with a team has given us both more credibility in the eyes of ministries.

Number eight. We focused on outcomes, initially. It's very easy to measure activity, and typically government is very good at doing that, at measuring activity. But as my dear father used to say: don't tell me how hard you worked; tell me what you got done. It's much harder to focus on and to measure whether what you're doing is having an effect on anything, good or bad. For us who were undergoing such a fundamental re-examination of the core businesses we wanted to remain in, it was critical that our performance measurement thinking be directed towards the questions: are we doing the right things, are we getting them done, and how do we know? Four years into the exercise many ministries are now starting to examine ways of measuring the other side of the question regarding how efficient and how economical their service delivery is.

Ninth point. We worked really hard at communicating with ministries the notion that the process of measurement is not a reward/punishment system. It does have a sharp elbow approach to it, but it is not a club that we were going to beat them with. Our targets that we asked ministries to develop had to involve stretch, but we weren't out to design a system that we were going to hammer folks with when they came up short. Performance measures do not yield solutions, we would tell them. They are simply signposts that permit rational conversation. They are not a replacement for analysis and judgment. The language of performance measurement allows people to communicate about priorities and progress.

The last point I've written down is that we didn't know what we couldn't do. A former Treasurer used to say about the area of measuring performance that we were unencumbered by knowledge when we got into this game, so we had nowhere to go but up. It's still very much a work in progress.

So what's changed? Is it making a difference to anything? I guess I'd cite three things for you that suggest to me that it is making a difference in the Alberta environment.

First of all, I would reference what's happening in executive committees and business planning groups of ministries. The improvement of the quality of the planning is, I think, reflected in the business plans. Also on the front lines you can see some very innovative things that are happening. I cite just one example of our Ministry of Advanced Education and Career Development. They've developed a performance-based funding mechanism for postsecondary institutions that is quite a novel approach. The third thing -- and I'll be a little more optimistic than the Treasurer was here. I'm starting to see quite an impact on the discussions that take place in budget debates during Committee of Supply as well as in the Public Accounts Committee review of the province's financial results. I read all the *Hansards* last year that involved Committee of Supply budget discussions. In half of them there was talk of performance measures. In the other half they were the focus of the discussions. I really think the level of the discussion has improved.

We've got some way to go, but the changes in the government culture to this point I think are quite encouraging. We need to work on improving alignment, two kinds of alignment, within ministries between their goals and their measures. It's quite an iterative process. You think you've got one right, but you re-examine what it's supposed to be measuring, and you discover that the goal isn't quite right. So you have this internal alignment problem. The second kind of alignment has to do with ministries' business plans and the government's business plan, which means ministries' goals and the government's goals, ministries' measures and the government's measures.

Another area that we need work on is in the area of costing of outputs and outcomes. This is an area that ministries are just starting to look at now.

The third area I would cite would be in the area of benchmarking, where we have done little to date in comparing our performance to other jurisdictions, particularly American jurisdictions or the U.K. or Australia, where things are more advanced. We're hoping other provinces will accelerate in this area as well so that we can compare performance between us.

I think I'll end there and open myself up for questions.

MR. VALENTINE (Alberta): Thank you, Rich. Rich has really been great to work with as we've moved down the road of trying to achieve a maturity to the performance measurement question in an area outside the private sector. The amount of time that he has taken to work on it is demonstrated by the quality of his remarks today. It's not an easy task, and I for one have recognized that. I've said often that we as an office will not criticize those who measure and fail, but we'll criticize those who fail to measure. I think that's allowed a fair amount of experimentation to occur.

I use the example often of the development of the calculation of earnings per share in the private sector. When it first became a matter for discussion in what is now the CICA handbook, it was a fairly simple calculation, which was open to a certain amount of abuse. Over the years that measure, if you like, matured, and we now have an almost finite methodology for making that determination, one which can't be abused and one which produces a figure that's of some use to those who want to measure an entity.

With that, let me open it up to questions.

MR. SANTOS (Manitoba): With due respect, I'd like to refer to the office of the Auditor General in my questions. The Auditor General is constitutionally established as an independent office, but if the government of the day draws the Auditor General's participation in the development and initiation of its strategies and measurement formulation, how can later the Auditor General constructively criticize those things that he had participated in in the first place when they have been corrupted?

MR. VALENTINE (Alberta): Well, you may feel that way. I don't happen to feel that way. The participation that we've had has been one that's been advisory, critical in its nature, and I believe assisted in developing measures and methodologies. As we participated in those discussions, we could also start in on the development of methodology whereby we could audit the results of those measures. An example I could give you is a postsecondary educational institution in Calgary which is called the Southern Alberta Institute of Technology. Its annual financial statements reflect five key measures, and the information displayed relative to those key measures has been audited and is included in the audit report that covers the whole of the general purpose financial statements. We had a substantial amount to do with how those measures were developed, because if we didn't understand the information-gathering process, we wouldn't have been in a position to audit.

MR. DESAUTELS (Canada): My question to Rich would be: what forces might be at work to ensure that departments, ministries, choose the right measures and the most meaningful measures as opposed to, let's say, something that's easier to measure or also something that might give you a better chance of achieving good results? You don't want to, I suppose, influence departments or ministries in focusing on those parts of their mandate that are easiest to achieve, because their results would look a lot better. So what forces are at play in this system to prevent that kind of thing from happening?

MR. GOODKEY (Alberta): The issue of relevancy -- that is, is it a particularly good measure; does it purport to measure what it is that management says they're trying to achieve? -- is an issue that we are just beginning to address with ministries. To this

point we have accepted what they have given us as a measure. We've accepted their goals. We rely upon our review as a central agency and the standing policy committee review to help the ministry focus in on what it is that is the important part of their business and what it is that should be measured. One of the difficulties when you restrict a ministry to coming up with only six to eight key measures when in fact they may have 40, 50, or 60 is to pick the one or two that best represent progress in the goal area they're trying to achieve.

The question of lowballing targets is an issue that we have to deal with. To pick a target that is beyond your current reach can ensure failure. If we take the attitude, which we do, that not achieving a target is not a bad thing, what it does is it gives the ministry and the minister an opportunity to explain why it is they fell short and what it is they're doing to rectify that situation. So there's an attitudinal thing.

We have some ministries in the beginning who pick current performance as a target. That may not always be a bad thing, to just maintain the level we're at. For example, we have a target in the education system that says that kids who enter grade 9 will graduate within six years, and the target is 75 per cent. Performance for the last four or five years has been 69 or 70 per cent. Well, we're now at the stage where we have this kind of evidence, and we need to ask ourselves: is the target too high? Is 70 per cent actually quite an adequate performance? The only way we can do that is by benchmarking against other jurisdictions. Or is the problem that we are in fact performing poorly? Again, you don't have any reference point if you're just looking internally. So in this case we're not necessarily concerned that Education has picked too high a target. We have to do some research and analysis and apply some judgment as to whether that target is a reasonable one, but we think it is a relevant target for the goal they've set.

MR. VALENTINE (Alberta): John Williams.

MR. WILLIAMS (Canada): Thank you. Since we are at a conference for Public Accounts, I think it would be appropriate to maybe bring a reference to the Public Accounts into the openness that the Treasurer and yourself have talked about. You talked about the quarterly statements that are open for review and for public scrutiny and so on. I think the Public Accounts Committee primarily just meets while the Legislature is in session. Now, have you given any thought, as part of the openness and the communication and the analysis of these quarterly reports, to the Public Accounts Committee analyzing each of these quarterly reports on a timely basis after they've been presented so that you can get their input as well as the media's and the public's feedback?

MR. WHITE (Alberta): Perhaps I'm going to have to jump in there a little bit. Your bureaucrat here doesn't have the option of deciding where that comes, and it's not his judgment that all standing committees are government and government only committees either. He doesn't have that prerogative. So as nice as it is -- perhaps we could bring the minister back and question him, but Mr. Goodkey's not in a position to be able to answer that.

MR. WILLIAMS (Canada): We'll leave you to ask that question of the minister.

MR. WHITE (Alberta): Oh, I have.

MR. GOODKEY (Alberta): This response has nothing to do with the Public Accounts Committee, but in terms of the openness issue the Treasurer had mentioned that our business planning process involves our standing policy committees reviewing the ministry's business plan as part of the budget process. He didn't mention that prior to the SPC reviewing the business plan, they actually review the prior year's annual report. That annual report contains performance information, financial and program performance information, and perhaps to your amazement I will tell you that those reviews are conducted in public. Anybody may attend those meetings.

MR. PETERS (Ontario): Mr. Goodkey, a quick question and possibly a tough answer. In your business plans is there any provision or is there a practice internally under which only certain parts of the plans are made public and other parts stay within the bureaucracy and within their own accountability system? Or are the business plans entirely a public document?

MR. GOODKEY (Alberta): They're entirely a public document. There may be hopes and dreams and aspirations that don't make it into print, but in terms of the mission of the organization, the vision, their goals, their strategies of how they're going to achieve them, who they're going to work in partnership with and how, and how they're going to measure progress, that's all public.

MR. PETERS (Ontario): May I ask a supplementary?

MR. VALENTINE (Alberta): By all means.

MR. PETERS (Ontario): A supplementary then. Does that mean that all the measures and all the indicators that you use for a particular ministry's performance are actually included? Where do you cut off in terms of the detail? That would be the follow-up question.

MR. GOODKEY (Alberta): Good question. No, all the measures are not included in the report. What we encourage ministries to do is to recognize that different audiences have different information needs. We try to have them pick a family of measures that best represent what would constitute success or progress for that ministry at a fairly high level. We try to encourage them to identify six to 10; some identify up to 20. Once they've chosen those measures, we really encourage them not to change them from year to year. In fact, we critique them if they do unless they have a very good reason. Even when they do change them, they are required to report why they're changing them and what the former results would have been under the previous measure. We are trying to introduce that kind of rigour to the exercise.

There is another set of measures that a ministry will need for day-to-day operations. Many ministries have 40, 60, 80 kinds of measures, depending on the size of the organization. They do not publish those. When it comes time to produce the annual report, what it is we've actually accomplished, we are quite vigorous in requiring them to report on the measures that were contained in the business plan that's associated with that. That does cause problems if you recognize that the business plan is produced some two years in advance of the results being reported. Because we're in this new game, a lot of advancements are made both in terms of refining the ministry's goals as well as their measures. Quite often it happens that when it comes time to report on '96-97 results and they're working on '98-2001 business plans, they've come up with what they think is a much better measure and they'd like to report on that. We try to prevent them from doing that. We try to make them report against what it is they said they were going to do in the plan. We're working our way through that. As the system stabilizes, hopefully we'll get better at that exercise.

MR. DESAUTELS (Canada): If I may be allowed a second question, Rich. You said earlier that one of the factors that contributed to your success was ministerial ownership of the plans. Could you maybe explain again quickly therefore what the role of your particular department is in this overall process? To what extent is there central direction, or to what extent are people entirely on their own to develop these plans?

MR. GOODKEY (Alberta): The notion of ownership really has to do with the business plan and the identification of the business that you're in. What happened in the '92-93, '93-94 time period was that ministries were charged with examining the fundamental businesses they were in, given that they were only going to have 60 percent of the resources they currently had. This obviously necessitated some really deep soul-searching at the most senior level of the ministry with his colleagues. So the business plans were absolutely owned by the ministries, but as I said, during those two years where this was being sorted out, there was a great amount of chaos in trying to get it right. The part about measuring performance was really pushed to the side. It

was a matter of survival. For example, we've gone from a bureaucracy of 32,000, 34,000 to under 20,000 in three or four years. I mean, huge upsets taking place. Many, many issues to deal with, let alone how we were going to measure progress in our core business areas. So the measurement part came later.

Ministries were charged with coming up with how it is they thought they would measure success, but they really had no place to turn to for help. It's kind of ironic in that the expertise for measuring performance was there in many ministries and had been for a long time, but they didn't know how to tell their story very well. They didn't know how to get it out. So we approached them with the idea of: okay; so now you've established what business you're in. You've developed all your strategies of how you're going to get there. You've got a personnel plan and all that. What are you going to use as a measure to measure success?

Well, some of them had lots of ideas and some had none. So we as a central agency played a support role in helping them find different resources, places to look that they could use for examples, along with the Auditor General's shop to help them develop those different kinds of measures. What we pushed for from the beginning was that they would focus on outcome measures, not measures of activity. We had in the beginning some ministries who thought a good measure of their ministry performance would be how deeply they cut their budget and how many public servants they laid off. I equate it to running a marathon. Some ministries were at mile 20, some were at mile two, but most were at about mile six or seven. So we were a support function in that game.

MR. VALENTINE (Alberta): One more question. Jon Singleton.

MR. SINGLETON (Manitoba): Thank you, Peter. My question, Rich, just has to do with a reference you made. It sounded to me like it was a relatively new thing you were doing around accountable organizations in requiring them to submit business plans and annual reports. First, I'd like to understand what you mean by accountable organizations. Does that then form a part of pulling together the consolidated budget plan that's tabled annually?

MR. GOODKEY (Alberta): No fair. No fair. You've been talking to Peter about this.

MR. SINGLETON (Manitoba): No, I haven't.

MR. GOODKEY (Alberta): I think it's fair to say that this administration is trying to move the decision-making to the local level in a number of cases. We've established regional health authorities for example. But all of these school boards and health authorities in the province, anybody who receives the essence of their funding from

the province is required to submit a business plan to the ministry. Ministries are then charged with assessing the appropriateness of that business plan and monitoring progress. First of all, how well does that business plan align with the business plan goals of the ministry? Secondly, are they making progress? So it seems to me that one of the things that we have to develop as a government is a way to help these different authorities establish performance contracts, if you will, with the government for the funding they receive. In some cases we're quite a ways along, and in other cases we're not. It's clearly an area that's going to become more important rather than less if we continue to go in the direction that we are, and that is as one who is a standard setter as opposed to actually delivering the service ourselves.

MR. VALENTINE (Alberta): Well, again, on behalf of everyone at the conference I'd like to thank Rich for his erudite remarks in response to your questions. Thanks for coming along and joining us in this important part of our session today. As a small memento of your time here, we have this item for you, Rich. Thanks a lot.

I presume that coffee is outside in the foyer. The COLA people are getting together in the adjoining room following our coffee break.

Thank you, everybody.

[The meeting adjourned from 3:05 p.m. to 3:36 p.m.]

Session Eight

Council Business

[Mr. White in the chair]

MR. WHITE (Alberta): We're back in session, ladies and gentlemen. I have a small duty to perform first. Could Monica Holmes come front and centre here for a moment, please? There's a little tale that goes like this. Last evening Monica was out touring with the lads, borrowed a jacket to keep warm in this terrible weather we're having -- an Australian, as she is, can't stand this cold weather even inside -- and along about the time she went to go to bed, she noticed that her evening skivvies were not there. She lost them entirely and completely. Out of the goodness of their hearts some good eastern Canadians here came to her aid with the replacement part. This is hardly white and silky. Now, that's a Canadian keepsake. You come with silk and go away with wool. If can we be as successful in our transfer of knowledge as we have been in the transfer of our underwear, we'll be doing just fine.

Craig James, the executive director of CCPAC, our association here, is here to carry on some of the necessities to keep this organization going and in preparation for next year.

Craig.

MR. JAMES (British Columbia): Yes. I won't take too long. I'll be very brief. There are just several points I'd like to make, and there's one thing that the council should do, which is the election of the executive for the next year.

I just want to refresh members' minds on the format for this conference that's occurred in the past in case they wish to consider this for future conferences, starting with the Northwest Territories. We did have case studies. Jurisdictions would show up and present a case study, and there would be debate around that particular case study. That seemed to be fairly successful. We also went through several years in the joint session with the Auditors, a topic called the expectations gap, what public accounts committees expected of their auditors general and what the Auditors General expected of Members of the Legislative Assembly and also their public accounts committees. That proved to be fairly successful as well. I hope to be able to assist Doug to coordinate the agenda items for the next conference if he wishes, also a preliminary call for changes to the meeting format, and also topics that might be of some value to other jurisdictions at the next meeting. So enough said about that.

I did refer yesterday morning to some of the council's work being published in hard copy in the CCPAC handbook, which is updated annually. Also, on a regular basis on the Internet the handbook is updated and does list a number of other publications which the council has published over the years. I hope that all of you, when you get home, avail yourselves of the opportunity of checking out the home page. I would be delighted to hear from anyone about either improvements, additions, deletions, or corrections to anything that's on the home page, because of course the fact remains that it's only as good as the accuracy of the material that's in it.

I am proposing to do two things for the council over the course of the next year, and one is to prepare a draft brochure for the council. The brochure would be distributed to all of the clerks and members of the public accounts committees, hopefully before Christmas if not shortly afterwards, for you to consider as a vehicle for public information -- in other words, what are the aims and objectives, roles, and purposes of the council? -- with a view to the council at the next meeting, next year, either approving or disapproving of the brochure and then using it as a promotional tool as well.

In addition to that, I'm going to start work on a newsletter for the council, which initially I hope to publish in January and June of each year, with the first one coming out in January of next year. The newsletter will initially consist of issues that have been referred to public accounts committees, what they've been doing in that interim period and what they plan to be doing over the course of the next few months, reports that have been published, significant things that have occurred in the committee procedurally and administratively, and also changes to either membership, clerks to the committees, and also to chairs and deputy chairs that would be, I think, probably useful for council members. The newsletter will be distributed throughout the Commonwealth to let others know what public accounts committees are doing in the country, and I think that that probably would be quite useful.

Finally, what we do at the end of every annual conference is elect the officers for the next year. I've checked with the Auditors, and traditionally for a variety of reasons we follow where they're going to be holding their conferences. There would need to be the president, the first vice-president, and the second vice-president. The president is the chair of the jurisdiction that hosts the next conference. The first vice-president would host the conference the year after that, and the second vice-president would host the conference the year after that. I understand that the Auditors will be holding their conference in the Northwest Territories next year, in Quebec the following year, in Nova Scotia the year after that, and for information of members, the year after that it will be in Saskatchewan. So if somebody could move a motion that the chairs of those respective committees would form the executive for the forthcoming year, that just might seal it.

MR. ALDRIDGE (Saskatchewan): I'll move the motion.

MR. WHITE (Alberta): Moved by Saskatchewan.

MR. JAMES (British Columbia): Any debate at all? The motion is to effectively appoint as the executive for the CCPAC the chairs of the Northwest Territories, Quebec, and Nova Scotia as the president, the first vice-president, and the second vice-president for the council for next year. The reason is, of course, that those are the anticipated jurisdictions which would host the conferences.

If there is no further debate, I'll call for the question on the motion. All those in favour?

HON. MEMBERS: Aye.

MR. JAMES (British Columbia): Opposed? Carried.

MR. WHITE (Alberta): Just speaking to the agenda, we had some discussion earlier. I know that both Nova Scotia and Western Australia were interested in hearing at subsequent meetings perhaps an expanded reporting from the regions such that there would be a question-and-answer period either immediately following a presentation by one jurisdiction or another or breaking the jurisdiction reports up to being five at a time and then a discussion and then another five at a time and a discussion, such as that. Is that a direction? Do we have some others who would like to speak to that?

I know Max would.

MR. TRENORDEN (Western Australia): Well, I find it a little difficult because we're guests here. We're not a part of your conference in reality, but it's great to be here. I would suggest that the first session we had yesterday morning was useful, but I think it would be even more useful if the time section were cut down and committees just reported on their pet projects at the time, then the rest of it was submitted, as was suggested, in a written form so that we could go through, look at the resources of each committee, and have it put together in a set format put out by the council itself. Then members could look around and see who's got common interests.

The thing that interests me -- what I'll be trying to do in the Australian scene is assist the weaker public accounts committees within the council, trying to get to a position where we increase the ethos of what a public accounts committee is, and trying to help those who are poorly resourced or even sometimes pressed to get some breathing space within their parliaments. I think that's an important role for collective people like ourselves.

As I said in my address yesterday, I'm a devotee of public accounts committees, and I believe that we play more than an important role in Parliament. In fact, we're a very central part of any Parliament. But the Public Accounts Committee must know what it's about and why it's there and what it's going to try to achieve. If committees feel as if they're underresourced, I think we should be helping each other to try to get whatever we think we need.

MR. WHITE (Alberta): Others with a contribution?

MR. LUSH (Newfoundland): Mr. Chair, I think it's important that there be a venue whereby we can discuss what we're all about and what it is we're all doing. Whatever process that is, I certainly agree with. As difficult as it is to ask politicians to be precise and to be not too wordy, it's a tall order, but I agree with the gentleman's suggestion. Maybe, for example, we could have cut down the presentations yesterday morning and got into the kind of thing that I'm suggesting; namely, the kinds of things

that other PACs are doing, what we're all about, which would, I think, make us all the better for that kind of experience.

MR. WHITE (Alberta): Thanks, Tom.

Other contributions in the same or a similar vein? Well, seeing none, I think that it's generally agreed that we would do the best we can to have a much more rapid-fire exchange of information in a question-and-answer format.

Any other contributions for future meetings? Craig went through the case study and then the analysis of the relationship between an Auditor General's office and a PAC. That's always good to explore: how others view that.

Other contributions? Terrific. We've got it down pat for Yellowknife then. It'll make everybody's job much easier.

I think it was either Terry, Ian, or Max who wanted to deliver a little invitation to . . .

MR. TRENORDEN (Western Australia): Western Australia.

MR. WHITE (Alberta): Yes, to Western Australia's PAC meeting, generally.

MR. TRENORDEN (Western Australia): Yes.

MR. WHITE (Alberta): This is a paid political announcement? No, no, an advertisement. The tourism bureau's paying for the trip; is it?

MR. TRENORDEN (Western Australia): Mr. Chairman, we will be sending a written invitation to everyone in the Canadian conference to the Western Australia conference in '99. We haven't fixed the date yet. It's likely to be February or March. It will be in Western Australia obviously. It's fairly likely that it may be in some of our fantastic wine-growing country. We haven't exactly got down the location. We would very much like people to come not only for the fellowship. The fellowship here's been fantastic for the last couple of days, and I have learned a great deal, but I would like to think we could actually get at some of these hard questions. Many of the questions we've talked about in the last two days are about how we get some of the Parliament back from the executive. Even though many of us will fault the executive from time to time, we have to have some space in their parliaments for parliament, and that's one of the really difficult problems the public accounts committees struggle with within parliaments.

So we would hope that in '99 we'd be able to run a sharp outfit like you have. We will be sending you an invitation. It really isn't just to give you an opportunity to travel. I would hope that you can come down and contribute strongly to our organization and also come as individuals and allow us to get to know you.

MR. GLACHAN (New South Wales): Mr. Chairman, can I just say that I'm sure anyone who goes to Western Australia will really love it. It's a wonderful place. The people are very friendly and helpful and hospitable. It's a bit like Texas, you know. They think they've got the biggest and the best of everything, and sometimes they have. I have to admit that you will really enjoy it, but I must tell you that there won't be anyone from New South Wales there simply because at that time we'll be having our election and we will be otherwise engaged. If it weren't for that, we would certainly be there, and we'd be enjoying every minute of it.

MR. WHITE (Alberta): Thank you. It's been a pleasure hearing the different take on a lot of things, not the least of which is politics, but generally on catching fish and all manner of other things too. It's nice to have you here and exchange these views.

Now we have another area, talking about giant fish and the catching of fish and a different kind of politics . . .

MR. MacFADYEN (Prince Edward Island): Mr. Chairman, excuse me.

MR. WHITE (Alberta): Yes. Oh, you see? Talk about fish, and you get the east coast jumping in right like that, eh?

MR. MacFADYEN (Prince Edward Island): I'm not a fisherman.

I'd like to go back to the first item, where you asked for suggestions. Being a newly elected politician, I have many questions that I'd like to put forward. Learning the ropes and being a member on the Public Accounts Committee and in many organizations that I've been involved in, I've found that work groups are beneficial at settings such as this. Probably if we could identify issues that are important to each of our provinces in regard to the PACs, then maybe we could set up work groups where we could work on specific issues.

MR. WHITE (Alberta): That's very valid. Craig's always got his Internet address, telephone, and all of that available all the time for the clearinghouse of these ideas. Yes, certainly a work group makes it much easier, a smaller group, to get at the issue and identify it and bring it to the group. That's certainly a decent suggestion. I'm sure we'll take that under advisement. Thank you kindly for the contribution.

Now, Roy Erasmus, are you ready to dazzle the troops with the northern sun?

MR. ERASMUS (Northwest Territories): Thank you. I won't say too much. I know everybody is kind of anxious to get ready to leave, those who are leaving today, like I am. I guess the tentative dates for next year are August 16 to 18. One of the things that is being discussed is a no-tie policy so that people can relax a little bit. I wonder if we can get some kind of indication here how people feel about a no-tie policy for next year.

MR. WHITE (Alberta): That's not hard to convince anybody here.

MR. LEEFE (Nova Scotia): You could have a no-pajamas policy.

MR. WHITE (Alberta): Yeah, if we could do without pajamas, I suppose we can do without ties.

MR. ERASMUS (Northwest Territories): Okay. Thank you. We'll go on that assumption, then, unless there are some strenuous objections during the year.

The other thing, I guess: we still have some tourist information at the back there if people want to pick it up. We are already working on northern entertainment for the time that people will be spending up there. I'm sure that Doug and the rest of the crew will organize things really well, and we send an invitation to everybody to come next year.

Thank you.

MR. WHITE (Alberta): Terrific.

I have two small duties. I'm just looking to make sure that I haven't missed one or two, whatever the case.

I'd like to thank the translation crew that put up with the mikes that were turned off and the people that didn't speak into them and all that. Hopefully the translation came through and the translators understood some of the special language of our friends from Down Under and were able to get the translation put to them.

Another group that we should also thank is the *Hansard* people, the people who are recording this. In the mail within a month you should have a hard copy of that which transpired here. We'd like to thank them also.

Last but not least I'd like to thank those two who are on either side of me for putting the program together. I know it sounds like I did it, but don't direct your thanks to me. I just showed up and took instructions. These two really put it together: Craig James, trying to put together from afar his part of it, the agenda, from out in Victoria, and Corinne Dacyshyn, who is right here in the Legislature working nights and weekends to get her things in order.

MR. RUMBLE (New South Wales): Mr. Chairman, could I say a few words?

MR. WHITE (Alberta): Oh, certainly.

MR. RUMBLE (New South Wales): I'd like to thank the organizers here in Edmonton for inviting the two delegations from Australia, the colleagues from Western Australia and also us from New South Wales. We found it very informative. We picked up a lot of knowledge. We hope we gave you some of our information. Most of all, we're very appreciative of your hospitality here, and we all hope to be back next time. Thank you very much.

MR. WHITE (Alberta): All right. On that note, I congratulate you and thank all of you for coming to this. We apologize for the weather. It's going to be much, much, much nicer when we go to Yellowknife. And the fish are bigger.

Ladies and gentlemen, thank you for coming. It's closed.

[The meeting adjourned at 3:57 p.m.]
