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Official Report of Debates (Hansard)

Thursday 21 June 2001

Journal des débats (Hansard)

Jeudi 21 juin 2001

**Standing committee on
public accounts**

Committee business

**Comité permanent des
comptes publics**

Travaux du comité

Chair: John Gerretsen
Clerk: Tonia Grannum

Président : John Gerretsen
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 21 June 2001

Jeudi 21 juin 2001

The committee met at 1004 in committee room 1.

COMMITTEE BUSINESS

The Chair (Mr John Gerretsen): I'd like to call to order the meeting of the public accounts committee. The first item that we're dealing with is the motion by Ms Martel and the notice of motion by Mrs McLeod. However, before that, the auditor wanted to make a statement as well.

Mr Erik Peters: Thank you very much. I just wanted to relate to you two items that appeared in Hansard which are not quite as I had. There's a difference between my handout and Hansard with regard to the fact that my office received in 1991, and not, as Hansard states, in 1999, nine cents per \$1,000 of government revenues and expenditures, compared to six cents now, or a drop of about 33%. I would like to put that on the record, because that's from the notes that I handed out to you.

The other one was, the question was raised as to the number of value-for-money audits we were doing, and for some reason Hansard shows that the range was from 80 to 20, and the correct range is from 18 to 20.

We have advised Hansard, but they have suggested to us that they are somewhat limited in making changes so they would prefer that I put it on to a subsequent Hansard. So there are those two factual things picked up the wrong way.

The Chair: All right. Now, in dealing with the motion then, Mr Peters has some information that may be relevant at this stage.

Mr Peters: I was advised on Monday that the Board of Internal Economy has decided to reconsider my estimates and a meeting has been called for that purpose at 4:30 in the afternoon on June 25.

The Chair: June 25 being next Monday.

Mr Peters: It's a special meeting for the particular purpose of dealing with my estimates as well as those of one other officer of the Legislature. So I just wanted to alert you to that. Of course, I can't presage the outcome. We're somewhat optimistic, but I just wanted to let you know that that has occurred, and the Chair and Vice-Chair have been formally invited to attend that meeting.

The Chair: So in light of that, I wonder if both motions can be—I'm sorry?

Ms Shelley Martel (Nickel Belt): Are you going to ask me to withdraw?

The Chair: No, I'm not going to ask anybody to do anything. I was just going to suggest that maybe it be held in abeyance until our next meeting, depending upon what happens at the meeting on Monday. But I'm in your hands, Ms Martel.

Ms Martel: I'll tell you how I feel. I prefer not to do that, because I prefer that the committee be able to also send a message to the BOIE about our concern with respect to these two matters, that the committee had previous meetings, did agree that these two audits should go forward and that there obviously is, at least with respect to OPG and Bruce, a need for additional sums of money to complete that and probably some funds to complete the second CCO in a timely fashion. So my preference would be not to pull the motion at this time, despite the fact that the auditor is going forward, but to actually pass it so that it could be part and parcel of what he references at the meeting on Monday and also that you, Chair, if you are in attendance, could also reference it as well.

The Chair: It may strengthen the hand of the auditor. That's what you're suggesting.

Mrs Lyn McLeod (Thunder Bay-Atikokan): I feel the same way about at least a part of my motion, but I would be quite prepared to amend the motion so that it removes the second part. The second part of my motion was that the public accounts committee recommend that all special audits directed by the committee to be carried out be funded as supplemental to ongoing annual expectations of the provincial audit office.

The first part of my motion is much less specific and I think by passing that motion the committee would simply be supporting what the Board of Internal Economy has now agreed to do, and that is to review the auditor's budgets and address the inadequacies in comparison to other provinces. So I would like that kind of support to come from this committee to the Board of Internal Economy.

The Chair: I wonder if we could deal with the motions one at a time. So we'll deal with Ms Martel's motion first. Any comments at all?

Mr Bart Maves (Niagara Falls): One of the things that we had discussed last week, actually among ourselves, was that we were prepared to support a revised motion from Ms Martel and the first part of Mrs McLeod's motion. So I don't know if we want to combine them or if we want to keep them as two separate motions.

Ms Martel: Do you have a motion that's prepared that we can look at?

Mr Maves: Yes. If you just read from Ms Martel's motion, first and foremost. I won't move this yet. I'll just put the wording out there perhaps for discussion and then move it: "The public accounts committee recommends that the Provincial Auditor, after completing discussions with OPG and its auditors and determining that further work is necessary, return to the Board of Internal Economy to seek special, one-time funding," and then it continues as it is.

1010

The Chair: Is there any comment on that?

Mrs McLeod: That's a revision to Ms Martel's motion?

The Chair: It's a revision.

Mrs McLeod: But it doesn't incorporate both in one; that stands as a separate motion.

Mr Maves: No, we're dealing with that one first.

Mrs McLeod: Yes, that's fine.

The Chair: Let's deal with it one at a time.

Ms Martel: The auditor did have a preliminary meeting, as I understand, with OPG last week. Can you respond to the committee as to how that went, and did it make a determination in your mind about what your needs will be?

Mr Peters: It has been a first step. As a result of the discussion, a few things have become clear. OPG has appointed a liaison vice-president to deal with us. We have now identified about four vice-presidents we have to deal with. We have met with one of them, and we'll have to meet with the remainder.

I've also had further discussion with the senior partner in charge of the OPG audit. As I had indicated in the last session, I had already discussed the matter all along with a senior partner of Ernst and Young and this week confirmed what they had told us in the beginning, that they had looked at the Bruce lease arrangement only to the extent that it was necessary for their determination of the fairness of the accounts of OPG for the year ended December 31. As you know, at that time the lease arrangement was not yet fully in place.

But we have communicated all along. We have received indications of full support. But it also becomes quite apparent that we will need specialist assistance in many of the areas that this touches upon, for example, the valuation of the Bruce plant itself as part of the OPG nuclear fleet, future pricing assumptions that were made. To give you some indication, for example, the Bruce lease has 52 sub-agreements dealing with variables in the whole leasing arrangement. It is a very complex situation.

But to conclude, after the meeting, I would say that the committee doesn't lose anything by saying that, because that is a logical step of my process anyway, to discuss these matters with OPG and with its auditors.

Ms Martel: My question would be in terms of the wording. Clearly, you're going to need specialist assistance. That was clear to you after the meeting. What I'm

not clear about, though—this is a question to Mr Maves. Are you looking for some kind of sum, for the auditor to return to the committee with a particular amount of money, before the request is made or is it enough that he, after the meeting on Thursday, knows he's going to need additional assistance?

Mr Maves: The discussion last week—

The Chair: I'm sorry. We're on Hansard right now, Mr Maves. We all need coffee from time to time, but it would be better to sit—

Mr Maves: The discussion from last week, and previous to that when we were reviewing the Hansard, was that the Provincial Auditor's office would have discussions with OPG first because they didn't want to do something that was redundant. The auditor has said he's met with Ernst and Young, but he had said last week—I think that's who the auditors are, Ernst and Young?

Mr Peters: Yes.

Mr Maves: But that he was initiating his meetings with OPG. He would always determine when he did his audit whether or not he needed more resources after finding out what was available to him through his meetings with OPG and Ernst and Young. That's logical and rational to us. We just wanted that process to bear itself out and let the auditor make his own determination following that, not having to come back to us. That's why we said in here after the auditor "determines that further work is necessary," that's when he returns.

Mr Peters: To the Board of Internal Economy.

Mr Maves: Right.

Mr Peters: Mr Maves, I just wanted to make sure it's clearly understood. I met with two senior vice-presidents of OPG and I've had numerous telephone conversations with a senior partner of Ernst and Young. I just want to put that on the record. You indicated that there were meetings with Ernst and Young, and they haven't taken place yet.

A footnote, if I may. Also in that meeting it becomes very clear that there will be work required, largely because the indications are very clear that there is one aspect of the deal which deals with the hard numbers, but I was advised there are also quite a number of so-called soft considerations. They will certainly need exploring, and they will need specialist assistance.

The Chair: Is there any further discussion on that portion of the motion?

Ms Martel: Can we have it reread?

The Chair: No. There has been no amendment moved. We're just trying to submit the wording on it. Would somebody like to move the amendment to the motion? Is that what you're prepared to do?

Mr Maves: Sure. I don't know if we want to combine the two. Can we have a quick discussion about Mrs McLeod's?

The Chair: OK.

Ms Martel: Sorry, Bart. Before you do that, can you just give me the wording, the first set of words, before we move to Lyn's?

Mr Maves: “The public accounts committee recommends that the Provincial Auditor, after completing discussions with OPG and its auditors and determines that further work is necessary, return to the Board of Internal Economy to seek special one-time funding ...” and then it continues.

The Chair: And the balance of your resolution. That’s been moved now as an amendment.

Ms Martel: I just want to be clear that it doesn’t preclude the auditor from dealing with this on Monday.

The Chair: No.

Ms Martel: He’s going to raise the issue of OPG on Monday?

The Chair: Absolutely. The way I understand it, the initial discussions that have been set out in the amendment have in effect already been taking place. Am I not right in that, Mr Peters?

Mr Peters: The initial discussions have taken place, yes.

Ms Martel: OK.

The Chair: But one of the purposes of the meeting on Monday is not only to deal with the entire budget, but also this specific item, I can assure you of that.

If that’s sorted out, how about Ms McLeod’s motion?

Mr Maves: Can I ask one question, though?

The Chair: Sure.

Mr Maves: On Ms Martel’s motion, there was an addition “as per section 23 of the Audit Act.” Are we retaining that?

The Chair: What does section 23 of the Audit Act say?

Ms Martel: It’s a provision to allow the auditor to go and ask for special one-time funding. So at the point where we were last week—

Mr Maves: So it highlights that that provision is in his act?

Ms Martel: Yes.

The Chair: It would be one-time funding as per the provisions of section 23 of the act. What would you call that?

Mr Peters: We are making a—

The Chair: Yes, a clarification.

Mr Peters: I’m a little bit concerned about this particular aspect because I cannot charge my own staff time to section 23. Section 23, by its wording, limits me so that I can only charge to the consolidated revenue fund those specialist assistants which are required. The point I made to the committee was that because of the significant underfunding of my office, I will also have to pull my regular staff out of other work they should be doing. So that part I find a little bit constraining. I would prefer a combination of section 23 and other resources, and this is the point I made last year. Because of the significant underfunding, I’m really in trouble on this one.

Interjection: Why don’t you just drop that one?

Ms Martel: I’ll just drop it altogether, if that’s helpful.

Mr Peters: That would be helpful.

The Chair: What’s being dropped is the reference to section 23.

Ms McLeod’s portion of the motion or suggested portion of the motion.

Mrs McLeod: I’m not sure about combining them, because if I were to take out the section on special audits from my motion and leave it simply as a general recommendation to review the auditor’s budgets, then I think both are stand-alone motions, and I would be quite happy to remove the specific reference to “special audits” from my motion.

The Chair: So we will simply deal with Ms Martel’s motion at this time and then your motion next, OK?

Mr Maves: OK.

The Chair: Is there any further discussion on the amendment to Ms Martel’s motion? No.

All those in favour of the amendment? Opposed? Carried unanimously.

On Ms Martel’s motion, as amended. Any further discussion?

All in favour? Opposed? Carried unanimously.

Ms McLeod, it’s your motion that’s next.

1020

Mrs McLeod: My proposal, if you have the motion before you, is that it would read, “I move that the public accounts committee, on behalf of the Legislative Assembly, request that the Board of Internal Economy further review the budget requests of the Provincial Auditor and address the inadequacies in the funding of the Ontario audit office in relationship to the comparable audit office budgets in other provinces.” I would then delete the further motion that would look at special audits.

The Chair: Just for the record, you’re moving what you’ve just stated as a motion?

Mrs McLeod: Yes, without the balance of the “I further move....”

The Chair: That’s correct.

Mrs McLeod: My reason for doing that is twofold. First of all, I believe Ms Martel’s motion speaks to one specific special audit, and that’s the audit which the auditor has made very clear he has to have additional funding for in order to complete the audit on power generation.

My concern has been with the motion to do a special audit on the private cancer clinic. But my understanding of the discussion we had last week was that if his overall office budget funding is adjusted it would be possible for the auditor to carry out that cancer clinic audit because it is financially less onerous. If the Board of Internal Economy addresses the overall budget issues, we would not need a special allocation to do the private cancer clinic audit. Can I just confirm that that is a correct understanding?

Mr Peters: That is fair enough, with one proviso: that we also indicate in the letter to the committee that we may have to report a little later than originally anticipated. The report may be coming out toward the end of the calendar year as opposed to September.

Mrs McLeod: Even if there's a budget adjustment?

Mr Peters: Even if there's a budget adjustment. As you know, it would be coming only later in the year, this being June. Then we couldn't undertake any steps to increase our resources until we had the budget to do so, so we will have to move in on it. But I can give you the assurance that we will move as quickly as we can on it. I would say that probably the end of calendar year would be a definite very outside date. We'd try to do it sooner.

Mrs McLeod: I appreciate the fact it would be done. My concern is that the contract for the private cancer clinic has a one-year termination date, subject to review and renewal at the end of that year. So I would hope the value-for-money audit the committee has asked you to do would at least be input to any review that might be done in terms of the extension of that contract for another year. I think that would be absolutely essential input.

Mr Peters: That will be an undertaking of ours. We would conform to that.

Mrs McLeod: Thank you very much.

The Chair: Is there any discussion on this?

Mr Maves: In our discussions on this motion, we are prepared to support the first paragraph of the motion. We would prefer deleting—

The Chair: That's the only paragraph, right?

Mr Maves: Right. I appreciate that change to the motion, and we're supportive of that. In the paragraph that's remaining, we would prefer to delete the words "and address the inadequacies," simply because we're not prepared to make that particular conclusion at this point in time, but we're happy to support the auditor's desire to go back to the Board of Internal Economy to request this.

The Chair: I stand corrected. What you're referring to is the second part of the actual motion that has been moved.

Mr Richard Patten (Ottawa Centre): Use a short form. How's that?

Mr Maves: No.

The Chair: Any comments?

Mrs McLeod: I think I would have to move that as an amendment. I would want the motion to stand as is, because I think it's a fair reflection of what the auditor has presented to this committee, which shows the budget for our audit office is so far below the next comparable province that that is an important piece of information for the Board of Internal Economy to consider. I think if we're serious about addressing the issues the auditor has raised in this forum, we should be prepared to acknowledge the fact that the budgets for our audit office are in no way comparable to the budgets for any other audit office in the country of Canada. So I would like the motion to stand as is.

Mr Maves: We would like to propose an amendment to the motion, so that it would read as follows:

"I move that the public accounts committee, on behalf of the Legislative Assembly, request that the Board of Internal Economy further review the budget requests of the Provincial Auditor in the funding of the Ontario audit office."

Mrs McLeod: I think at the end of that amendment you would have to actually say that you removed the—

Mr Maves: Which therefore amends it by removing the words, "and address the inadequacies" and everything from "in relationship to" onward.

The Chair: The other way to do it is to split the motion into two parts, the first part dealing with the funding and the second part dealing with addressing the inadequacies. Comments?

Mrs McLeod: Either way, it carries the same force. The amendment, as Mr Maves has worded it, which I won't support, is a valid amendment and it makes quite clear that what they're doing is removing the reference to the inadequacies.

Mr Maves: And the other part at the bottom is a concern. I don't think we should be recommending to the Board of Internal Economy that they simply look at this in relation to comparable audit office budgets. They're going to look at that as part of reviewing his budget, but that won't be the only thing they'll want to look at when reviewing his budget. We don't want it to be the only thing that the Board of Internal Economy should consider when reviewing his budget.

The Chair: OK. Any further discussion on the amendment?

Ms Martel: I apologize. Can you give it to me again?

The Chair: I'm sorry?

Mr Rosario Marchese (Trinity-Spadina): His amendment.

Ms Martel: It removed "and address the inadequacies"?

The Chair: His amendment is to leave the first part of the motion and then after the words "Provincial Auditor," say "in the funding of the Ontario audit office," and delete the words "address the inadequacies."

Ms Martel: Clearly, I appreciate the concern from the government side on this. But by the same token, I think anyone looking at the information the auditor gave us last week with respect to the funding of his office in relation to other offices, particularly in light of the government budget that has to be audited, could have no other choice but to have the impression that we in fact are inadequately funded. I think the numbers bear that out.

I know politically you want to drop it, and I understand the reason for that, but I don't think we can look at it in any other way. Given the amount of money that he has to audit and the demands on him and his staff to audit and budget in relation to every other jurisdiction, clearly it is inadequate; it's insufficient to do the job. The sheer drop in the number of audits that he's been able to do gives us another reason to clearly say the budget is inadequate.

The Chair: Any other comments?

Mr Marchese: I clearly see that the motion from the Liberals speaks of addressing "the inadequacies in the funding of the Ontario audit office" and the auditor's speaks of "As a servant of the Legislative Assembly and the public accounts committee, I consider the inadequate funding ...". I'm just going to propose that perhaps we

use his wording. Would that make Mr Maves feel better if we said “address the inadequate funding”?

Mr Maves: No.

Mr Marchese: It wouldn't. I see. I thought perhaps the wording was what disturbed you. I think we should just let the words of the auditor speak for themselves. Bart, I'm not sure you necessarily want to try to hide that. It doesn't speak well of politicians when we do that. You should go forward in that way, you should address it, because it's a clear problem in terms of inadequate funding. If you deal with it on Monday, then it gets dealt with, and if it doesn't, then we have another problem that we will all articulate in different forums

I support the motion as it is, and I will ask for a recorded vote on this if Bart Maves doesn't support the amendment as put forth by the Liberal member.

1030

The Chair: Any further comments? Ms McLeod, you had your hand up?

Mrs McLeod: Yes. I would not have been happy with that particular amendment to my motion because I think the substantive issue here is that by any objective comparison of what audit offices are expected to do, our audit office is underfunded. The best way of making that case is the one the auditor has made, which is to show us factually how the other audit offices are funded. I'm sure the Board of Internal Economy will take other facts into consideration.

I could add it to the motion if it would actually lead to the motion being passed, but I'm sure they would want to take into consideration the fact that the audit office has already saved us some \$500 million, or would have been able to if all of the recommendations had been acted on. The \$500 million that the audit function has saved for government more than offsets any increase to address inadequacies in comparison to other provincial budgets. That's certainly a factor the Board of Internal Economy will take into consideration. I'm sure there are others. I wasn't attempting to be exhaustive, but I do think the central fact is our audit office is underfunded in comparison to every other province. In dealing with the auditor's concerns, I would like that to be presented by this committee to the Board of Internal Economy.

The Chair: Anything further? If not, I'm going to call for the vote. A recorded vote's been requested on the amendment.

Ayes

Dunlop, Hastings, Maves, Spina.

Nays

Marchese, McLeod, Patten.

The Chair: The amendment is carried.

I'm going to call for the vote on the motion, as amended. All in favour? Opposed? That's carried unanimously.

Mr Peters: May I make a comment?

The Chair: Sure, you may make a comment.

Mr Peters: I will have to deal with this issue. I have had permission from the Auditor General of Canada to state that the Auditor General of Canada has just received an increase in his estimates by 15%, which is exactly 100% of my estimates. That has just been approved by the federal government. I just thought you might want to know.

The Chair: Any factual ammunition that can be used should be used.

I guess that's all in open session for now. The only thing we may want to discuss—and perhaps by way of subcommittee; we can arrange for a subcommittee meeting before next Thursday—is to see whether or not we want to hold any meetings in the summer to finish off writing the four outstanding reports that are still due. One of them deals with young offenders, the second deals with emergency health, the third deals with Polaris and the fourth deals with the forestation situation. Anyway, what I propose to do is call a subcommittee meeting between now and next Thursday so we can make a decision at that point in time.

Thank you very much. The open session is adjourned.

The committee continued in closed session at 1034.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Mr Joseph Spina (Brampton Centre / -Centre PC)

Also taking part / Autres participants et participantes

Mr Dave Levac (Brant L)
Mr Erik Peters, Provincial Auditor

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