
CHAPTER SEVEN

The Standing Committee on Public Accounts

7.00

APPOINTMENT AND COMPOSITION OF THE COMMITTEE

The Standing Orders of the Legislature provide for the appointment of an all-party Standing Committee on Public Accounts for each session of the Legislature.

The membership of the Committee is approximately proportional to the respective party membership in the Legislature. All members are entitled to vote on motions with the exception of the Chair, whose vote is restricted to the breaking of a tie.

In accordance with the Standing Orders, a Standing Committee on Public Accounts was appointed on October 17, 1995, soon after the commencement of the First Session of the Thirty-sixth Parliament. The membership of the Committee at June 26, 1997 when the House adjourned for the summer recess was as follows:

Bernard Grandmaître, Chair, Liberal
Richard Patten, Vice-Chair, Liberal
Gary Fox, Progressive Conservative
Bill Grimmett, Progressive Conservative
Helen Johns, Progressive Conservative
Jean-Marc Lalonde, Liberal
Shelley Martel, New Democrat
Bill Murdoch, Progressive Conservative
Gilles Pouliot, New Democrat
Peter Preston, Progressive Conservative
Sandra Pupatello, Liberal
Derwyn Shea, Progressive Conservative
Toni Skarica, Progressive Conservative
Joseph Tascona, Progressive Conservative

ROLE OF THE COMMITTEE

The Committee examines, assesses and reports to the Legislature on a number of issues, including the economy and efficiency of government operations; the effectiveness of programs in achieving their objectives; controls over assets, expenditures and the assessment and collection of revenues; and the reliability and appropriateness of information in the *Public Accounts*.

In fulfilling this role, the Committee reviews and reports to the Legislature its observations, opinions and recommendations on selected matters in the *Annual Report* of the Provincial Auditor and the *Public Accounts*. These documents are deemed to have been referred to the Committee as they become available.

PROVINCIAL AUDITOR'S ROLE IN THE PROCESS

The Provincial Auditor assists the Committee by providing appropriate audit information for use by the Committee in its scrutiny of government programs and financial activities.

Additionally, the Provincial Auditor and senior staff attend committee meetings during the review of the *Annual Report* of the Provincial Auditor and the *Public Accounts*, and in order to assist the Committee in planning its agenda.

COMMITTEE PROCEDURES AND OPERATIONS

GENERAL

The Committee meets on Thursday mornings when the Legislature is sitting. At times, the Committee also meets during the summer and winter when the Legislature is not sitting. All meetings are open to the public with the exception of those dealing with the setting of the Committee's agenda and the preparation of committee reports.

At meetings dealing with ministry operations, the deputy minister, usually accompanied by senior ministry officials, answers questions raised by committee members. Since the Committee is concerned with administrative rather than policy matters, ministers rarely attend. When the Committee is reviewing Crown agencies, the chief executive officer, usually accompanied by senior agency staff and, at times, the chair of the board, attend the meetings.

MEETINGS HELD

From October 1996 to September 1997, the Committee met regularly on its designated meeting day when the Legislature was sitting. The Committee's work during this period included:

- reviewing the following subjects from the Provincial Auditor's *1996 Annual Report*:
 - Ministry of Community and Social Services — Provincial Allowances and Benefits and Supportive Services Programs;
 - Ontario Transportation Capital Corporation — Highway 407 Central Project;
 - Ministry of Education and Training — Colleges of Applied Arts and Technology and Ontario Training and Adjustment Board;
 - Ministry of Environment and Energy — Environmental Sciences and Standards Division;
 - Ministry of Health — Drug Benefits Program, Assistive Device Services Activity, Alternate Payment Program, Independent Health Facilities, and Whitby Mental Health Centre;
 - Ministry of Labour— Occupational Health and Safety Program; and
 - Ontario Realty Corporation — Property Management Division.

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- preparing reports on the Committee's reviews to the Legislature.

REQUESTS FOR SPECIAL AUDITS

During the October 1996 to September 1997 period, the Committee passed the following motions under section 17 of the *Audit Act*:

- On January 30, 1997

That the Standing Committee on Public Accounts request that the Ministry of Community and Social Services develop the cost comparison between institutionalized individuals (Schedule Ones) and these same type of people based in community agencies within four months, as of this Committee's meeting (today), and that these cost comparisons be audited by the Provincial Auditor under section 17 of the Audit Act.

On May 28, 1997, the Ministry submitted to the Office of the Provincial Auditor a report on the comparative costs of facility- and community-based care for individuals transferred as a result of the two most recent closures of Schedule 1 facilities.

The Office of the Provincial Auditor is currently auditing the methodology and supporting records for the report prepared by the Ministry and expects to report to the Committee in the fall of 1997.

- On April 24, 1997

That the Provincial Auditor provide the Committee with some comment on the quality of the new service arrangement of having the internal audit of the Ministry of Labour being provided by the Ministry of Finance's Internal Audit Branch.

The Office of the Provincial Auditor has commenced a review of the new arrangement for the provision of internal audit services to the Ministry of Labour. At the conclusion of our review, a report will be made to the Standing Committee on Public Accounts.

COMMITTEE PROCEDURES

The Committee conducts hearings and then reports its comments and recommendations to the Legislature. Committee procedures include the following:

- in-depth briefings and preparation;
- site visits to discuss concerns and obtain first-hand knowledge of everyday working conditions in the field;
- when practical, the inclusion of ministry responses in committee reports; and
- follow-up of committee recommendations.

The Committee also follows up in writing with those ministries and Crown agencies not selected for detailed review by the Committee regarding their plans and timetable to address the concerns raised in the Provincial Auditor's *Annual Report*. This process enables the auditee to update the Committee on activities since the completion of the audit, such as any initiatives taken to address the Provincial Auditor's recommendations.

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REPORTS OF THE COMMITTEE

GENERAL

The Committee issues its reports to the Legislature. These reports contain a précis of the information reviewed by the Committee during its meetings, together with comments and recommendations.

All Committee reports are available through the Clerk of the Committee, thus affording public access to full details of committee deliberations.

A report to the Legislature covering the Committee's 1996/97 activities has been prepared.

FOLLOW-UP OF RECOMMENDATIONS MADE BY THE COMMITTEE

The Clerk of the Committee is responsible for following up on the actions taken by ministries or agencies on the Committee's recommendations. The Office of the Provincial Auditor confers with the Clerk to ascertain the status of the recommendations and, if considered necessary, would bring any significant matters to the attention of the Legislature in the Provincial Auditor's *Annual Report*.

STATUS OF COMMITTEE RECOMMENDATION RESPECTING AMENDMENTS TO THE AUDIT ACT

Recent Standing Committees on Public Accounts have expressed their support for the Provincial Auditor's views and concerns respecting the current limitations of the scope of inspection audits of certain grant recipients under the *Audit Act*. These grant recipients receive about \$28 billion from the province each year, which is about 50% of the province's annual spending.

Under the current *Audit Act*, the Provincial Auditor may carry out only financial and compliance audits of grant recipients to determine whether the grants were used for the intended purposes. In early 1996 the Committee held public hearings on proposed amendments to the *Audit Act* and invited the deputy ministers of the main transfer payment ministries and representatives of the major transfer payment partners and other interested organizations to meet and discuss the proposed changes. The primary objective of the proposed amendments is to provide the Provincial Auditor with the discretionary authority to perform value for money audits of organizations, such as community colleges, universities, hospitals, municipalities and school boards, which receive grants from the Province of Ontario or from an agency of the Crown. Other amendments, mainly of an administrative nature, have also been proposed.

At the conclusion of the public hearings process, the Provincial Auditor on June 13, 1996 submitted to the Committee specific draft proposals for amending the *Audit Act*. After discussion of the proposed amendments, the Committee unanimously adopted the following motion:

That the proposed amendments be provided to the Minister of Finance and that the Committee requests a response and action plan from the Minister of Finance by the Committee's first meeting following the Summer recess [September 26, 1996].

In a letter to the Committee Chair dated September 26, 1996, the Minister of Finance responded in part as follows:

The draft bill to amend the Audit Act as developed by the Provincial Auditor, in consultation with the Office of the Legislative Counsel, represents a significant step towards the fundamental reform of the public sector accountability system and I agree with the principles upon which it is based.

I concur with the proposed amendments dealing with the administrative changes to modernize the Act and to have the Auditor express an opinion as to whether the province's financial statements are presented fairly in accordance with the accounting principles which the Canadian Institute of Chartered Accountants has recommended for governments. This requirement is consistent with the direction taken by the government in response to the recommendations of the Ontario Financial Review Commission.

With respect to the amendments affecting the auditing of transfer payment recipients, it should be noted that a number of initiatives are underway, including the Who Does What discussions, which may result in a significant restructuring of the nature and magnitude of the Province's transfer payment arrangements. It may be more appropriate to assess needed changes to the auditing of transfer payments following this restructuring.

The Provincial Auditor met with the Minister of Finance on October 2, 1996 to discuss this subject and the timeframe for introducing a Bill to amend the *Audit Act*, given the possible restructuring in the transfer payment area as a result of the "Who Does What" discussions. In this regard, it was the Minister's preference to await the outcome of the transfer payment restructuring exercise, likely to be substantially completed by the fall of 1997, before considering possible amendments to the *Audit Act*.

RELATED MATTERS: INTRODUCTION OF PRIVATE MEMBERS' BILLS TO AMEND THE *AUDIT ACT*

- On June 12, 1996, Mr. Bernard Grandmaître, MPP for Ottawa East, introduced Bill 74 entitled *An Act to amend the Audit Act*.

The purpose of the Bill is to allow the Provincial Auditor to present the Speaker of the Legislature with up to three reports a year, in addition to the Auditor's *Annual Report*. The Provincial Auditor would retain the power to submit special reports to the Speaker whenever the Auditor believes that a matter is urgent.

On March 6, 1997, Bill 74 passed Second Reading and was referred to the Standing Committee on Public Accounts for its consideration.

- On November 5, 1996, Mr. Bart Maves, MPP for Niagara Falls, introduced Bill 89 entitled *An Act to amend the Audit Act to improve the accountability of hospitals, school boards, universities and colleges, municipalities and other organizations, which receive payments from the government*.

The purpose of the Bill is to permit the Provincial Auditor to conduct value for money audits of organizations, corporations, associations, foundations, institutions and other bodies that receive transfer payments, directly or indirectly, from the Consolidated Revenue Fund or government agencies.

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On November 21, 1996, Bill 89 passed Second Reading and was referred to the Standing Committee on General Government for further review.

As at the publication deadline for this Report, the above Bills had not yet been considered by the referenced committees.

OTHER COMMITTEE ACTIVITIES

CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES (CCPAC)

The Council consists of delegates of federal, provincial and territorial public accounts committees from across Canada. The Council meets at the same time and place as the annual Conference of Legislative Auditors (COLA) to discuss issues of current interest. The eighteenth annual meeting of the Council was held in Edmonton, Alberta from September 14 to 16, 1997. The annual CCPAC and COLA meetings also permit the delegations to participate in a joint session to discuss subjects of mutual interest to politicians and legislative auditors. The 1997 joint session with COLA was on the subject of *Improving the Management and Control of Public Resources*.

The Vice-Chair and the Clerk of the Ontario Public Accounts Committee represented the province at this year's meeting.