

Interview

The Public Accounts in British Columbia

The Select Standing Committee on Public Accounts is formed each session with relatively the same terms of reference: to examine into issues raised by the Auditor General for the Province of British Columbia; to review the Public Accounts for the Province as prepared by the Comptroller General; and to review the records retention and disposal schedules of the provincial government approved by the Public Documents Committee. In this interview the Chairman of the Public Accounts Committee, Darlene Marzari, MLA; Robert Hayward, formerly Acting Auditor General; and Brian Marson, Comptroller General, discuss their respective roles with the Executive Secretary of the Canadian Committee on Public Accounts, Craig James.

Could each of you explain who you are and what you do in your respective capacities and what provincial statutes guide you in your work?

Robert Hayward: I am the Acting Auditor General of the Province of British Columbia. My role as Auditor General is determined by the *Auditor General Act* which was originally passed in 1976. That Act established the Auditor General as a Officer of the Legislative Assembly and provides that he undertake certain duties. One of the principal duties is to examine the financial statements of the government each year and express an opinion on them. In addition, the *Auditor General Act* calls for the Auditor General to issue an annual report to the Legislative Assembly which contains anything that would be of interest to the Assembly including matters to do with systems of internal control and compliance with legislation.

The Auditor General examines the economy and efficiency of the management of government. This particular aspect of the statute was rather unique at the time, only five jurisdictions in Canada are able to conduct this type of work. The Auditor General is also eligible to be appointed auditor of any public

body in the Province of British Columbia. I am the auditor of some thirty public bodies. Other provincial statutes influence our work, particularly the *Financial Administration Act*. It is one of the principal Acts we use as guidance throughout our work in examining whether the government has complied with the provisions of that Act. We also refer to a variety of provincial statutes that deal with subjects that we may be examining at any particular time.

Brian Marson: I am the Comptroller General for the Province, a position I have held since 1982. The Comptroller General is the chief accounting officer for the government. The position is established in statute under section 6 and 7 of the *Financial Administration Act*. This Act was brought into force in 1981 by the legislature and it replaced two very old Acts – the *Financial Control Act* and the *Audit Act* which went back to the late 1800's. We have had a Comptroller General in British Columbia since 1917. The Comptroller General is an officer of the Government with authority to maintain proper financial controls within the ministries. He has certain operational responsibilities which are important in this jurisdiction

such as administering a payroll of 1.32 billion dollars per year and the payment of thirty-five thousand people every two weeks. He is also the paymaster for government in the sense that all government payments are issued under his authority. All the payments authorized by the legislature are paid by the Comptroller General to schools, hospitals, universities, all income support payments, and all payments to government suppliers.

There is a substantial operational role as well as an accounting and control role. The Comptroller General, through the *Financial Administration Act* is given the responsibility to ensure that proper controls exist throughout the ministries or government over not only expenditures but also the revenues of government as well as the assets and liabilities. This is a functional role. He keeps the financial records of government and those records eventually become the financial statements of the government at the end of the year, something that is of particular interest to the Public Accounts Committee. He also establishes policies and procedures on how civil servants ought to conduct themselves within the financial affairs of government.

There is an internal audit capacity which allows him to assess how well those policies are being adhered to. The Comptroller General can examine the accounts of a crown corporation and report back to Treasury Board.

Darlene Marzari: I am an Opposition member in the Legislative Assembly and Chairman of the Select Standing Committee on Public Accounts. The committee is comprised of twelve individuals. This particular committee has eight government members and four opposition



Darlene Marzari

members. The Public Accounts Committee receives its authority from the House.

What role does the Auditor-General play in the process.

Robert Hayward: The Auditor General is traditionally invited to appear before the Public Accounts Committee after his Report is received by the Committee and to assist it in its deliberations. The objective of his appearance is to explain matters that are in the Report. The Auditor General looks to the Committee for support in his efforts.

Brian Marson: The Auditor General is an Officer of the Legislature. The Comptroller General is an Officer of the Government. I prepare the financial statements which the Auditor General examines and gives an opinion upon as to whether they fairly represent the financial affairs of the government for that fiscal period. The Comptroller General is responsible for ensuring good financial controls throughout government, although that

responsibility is shared with ministries now under the *Financial Administration Act*.

The Auditor General is basically providing a report card back to the Legislature on how well we managed the funds that have been provided to the government. The role of the Comptroller General in the Public Accounts Committee is primarily two-fold: first of all, to explain to the Committee the financial statements that have been prepared and referred to the Committee, that is, the Public Accounts. And secondly, to respond to the recommendations of the Auditor General in the Auditor General's Report. The Comptroller General also acts as a coordinator for the Committee to bring those witnesses from ministries who are the appropriate people to answer questions in areas of the Auditor General's Report that touch specifically on ministry responsibility rather than the Comptroller General's specific responsibility.

We have a tradition in this Province of the Public Accounts Committee asking for and examining original documents. If a Member of the Committee wishes to examine an original document he will ask through the Chairman for a printout of the document – a printout of a series of transactions. The Committee may ask for that document to be brought to the Committee or otherwise examined by Members of the Committee.

Darlene Marzari: The Public Accounts Committee is basically responsible for receiving the Auditor General's Report and reviewing it, questioning it and presenting a Report to the Legislature. The Public Accounts Committee by tradition and by its Terms of Reference established by the House reviews the Public

Accounts, calls witnesses, initiates investigations, produces a report for the House and makes recommendations about the Public Accounts and the Auditor General's review of the Public Accounts. The Public Accounts Committee, in my mind, is a partner in the system of checks and balances which is provided by internal audit, by external audit and by the functioning of the Auditor General and the Comptroller General.

What similarities do you see between chairing this Committee and being chairman on any other board or commission or agency that you may have chaired in the past?

Darlene Marzari: Most committees are task oriented in nature and are there to solve a particular problem and to fill a particular need. This Committee I view as a partner in the checks and balances of the Legislature itself so it is particularly incumbent upon this Committee to act responsibly and to produce a responsible, legible, coherent picture of the status of both the Comptroller General's Public Accounts Documents and the Auditor General's Report.

There are restrictions upon the Committee's ability to function in British Columbia such as not having a non-partisan research base and not having a capacity to meet when the House itself is not sitting. Consequently, the Committee's ability to conduct effective investigations and to question witnesses in an effective manner is somewhat compromised, I believe.

What purpose is served, do you think, by having Ministers on a Public Accounts Committee?

Darlene Marzari: It might have been appropriate at one time for Ministers to sit on the Public Accounts Committee when it did not regard itself necessarily as a partner in the checks and balances or when Ministers might have had more information than other people in the Legislature Assembly and might have been better able to answer to an auditing function or to a Public Accounts inquiry.

At this point, in Canada, the Canadian Council of Public Accounts Committees is querying the presence of Ministers on public accounts committees for reasons which become obvious if you look at a more sophisticated functioning of the Committees. That has to do with the rather compromised position a Minister can be placed in if the committee is questioning the Minister's department. From a practical point of view it is very difficult to get a quorum if Ministers sit on the Committee.

How has the role of the Auditor General and the Comptroller changed over the years?

Robert Hayward: The role of the Auditor General in British Columbia has only ten years behind it. I think the legacy left by Mrs. Morison was a reputation for professionalism, fairness, and credibility. We are building on that and aiming in the future to try to learn more about what would be of interest to the Members of the Legislative Assembly and how we could better serve them and the Public Accounts Committee in the direction of our audit work.

Right now we are putting our efforts where we think it is desirable and wanted but I think we need feedback from the Committee

as to what direction they would like us to go.

When the Audit Office was first set up it concentrated on the financial statements of the government, examining those in detail and recommending changes and improvements in the financial statements. I think much has been accomplished in this area thanks to the direction and cooperation of the government. We are looking into economy and efficiency issues which is the thrust coming out of examining recent reports from the Auditor General. The change is an evolving process and fairly dynamic because it is a subject that is under constant study and change.

Brian Marson: I think there have been seven Comptrollers General in the Province. The first one was Alexander Mowat who was appointed Comptroller General in 1917. He was a Hudson Bay Factor and was a Manager for the City of Edmonton. He built the office on the basis of commitment, high ethical values, and professionalism. He introduced innovations that were seen at that time as being the best in the British Empire in terms of our estimates and our public accounts. The Comptroller's role has changed dramatically in the past years from a strictly financial control role to a financial management role, but those are the traditions that I also like to build upon.

The Comptroller General has become more of a partner with his colleagues in the ministries. He plays a leadership role in the financial community of government – more of a collegial role with colleagues throughout government. This arises because the *Financial Administration Act* and policies which have been issued under it allow ministries to take a lot of responsibility now for management

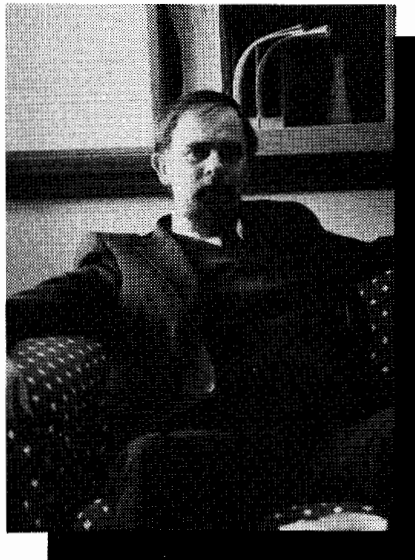
of the financial function within their ministries and within a policy framework. It means less of a personal hands-on detailed role – more of a policy and monitoring role. As the ministries develop a better capability to manage their financial affairs those elements of the Comptroller General's role will continue to grow and the hands-on elements will continue to diminish in importance.

What expectations do you have of the Public Accounts Committee in British Columbia and are they being realized?

Darlene Marzari: After many years of functioning as a political vehicle for both sides of a very fractious House and of the Committee not producing a report, the Committee is being used as an effective legislative tool for both sides of the House. Having said that, my expectations for the Public Accounts Committee are low at this point. My expectations are that the Committee will meet and it will continue to review the Auditor General's Report. Any further expectations can only be realized if, as I have said before, we have the capacity to meet outside the House.

The Committee's function could be further enhanced if the other Committees of the House met on a more regular basis. I think that if we had a more responsible House that dealt with its priorities in Committee fashion that this Committee could assume a role of being a natural part of the ongoing structure of a civilized, sophisticated House. I would like to see that happen. My expectations of this Committee are in the context of what I would like to see in the House and then we would be a part of it instead of an isolated thumb standing out there like a lightning rod attracting attention that turns into polarized political attention.

Brian Marson: First of all, I would say that the Committee potentially is a very key link in the accountability chain in our parliamentary system of government. Each year the Legislature of this province authorizes something like ten billion dollars in expenditures and through tax legislation authorizes the collection of similar amounts in revenues. It has responsibility for something in the order of fifteen billion dollars in financial assets and when those funds, revenues and assets are approved the Government's responsibility is to



Brian Marson

manage them in an efficient and effective and well-controlled way.

The Legislature must have mechanisms for determining how well the government is doing. We know that our legislative process is built on many centuries of history and that the structures we have in place are there to prevent some of the major difficulties that have occurred, particularly in British parliamentary history with the Crown spending money for

purposes which have not been authorized by the legislature and in periods that have not been authorized by the legislature. How well does the Committee meet those expectations? I would say – not very well – but improving. And as Darlene Marzari has said it really is a function in my view of how polarized the Committee is, how political it is in a partisan sense.

To the extent that the work of the Committee becomes partisan I think the accountability mechanism is lost. When the Committee is bi-partisan and business-like and has proper support to carry out its role and meets as often as necessary to conduct its business then the Committee is effective in achieving its role. So I have to say I am encouraged by the progress we have made in the last year and a half. I think we have the basis for an effective Committee and the final outcome will largely depend upon whether the Committee can function in a bi-partisan way.

What are the basic documents involved in the Public Accounts process?

Brian Marson: The Public Accounts for the Province of British Columbia are described in section 7 of the *Financial Administration Act*. They encompass not only the financial statements of the government but also a number of ancillary statements to provide the Legislature with a complete view of the financial condition of the government.

The accounts are produced in three volumes. Volume one is the financial statements of the government: expenditures, revenues, – the balance sheet of the Province. It shows what was expended against the amount authorized, what was revenue

against the budgeted amounts. It shows the detailed breakdown by ministry and standard object showing great detail how the government spent the money in that fiscal year. Volume three of the public accounts outlines the financial statements of crown corporations and other substantive public bodies. It shows the legislature not just what the government spent through the estimates process and through certain other statutes but it shows what crown corporations took in and spent and it displays the properly audited financial statements.

The second volume of the public accounts is a volume of supplementary information that is really there for public scrutiny. It shows how much each public servant was paid, how much each public servant and, indeed, Member of the Legislature incurred in travelling expenses, how much each supplier to the government was paid during the fiscal period and how much was paid out to each institution in grants and contributions. So it's a very detailed volume that gives the Legislature and the public a lot of detailed information as to who got what in the expenditures of Government.

Whose idea was it to have the second volume published?

Brian Marson: My understanding is that it was the idea of W.A.C. Bennett who was the Premier in this Province from 1952-1972. He was a person who had a very strong belief in an open window on financial transactions and so he was the instigator of that detailed level of information. He felt the public had a right to know how much public servants were being paid, and who was getting government business so that everything was above board and that there was no

possibility of hidden expenditures to people who appeared to be friends of the government. He also introduced legislation which requires other public bodies to provide similar sorts of financial disclosure. This includes hospitals, school boards, municipalities and universities. We have the most extensive disclosure requirements in legislation of any province in the country.

Robert Hayward: Another important document is the Auditor General's annual report. It fulfills a requirement of the *Auditor General Act* which states that the Auditor General shall report annually to the Legislative Assembly on the work of his Office and call attention to anything as a result of his examination that he considers should be brought to the attention of the Assembly. It is significant that there is no limitation in the *Auditor General Act* on which subject, topic or incident he may report upon. The entire guidance in the Act is permissive in that it suggests areas that he might be interested in. He need not report any immaterial or insignificant facts. The tabling of the Report is also rather an interesting thing in that it must be tabled by a Minister of the Crown and is presented to the Minister of Finance and Corporate Relations. He is required to table the Report if the House is sitting within one day. If that does not happen the Auditor General can pass the report to the Speaker who must table the Report forthwith. There can be no intentional or accidental effort to prevent the Auditor General's Report from reaching the House.

Another interesting feature is that the Report is required by the *Auditor General Act* to be referred to the Public Accounts Committee so that the Committee always has

the Auditor's Report to refer to in its work.

Darlene Marzari: The Public Accounts Committee Report to the Legislature is the final piece on what happened in the fiscal year that is being reported on. It is the Legislative Committee's Report to the House on its consideration of the Comptroller General's Report, the Public Accounts, and the Auditor General's Report. It is also a vehicle by which the Public Accounts Committee and the Legislature can talk back to the Auditor General and Comptroller General. It is the Legislature's vehicle to express the direction it would like to go in and to suggest areas which should be given more consideration. It is a vehicle for the Legislature to ask the Comptroller General to change his focus if that be the desire of the Legislature. It is a vehicle to ask the Auditor General where attention might better be paid.

Has the Public Accounts Committee in British Columbia been an effective forum for each of you?

Darlene Marzari: For the Legislature, the Public Accounts Committee in the last hundred years has not been a terribly effective forum as a partner in this accountability process. For the Government side, the Public Accounts Committee, I think, has often been regarded as a nuisance. For the Opposition side the Public Accounts Committee has been regarded as something of an opportunity to tear strips off Government. So I would think over the last number of years the full capacity of the Public Accounts Committee has not been tapped. In the past year, I think we have all put new expectations on the Committee, albeit they have been low expectations but I would say

the format is slowly being structured in such a way that the Committee will be a more effective forum and accountability will be better served in this enterprise.

Robert Hayward: I would say yes, it has. I feel that the Committee has heard me out on any issue that I wanted to bring before it and I have been extended a fair hearing in consideration from the Committee and I think I could not ask for more. What does concern me is that if the loop is not closed the Committee is not able to present a report on a timely basis to the Legislative Assembly, the effectiveness of the whole procedure suffers.

Brian Marson: I would say partially. I certainly have always had the opportunity to respond to the Auditor General's recommendations or observations and be given proper time and consideration by the Committee to provide whatever information I can. I think the weakness in the Committee as it operates now from my perspective is that it does not really offer an opportunity to look at the good things that are being done. The way the Auditor General Act is structured and the way our process works is that we tend to focus on those things that are not working well, which might be one percent of the total. By focussing only on the things that are not going well does it give the public the perception and perhaps the perception of the Legislature, too, that the government is not operating well? The taxpayer comes to believe that public servants are not serving them well and that there are serious problems in the management of the financial matters in government. That is a public policy problem in all jurisdictions that I know of in this country - how we address that, I am not sure, except that I think we do

need in the Public Accounts Committee to provide a forum for public sector managers to give the good news as well to identify those areas where improvement is needed.

Do you think the Public Accounts Committee is the appropriate vehicle to review and approve the Auditor General's estimates?

Robert Hayward: The Public Accounts committee has been effective in supporting the Auditor General. Two or three years ago the then Auditor General did take up an issue with the Committee about her resources and, in fact, the Committee did make quite a strong recommendation which the Government heeded and the staffing of the Auditor General's office was increased by ten persons.



Robert Hayward

Darlene Marzari: In Ottawa, where the Public Accounts committee has the ability to look at and deal with the estimates of the Auditor General, the Public Accounts Committee cut back the Auditor General quite substantially.

The Auditor General should have access to another vehicle in the House to handle estimates. I do not think that the Public Accounts Committee should have an

estimates function. It would be almost ideal if we had a process that took us from estimates through to accounts from beginning to end - two Committees working side by side and producing a report that would follow programs and develop new programs from beginning to end.

Are there any specific changes you would like to see in the operation of the Public Accounts Committee?

Darlene Marzari: The strengths of the committee are that it has got good people working for it and if there is any strength from the Committee it has to come from the respect that the House now has for it and the material the Committee is given to work with. If I had recommendations to build the Committee's respectability and respect I would say we need a continued strong presence of the Clerk of Committees; research, perhaps provided again through the Office of the Clerk would be useful so that the Committee can, on request, not only access the vouchers but also access solid information about what is going on elsewhere in given areas, or information about policy development, across Canada.

I also think we should have the ability to meet when the House is not in session, the ability to call upon financial resources to access witnesses who are outside government, the ability to travel which has been found by other committees in Canada to be very useful and to take a look at onsite workings of particular departments. The Chairman should be on the Auditor General's Selection Committee. I think that these are all recommendations that I would like and will be bringing forward in a more formal way to the House over the next few months.