



Third Session - Thirty-Seventh Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Edward Helwer
Constituency of Gimli



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, May 13, 2002

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Edward Helwer
(Gimli)**

**VICE-CHAIRPERSON – Mr. Jim Maloway
(Elmwood)**

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Selinger

Ms. Allan, Mr. Derkach, Hon. Mr. Gerrard,
Messrs. Helwer, Loewen, Maloway, Penner
(Steinbach), Reid, Rondeau, Struthers

APPEARING:

Mr. Denis Rocan, MLA for Carman
Mr. Jon Singleton, Auditor General
Ms. Bonnie Lysyk, CEO and Assistant
Auditor General
Mr. Norm Ricard, Executive Director,
Value-for-Money Services

MATTERS UNDER DISCUSSION:

Provincial Auditor's Report on Value-for-Money Audits for the period ending Autumn 1997

Provincial Auditor's Report on Value-for-Money Audits for the period ending Spring 1998

Provincial Auditor's Report on Value-for-Money Audits for the period ending Summer 1999

Provincial Auditor's Report on Value-for-Money Audits for the period ending June 2000

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Mr. Chairperson: Good morning. Can I have your attention. I believe it is after 10 o'clock. The Standing Committee on Public Accounts please come to order.

This meeting has been called to consider the following reports from the Office of the Auditor General: the Value-for-Money Audits for the period ending Autumn 1997; Value-for-Money Audits for the period ending Spring 1998; Value-for-Money Audits for the period ending Summer 1999; and the Value-for-Money Audits for the period ending June 2000.

On May 6, 2002, as Chairperson of this committee, I circulated a letter to committee members requesting submissions for agenda items or questions requiring detailed answers. Our clerk assistant also circulated a letter with the same request on May 9 and 10, 2002, to the new members of the committee. The Clerk Assistant did not receive any agenda items for this meeting. Therefore, we will proceed to consider the matters referred to this committee, that is, the Value-for-Money reports from 1997, 1998, 1999 and the year 2000.

Before we get started, are there any suggestions from the committee as to how long we should sit this morning?

Mr. Jim Maloway (Elmwood): I propose we go till noon.

Mr. Chairperson: Sorry, Mr. Maloway. I did not hear that.

Mr. Maloway: Noon.

Mr. Chairperson: Twelve noon. Is that the will of the committee; we sit till 12 noon? *[Agreed]*

Are there any other suggestions from the committee regarding the order in which we should proceed with these reports? Then we will deal with them in the order that we have them

listed starting with '97 and go to 2000, if that is okay.

Mr. Jon Singleton (Auditor General): I just wanted to make a general comment before we got into the reports in terms of practicalities. The committee will be aware that many of these reports are quite staledated at this point in time. We wrestled a little bit in the office with how many resources we should devote to preparing and getting our minds around all the issues that were reported in the, I think, 18 chapters altogether within these four reports. What we thought was most practical, without knowing the will of the committee in terms of how much detail they might want to get into in some of the chapters, was that Norm and I would be prepared to talk in general terms about the questions that are there.

If the committee has a particular chapter that they would like to get into in more detail, I think it would be useful to identify that to us and to plan a process to consider in more detail where we can prepare for it. Perhaps, there might be some other people from the departments that you might like to bring in and question, as well. On the other hand, if the committee thinks that the reports are so old that they are not relevant anymore, we can just move along very quickly. I just wanted to advise the committee in terms of how detailed we were prepared to be in responding to questions.

Mr. Chairperson: Thank you, Mr. Singleton. Does the committee have any particular way we want to deal with the reports? Are there any particular items from any one report or do we want to deal with them in the order that they are? Any comment on Mr. Singleton's comments at this time?

Hon. Jon Gerrard (River Heights): It would seem to me that it might be worthwhile focussing more effort on the most recent report since it is less staledated than the others and that there could be reference to material in the other reports where it fitted in.

Mr. Jim Penner (Steinbach): I would like to think, Mr. Chairman, that we could also probably expedite matters if we had the freedom to go back at some point. Let us say we are in '98

and we think that we should go back to question to '97, is that okay?

Mr. Chairperson: If that is the will of the committee. Is that the will of the committee?
[Agreed]

Does the Honourable Minister of Finance have an opening statement? Would you please introduce your officials in attendance.

Hon. Greg Selinger (Minister of Finance): With me is the Deputy Minister of Finance, Pat Gannon, and the Assistant Deputy Minister and Comptroller, Jerry Gaudreau, to his left.

Mr. Chairperson: Thank you, Mr. Minister. Do you have an opening statement?

Mr. Selinger: Well, just on this issue of older reports, I think at some point we should try and pass these instead of leaving them on the agenda. It does not matter where we start with our questions, but I think if at a certain point we have no more questions about something we should pass it. It does not stop us going back and asking questions at any time under the new legislation about anything for that matter. I think as a matter of just sheer courtesy for the efforts the auditor's office has made, unless we have a specific problem or concern relating to the contents of one of the reports, we should get them off the agenda so we can move forward.

Mr. Chairperson: Thank you, Mr. Minister. I wonder if the Auditor General, if you have some staff here, would you introduce them at this time.

Mr. Singleton: Mr. Chairman, to my right is Mr. Norm Ricard the Executive Director of our Value-for-Money audit practice. Sitting behind me is Ms. Maria Capozzi, a principal of our government practice.

Mr. Chairperson: Thank you. The critic for the Official Opposition party, Mr. Penner, Steinbach, do you have an opening statement?

Mr. Jim Penner: Mr. Chairman, I should probably put a few remarks on, being relatively new to this process. I am very interested in public opinion in regard to the degree to which

the public trusts us when we get into politics. As a businessperson, the most valuable asset that we had was our integrity. If people did not trust us in business, we did not have a business. So to me it has been very important that even in politics we work on establishing the fact that government operates with integrity. Certainly this is very much related to the purpose of the public audit and the examination of our performance. I read recently that public mistrust was as high as almost 70 percent of the population. I do not know where the survey was done, but I know that there is a great deal of concern in our minds that the public has less confidence probably today than in the past as to whether or not their tax money is being managed well.

An Honourable Member: It was a federal survey. It was certainly not the provincial government here.

Mr. Jim Penner: It was a federal survey. As I read it, it said politicians. So we would like to see an enhanced accountability as is the purpose of the Auditor General, and I would like to see some kinds of benchmarks.

We are talking in terms of accountability, government accountability information as part of our mission statement. To whom are we accountable? We should probably just express that in terms of being accountable to the citizens of this province. When we talk about compliance, again we do not have benchmarks. So what are we compliant to? What is the standard that we are trying to achieve in the area of compliance?

* (10:10)

Part of my frustration with these terms began when I studied the 1997, no, I am sorry, the 2002 value for audits in the Keewatin Community College. I have been on a board of governors of a university since 1981, and I have certain ideas about what benchmarks are. I do not see us going towards these benchmarks with a designed audit where we should reach a certain standard. I appreciate the remarks in that book, but I still had considerable concern that we do not have benchmarks or established standard performance. Neither did we compare that to

how the University of Winnipeg, University of Brandon, University of Manitoba performed. So we have an audit on a university, which is like an island all unto itself.

When people are in business, they are required to perform to what I think is called generally accepted accounting principles or GAAP. I guess GAAP is not a critical issue with government accounting, although I think there was some intention to move closer to the rules in GAAP. The lack of standards in the operation performance of government or in government agencies makes me think that it must be very difficult to audit, because you cannot measure it against something or you cannot measure progress in clear terms. Everything has to be in kind of general terms.

I was particularly concerned with the fact that the information given to us in the overview of the college that was audited, a value for audit of the college, states that there is approximately 200 academic and administrative staff. Certainly we would like to know how many people would be professors and how many people would be college staff and how many people would be fulfilling organizational services. Then it says there are about 1200 full- and part-time students. The only way to really measure that number would be if we had the FTEs. To establish FTE, we would have to determine how many hours of class time a student would have to have in order to be a full-time student.

Mr. Chairperson: I wonder, Mr. Penner, if you could just concentrate on your opening statement. Then, when we get to the questions, those are questions that you can pose to the Auditor General.

Mr. Jim Penner: Thank you. I was just trying to emphasize that I would like to see benchmarks in more areas of our audit. I was giving an example of an area where I felt that there was a lack of benchmarks. So, having said that, I am prepared to continue.

Mr. Chairperson: Thank you, Mr. Penner.

Does anyone else have any comments?

Mr. Gerrard: Just very briefly, Mr. Chair, I think the provincial auditor should be

complimented for embarking on value-for-money audits because I think that it is critical that citizens of Manitoba can be assured, not only that things were done according to the guidelines and rules, one might say, of particular programs but, in fact, that citizens can be assured that the auditor is looking at whether, in fact, the money was well spent, because there clearly are instances, as the auditor has pointed out from time to time, where money was spent in a program, according to the guidelines for the program, but the money certainly could have been better spent than it was.

So I would like to say a personal thank you to the provincial auditor for taking this initiative in providing the assessments that he has done. Thank you.

Mr. Chairperson: Is it the will of this committee to deal with the reports and then pass them at the end, or how do you want to deal with it? Do you want to pass them now one by one, or do you want to wait until you do them all together? What is the will of the committee?

Mr. Gerrard: I think that we should deal with questions which arise and that we should then come to a decision at the end, just before we close, as to whether we have dealt sufficiently with individual reports or whether there needs to be more details explored.

Mr. Chairperson: Thank you. If that is the will of the committee, we will open the floor for questions then, dealing with the provincial auditor's value-for-money audits.

We will start with '97, or deal with any report, and then pass them at the end, whatever the will of the committee. We agreed to the flexibility.

Mr. Denis Rocan (Carman): I am looking here that we have several reports back to '97, '98, '99 and 2000, and I guess we are trying to get the biggest value as we can for the money that we have here for it. I mean, we are asking departmental staff to drag all these different reports every time a meeting is called. I do not know what is the problem here with dealing with '97, try and at least get '97 passed. One on one, I mean it is absolutely ridiculous sitting here, even

though we have all staff here, but, I mean in all fairness to the minister and the departmental staff that are here, it seems to me that it would make more sense to deal with '97, try and pass said documentation and then move on to the next one.

Mr. Leonard Derkach (Russell): I think the minister agreed that we could go back to talk about issues in any of the audits, should they arise, but I think we should deal with them and at least have a motion at this committee to do away or to pass some of these so that they are off the table. I would certainly be prepared to proceed in that manner.

Mr. Chairperson: Is that the will of the committee that we proceed in that manner then?
[Agreed]

Shall the Value-for-Money Audits for the period ending August 1997 pass?

Mr. Gerrard: Before you move forward, I would like to ask the provincial auditor a question related to one of the items in that. That was the child day-care program subsidies. I know that you had done assessment, or the provincial auditor had done assessment of the subsidies, I think that this is an item which is of particular relevance at the moment, since the Government is embarking upon expansion of the child day-care program, and I would like to ask the provincial auditor to provide a brief comment on the subsidies and whether, in fact, the procedures subsequent to the audit have been in closer compliance with the recommendations.

Mr. Singleton: This is an interesting example of the staledatedness of the reports. For this particular chapter, we have already done a follow-up on that and reported on it in a report which has not yet been referred to the committee and which was tabled in February 2002. In that report, we essentially go through the recommendations that we made then, and we have asked the department to comment on how far they have progressed.

With respect to the child day-care program, the financial subsidies, we had made seven recommendations in the report that is referred to the committee. One of those has been

implemented. The department has found alternative solutions for two of them. For three of them, significant progress has been made in implementing the recommendations, and only one recommendation has had virtually no progress. So our general conclusion was that we are quite happy with the progress that the department was making in reacting to the recommendations that we had made in the report.

Mr. Gerrard: Just as a follow-up to that, can you tell us the recommendation that was not, there is absolutely no progress, and can you provide any explanation for why things have not moved?

Mr. Singleton: I will be pleased to respond to that question, and it ties in a little bit to the opening remarks Mr. Penner made earlier.

The recommendation was to improve the quality of information that is provided to the members of the Assembly on the performance of the division. That is a recommendation that we make in many of our chapters. You will see a theme there. Also, periodically, we do assessments of business planning and performance measurement of performance reporting on a government-wide basis. We think that there is a lot of work that needs to be done to improve the quality of information provided to members on the performance of reports. In this particular court case, that was one in which no progress had been made.

Mr. Gerrard: In terms of following through on that recommendation, how would you suggest that the Government best provide these reports on an annual basis looking at performance, or on a monthly basis or how frequently, and what sort of performance criteria are critical to be included in these reports?

* (10:20)

Mr. Singleton: I think the subject of public performance reporting by the Government is a very important one. In July of 2000 we issued a report for the new Government at that time, assessing the progress that had been made by the previous government implementing a program called Manitoba Measures. We were very

supportive of the principles behind Manitoba Measures, and we thought it would be useful to provide the new government with sort of a snapshot of how far that particular program had evolved, and a bit of a road map in terms of what would be a useful route to follow during the Government's term in office, to continue to make progress on public performance reporting.

It is a complex subject, but we think that there are a number of important principles that central government could enunciate and direct departments to follow along those lines. So I hate to keep sort of reiterating it, but if the committee would like to pursue that subject in detail, I would be, of course, thrilled to do so. But it might be most useful to do that when our report on business planning and performance measurement is before the committee. I will be happy to continue to answer general questions.

Mr. Chairperson: Thank you, Mr. Singleton. So shall the Value-for-Money Audits for the period—Mr. Minister.

Mr. Selinger: Yes, just one thing I wanted to point out here, and it might indicate also the progress that has been made since this report was first done. One of the things that day-care operations can now do is they can now have a potential user of their service, a parent in most cases, apply for their subsidy on-line through the Better Systems Initiative, and this has just been rolled out in the last year. So instead of the long protracted paper process of making an assessment which is often backed up because of just the amazing amount of workload and the shortage of staff, now when people apply on-line right at their day-care centre, if they are comfortable sharing the information with the day-care director, they can get a turnaround very quickly on that.

In my visits to day-care centres, I found this to be extremely popular and very efficient. So, I think, as we get the new technology in place and parents get a greater comfort level in applying for their subsidies on-line, we will see that the waiting lists for getting subsidies confirmed will drop dramatically.

I understand that they are working on the backlog, but most day cares now encourage

people to apply on-line for a couple of reasons. It gives the parent a better response, a more timely response, but it also gives the day-care centre the subsidy to provide the service, so everybody wins on this, and I know that that has been very well received.

So the new technology is providing a solution to the concern I think was identified in '97, and I think that new technology just really rolled out last spring in terms of its starting to serve the entire day-care community. So I think that we have seen some significant progress there.

Mr. Gerrard: I would like to follow that up because what you are providing is improved operation, but what we are looking for is a report on the performance. In other words, a report on what has happened to waiting lists. I wonder whether the Government will make commitments to providing, every six months or every year, a report on the waiting lists and the time it takes for subsidies to come through.

Mr. Selinger: I was trying to say that, as the new system gets put in place, and it is in place now where people can apply on line, we are seeing dramatically reduced waiting times for those who are willing to use that method of applying.

For people still using the old method there still are some backlogs. So what I was suggesting was that if we can get people to convert to a new method, the turnaround times are much more dramatically improved, and the minister, I am sure, would be happy to explain what is happening with the system overall, the Minister of Family Services (Mr. Sale), who is responsible for this.

But in my visits to some day-care centres as recently as this spring, I found the day-care directors were extremely happy with the new on-line application form, and were finding that the turnarounds were much quicker. It is a question of people getting comfortable with that in the day cares, and the parents, as well. There is a requirement for the parent to sit down with the day-care director and enter the—I mean, you can do it yourself if you have your own computer or you go to a library, but it is not the case that all

parents have a computer with the direct access. A lot of times they are using the computer right in the day-care centre to do the application, which requires some comfort in sharing some of their personal information in the presence, perhaps, of a person in that office, unless they have set up some special provisions. I was picking up improved satisfaction levels with turnaround times because of the new technology. I am sure the minister will be willing to talk to you about it in detail during his Estimates.

Mr. Singleton: Mr. Chairman, just following up on the discussion that is taking place here. One of the things that the department did indicate to us, and which is reflected in our February 2002 report, is that the improvements in the operations that the minister has just described have also freed up the department to make, hope to make, more progress on output, outcome measures and performance recording as a result of the improved information they are getting out of the new system. It is not. I did not mean to give the impression that the department was not interested in the performance reporting; it is just that they had not made any progress on that particular one to date.

Mr. Gerrard: I understand what you are saying is that performance appears to be improving. I think that it is important that there is progress made on reporting to the Legislature in a systematic rather than an anecdotal fashion. Evidence that the waiting lists are actually coming down and that it is those reports, which in order for us to function well as a Legislature, that it is important that we have and that we have on a regular basis and that the Government commit to making those.

Mr. Selinger: Once again, I am sure the Minister of Family Services would be happy to do that and we can ask for information back here if we wish, about how it is going. I think we will find that things are improving.

Mr. Chairperson: Value-for-Money Audits for the period ending August 1997—pass.

Shall the Value-for-Money Audits for the period ending Spring 1998 pass?

Mr. Gerrard: I would like to raise an issue in terms of this report with the Highways

Construction, Rehabilitation and Maintenance. The recommendations that were made here for more timely and more forward-thinking planning, that there be a lifetime cost methodology, for example, adopted in determining rehabilitation and a much more thorough and appropriate planning approach conducted in terms of highways construction. I know that the Government has made some changes this year and I would ask the provincial auditor to provide, sort of, a perspective on the recommendations and an update on where we stand now.

Mr. Singleton: Mr. Chairman, in terms of this particular chapter, in fact this particular report, we have not yet done our routine follow-up of the report. That is planned for later this year. So I am really not in a position to provide the committee with an update on what the department has done to date. That may be a question that the committee might like to ask someone from highways to come in and respond to some questions if they wanted to pursue that with them.

* (10:30)

Mr. Selinger: I was just going to say that the minister of highways and transportation has indicated that he has taken a number of measures to improve planning for highways construction, rehabilitation of maintenance, one of which is that he is now getting contracts out earlier so that we catch the full value of the construction season and not lose employment opportunities in Manitoba by people going out of province to get work because of late tenders being let.

The other thing that happened in the Budget this year was a five-year, \$600-million commitment to resourcing the highways' areas. One of the fundamental challenges that has been addressed in here is that the 41-year rehab cycle really relates to the quantum of resources available for doing the work. If you are going to reduce that cycle, there are only, really, two ways to do it. You get dramatically increased productivity and the ability to use the existing resources and stretch them further, or you add more resources, or a combination of the two. I think you have seen in this Budget a commitment to better administrative procedures,

which allows projects to be planned over a two-, to three-, to five-year horizon and more resources being dedicated to that. If we want to get information of what the impact of that has been on the situation at the time of this report was done, I think we could do that.

Mr. Gerrard: Just a follow-up to the provincial auditor, I have heard figures that the late tendering process, which was the practice for a number of years, often resulted in expenditures which were higher than optimum or higher than necessary by in the range of 10 to 15 percent. I would just ask whether the provincial auditor had looked at the relative costs of timing of tendering and so on.

Mr. Singleton: No, that was not part of the scope of this particular audit.

Mr. Gerrard: I have a question on another one of the audits, and that has to do with the tendering of the home oxygen therapy services contract. There are issues which arise from time to time, as did this one, with regard to the tendering policies of the Government. Clearly, there were major flaws, as the conclusion was that the final rankings of the valuation committee resulted from a tendering process that was flawed, as I read from the report. I would ask the provincial auditor to comment on the tendering process, whether substantive changes have been made or whether there continues to be problems with the way things are tendered from time to time.

Mr. Singleton: The principle of tendering, of course, is a very important one in the public sector for ensuring citizens and taxpayers that the Government is getting the best value it can and the highest quality of service that it can for a particular contract. The importance of that is announced in government policies, The Financial Administration Act. Because it is such a good business practice, we, of course, are very supportive of that.

When we find instances, such as we did with the home oxygen contract, where the tendering process was flawed, that is a very great concern to us. I have to say that, in general, we have not found the tendering process to be a big problem. Most of the time, most of the places that we

audit, a pro-work tendering process is in place, and in those instances where determination is made that it is not practical or reasonable, in a particular case, not to issue a tender, we typically find that there is a reasonable justification for that. Because of its importance, it is something that we are alert to in all the audit work work that we do. It is, naturally, an area where we do receive allegations from time to time, often from disgruntled people who did not win a particular bid. But just because someone is disgruntled, does not mean they do not have a point. We take those seriously and look at them as well. In fact, in this particular one, it was a result of someone coming forward with a complaint about the process that caused us to take a look at it. I do not think one should draw the conclusion from this instance that there is a general problem.

Mr. Gerrard: Just in follow-up, in the audits that have been done from time to time in this area, has there been considerable variation in the practice from department to department, or is there general, pretty similar from department to department how things are tendered?

Mr. Singleton: It is difficult for me to be very precise on that because we have not specifically gone across Government looking for that point. I would say the principles of tendering and why it is important are pretty well understood within the public service, both in Crown agencies and central government and that in general people work to respect those principles.

Mr. Gerrard: Concerns that have arisen from time to time in terms of the tendering process relate to the extent to which once a tender is given that the final decision may be manipulated at a political level because there is or is not a union involved in the particular business or for other reasons. I would ask the provincial auditor to provide a perspective on how government should proceed with regard to issues like this.

Mr. Singleton: Mr. Chairman, I can just share my personal views on that. At the end of the day, the Government always has the right and the authority to award contracts to whoever they wish to. From my perspective it is important that the people within the civil service ensure that the process that is followed is fair to all concerned,

that those that are asked to provide bids are fairly treated, that there is appropriate public notification of what is going on—depending on the size of the contract, one needs to vary that—and that the recommendation that goes forward to the Government be one that is balanced and sourced in credible criteria and accurate information. In instances where the Government decides in its wisdom to not accept the recommendation from the civil service, I think at that point it is incumbent on the Government to indicate the reasons why it is going down a different path. The Government has to be prepared to defend its actions in that case.

Mr. Maloway: Mr. Chairman, with regard to the Office of the Public Trustee, this particular issue was one that I brought to the attention of the provincial auditor, wherein one of my constituents had a problem with a private company offering companion services. Their recommendation was that the controls should be further strengthened, and the Public Trustee agreed with this, but subsequently I have spoken to the person who brought the matter to the attention, and this person was certainly not satisfied that anything was done.

Mr. Chairperson: Mr. Maloway, this is a different topic, so I wonder if we could complete the topic that we are on with Mr. Gerrard and then move to this.

Mr. Maloway: It is under the same report, though.

Mr. Chairperson: Yes, but is it under the tendering system?

Mr. Maloway: No, it is under Public Trustee.

Mr. Chairperson: Yes. I wonder if we could just hold that until we complete the question of Mr. Gerrard and then go to yours, Mr. Maloway.

Mr. Maloway: Okay.

Mr. Chairperson: Mr. Gerrard, did you have another question on that topic?

Mr. Gerrard: My question to the provincial auditor: If Government in its wisdom decided that it was going to discriminate between firms

which are of unionized workers and those which are not in the award of contracts, would it not be most appropriate that notification be given up front rather than at the end of the day after firms have bid on the contract?

* (10:40)

Mr. Singleton: Well, I think it is important that everyone understand the rules of the game, and what the criteria are for any particular tender up front. Changing the rules during the process, I do not think, is fair to anyone; and, if there is a perceived need to change the rules, my recommendation, generally, would be to stop the tender process and start over again under the new rules.

Mr. Chairperson: Mr. Gerrard, did you have another question on that?

Mr. Gerrard: Just in terms of context, because this deals with the rules for tendering, whether the approaches which relate to the size of the project, and other facets of whether something should be tendered or not, are the current guidelines appropriate, in your view, or do they need to be reviewed?

Mr. Singleton: Well, we have not recently had a look at the guidelines for tendering, so I cannot make a specific comment on whether there are improvements required in them. I guess one can always say that any system one has that has been designed by human beings is subject to improvement. I would also say, though, that it is important to understand what the principles are, the principles of fairness and openness, so that when people are having to make decisions that may or may not be specifically covered by the written down rules, one can always come back to those principles in deciding what the proper course of action is. From my perspective, I think it is more important for government and the bureaucracy to continue to reiterate the principles of fairness on which tendering will take place so that people can exercise judgment within that framework.

Mr. Gerrard: Again, on the question of tendering—one of the issues that comes up from time to time—I would just ask your sort of comment from the point of view of operations of

government. Sometimes there is a decision as to whether a particular function should be done within government, in-house as it were, or tendered on the outside. That, of course, is before you actually tender. In terms of the operations of government, what is your view on how that decision should be made when the choice comes up?

Mr. Singleton: Well, I sense that there are certain dangerous waters surrounding that particular question, but let me tread through them as carefully as I can.

To begin with, there is a philosophical, political level at which one might want to consider those questions a philosophy as to whether services are done better within government or better done by the private sector. If the decision is going to be made at that level, then from my point of view, that is a matter for debate between the members of the Assembly. It is not a matter for an auditor general to comment on.

If, however, the decision is going to be based on a business case analysis as to which is the most efficient economic way to approach, then my position should be that it is up to staff and the civil service to make sure that all the relevant information is gathered, that options are examined, that a standard set of criteria is developed and appropriate research done in order to provide the Government with a fact-based analysis of what the right way to go is. At the end of the day, though, it still comes down to a government decision that may or may not be the same as what the civil service has recommended. In that case, once again, it is up to the Government to defend why it decided to go a certain route.

Mr. Maloway: Regarding the office of the Public Trustee, a constituent of mine had brought to our attention that they felt that the Public Trustee was not, I guess, supervising the case of this lady who had companion services which were being offered by a private company, and our feeling at the time was that, perhaps, the making of the Public Trustee into an SOA caused the entity to be more, sort of, profit oriented and bottom line oriented. So, that was the basis upon which we thought that there

might be some credibility in the complaints and pass that on. So, the point is, what has been improved in this regard since this time?

Mr. Singleton: Mr. Chairman, similar to the comments that I made on the highway construction program, this whole report is one that we plan to do a follow-up on during the current year and report back later to the members. So I am not in the position to provide any details at this point on terms of what improvements have or have not been made by the Public Trustee.

Mr. Gerrard: I have a question on the business planning and performance measurement section which is towards the back of the report. This is a follow-up from what we discussed earlier with regard to the 1997 report and the child care area. Clearly, this report calls for improved business planning and performance measurement within departments. The issue that we were dealing with earlier on was the reporting of performance measurements to the Legislature.

I would like just to have you comment a little bit more because, clearly, as we discussed in the child care area, there has not been any significant follow-through on the reporting of the performance, whether, in fact, it is actually being measured or not, and whether you would comment on any follow-up that there has been in terms of departmental performance measurements, and the reporting in a broader perspective than we were dealing with earlier, which just dealt with the child care issue.

Mr. Singleton: Okay, this particular chapter we did follow up and issue a report in July 2000 where we did an assessment of the timeliness of implementation. What we found in this particular chapter, which was essentially just a survey of attitudes about Manitoba Measures at the time, we found that it was strongly supported by the civil service. The deputy ministers were well behind it and as were staff. When we followed up and, in fact, there was a feeling that there was a benefit from business planning and performance measurements, such that many departments indicated to us that they would continue to move along those lines, even if central direction were not there to require them to do so.

In our July 2000 report, we found that very little progress had been made to that point in time and, as a result, we identified a number of recommendations to the Government, which we encouraged them to look at implementing during the current session of the Legislature, or this current Legislature. Our plan is to follow that up. In fact, we have just initiated a process to follow that up and to report to the members this fall on the status of each of the recommendations that we made to the current Government in July 2000 around performance reporting.

However, I would have to say that one of the reasons that we keep coming back to it is that, I think, it is a very important initiative, but it is also complex. Just to reflect on the situation in the Québec National Assembly, this spring they will be receiving, I do not know the exact numbers, but it is well over a hundred fairly lengthy, detailed performance reports from various departments and Crown agencies, which starts to raise the issue of capacity. What is your capacity, as members of the Assembly, to absorb or usefully make use of large volumes of performance data? When you think of the size of government and the complexity of it, it would be easy to inundate you with so much information that you end up not much better off than you were with no information. It is a tricky process to find that right balance. We are keen to work with you as members of the Assembly and with the Government to find that balance of useful information that helps you be effective in holding the Government accountable for programs.

* (10:50)

Mr. Gerrard: Just a comment here, because it has arisen recently with regard to the health care system. One of the initiatives that has been underway is to develop what we call physician profiles. It is my understanding that what is being looked at is physician profiles which would look at education, perhaps whether, in fact, a physician has had any disciplinary action and things like that. It seems to me that, in terms of performance reporting and the quality of care, there are good examples of where initiatives have been taken in other jurisdictions which would look at the performance of, for example, surgeons.

I would describe, for example, one that is relevant to Manitoba. This would be cardiac surgery. In New York, for example, they have taken the position of providing the results of surgery, of mortality rates, which is a fairly good end point, by surgeon and by institution, by hospital, and that they focussed on certain, particular cardiovascular surgical procedures—for instance, isolated coronary bypass, which can be categorized, which are very frequent, which can be adjusted by risk. This, in fact, may be a much more useful measure of performance than just where somebody was educated, how they were actually able to do their job.

What concerns me is that the information that is coming to date suggests that in the effort that is being taken, it is not as focussed or effective as it should be because of some broader measures that are not as useful or being looked at, rather than focussed effort to look at critical measures, which can give you a real measure of, in this case, surgical performance. I wonder if you would comment.

Mr. Singleton: Mr. Chairman, I do not think that I will be able to share much helpful light on that particular question. As I understand the question, what is being discussed is reporting on outcomes to patients, or potential patients, that would help them make their own personal health care decisions. I think that, just thinking about it off the top of my head, is a little bit beyond the mandate of an Auditor General, although potentially a value-for-money-type audit could be considered in that particular area.

Where we have been focussing our efforts is on the quality of information being provided to members of the Assembly to enable them to assess in a better fashion how well government programs are being delivered, and to have meaningful discussions and debates about what are the most appropriate means to deal with those parts of performance which are not at the level one would like them to be at.

I would draw the member's attention to the national agreement between the provinces and the federal government to produce health care report cards, which, in my understanding, will be produced this fall using a standard set of criteria across the country. It is my expectation that that

will be a very useful first step. I am sure part of the debate will be, once the various indicators are disclosed and made public, that a debate will ensue shortly thereafter as to whether those are the right indicators, or what indicators might be better than those, which can lead, I hope, to an improvement over time in the quality of information that is made available to the members of the Assembly and the public, about the quality of health care services. For the time being, that is likely to be where our office will focus its efforts.

Mr. Gerrard: Thank you for your comment. I would put forward the proposal that in the case of, for example, output and performance measures of surgeons doing cardiac surgery procedures, it is not just patient and patient choice. But, in fact, it is integral to the operation of the whole health care system, that you can compare one hospital with another hospital, that, in fact, administrators and managers within the system can make intelligent decisions about how people are hired and trained, and what is done in terms of surgical procedures.

Unless you can measure performance output and evaluate them and know what your targets are, that it is very difficult to adjust in a way that will improve quality and performance, the functioning of the hospital and the performance of individuals within the system.

Mr. Singleton: Yes, I agree with you; it would be very hard to argue against the points that you are making and, in fact, I would support the concept of better performance reporting within our health care system, as I would within virtually all the systems within government.

I think one of the reasons the discussion around health care outcomes and issues has been so difficult for legislators and citizens to engage in is uncertainty about the quality of the information that one is using to base one's opinion on and, in the face of that uncertainty, it is very difficult to have an informed discussion about what the best route forward is.

Mr. Chairperson: We will move on, then.

Value-for-Money Audits for the period ending Spring 1998—pass.

Shall the Value-for-Money Audits for the period ending Summer 1999 pass?

Mr. Gerrard: I would like to ask the provincial auditor a question about the section which deals with the Child, Family and Community Development branch agency accountability and whether the auditor will comment on the recommendations of the extent to which there has been change within the department.

Mr. Singleton: Well, as we move forward in time, the point in time at which we would do a follow-up on the chapters also moves further into the future. For this particular report, it would be, I guess in 2003, that we plan to do a follow-up on it.

But, just to reiterate, if the committee is interested in not waiting that long, it certainly would be worthwhile considering calling forward some of the officials from the department to meet with committee and talk about the progress that has been made in the meantime.

My feeling is that, as the committee moves forward with its new rules, that there will be more opportunity to be briefed on a more timely basis, in terms of what is the reaction to the department to our recommendations. Perhaps, they think some of our recommendations do not hold water, or they have come up with a better alternative since our report was issued. There is certainly no need for the committee to wait three years for us to do our regular follow-up to begin posing some of those questions.

Mr. Gerrard: I would follow this up with a question to the provincial auditor: One of the issues which has come up repeatedly is the fact that when one compares Manitoba with other provinces, that we have a very high rate of proportion of children in care. Clearly, this kind of approach, which ends up with a very high proportion of children in care is a real question about whether that is the greatest value for money in terms of how one approaches and how one assists children and improves the quality of the care in the system, but also in terms of the quality of the early years experience that children have in this province. I wonder if you would comment on that aspect.

* (11:00)

Mr. Singleton: Mr. Chairman, in this chapter as well we again make the recommendation that there need to be improvements in the quality and timeliness of information provided to members of the Legislature to allow them to assess the effectiveness of the program. The nature of the question that is posed demonstrates why it is so important for government and departments that are delivering programs to get the story out clearly. I do not know the answers to what I am about to say, but I will just pose them as a question.

If you were trying to compare Manitoba to other jurisdictions, it might not be fair to just look at the workload or the volume of people under care without taking into account specific social circumstances in Manitoba compared to other provinces and try and understand what it might be in Manitoba that would affect the delivery of the program here and which might pose particular difficulties in delivering the program here. It is useful to have all that context as well as the performance measures before members of the Legislature so that an informed discussion can take place about whether the program is effective or not, and what steps might be taken to make it more effective.

Mr. Gerrard: I would like to follow up on this by asking—I mean, based on this review and the other work that the provincial auditor has done, I guess I should be saying Auditor General now, what would be the recommendation in terms of effective outcome measures and performance measures that should be provided to the Legislature on a regular basis so that members of the Legislature can have a reasonable perspective on what is happening and whether there is improvement or not.

Mr. Singleton: Mr. Chairman, I do not have the answer to that question. Even though, as a legislative auditor we are supposed to have access to the revealed truth, there are some limitations to our knowledge of some of these subjects, particularly in social service programs. I think everyone acknowledges that is one of the more difficult areas to come up with effective and useful performance measures. What I think is important is for the people in the civil service

to research what is being done elsewhere, to engage in a dialogue with members of the Legislature and various stakeholders in the community to try to determine how will we best know that this program is doing what we want it to do. First, are we clear on what the objectives of the program are to begin with? Then, are we clear on what specific targets that we would like to accomplish within what particular time frame there is? And then, are we clear on what measures would indicate whether or not we are achieving those targets?

I guess my concern is that it is important to get that process going. In this particular case, the department did indicate that it was in the process of developing quantifiable measures in 27 areas for the Child, Family and Community Development branch. It is not a trivial process. I guess my bias would be to try to get some measures out there so that there can start to be a testing that members of the Legislature or citizens can react to and say: Well, I really like these five measures, but those four do not tell me anything, so that the dialogue can begin on what, in fact, would be useful to measure. There is, certainly, no black-and-white answer and, over time, what would be measured might change, depending on what is going on in the rest of society.

Mr. Selinger: On this whole area of Child and Family Services, I just note that this report was in 1999. I think the member from River Heights will know that there has been some significant reforms taken in child welfare since we have come to government. In particular, there has been a negotiated process to divulge some child welfare responsibilities to First Nations organizations, both on the Métis side and on the Status side. This process is continuing in a collaborative fashion with those communities, with some extra resources put in the Budget to help the new governance model and care, child welfare model come to fruition. As well, there is a new governance structure that has been put in place for what is Child and Family Services of Winnipeg, where there were a large number of children in care.

I think, the minister, if you would be interested in talking to him, can report to you on a real-time basis that the efforts that have been

made this year to improve those child care arrangements for people in care and the cost effectiveness of those measures. There had been an ongoing concern about deficits in the Child and Family Services Agency of Winnipeg. I think you will find that, when you talk to the minister in his Estimates, there have been some very innovative processes put in place there that probably lead the country in terms of partnerships with First Nations and Aboriginal communities on how children are cared for, under whose auspices and what the nature of the caring programs are, as well as some cost-efficiency measures that have put in place which are also intended to provide better care for children.

There have been a number of things done there in the last two years that postdate this report and, I think, point to a direction that is one that will, not only hopefully achieve better results, but culturally appropriate results and results that will allow for responsibility and ownership and management to be taken by the First Nations and Métis communities themselves for children that they identify as theirs.

Mr. Gerrard: I thank the minister and the Auditor General for their comments. From the comments of the Auditor General, I have a perspective of the importance of having ongoing research efforts which would identify performance measurements and output measurements and improve the ability of Government to deliver programs, as in this area, and that it may be particularly important in the delivery of social services. In this case, dealing with children, some of the outcome measures may take years in terms of their functionality or their ability to function in society and the kind of long-term studies that have been done of head-start programs and so on.

I would ask the question whether this kind of major and substantive effort in research, on an ongoing basis, is at the heart of what you were trying to get and suggest that there needs to be that kind of effort on a sustained and ongoing basis to ensure that the performance and outcome measures are developed and used well.

Mr. Singleton: Yes, I think that is right, and I think it is useful also to reflect back on the focus

of this particular chapter, because it is really another level of performance reporting, where the Government hires agencies to deliver social programs on its behalf, which is essentially the subject of this particular chapter. It is important that the Government set out clear expectations for what those agencies are to deliver for them and, in this particular case, we found that out of the 42 agencies that we are looking at, 29 of them did not have a written agreement between the Government and the agency as to what services were to be delivered. That is a pretty fundamental weakness in the chain of accountability, because those agreements presumably would set out the criteria for service, the quality of service, what the objectives were.

* (11:10)

If I were to move from that to a more general concern, some of the work that we have done in the last two or three years around, well, the Morris-Macdonald School Division, the Lions Club of Winnipeg housing projects indicate that the monitoring of agencies that carry out government programs is not as strong as one would like it to be.

Mr. Gerrard: Thank you for your comments. When one is, as is happening under the present Government, having more and more of the programs outsourced to other agencies, in fact it becomes more not less important to have the performance measurement and the research based there to be assured that the outcomes and the performance delivered is really there and is improving on an ongoing basis.

I just wonder whether you would concur with that kind of approach.

Mr. Singleton: Yes, I would, Mr. Chair.

Mr. Gerrard: In view of what you found before, that a large number of agencies which were delivering services had not gotten real sort of defined criteria for what they were doing, in view of the very substantial changes that have been introduced by the present Government, it seems to me that this is a particularly important area for the Auditor General to follow up and to provide some ongoing information as to how performance and outcome measures are being

evaluated and how services are being delivered and whether, in fact, there is a research base that is there to allow for adequate assessment of results.

Mr. Singleton: I thank the member for that comment. As I indicated before, we will, of course, be following this particular chapter up in a routine manner in 2003.

We have also issued another report which may be referred to the committee in due course on policy development capacity within government which identified a number of recommendations that we made on a general basis in terms of how government might take steps to ensure that it has the capacity to develop effective policies so that programs can be driven in a very cost-effective and service-effective manner. Just in general terms, when we are looking at projects to think about for audit, we give weight to comments such as were just made.

Also, new programs that come along tend to be ones that are the riskiest. Unfortunately, there are more new programs that are introduced than we can keep up with, but the newness of programs is also a criterion that we look at in assessing whether or not it is appropriate to do an audit. One needs to sort of balance giving enough time for the program to get up and running before going in and auditing it versus the risk of things going off the rails because the program may or may not have been well designed to begin with.

So, when we would do a specific follow-up on some of the new initiatives in the Child, Family and Community Development branch, time will tell, I guess, but we have not made a determination today.

Mr. Selinger: I am just listening to the process here, and I think one of the important distinctions is that usually the Public Accounts Committee deals with things after they have been done. It is sort of a retrospective look at what has gone on in government, the activity and whether it accords with meeting its objectives: effectiveness, economy, efficiency, et cetera. The prospective opportunity to look at an initiative as it is taking shape and being

implemented is always there in the Legislature in general but, in particular, in Estimates.

If the member has an interest in this area, and it is an important area, with respect to children and how they are cared for, we are in the process of designing these new systems right now. If there are some particular things you think should be looked at in terms of outcomes, I would encourage him to go to those Estimates or talk to the minister directly because, I think, there is an openness and willingness to, sort of, design these new systems of service delivery to achieve the kinds of results that we would like to have with respect to children and families, where they get proper care, first and foremost in their families, where that is possible, and where it is not, within their communities and within their cultures and/or within their extended families. There is kind of a continuum of options there.

I think everybody agrees that we want to keep the child as close to a family that is a well-functioning family as possible. I would encourage him to go to the Estimates, as well, and take the opportunity to ask these questions, because it might be possible for the department to either give information that gives you comfort, or take your comments into consideration in the service purchase agreements and specific agreements they structure with the agencies that are going to be delivering these services. I think we have a common interest in reducing the number of children in hotels, for example, or in those kinds of settings where nobody has a lot of confidence in the long-term outcomes for the kids.

Mr. Gerrard: One comment that follows the minister's comments and the Auditor General's comments. It seems to me that how things are set up and whether, in fact, they are set up to look at performance and outcome measures on an ongoing basis is important in this area, because of the potential long-term evaluation that will be needed to set up things. It is particularly important that it be set up well. It is probably possible in this area.

I would suggest to look at a combination of short and long-term measures, so that, in fact, one can get information on performance and outcomes in a short run as well as a long-run

environment and that would allow for adjustment of changes, and so on.

I would ask the Auditor General, because he has looked at the question of cost-effectiveness and value for money, and he has been involved in the audits in the area of children's services. We have got quite a variety of programs being implemented under the present Government and that whether you would provide some comments on how one measures value-for-money and cost-effectiveness in this context, and how you would approach this in a way that could be helpful in giving the Government some guidance and make sure that the best approaches are being used.

Mr. Chairperson: Mr. Minister has a comment, and then we will ask the Auditor General.

Mr. Selinger: Again, in this area, I think this is a very important area, how our children are treated and, in particular, children that may come in contact with our child welfare system. The member is also right. There is an entire Healthy Child Initiative that is ramping up prevention programs in a variety of communities in Manitoba. There are initiatives on fetal alcohol system, fetal alcohol effect. There are reforms going on in the child welfare system, in terms of devolution. There are improvements being made in the day-care system. All of these systems interact because they are all systems that serve children and their families. Some of the outcome measures in those different systems might be similar. Some of the children might actually be, in fact, in multiple systems at the same time. A child could be, potentially, in a foster home, attending a day-care or a Healthy Child program, all simultaneously.

I know the federal government, when they put money into early childhood education, all of the federal government initiatives are trying to get some linkage between investments and some measurement of outcomes. I know there is longitudinal research going on now at the federal level. I believe the provincial government is participating in that to take a look at these long-term impacts of these investments in early childhood care and education. I think there is some very valuable information in there that is starting to shape up, not only on a national level but with provincial samples. So you may be interested in that.

* (11:20)

I know the minister probably has even a finer grasp of the detail of that than I would, because he is working with it every day, but I am aware that these things are going on, and we have put some resources into supporting those kinds of longitudinal initiatives.

So, in general, I would agree with the member that we do need short-term measures to ensure that services are giving us good programs for the investments we make. Then we need the medium- to long-term measures to see what is happening to kids and whether or not the interventions we are making are getting some of the results we have seen with pilot programs in the United States, where they have got some very good research. That is where you get this seven to one, every dollar invested for a child under five saves you seven dollars downstream. There is some very good research in the States, foundation-supported in many cases.

So I agree with you. There is longitudinal. There is short-term. Both of those elements I think are important. The short-term hopefully will give us some indicator whether the long-term will achieve the results we want, but again I would encourage him to talk to the minister, who I know has an interest in this area and I think would have quite a bit of information to share on this matter.

Mr. Singleton: Mr. Chairman, just a couple of general comments. I would concur with the way the discussion is going. Just a couple of points, I would add that it is important when initiatives are being developed to think about across government who also might be involved in that so that there can be some co-ordination with the performance measurement and performance reporting that you do not have different pockets all trying to gather the same information and report it separately.

You know, if there are four or five programs focussed on particular childhood outcomes, those four or five programs should get together and develop a common set of indicators that they will all be using, which then gets you back to one of the most difficult conundrums in the performance reporting field when you started

looking at the outcomes of to what extent can you actually attribute that program to those outcomes and were there in fact other things going on in society that might have caused that as well.

Just because it is difficult does not mean it is not worth trying, but I think that co-ordination across the departments and programs that are working on a particular area are very important.

Mr. Gerrard: Just in the same vein, the design of outcomes and performance measures, when you have got multiple changes happening at once takes some care to make sure that in fact you are looking at not just the global change but the individual changes in a meaningful way so in fact you can determine what made a difference and what did not. There are a variety of approaches that can be used for looking at these sorts of issues, but it is the complexity of the area which makes it very important that one have a systematic approach right up front.

Mr. Selinger: This whole area of social research, I think, is maybe the most challenging area for an Auditor General's office in terms of the kinds of expertise they have within. It is not one that really lends itself to traditional accounting training. I am not trying to be disparaging in saying that, but really it is the kind of maybe research background you might have and I might have in the social sciences that may be more relevant and has been working on this for a lot longer since the 1960s when the first social programs were launched in the War on Poverty in the States and similar programs in Canada.

People have spent entire careers doing social program evaluation and action research evaluation. It is very difficult outside of the laboratory to get, you know, your traditional research design where you have a control group and an experimental group, because it is hard to control the variables.

In some of these inner city neighborhoods we have got housing initiatives going on. We have got Healthy Child initiatives going on. We have got day-care initiatives going on. We have got education initiatives going on. We have got child welfare initiatives going on. All of them

are impacting in the same neighborhoods and often on the same families. There are multiple inputs and efforts going on there. Some of the best research indicates that that is exactly the way you get your results.

You have to take a holistic approach to addressing the conditions which breed poverty and underperformance among children and have a multiple approach and take a systematic approach to it. Those same advocates also indicate that those are among the hardest types of interventions to evaluate. It is very difficult to isolate which particular variables get which outcomes. A child who stops moving from school to school because they get stable housing, that is one of the biggest indicators of success in school, is stability and continuity in an education program, how long you stick in the same school. Then, when you are in the school, what kind of education do they get? Do they get culturally appropriate education with teachers that may represent the background they have and provide role models? What happens after school? Do they have a good Lighthouse program, or do they have a good day-care program, or do they have a good healthy child program that gets the parents involved before the kid starts school?

I personally have spent some of my professional career doing some of this work and seen very good outcomes, but they are very hard to measure with quantitative instruments. They are sometimes best measured with qualitative instruments where the sampling procedures and the documentation procedures move away from traditional laboratory-type scientific methods into more experimental or action research methods. This whole area of qualitative research has been a tremendous growth area in the nineties. You probably have experienced it in the health care field as well on wellness types of evaluations, and the validity measures for this type of research are quite different, not less valid, but quite different than the traditional research methods and require a different skill set than I think is often available. It is a fairly rare skill set. That skill set is coming out of some education degree programs, some sociology programs, some social work programs. I am presuming it is coming out of some public health programs as well, although I am less knowledgeable in that area.

I do not know if it is even fair for the provincial auditor to be able to do these things by themselves. I think the demands to get a good picture of what is going on require a skill set that is broader. I do not think we could resource the provincial auditor's office sufficiently to do this. If we did, we would probably consider we created another monster, but it may require that the provincial auditor collaborate with some of the expertise we have within the departments that deliver these programs and perhaps some expertise in some of the research institutes we have located within the universities to really get a good look at this.

In my own experience, the kinds of methods and the people that use these methods requires some extraordinary skills to make them work and to get the fine-grained outcomes. The research is showing that you do get good outcomes, and they are often very qualitative in nature and long term in nature.

Mr. Singleton: Just in responding to the minister's comments, I tend to agree with him. I see our role as one of more trying to champion the concepts of performance reporting and performance measurement and working with departments and agencies to the extent that we can to help them understand some of the fundamental principles that should be incorporated into their public performance reporting processes. But clearly, given the size of Government, it would not be practical for us to be an expert in measuring everything that goes on within Government. Because of the importance of the concept, we will be continuing to challenge and to champion the concepts behind public performance reporting.

Mr. Gerrard: On the same issue, I was not suggesting that the Auditor General be involved directly in the research but rather that the Auditor General should, in taking an overview of what was happening, be ready to comment on whether the department had the supporting research base, whether in fact the studies were being set up in a way that would allow for performance measurement and outcome assessments. I think that the complexity of this allows not only for individual assessment but, I think, that it is probably quite a good area for comparisons from one province to another and

that the partnerships with other provinces to look at, outcomes can be quite useful; in a sense, the comparative assessment of the number of children in care in proportion to population—it is an outcome measure which provides some evidence that we could be doing better in this province. It may be one of the things that can be looked at on an ongoing basis and is reported already on an ongoing basis. These comparative measures which are developed from province to province and a research which is co-operative with other provinces to look at areas where things can be improved can be helpful in providing some overall information as to whether or not things are going in the right direction.

* (11:30)

Mr. Selinger: I just want to say, I think, this conversation actually is unlike most conversations in the Legislature. It is shedding a little more light than heat where often we get into the heat component of our discussions as opposed to shedding light on it, because we are pursuing this with some intellectual integrity.

We even have to be careful in interprovincial comparisons. I will just relate an experience. When the child welfare system regionalized in the city of Winnipeg in the eighties and they set up five or six agencies instead of just the old Children's Aid of Winnipeg, at the same time as that devolution was going on in Winnipeg, it was also the same time that there was a growing awareness of child abuse issues. As the agencies got closer to the neighbourhoods they were working in with a legislative mandate to report issues and teachers had increased requirements to start reporting issues of child abuse and increased training to identify it, we started seeing, contrary to the philosophy that a community-based approach in child welfare would keep more children out of care, what in fact happened was, simultaneous with increased awareness and training on child abuse reporting and the devolution of these agencies into the communities, we started getting more children coming into care because we were more aware of it, we were more in contact with it, and more people were informed of their rights to report these things.

So you could have a province like Manitoba, which is very innovative in providing services,

community-based, providing better training for teachers and related human-service professionals, seeing an increase in the number of children coming into care, compared to a province that is doing nothing because basically they are ignoring the problem. They are not as in touch with the problem. We would look like we are worse off when in fact we are doing more to address the problem because we are not sweeping it under the carpet. We are not using the ignorance excuse. I mean, there are some jurisdictions that just are not doing anything or they are doing very little because that is not a priority for them.

So we have to be careful sometimes that the indicators and the information we collect do not get used to stop the things we need to do to ensure quality lives for children and their families. We can get perverse outcomes unless we get—the context is so important. I mean, the numbers—the problem I have with quantitative research in human services is that it takes some really good insight to look behind the numbers. The numbers themselves are just a very, very limited indicator of what is really going on.

So, for example, in Manitoba we have had an increase in the number of First Nations children coming into care with more community-based programs, more cultural awareness, better reporting procedures. Does that mean we are doing a worse job? Maybe not. It might mean that we are doing a better job, but having the courage to see the problem and do something about it. Then the challenge, once you see it and put them into the system, is how do you get them back into their communities and back into families and back into healthy situations? That is where some of the investments that are starting to occur in this era are making that kind of a difference. So I would be very skeptical in assuming that high numbers mean that we are worse off. It might mean that other jurisdictions are ignoring it more than we are. I think we have to always be sensitive to those kinds of contextual factors.

Mr. Gerrard: Well, acknowledging that you may have perverse outcomes, it is all the more important to have the short-run or the long-run measures. If in fact one is doing better, then it should show up in the longer-run outcomes. It

should not be used, all right, the fact that you may have some short-term outcomes which are perplexing or contradictory or intuitively going in the other direction. It does not mean that one should stop measuring or should be disregarded as cynical. One should understand what the circumstance is and make sure that you are building in the long-run framework so that you know, in fact, whether the intervention and activist approach is, in fact, making a difference.

Mr. Chairperson: Thank you. I guess we will move on.

Value-For-Money Audits for the period ending December 1999—pass.

We will move on to the Value-For-Money Audits for the period ending June 2000.

Mr. Gerrard: I would like to start on page 5 where the statement is made in the report. We concluded that while department development and implementation of shared food services were being managed in a difficult and challenging environment, certain decisions were made despite advice to the contrary which likely contributed to the troubles of the corporation, rather than mitigate the risks.

Clearly, the circumstances were such that from what the report indicates that there was some reasonable advice given, but it was not followed, and there is a whole series of decisions which are listed here under the decisions include.

What I would ask the Auditor General is to reflect on the circumstances of what happened, why things were so much off the rails, and whether, in fact, there is any evidence that some improvements have been made to prevent this sort of expensive problem, a problem which went in a poor direction, from happening again.

Mr. Singleton: Mr. Chairman, although it is not unique to Manitoba, one of the recurring themes in our government practices has been to try to adopt something that is a leading-edge technology, something that may or may not have been done anywhere else in the world before, or if it has, relatively rarely, and to sort of import that into Manitoba, Manitoba's public sector,

typically using people to work on it who do not have a lot of experience with the project, do not have a lot of experience in managing high-risk projects involving new technology or new ways of doing things. If we were to go back 20 or 30 years, we could cite dozens of examples of where the taxpayer has been significantly out of pocket as a result of poorly managed new initiatives. I think the USSC clearly falls into an example in that category.

The message that we try to get out every time we run into one of these situations is to remind people to think three times when they are going to be involved in making a decision to implement something that is new and fraught with risk. As soon as you talk about the fact that you are going to be something new or unusual, zillions of red flags should go up and all the people who would do involved in governing that project, planning the project, should take extra time and extra due diligence, implement that special duty of care on behalf of the citizens to make sure they really understand all the risks and rewards that are involved in the new approach, that they have the people with the skills and the knowledge and expertise to give a reasonable chance of success and to have some understanding. If you are going to do something new, you know things are going to go wrong. I mean, that is kind of a given.

You cannot develop a major new system without making mistakes along the way. But what are you going to do to minimize the likelihood of those and what are you going to do to enable you to react to those in a timely way as you go forward to minimize the effect of the mistakes that do occur?

I would say that, in general, this particular project was rushed into without those governance and project management issues being thought about carefully before a decision was made to move ahead, as would have been a general theme. So my message to people in the public sector would be, as I just said, if you are looking at a new initiative, to make sure you really have thought through all the risks and rewards and have put an effective process in place to manage the process.

* (11:40)

Mr. Gerrard: Further down page 5 the report indicates that the proposal that was eventually accepted bore little resemblance to the initiative as it was ultimately delivered. Clearly, what started out in one direction went in a completely different direction. There clearly should be oversight of projects at the political and the civil service level. In this regard, as you have outlined clearly in the report, what started in one direction ended up in another direction and turned out to be very problematic in terms of the outcome.

I wonder whether you would sort of comment a little bit further in terms of initiatives which start out one way and end up another way.

Mr. Singleton: Well, obviously, one needs to think about the governance processes and the checks and balances that are going to be in place as a project unfolds. In this particular case, there was some debate about whether the board was or was not aware of the change in direction. Certainly, I think, one could argue that the board did not have an effective process to make sure that the direction did not change without their knowledge.

Some of the things were pretty fundamental. The second bullet at the top of the page where we talk about signing an agreement with ARAMARK that did not include a provision for price guarantees, well, that was a very fundamental part of the original concept, because if you are going to hold a private sector person to deliver at a certain price and they cannot, well, that is their problem, not the Government's problem. When you give up on that you are into actually a whole new program, which is, okay, if we cannot get a private sector supplier to guarantee us a price, well, then, our risks have just expanded phenomenally and maybe we should stop and pause and think about whether this is actually the way we want to go and how we are going to manage the risks in an environment where we are now going to pay whatever the supplier is going to charge us.

So governance and checks and balances throughout the project management phase and also creating an environment of trust and a culture where if a bureaucrat sees something going wrong they are not afraid to come and talk

to their boss or to let the minister know, because if the civil servants are afraid of bringing problems to their political masters, the odds are they will not, and the problem ends up being worse by the time it blows up and people now have to scramble to react to it.

So governance, trust, and checks and balances in the project management process.

Mr. Gerrard: You mentioned the uncertainty as to the board and whether the members of the board really understood what they were doing in this circumstance. I would ask you whether the problem was that the people on the board did not have the experience in this particular area to make good judgments or whether in fact there was a lack of clarity in the direction and the role of the board which one would ordinarily see as being responsible for making sure that the project went in the direction it was intended.

Mr. Singleton: Well, I think it is fair to say, as we indicate in the report, that the expectations of the project were not as clearly enunciated at the outset as they should have been, which immediately creates a risk of people going off in different directions or having conflict about what the direction should be. Then, there is an interesting governance anomaly in the structure of the board for USSC, in that most of the board members were CEOs of the hospitals who would be receiving the services. So, I mean, in a sense that places them in a bit of a conflict situation right away. When they are on the board of USSC, are they trying to look after the best interests of the USSC corporation, or are they trying to make sure that their hospital gets what it wants out of USSC? While that is not impossible to make that kind of situation work, to me, it would be another red flag that that is kind of unusual governance structure that has another set of risks that needs to be managed, to make sure everyone knows whose interests are being dealt with when the USSC board is having a meeting.

Mr. Gerrard: Just following that up, I would ask your Auditor General to comment on how one might best identify potential conflicts of interest and problems in this sort of appointment. Whether as in, well, perhaps, less in Canada, but in other jurisdictions, her framework for

legislative reviews of appointments and things like that, which might have contributed to bringing out conflicts before they became very apparent by the actions and the operations of the board.

Mr. Singleton: Well, in general, I guess we have taken a position in some of the Government's work that we have been doing. We have done a government study of Crown agencies and also of school boards that around conflict issues, it is very important that boards talk about them openly, and everybody around the table have a discussion on what would be conflict of interest in a particular case and what should be done about it. Where there is something systemic, where a board has not been created this way, where there is sort of an inherent conflict, we would suggest there needs to be a conversation around the board of how do we manage that, so that we all have a common understanding of what our goal is when we are at this particular board meeting versus our goal as a CEO of a service recipient.

I think it is that dialogue and conversation that is important because boards face a number of different situations, and they are comprised of different kinds of people that might change over time and they are relating to management that might change over time. We have tried to stay away from having a sort of cookbook approach, to what is the right approach to governance issues and issues of conflict but, instead, to encourage that dialogue process where boards think about and openly discuss how they should function.

Mr. Gerrard: Just to follow that up, I would ask the Auditor General to comment on existing processes for public declaration of conflicts when people are appointed to boards.

Mr. Singleton: Well, I think it is a fairly common practice in boards in the Manitoba public sector, where specific members have a conflict of interest, that the protocol is for them to notify the board of the conflict and then let the board determine what is the appropriate action. The board may say, well that is not a significant conflict to us, or, you are welcome to stay here, or they might say, you can sit in the room but you cannot participate in the discussion and you

cannot vote on it, or they might go so far as to say, we would rather you were not even in the room, depending on the nature, or I suppose it could come to the extreme where that is such a significant conflict, maybe you should think about resigning from the board. If it is that protocol, of initially self-reporting and identifying the conflict and then giving the board an opportunity to decide what is the appropriate course of action.

* (11:50)

Mr. Gerrard: It would seem to me that the current procedures, which are primarily internal to the board that an individual has been appointed to would not be as effective as a process which required public disclosure to a Legislature, for example, of such information so that in fact the Legislature, given that these are publicly appointed boards, would be in a position to comment and ask questions in Question Period and to probe situations where there are clear conflicts of interest of people who are sitting on publicly appointed boards.

Mr. Singleton: Mr. Chairman, I am aware of the debate that is going on in Canada about how boards of Crown corporations and Crown agencies should be appointed. It is not an issue that we have particularly made a study of, around the process and the merits or non-merits of a public vetting of appointment of members to the board. So I will not comment specifically on that. I will indicate that the research we have been doing demonstrates how important it is that people on boards have the right mix of skills to be effective and, if they self-determine that they do not have the right mix of skills, that they develop a process to support themselves through some, perhaps, external information processes and that they reflect the community with which they are dealing in a reasonable way so that there is an opportunity to dialogue with the community and that there is an understanding of the values of the community and the values of the board and an attempt to discuss how those can be matched up.

Just one interesting fact that we determined from our study of Crown corporation boards, which I found a little surprising, one of the questions we asked the board members was:

Whose interest do you represent when you are appointed to the board of Manitoba Hydro or the Liquor Commission or any Crown agency? I think we surveyed 29 Crown agencies altogether. A very high percentage of them, even though they were all appointed by the Government, said, well, we represent the interest of the organization that we have been appointed to be on the board of and not necessarily the interests of the Government. That is an interesting fact. I think one of the issues that draws to attention is the need for a clearer understanding between government and the board and what their respective roles are, and when it is appropriate for the Government to give direction and how that direction should be given and when it is not.

Mr. Gerrard: I would ask, I mean, you reviewed this particular situation, whether the members of this board ever made any declaration of conflict of interest, either at the board level or any other way, publicly.

Mr. Singleton: No, not to my knowledge, although my staff are checking that at the moment. So I will put a caveat around that response. We did, in terms of the board operation, identify that the board clearly did not understand what its roles and responsibilities were vis-à-vis the CEO. That is a conundrum that often happens in the public sector where CEOs may be appointed by Order-in-Council. Then the question of their role, the CEO's role with the minister versus the board can be a complicating factor. We found that they were not getting the adequate information to make decisions, and they were not asking for it as well. They were trying to do too much with volunteer committee members rather than spending the money to get the expertise that would be necessary to actually deliver on something.

All of us are busy people in this world, and when you are serving on a board where you get paid either nothing or a nominal sum, there is a limit to how much one can reasonably expect those people to devote to their duties. It is quite amazing how much they give irrespective of their compensation. We flag the inherent conflict in our report. To our knowledge, it was not really discussed or considered by itself.

Mr. Gerrard: Just a follow-up question in terms of the importance of this particular area and the problems that arose with the delivery of this initiative, or the lack of delivery, as one may choose to consider it.

With the issue of board accountability, of conflicts, clearly, there needs to be some practices in place which would ensure that individuals appointed to boards by the Government and the public sector should be assessed in terms of conflict, should have some knowledge of the role and function.

In looking at this area, as it happened then and as it should happen, what are your recommendations? Have you noted in your subsequent work any change in practices in relation to appointment of boards, people to boards?

Mr. Singleton: Given that we are working within the current system of appointment, I think one of the things that we talk about in our reports on our government surveys is that boards should be doing a self-assessment of their own mix of skills amongst the people, the mix of experiences and representation in the community.

In fact, I think it would be a good idea for boards after they have done that, to advise the minister responsible for their corporation. You know, we really could use an actuary on our board, or, you know, we used to have a lawyer, but we do not any more, so the next time you are thinking of making appointments to our board, it would be useful to try to fill these gaps in our particular skill mix.

That is something a board could do without all the rules having to be changed. Any board could take that on themselves right now. I guess I will stop there.

Mr. Gerrard: I would ask the minister who himself has got some responsibility for Crown corporations whether he has considered the recommendations, the circumstances, that arose around this and other factors in his own involvement in appointments to boards and to the operation of public sector boards.

Mr. Selinger: Certainly, when you look at the kind of people you would like to see serve on a

board, you look for qualifications relevant to the mandate of that organization. This one, I think, is somewhat different in the sense that really it was managers of the facilities that would be using the service that were really on the board.

In the broader Crown sector, it is usually citizens in the community who represent the interests of different sectors of the community. Usually, you try to get a broad enough array of interests that the whole community's views can be represented on the board in the way that Crown is governed.

In some respects, this organization was more like a special operating agency. In a sense, it was a service delivery organization designed to provide services to health facilities, as opposed to a more arm's-length Crown corporation with a separate legislative mandate. That being said, when you talk about conflict, I think really we have to clarify here that we are talking about organizational conflict, not conflict of interest in the more traditional sense of pecuniary conflict of interest.

* (12:00)

There are two principles clashing here. One, was to involve the stakeholders in the design of the system and, at the same time, those stakeholders serving in a governance capacity had a responsibility to see beyond the needs of their specific organization to what would be best for the whole system, and that requires, perhaps, CEOs that could see beyond the boundaries of their own institution. I do not know if you can legislate that. I think what you have to do at that stage there is you have to find people that are committed to serving the broader health care system, not just their own institutional purposes.

That might be an argument for regional health authorities. The purpose, I think, of regional health authorities is to get in place a level of organization that looks at an entire system, geographic or otherwise, and how the services might be best delivered in that system. You might know that this facility now is under the management of the Winnipeg Regional Health Authority who take a system-wide view of how that facility can best serve the system. So that change may have allowed for a broader view

of what its role could be without putting undue pressure on specific facility managers to be seeing the whole system when they are not necessarily always in a position to do that in terms of their day-to-day activities. I often think that in these kinds of exercises it is better to have a mix of skills: some people that are direct stakeholders in the services that are going to be delivered and some other people with a broader view so that the right mix of inputs comes to the decision making and one level does not dominate to the exclusion of another. You do not get specific facility concerns being ignored on the one hand or on the other hand you do not get system-wide concerns being ignored or potentially addressed only to the benefit of the specific facility.

So it is a challenge and, I think, we will see across government generally more and more innovations of organizations, and these issues of governance and how they are managed and the relationship between government and management will have to be more carefully examined. I do not think there is a cookbook as the Auditor General has said. I think it comes down to identifying the right people with the right organizational mandate and getting clarity in terms of what their role is before they step into these roles. I think the clarity of the mandate and the objectives of the organization are quite important. Then people, before they take on these roles, need to commit to whether they support that mandate and objectives rather than going in there and trying to, sort of, use that role to serve their own narrower organizational interests.

But, having been involved in these kinds of activities over the years, a lot of it comes down to the quality of the people you select to play the roles and their ability to see the big picture and focus on that.

That being said, the selection of members for governance roles and Crowns generally is an important one and we do try to draw the best citizens across the province to play those roles.

Mr. Chairperson: The hour being after 12 p.m., what is the will of the committee? Do we want to deal with the report? Do you want to pass the report? Is that the will of the committee?

Mr. Gerrard: I have some additional questions, but I recognize that the time is now—I wonder if we can defer passage of this report.

We have passed three reports today, which I think is significant progress.

Mr. Chairperson: Is that the will of the committee, that we defer the report ending June 2000 until the next meeting or until it is referred

to the committee by the Government House Leader (Mr. Mackintosh)?

Is that the will of the committee? *[Agreed]*

The hour being past noon, committee rise.

COMMITTEE ROSE AT: 12:02 p.m.