



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

Chairperson
Mr. Frank Pitura
Constituency of Morris



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

Member	Constituency	Political Affiliation
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy	St. Vital	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
ASPER, Linda	Riel	N.D.P.
BARRETT, Becky, Hon.	Inkster	N.D.P.
CALDWELL, Drew, Hon.	Brandon East	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CUMMINGS, Glen	Ste. Rose	P.C.
DACQUAY, Louise	Seine River	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry	Lakeside	P.C.
FAURSCHOU, David	Portage la Prairie	P.C.
FRIESEN, Jean, Hon.	Wolseley	N.D.P.
GERRARD, Jon, Hon.	River Heights	Lib.
GILLESHAMMER, Harold	Minnedosa	P.C.
HAWRANIK, Gerald	Lac du Bonnet	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
LOEWEN, John	Fort Whyte	P.C.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McGIFFORD, Diane, Hon.	Lord Roberts	N.D.P.
MIHYCHUK, MaryAnn, Hon.	Minto	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
MURRAY, Stuart	Kirkfield Park	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
PENNER, Jack	Emerson	P.C.
PENNER, Jim	Steinbach	P.C.
PITURA, Frank	Morris	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
ROBINSON, Eric, Hon.	Rupertsland	N.D.P.
ROCAN, Denis	Carman	P.C.
RONDEAU, Jim	Assiniboia	N.D.P.
SALE, Tim, Hon.	Fort Rouge	N.D.P.
SANTOS, Conrad	Wellington	N.D.P.
SCHELLENBERG, Harry	Rossmere	N.D.P.
SCHULER, Ron	Springfield	P.C.
SELINGER, Greg, Hon.	St. Boniface	N.D.P.
SMITH, Joy	Fort Garry	P.C.
SMITH, Scott, Hon.	Brandon West	N.D.P.
STEFANSON, Heather	Tuxedo	P.C.
STRUTHERS, Stan	Dauphin-Roblin	N.D.P.
TWEED, Mervin	Turtle Mountain	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, July 29, 2002

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Frank Pitura
(Morris)**

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

ATTENDANCE - 10 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Gerrard, Selinger

Ms. Allan, Messrs. Gilleshammer, Loewen,
Maloway, Pitura, Reid, Rondeau, Struthers

APPEARING:

Mr. Jon Singleton, Auditor General,
Province of Manitoba

Ms. Bonnie Lysyk, Deputy Auditor General
and Chief Operating Officer

MATTERS UNDER CONSIDERATION:

Provincial Auditor's Report—A Review of
the Policy Development Capacity within
Government Departments dated November
2001

Provincial Auditor's Report—An Examina-
tion of School Board Governance in Mani-
toba dated October 2001

Provincial Auditor's Report—Investigation of
an Adult Learning Centre ("The Program")
In Morris-Macdonald School Division No.
19 dated September 2001

Clerk Assistant (Mr. Rick Yarish): Good
morning. Will the Standing Committee on Public
Accounts please come to order. Our first order of

business is the election of a Chairperson. Are
there any nominations?

Mr. Daryl Reid (Transcona): I would like to
nominate Mr. Pitura.

Clerk Assistant: Mr. Pitura has been
nominated. Are there any further nominations?
Seeing none, Mr. Pitura is appointed chair-
person.

Mr. Pitura, would you please take the Chair.

Mr. Chairperson: Good morning. Our next
order of business today is the election of a Vice-
Chairperson. Are there any nominations?

Mr. Jim Rondeau (Assiniboia): I would like to
nominate Mr. Maloway.

Mr. Chairperson: Mr. Maloway has been
nominated as Vice-Chairperson. Are there any
further nominations? Seeing none, Mr. Maloway
is the Vice-Chairperson.

This meeting has been called to consider the
following reports: Provincial Auditor's Report—A
Review of the Policy Development Capacity
within Government Departments dated Novem-
ber 2001; Provincial Auditor's Report—An Exam-
ination of School Board Governance in Mani-
toba dated October 2000; Provincial Auditor's
Report—Investigation of an Adult Learning
Centre ("The Program") in Morris-Macdonald
School Division No. 19 dated September 2001.

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

Mr. Jim Maloway (Elmwood): I would suggest
twelve o'clock.

Mr. Chairperson: Is that the will of the
committee? *[Agreed]* It is agreed then we will
adjourn at twelve o'clock.

On July 25, 2002, the Clerk of this committee circulated a letter to committee members requesting submissions for agenda items or questions requiring detailed answers. We did not receive any agenda items or questions for this meeting. Therefore, we will proceed to consider the reports referred. Are there any suggestions from the committee regarding the order in which we should consider these reports?

Mr. Harold Gilleshammer (Minnedosa): I would suggest we take a look at the adult learning centre report.

Mr. Chairperson: It has been suggested that we look at the adult learning centre report first. Is there agreement. Is it the will of the committee?
[Agreed]

Mr. Gilleshammer: I am pleased to be able to have a look at this Auditor's report on the adult learning centres and the Morris-Macdonald School Division No. 19.

Mr. Chairperson: Excuse me. I have to do a little more protocol. Did the honourable Minister of Finance wish to make an opening statement? Would he please introduce the officials in attendance?

Hon. Greg Selinger (Minister of Finance): Yes, I have an opening statement of about 1 hour and 59 minutes if that is okay with you—just kidding. The officials in attendance are the Deputy Minister of Finance, Pat Gannon; the Provincial Comptroller, Gerry Gaudreau. The Auditor General can introduce his staff.

Just in terms of opening comments, we have three reports here. The one probably of greatest interest to everybody is the adult learning centre report. There is legislation correcting many of the items identified by the then-provincial auditor currently in front of the Legislature. This is not the place to discuss legislation, but I think a careful review of the legislation will show that many of the issues raised have been addressed in terms of mandates, reporting requirements and regulations to support that.

So there has been a lot of progress made since this report was first tabled in the Legislature, and I look forward to passage of that

legislation so that these types of egregious errors will not occur again in the future. Thank you, Mr. Chairperson.

* (10:10)

Mr. Chairperson: We thank the honourable minister. Does the critic for the Official Opposition have an opening statement?

Mr. Gilleshammer: Well, we certainly have some questions about the audit on the adult learning centres and the Morris-Macdonald School Division; well aware that legislation has been brought forward, but I think that there are still a lot of questions about the report itself and some of the details in it.

Mr. Chairperson: We thank the member. Did the Auditor General have any opening comments for the committee?

Mr. Jon Singleton (Auditor General, Province of Manitoba): I would like to start by introducing the staff that I have with me. To my right is Ms. Bonnie Lysyk, the Deputy Auditor General and Chief Operating Officer of the Office. Sitting behind me are Mr. Brian Wirth, Audit Manager in our Compliance and Forensic Services; and Ms. Maria Capozzi, Principal with our Governance Practice. We also have present behind us Mr. Errol Harris, who has assisted us on a contract basis on a number of audits.

I do not have an opening comment, but I would just like to observe just for the interest of the committee that because, of course, the new rules have not yet been adopted for the operation of the committee, the committee may find itself somewhat hamstrung in considering this report, because depending on the nature of the questions, it might be that the Deputy Minister of Education might be the best person to provide the information, or perhaps the person who is acting as the interim trustee at the school division may also have information that might help the committee in understanding some parts of the report.

So it kind of brings back the importance of the committee, putting itself in a position where it can invite people who have knowledge of a

particular report that has been issued to add their insights and perspectives on the topic. However, I can assure you I will do my best to provide all the information that I can for the committee.

Mr. Chairperson: We thank the Auditor General. The floor is now open for questions.

Mr. Gilleshammer: I would like to start with trying to get an understanding of the process. My understanding is the provincial auditor was provided with certain information and asked to investigate allegations regarding an adult learning centre called the African Immigrant Program. Can the Auditor confirm that and indicate what those allegations were?

Mr. Singleton: Yes, as is indicated in the report, on March 29 of 2001, we received a request from the Deputy Minister of Manitoba Education, Training and Youth to investigate certain allegations regarding a particular adult learning centre called the African Immigrant Program at the outset.

When we received that request, the process we undertook was to interview a number of citizens who had brought forward certain allegations to the Department of Education, and we wanted to hear those allegations directly ourselves and interview the people before we decided whether or not it was appropriate for us to conduct an investigation.

Having conducted those interviews, done a little bit of thinking and reviewing of some background information, we decided that, yes, indeed, it was appropriate for us to do an investigation of that particular program.

This is a report that kind of evolved as we went along. Originally, the allegations dealt with one particular adult learning centre, but, as we got into that, we began to realize that there were general issues that affected the school division of Morris-Macdonald as a whole, so we extended our investigation to take a look at the management of adult learning centres by that particular school division, in general. As we worked on that, we began to realize that there were certain issues and concerns related to the Department of

Education itself, and so we decided to do an investigation of the policy framework that the department had in place for managing adult learning.

Now, just a moment and I will track down where the allegations are listed in the report. The allegations are listed on page 24. These allegations with respect to student enrolment on page 24 were that the September 30 enrolment figures which formed the basis of provincial funding were significantly overstated, that the student registration listing was not supported by valid registration forms, and that attendance records were not properly maintained or had been adjusted to reflect higher attendance for the period September 2000 to March 31, 2001.

Then we have some more allegations on the bottom of page 27 to deal with the quality of education. The allegations were that non-certified individuals were teaching students, that an appropriate curriculum was not always being used, that supplies and textbooks were not available to the students, and that teachers' compensation was inconsistent with the Morris-Macdonald School Division collective agreement.

Then there were some additional quality of education issues on page 31 dealing with poor physical condition of the facilities, unfairness in the teacher recruitment process, and the lack of use of assessment tools to decide where students would properly fit into the education process.

Mr. Gilleshammer: Were all of these allegations presented to you in writing? I am wondering if you could table them for the committee.

Mr. Singleton: No. The allegations were provided to us verbally.

Mr. Gilleshammer: You indicated the one source of the allegations was from the deputy minister. Can you indicate where the other allegations came from?

Mr. Singleton: Mr. Chair, it is our practice to protect the confidentiality of individuals who come forward to us with allegations. As regards the Deputy Minister of Education, perhaps it is

not quite accurate to characterize him as a source of the allegations; he received the allegations himself and then passed them along to us. So it was the actual citizens that we interviewed that were making the allegations.

Mr. Gilleshammer: So these allegations were basically anonymous, and you cannot provide the committee with the source of the allegations, other than they came through the deputy minister. Did they also come through other departmental figures?

Mr. Singleton: It is not quite correct to describe the people making the allegations as anonymous because we met with them. Of course, we know who they are, and that is recorded in our files. However, as I indicated before, it is not our practice to make public the names of individuals who bring forward allegations. Oftentimes we find that people come to us with allegations who have a fear, whether justified or not, of negative repercussions on their career or other aspects of their lives when they talk to us, and it is often only through provision of an assurance of confidentiality that they are willing to bring the concerns to our attention at all.

I think that is an important principle because it is important for us to know what citizens think about particular government programs, and so we strive very carefully to protect the confidentiality of individuals who request that when they bring forward information.

Mr. Gilleshammer: This is described as an inspection audit, I believe. What does the definition of an inspection audit vis-à-vis any other sort of audit that you would do?

* (10:20)

Mr. Singleton: Mr. Chairman, under The Provincial Auditor's Act, which has, of course, now been superseded by The Auditor General Act, there was a provision under section 17(4) of the act that authorized the provincial auditor to perform an audit of anyone who had received public monies, such as the Morris-Macdonald School Division. The act did not define what an inspection audit was, so, basically, whenever we undertake an audit of a recipient of public monies, the first thing we would have to do is sit

down and scope the audit. Typically, though, we would have it focus around how the public monies were being managed from a governance perspective, from a management perspective, from an efficiency, effectiveness and value-for-money perspective.

Mr. Gilleshammer: So the initial audit was to be of the African Immigrant Program which was part of a group of programs owned and operated by HOPE. Did you audit or inspect all of the programming, all of the classes that were under the umbrella of HOPE?

Mr. Singleton: We did not conduct an audit of any other specific program. However, during the course of our investigation, we did visit two other sites, and we did review documentation pertaining to a number of other adult learning centres.

Mr. Gilleshammer: It appears to me, from reading the report, that this obviously was the source of the initial allegation to look at the African Immigrant Program under the umbrella of HOPE, and I am wondering why, when you moved your further investigations to Morris-Macdonald, that you did not investigate all of the programming owned and operated by the owners of HOPE.

Mr. Singleton: That is an excellent question, and it is a conundrum we are always facing in the audit processes. Given the limitations on our resources, where can we most effectively focus those? We recognize that there might well be difficulties with other programs, but it seemed to me that our work could be most effective by focussing on, after we determined that many of the allegations were made with respect to this one particular program, were valid, was to understand how that could have come about and how it would be that the school division itself was not in a position to prevent these problems from occurring. If you have systemic weaknesses in controls in a particular organization, the odds are that there will be more than one part of the organization that is experiencing problems. That is why we moved up to look at the school division as a whole.

Part of my thinking in that, as well, is that, once we were able to work with the school

division to identify what had gone wrong from the school division's point of view and make some recommendations on how the school division could improve its practices, the school division itself would be in a position to effectively go in and evaluate the other programs. We really need to be careful in managing our own resources that we did not make the Morris-Macdonald School Division a two-year-long project using up significant resources in our office when there are so many other important programs in the Government that also warrant an audit review.

Mr. Gilleshammer: The genesis of the problem with the African Immigrant Program really started with HOPE prior to Morris-Macdonald becoming involved, that a lot of the difficulties with this program were because of practices and policies and the way HOPE did business. Knowing that, would it not have been prudent to take a look at all of the programming under their auspices?

Mr. Singleton: Mr. Chairman, under 2.12 on page 74 of the report, we essentially deal with that. In principle your point is exactly right, that it is important that further work be done on some of the other adult learning centres operated by HOPE.

We recommended, well, I guess in particular on the first bullet there just as an example of the point we are making that the department perhaps might want to consider conducting additional audit procedures with respect to previous years enrolment. My position would be once the school division was aware of the difficulties that have been accounted at this one location that it would definitely be appropriate for the school division to take that in hand and arrange for a review of the other learning centres.

Mr. Selinger: Just a follow-up to the member from Minnedosa's question, you have indicated that one of the constraints always when you do an audit is your resources. The member asks if there was a problem in one centre, why did you not look at all centres? But is it not also the case if you see a problem in one centre, whether or not those problems occur in other centres you have to act on that problem anyway. So your evidence suggested to you that there needed to be changes, and, based on that, evidence you

made broader recommendations with respect to all programs.

So in a sense it is a sampling approach that you took. It was not a statistical sample, but it was a sample of the programs and you saw a lack of certain kinds of controls there, an oversight and certain practices which you thought led to perverse outcomes and you decided that you had to recommend on that regardless of whether you saw them in other sites or not. Would that be a fair statement?

Mr. Singleton: Mr. Chair, well, hesitant as I am to agree with the Minister of Finance (Mr. Selinger), I would say, yes, that is the case. To take your point a step further in response to the previous question, I would say another thing we could have done was say, well, because the Department of Education did not have appropriate policies in place over adult learning programs that maybe we should have gone to every school division in the province and audited the enrolment of every school division. That would be another option for us to take.

But I think harking to things like the sentinel figures, Mr. Chair, the sentinel effect that I think some of our audits have, when we identify problems in one area we expect other people to respond to that. I would say anecdotally what I heard, because I was invited to speak to the Manitoba Association of School Trustees after this, was that virtually every school board in the province had a special meeting with their auditors after our report came out asking them, do we have the same kind of problems here? Do you audit our enrolment figures? Can we be comfortable as a school board that the figures we provided to the Department of Education are accurate figures?

So by using our resources wisely in a specific area on a test basis, we hope that that will inspire other people with responsibility for managing public monies to take a closer look at their own operations. So certainly in the case of the school division we do hope that the school division would look more closely at the other adult learning centres under its operation.

Mr. Gilleshammer: HOPE also had a relationship with other school divisions, Winnipeg 1,

Transcona-Springfield, Seven Oaks. Did you look at any of those relationships while you were conducting your audit?

Mr. Singleton: No, Mr. Chair, we did not pursue the relationships with the other school divisions.

* (10:30)

Mr. Gilleshammer: So, Mr. Chair, it would be fair to say that there were many aspects of the adult learning centres operated by HOPE and other school divisions that escaped your purview at this time and that you really zeroed in on this particular program, the African Immigrant Program, and Morris-Macdonald School Division.

Mr. Singleton: Mr. Chair, yes, that would be a correct characterization, with the additional fact that we moved on to look at the Department of Education's practices as well.

Mr. Gilleshammer: I would like to move next to the project team. My understanding is that you put a group of staff together and that you go in and look at the financial matters and the educational matters that were part of this audit. Can you indicate the composition of your project team, other than your own staff?

Ms. Bonnie Lysyk (Deputy Auditor General and Chief Operating Officer): The team was comprised of people in the office, as well as an education consultation, who was a past principal in a school division, and that is Mr. Errol Harris, whom you see behind us. We also contracted forensic services with KPMG, a gentleman by the name of Bob Anderson. Bob Anderson recently retired as the head of Commercial Crime with the RCMP. He worked with our office on this as well.

Composition of our team, we had two people from our office that are certified broad examiners as well as certified accountants. Maria Capozzi worked with us, and she is the governance expert in the office. She did the interviews with the Morris-Macdonald School Board, as well as our audit principal, Jack Buckwold, and myself. We also had a couple other CGAs working with us on this, and myself. I am a CA and an MBA.

Mr. Selinger: In terms of the question of the extent of that adult learning centre programming under Morris-Macdonald School Division, can you indicate what proportion of adult learning centre activity was occurring under that particular division's administration?

Mr. Singleton: Mr. Chair, the information is on page 58, in Table 4, in the middle of the page. It shows that, in terms of the adult learning centre, there were 6000 students enrolled in Morris-Macdonald School Division out of a provincial total of 10 000 students approximately. I mean that Morris-Macdonald had approximately 60 percent of all the adult learning students in the province.

Mr. Gilleshammer: I want to talk about the educational consultant. First of all, why did you feel you needed an educational consultant to do the audit, and by what means did you contract with Mr. Harris?

Ms. Lysyk: Mr. Chair, we contracted with Mr. Harris by conducting an interview with two people, one being Mr. Harris and a second individual. We obtained references from the Department of Education, Training. So they referred two people to us for interview. We determined that we needed assistance to ensure that we would be able to understand the information presented to us in the context of current legislation and best practices in education in Manitoba. He brought to us a current understanding of ALCs. He was involved in the establishment of an ALC in the Transcona-Springfield division. So we felt it would supplement our team by having a subject expert working with us.

Mr. Gilleshammer: So, in essence, your educational consultant was a recommendation, then, of the Department of Education with the deputy minister. I am wondering: Did he provide some working papers, some documentation on adult education that you could share with the committee, or table with the committee?

Ms. Lysyk: Mr. Harris was not recommended by the deputy minister. He was actually recommended by a director within the Department of Education and Training. We interviewed two people. Had neither of them been qualified to

work with us, we would not have chosen either. So we did choose him based on his qualifications.

The second part of your question?

Mr. Gilleshammer: I am wondering if there were some working papers, some documentation that you can table with the committee to show the work of Mr. Harris.

Ms. Lysyk: Our documentation is confidential within our files. Anything that is tableable is contained within the report. So, at this point in time, we are not able to table any of the documentation of these working papers.

Mr. Gilleshammer: Were you aware of the Ferris report which was commissioned by the minister in the fall of 1999, who looked at the adult learning centres and provided a perspective? I am wondering if that perspective was different than Mr. Harris's.

Ms. Lysyk: Yes, we had a copy of the Ferris report. It was reviewed by our team, including Mr. Harris. We are aware of the contents of the report. We did, in fact, I believe, quote in our report from that report.

Mr. Gilleshammer: Your only quote in the report dealt with the lack of a framework provided by government for the development of the adult learning centres. But Mr. Ferris provided, I think, some very positive pictures of the development of adult learning, saw adult learning centres as different than public education, and suggested in many ways that some of the adult learning centres in Manitoba could be used as a model across Canada. Yet I do not see anything positive mentioned in your report about adult learning centres, and I see very different pictures, the one provided by Mr. Harris, just judging from what I can get from the report, because we cannot see his documents, but a very different picture than that provided by someone hired by the Government, Mr. Ferris, who took a look at these learning centres. Why is there such a disparity between these two reports?

Mr. Singleton: Thank you, Mr. Chairman. One of the important aspects, which has been clarified in the recent amendments to The Auditor

General Act about the role of the Auditor-General, is not to comment on government policy objectives. As such, the idea of having adult learning available in the province certainly seems to me to be a laudable goal. Whether or not public money should be spent on adult learning is a matter for the members of the Legislature to debate and determine through their budgeting process.

Typically, when you ask an Auditor General to look at a program, what they are going to do is focus on those areas which bring attention to whether or not public monies are being wisely spent, with appropriate due care to the citizens of Manitoba, whether there is an appropriate governance framework in place, an appropriate system of management controls.

So it is not appropriate, I think, for us to get into a debate about whether adult learning, in general, in Manitoba, is better than it is other provinces, or is well run as a total program, because we would not be able to conclude on that without a very extensive amount of work which, once again, would stretch our resources quite considerably.

So, in short response to your question, it is very likely true that many adult learning centres are well run and are providing a good quality of education to students. It certainly is our hope that as a result of some of the recommendations we brought forward, that even more students in the future will receive a good quality education through the adult learning program.

Mr. Gilleshammer: Well, I would just note that the Ferris report had many positive things to say, and we can only assume that Mr. Harris's report was very negative, given the way the report was written.

Mr. Chair, I would ask what the source on page 27 is for the basic principles for quality of education. Are these something that are put forward by the Department of Education in Manitoba? Are these necessarily related to adult education?

* (10:40)

Mr. Singleton: It is my understanding that those relate to best practices that school divisions in the province of Manitoba undertake to achieve.

Mr. Gilleshammer: Is it possible that the principles of quality education would differ from adult learning centres to public education in Manitoba?

Mr. Singleton: I do not think it is likely that the principles would differ significantly between adult learning centres and regular school classrooms. However, clearly the process of teaching adults is quite a bit different than the process for teaching children, so then I would presume that there would be significant programming differences.

In fact, it is probably fair to say there is no one right way to educate an adult. You need to assess that adult and where they are in their point in life, the amount of resources and time they have to devote to getting a high school education, whether they can do it full time or part time, whether they need remedial work to get their reading and numeracy skills up to an appropriate level.

So I think one of the strengths of having a variety of adult learning centres is they can each focus on specific needs of specific groups of adult learners.

Mr. Selinger: I do not want to split hairs here, but I am just wondering if the word "principles"—I would ask the provincial auditor to comment on this, whether the word "principles" might be stretched a bit here, and really what these bullets refer to are indicators, indicators of whether or not a quality education is occurring, because they are really operational indicators that suggest whether or not the potential for a quality education to occur is, in fact, occurring.

Principles usually are at a much higher level, and really what we have here is a summary of what might be considered operational indicators, mostly input indicators, not outcome indicators, that you might take a look at to decide whether or not the preconditions are in place for a quality education to occur. Then, of course, you need to measure outcomes regardless of the indicators.

Would that be a fair statement?

Mr. Singleton: Yes, I think that would be a useful way to look at it. From the little bit that I

know about the education process, having been a former high school teacher myself, the process of trying to measure outcomes in education is an extremely complicated one. Trying to determine whether a student achieved a certain educational level is difficult, and it is also difficult to determine why the student made that achievement. Was it through their own initiative? Was it through good quality teaching? Was it through good quality resources or some combination of all of those things?

So the way that we structured our approach was to focus on proxies for that, to say that, if a person has a competent certified teacher, it is more likely that they would get a good quality education than if they had untrained and uncertified teachers. If they had adequate textbooks, it is more likely that they would get a good education than if they did not have adequate textbooks. So that is the kind of perspective we were taking on that.

Mr. Gilleshammer: Am I right in assuming that Mr. Harris was solely responsible for the review of the educational competence of the learning centres and that he, by himself, determined in the report the effectiveness or lack of effectiveness of the learning centres?

Mr. Singleton: No, Mr. Chairperson, that would not be a fair characterization. A number of our staff visited the adult learning centres, in addition to Mr. Harris. Then we work on a team-work process ourselves, and no one's thoughts or findings found its way into our report without going through a very rigorous challenge process.

Mr. Gilleshammer: So what I am hearing is that other members of your team looked at the quality of education, the goals of these education centres, the outcomes of these education centres, that you had auditors who were not simply looking at numbers, but they were also looking at the quality of education. Is that correct?

Mr. Singleton: Yes, that is a fair statement.

Mr. Gilleshammer: I think it is fair to say that the report shows a very negative picture of the adult learning centre known as the African Immigrant Program. Were these final results shared with the site co-ordinator and the lead

teacher before they were finalized in part of your report? Did they have a chance to review them, to challenge them, to discuss them before you made your final report?

Mr. Singleton: As a part of doing any audit, we go through a process of interviewing people, often on more than one occasion, and part of that interview process is checking facts and perceptions that we had obtained from documented records. Often we use it to get a perspective when there is not enough documentation for us to form a conclusion without relying on interview evidence, as well. It would be fair to say that those individuals were included in the people we talked to during the course of the audit.

In terms of the process for finalizing our report, though, the actual draft report would have been provided to the school division officials and the Department of Education for review and comment. It would have been up to those individuals if they wanted to obtain further information from staff at the program to do so.

Mr. Gilleshammer: I am taking, from your answer, that the site co-ordinator and the lead teacher were not provided with the final or your thinking before the document was finalized. I understand that they were interviewed, perhaps interviewed more than once along the way, but you did not share the final report with them before it went to print.

Mr. Singleton: That is correct, yes.

Mr. Gilleshammer: I would like to move next to the role of Morris-Macdonald in this. They, of course, were involved in adult education and ended up taking over the African Immigrant Program, known as Classroom 56, I believe, after that. How long was the transition period from when they first agreed at the board level to take it over until everything was finalized with HOPE?

Mr. Singleton: I will start on the answer. It may take a moment to provide a complete response to the member's question. HOPE was formed, incorporated on July 27 of 2000 as a for-profit entity. This program was one of 10 ALCs operated by HOPE in Manitoba during that school year. I believe it was the end of October—on page

22 we have a little bit of information on the timing as well. The second paragraph from the top after the italics, we indicate that the school division became aware that there were problems with the program including poor facilities, lack of textbooks, et cetera, and a lack of students. The current superintendent at the time requested a review, and, as a result, the school division assumed direct responsibility for the site on November 15, 2000, with the principal of Sanford Collegiate being assigned responsibility to manage the location.

HOPE had dismissed the site co-ordinator on October 31. This individual was then rehired by MMSD to continue day-to-day operations of the program. My understanding is, as it carried on in that paragraph, a settlement of the monies under the initial agreement between HOPE and MMSD was finalized on May 3, 2001. At the time we finished the audit there were still discussions ongoing around the ownership of physical assets between HOPE and MMSD.

* (10:50)

Mr. Gilleshammer: So this transition period lasted, then, from November of 2000 until late in the spring of 2001. The transition was actually going on while you were doing your audit. Yet the enrolment figures would date back to the end of September of 2000, and they would have been provided by HOPE. So this transition period was going on for a period of six or seven months.

Were there any positive things happening with this program after Morris-Macdonald assumed responsibility at the end of this transition period?

Mr. Singleton: Mr. Chair, the use of the word transition period may be a little confusing. The school division took over operation on November 15. What was happening after that was essentially a discussion of who owed what to whom and sorting out the financial arrangements, but from November 15 onward it was being operated by the school division.

So one particular positive development was that the adult learning centre was physically moved to a new location which was more suitable on December 4, but I guess I would have to

say in terms of the understanding of the number of students enrolled and the quality of education that was taking place, it does not seem to have significantly changed after the takeover.

Mr. Gilleshammer: Did you look at the role of the Department of Education during this period in the fall of the year 2000 and the spring of the year 2001? Were they playing a role as facilitators to make this transition from one entity to another take place? Were they offering suggestions? Were they at the table trying to remedy some of the shortcomings?

Mr. Singleton: We did not specifically review that role. We understand that there were conversations going back and forth between the department and the school division. Of course, one of the issues that we flag in the report is that the school division did decide to do a bit of an enrolment audit because they had some concerns about the number of students for whom they had billed the Province. So there would be general discussions going on along those lines.

Mr. Gilleshammer: Did Mr. Harris, as part of his investigation, interview Ben Levin, the deputy, about what the department was doing with Classroom 56?

Mr. Singleton: No, Mr. Harris did not conduct that interview. But other members of my staff had a number of conversations with the deputy minister about the role of the department in adult learning and with respect to this program in particular. It is important to remember that the way the program was structured was that school divisions had primary responsibility for operating the adult learning centres. The role of the department, normally, would be more of an oversight program-type role, and they would not normally get involved in managing or dealing with problems at a particular classroom.

Mr. Gilleshammer: Was your staff aware of some of the correspondence that was exchanged between Mr. Levin and the superintendent, Pat MacDonald, and some of the information about meetings that Pat MacDonald had with Mr. Levin about Classroom 56, some of the suggestions that Mr. Levin had and some of the direction that was being given?

Mr. Singleton: Through the process of interviewing Mr. Levin and the superintendent, I am reviewing a lot of documentation, some of which could be characterized the way the member did in the question, as correspondence between the department and the school division. We were aware of, at least, some of the issues and discussions going on between the school division and the department. I would hesitate to say that we were aware of everything that was going on between them, though.

Mr. Gilleshammer: You were aware that the superintendent was meeting with Mr. Levin, talking about ways to address the issues, that there was an on-going dialogue going on, on behalf of the superintendent of Morris-Macdonald to remedy some of the issues that became apparent? They were making some changes, you mentioned the site change, but there were also some other things that happened at that time. But, while you were doing your investigation, Mr. Levin was actively working with the superintendent and the school division to remedy some of these problems. You were aware of that?

Mr. Singleton: I think we are venturing a little beyond what I am comfortable confirming, myself. As I said in my opening remarks, Mr. Chair, this is clearly an example where, if the Deputy Minister of Education were here, he would be able to tell the committee more clearly than I could, what exactly his actions were in relation to the department. In general terms, we were aware that the department was aware of concerns at Morris-Macdonald School Division. The administration and the superintendent of the school division also had concerns, and we know they were having conversations with each other to determine what would be appropriate courses of action.

Mr. Gilleshammer: I think that is exactly what was happening, that officials from the school division and the department were working on solutions and were concerned about enrolment and quality of education, and were in the midst of making those changes.

I would like to turn next to some of the money involved. Your report has indicated that Morris-Macdonald should repay somewhere

between \$2.5 million and \$4 million. Can you indicate how that is arrived at?

Mr. Singleton: Starting with the \$2.4 million, if you turn to page 34 of the report and the first bullet under the conclusions, we are dealing specifically now with the attendance at the program. One will never know for sure what the number of actual students was at the school division, but based on all the work we did, our best estimate is that the correct and full enrolment figures would be somewhere between 50 students and 100 students. Using those numbers, it leads to an overbilling to the Province of somewhere between \$488,900 and \$613,300. So the \$488,900 is a part of the \$2.4 million, and the \$613,300 is a part of the \$4 million being quoted.

* (11:00)

The second number shows up on page 61 of the report, four bullets down. This does not deal specifically with the adult learning program but the rest of the adult learning centers in the school division. The school division had arranged for a telephone survey of students enrolled in the program. However, in our analysis of the calculations done based on that telephone survey, we estimate that if you take a more accurate look at the data that was gathered by the telephone survey person, you would arrive at a further minimum overbilling for all the adult learning centres of \$371,000.

We describe that as a minimum overbilling because it assumes that 45 percent of the students that the telephone survey people were not able to track down at all were also attending the adult learning center. If you assume that there were perhaps more students that they could not contact not enrolled, then the \$371,000 would grow to a much more significant number, but, at a minimum, we estimated \$371,000 was overbilled to the Province. So that is the second component.

The third component is \$1.5 million which is referred to on page 63 of the report. That shows up at the bottom of Table 7. There is a \$1.4569 million. Essentially, for the ETECs in the school division, we estimate that they received \$1.5 million more than they needed to

deliver the program to the ETECs, and so we recommended, as well, that the Government look at potentially recovering that amount from the school division. So, if you take, then, the \$488,000 from page 34, the \$371,000 on page 61 and this \$1.5 million, that gets you to the \$2.4 million at the lower end of our scale.

To get to the \$4 million, page 61, the second bullet from the bottom. There is a difficulty in that the telephone survey that was done to confirm whether students were enrolled or not, for those who had dropped out, it did not ask them when they dropped out. So it was not known whether they dropped out before the September 30 date or after the September 30 date. If you assume that they all dropped out before September 30, that would generate a \$1.7-million overbilling to the Province. If you assumed that they all dropped out after September 30, then there would have been no overbilling to the Province for that particular program. So the \$1.7 million then added to the \$2.4 million gives you the approximately \$4 million at the upper end of the scale.

Mr. Gilleshammer: So there is a wide range there. These numbers all go back to the September 30, 2000, date, when enrolment numbers had to be into the department. This is consistent with how school divisions operate with their regular enrolment. So any of the money flowed here relates back to what the adult learning enrolment numbers were on September 30 as put forward, in part, by HOPE. Is that correct?

Mr. Singleton: Mr. Chair, well, the specific HOPE amounts would be the \$488,900 on page 34, as a minimum, but, yes, it is correct that it is supposed to be based on September 30 enrolment, the same as for the regular students.

Mr. Gilleshammer: So that money at that time was flowed from September 30 of the year 2000, was flowed through the school division to HOPE. Is that correct?

Mr. Singleton: Mr. Chairman, I will take a stab at a general answer to your question, and then, if you want us to get more specific, I can do that in a follow-up question. Morris-Macdonald School Division did not handle the funding of all the adult learning centres the same way. In some

cases, they provided the funds to the adult learning centre and allowed the adult learning centre to manage and spend those funds themselves through their own bank account. In other cases, the school division paid the expenses directly as invoices for services provided to them by the adult learning centre. That, of course, was another complication in taking a look at how this program was operated in the school division.

Mr. Gilleshammer: Mr. Chair, your report for the recovery of funds between \$2.4 million and \$4 million is concentrated on Morris-Macdonald School Division, yet it seems that some of these funds were flowed through to their partners and, in this case, HOPE.

Were you able to determine how much of that should be the responsibility of that organization, rather than the school division?

Mr. Singleton: We believe it would be appropriate for the school division to get legal advice on recovering monies from the adult learning centres that provided them with overstated figures, as well. In terms of the breakdown between that, we are not in a position to provide the committee with an answer to that, but I think it is a very logical extension from the fact that, if we recommended that the department consider recovering funds from the school division, the school division itself should look at its own rights to recover money from adult learning centres.

Mr. Selinger: Just on this point, I want to clarify with the provincial auditor. At the time this audit occurred, the only eligible entities that comply for adult learning centre resources were school divisions. Is that correct?

Mr. Singleton: Yes. Under The Public Schools Act, only a school division is allowed to operate a program that leads to a high school diploma.

Mr. Selinger: So the school division was the responsible entity for operating the program, and then they made their own decisions whether they subcontracted that out to other organizations, such as the one we are discussing here.

Mr. Singleton: Yes, that is correct.

* (11:10)

Mr. Selinger: We had a conversation earlier about the level of co-operation occurring between the deputy minister and the then-superintendent of Morris-Macdonald School Division. Mr. Chair, you indicated that it went a little beyond what you could talk about, because you were not directly involved in those processes.

So there are two questions I want to ask: Would it be safe to say that you were not privy to all the conversations and communication going on? Secondly, the co-operation between the deputy minister and the superintendent does not speak at all to the issue of whether or not the school trustees were willing to co-operate with the department to address the problems.

Mr. Singleton: Yes, the answer to the first question would certainly be correct to say that I would never claim to be aware of all the conversations that went on between those individuals.

Secondly, it is logical that one cannot assume that, because a superintendent is taking certain actions, that the school board would always be of the same mind as the superintendent.

Mr. Gilleshammer: Does the Auditor have any information or evidence that the school division board members were being unco-operative with government? Were they not providing you with information? Was there any evidence that school trustees were not taking this issue seriously and giving you their full co-operation?

Mr. Singleton: Mr. Chair, the school board co-operated with us fully during the audit and indicated to us that they took the matter seriously and were committed to taking appropriate actions in response to our recommendations.

Mr. Chair, when we met with them to review the report and to get their comments, they were understandably a little concerned about the findings in our report and the nature of the recommendations. So you will note from the comments that they include in the report that they indicate that, while they will respond to the recommendations, they need a little more time to think about what the appropriate response is.

Mr. Gilleshammer: Was it the Auditor's decision to focus on Morris-Macdonald for this investigation, or was this encouraged by the Department of Education?

Mr. Singleton: I am sorry, Mr. Chairman. I missed the first part of that question.

Mr. Gilleshammer: I am asking if it was your decision, and your decision totally, to focus on Morris-Macdonald School Division, or was this suggested and encouraged by the minister, the deputy minister, by the Department of Education of the Government.

Mr. Singleton: That was 100 percent our decision.

Mr. Gilleshammer: Getting back to the flow of money, this \$2.4 million, or upwards of \$4 million, you indicated that it is difficult to determine the exact amount, because part of it was done with a phone survey where some individuals were not able to be contacted.

Does the Auditor recognize that the very nature of the student who is taking the adult learning centre program is such that they have experienced some hard knocks in life, that there are many other things going on and, from time to time, they may be more mobile than others, and, as a result, perhaps, the phone survey was not the best test to determine where these people were and whether they were still enrolled or not?

Mr. Singleton: Yes, we certainly do recognize that. In this particular world one has to deal with the practicalities of the situation as you see it or as exists at the time. When we were doing our review, we did a couple of other steps that we incorporated. One was to look at registration forms themselves. The second was to look at attendance records, and to take your point on the nature of adult students who may have or may need more flexibility in their attendance practices or in the structure of their programs, it only makes the importance of having good, high quality documentation, registration and what people have registered for, the completion of accurate, reliable attendance records.

Of course, in this case we found significant problems with the poor quality and absence of

registration forms in many cases and incomplete and unreliable attendance records on top of the fact that a telephone survey was determined as the most practical way to try to get a handle on the overenrolment. Certainly, it would probably have been preferable for the division to arrange for physical visits and inspections on a frequent basis over a period of days or weeks to try to get a better handle on the attendance, or maybe a supplement of that kind of procedure with a telephone survey, but that did not happen. So the survey plus the attendance records plus the registration forms were essentially all, that plus interviews, the audit evidence we had to work with.

Mr. Selinger: Just a couple of points following up on the member from Minnedosa's questions, back to whom the Department of Education funded. As I understand it, the only entities that can apply for adult ed funding were school divisions, and what they really did was they submitted enrolments for adult ed courses. So, in fact, the Department of Education really made payments with respect to enrolment figures provided to them, provided by school divisions, and school divisions, in fact, were the funders of adult learning centres. The department made a disbursement based on an enrolment figure for an education program similar to what they do for a K-to-12 program. Would that be an accurate characterization of the transaction?

Mr. Singleton: Yes, that would be an accurate characterization of the program as it existed at the time. I think, just to follow through a little further on your question, it was not necessarily always clear to the department whether it was paying for adult students or for regular students at the time they received the numbers.

Mr. Selinger: And the second question is, and if I am stretching a little bit here and you are not comfortable answering, please let me know, but were you aware after you had tabled your report with the trustees, did you get an indication from the trustees or did you hear otherwise that the trustees wanted to review the report with another audit of the numbers that you provided as to what the repayment obligations could be? Did you get any feedback that way from the trustees at any point following the tabling of the report to them?

Mr. Singleton: Mr. Chair, yes, we did receive an indication that the school board wanted to have another audit performed to confirm our numbers. In fact, we did have a meeting with an audit firm which had been asked to consider bidding on the particular project.

Mr. Selinger: And that request for a bid had come from the Morris-Macdonald School Division itself. Would that be correct?

Mr. Singleton: That is correct.

Mr. Selinger: Can I draw from that information that you have now put on the record that the Morris-Macdonald School Division was skeptical about the numbers you had put forward in terms of their obligations for repayment and wanted to pursue again another opinion, another auditor's opinion on what the level of obligation might be for them to repay?

Ms. Lysyk: I just want to get back to the co-operation of the board. The board was generally co-operative with us in terms of interviews, in terms of us accessing the information and that. The board was not accepting of the fact that there was an issue in the Morris-Macdonald School Division, and I think that is laid out in the governance section in the report quite clearly. As a result, we did have a meeting with the board to go over the draft report to seek their input and validation of the facts. Mr. Chair, we had provided the superintendent of Morris-Macdonald School Division and the treasurer the opportunity to confirm the facts in the report because we wanted to make sure that we were not putting anything in here that would be subject to question. So the secretary-treasurer and the superintendent had the opportunity to verify the facts.

The board, even after that verification of the facts by their superintendent and the treasurer, was still skeptical that there was a problem with adult learning in the Morris-Macdonald School Division. Although they did listen to our presentations and the discussion, and they did hear discussion from their superintendent, the board had a divided view on the accuracy of the report. We did provide ample comment that if there was something specific we would go over the calculations, we would check things over again. It

was not like we were dealing with a concrete question.

Now, when it came time when they did see the report and they did suggest that there be another look at those numbers, that was mentioned to us, and that was their choice. If they wanted to do that, that would have been fine. To do any more work than you see in the report would have been an expensive, timely and costly exercise, but that was up to them.

* (11:20)

Mr. Gilleshammer: Would you not think it would be natural for the board to have some questions when you give them a range of \$2.4 million to \$4 million and they want to be able to fine-tune that number? In fact, the Government has now decided that it should be \$2.4 million; that is one of the figures I have heard. My understanding is that somebody came in and audited that to come up with that figure. Can the staff confirm that?

Ms. Lysyk: Just to go back to the \$2.4 million, we are definitely dealing with an amount that is being discussed that relates to one particular year. ALCs existed in the Morris-Macdonald School Division, and other school divisions to a lesser extent, for a number of years. So the quantification that everyone has been talking about relates specifically to one year.

Mr. Chair, the difficulty with verifying any more amounts, or taking that verification into any more detail, is the fact that a lot of records are resident with the independent ALCs and that Morris-Macdonald did not have a process in place to accumulate all the documentation that they needed to in order to, in their own minds, verify the enrolment figures. So, you know, there are a number of things that played through on this that led to the difficulty in putting forward concrete numbers.

Having said all that, what we did not quantify with respect to that call survey—and that call survey, by the way, was discussed as an audit document, and it was not an audit document, it was just a call survey—is the fact that when you cannot contact as many people that could not be contacted, there likely is a number

of those people that were not available to be contacted because there is the potential that they did not exist, because they did not have registration forms verifying that they were students.

Mr. Chairperson: Mr. Singleton, to add.

Mr. Singleton: Yes, I would just like to add a couple of comments to Ms. Lysyk's comments. The whole nature of what we are looking at here was an absence of documentation and a school year that has essentially ended, so that it, from my perspective, is completely impractical to try to render uncertainty more certain in this particular environment.

We were very careful in our estimates of the amount to be recovered. I am very comfortable in saying that the \$2.4 million would be the lowest possible amount that one could think of as representing the amount of the overbilling, and that, if I was thinking from the school board's point of view, the only effect of a more careful look, especially if you expanded it to more than one year, would be to drive that number up to a higher number. Precisely what we recommended is, in the absence of really good information, that the department and the school division negotiate what would be a reasonable repayment. From our perspective, we set out the amount from \$2.5 million to \$4 million, but whatever amount was negotiated between the two parties would have been fine between them. It would not have been up to us to comment on a number that was outside that range, if that was ultimately what was agreed to.

Mr. Gilleshammer: Did the Government, when they decided on the lower number, put in place any type of additional review or audit of your numbers?

Mr. Singleton: I am sorry. I missed the first part of that question.

Mr. Gilleshammer: The Government has now settled on a figure of, I think, \$2.4 million or \$2.5 million as a repayment. Did they simply accept your numbers, or did they put in place another process to review your numbers?

Mr. Singleton: I am not aware that the department conducted any further review other than a

review of our report. Perhaps, the department or someone in government would know more than that.

Mr. Gilleshammer: Mr. Chair, I ask the Minister of Finance whether any process was put in place before you accepted that lower number.

Mr. Selinger: I will take that question as notice and get the specifics on what the department did in accepting the lower number.

On this point about documentation, is it correct to say that it is the school division that is responsible for identifying what documentation they need from the site deliverers of learning centres and to provide that documentation in support of their enrolment numbers that they submit to the Department of Education?

Mr. Singleton: I think it would be a shared responsibility. It would be the responsibility of the division to have standards in place for recording of registrations, design of registration forms, standards in place for maintenance of attendance records and verification of those records. Clearly, it is also the responsibility of the adult learning centres to ensure that there are appropriate registration documents available for all the students that they submit to the division and to maintain appropriate attendance records.

Mr. Selinger: Just as a follow-up, I just want to be correct about this. The adult learning centres were contracted by the school division. Yes, they have to collect the material, but they have to collect the material to the standard required and indicated by the school division, who is the agent responsible for the program being offered by them. Would that be fair?

Mr. Singleton: Yes, that would be fair to an extent. However, I think a reasonable person running an educational institution would understand that it would be part of their responsibility to keep track of students that are attending courses and to make sure they get them all appropriately registered. That is why I say that area is kind of a shared responsibility.

Mr. Selinger: In the absence of correct documentation procedures being put in place by a learning centre, it would be the responsibility

of the school division and the person they put in charge of these programs to go to these learning centres and let them know what they ought to be doing and what information ought to be provided. I thought I read in the report that they did not follow up in that regard and required this information to be provided. Is that accurate?

Mr. Singleton: Yes, Mr. Chair, because under The Public Schools Act, it is only school divisions that are allowed to give credit for courses leading towards a high school diploma or to award a high school diploma. That is essentially with whom the relationship the department would have. It becomes the absolute responsibility of the school division to have appropriate monitoring in place to make sure that the adult learning centres they contract with, in fact, follow the division's policies and procedures.

You are also correct in stating that, as a result of our investigation of what the school divisions did to monitor these agencies, they, in fact, did a very poor job of monitoring the adult learning centres.

Mr. Gilleshammer: This, then, is seen as grant money to the school division based on enrolment figures. Is that correct? And is there any way of identifying the amount of money that flowed from Morris-Macdonald to some of their partners, based on numbers that do not meet the test?

Mr. Singleton: Mr. Chair, on a summary basis, we have information on page 62, under Table 6 of expenditures by the school division, revenues and expenditures on the adult learning program. That shows over a four-year period an estimated revenue of \$22.7 million for adult learning expenses of approximately 20.9 million, for an operating surplus on adult learning of \$1.8 million.

Of course, in addition to that, the school division retained \$1.8 million for its administering the adult learning centres. So, at the end of the day, over that four-year period, we estimate that the school division achieved a net surplus from operating adult learning centres of \$3.2 million.

Table 7 looks at several ALCs in terms of the surplus and deficits for each ALC for the

school year. That is broken down by school divisions. So, if we look at HOPE, of course, HOPE would show a \$22,000 surplus for the 2000-2001 school year estimated, and a \$95,000 profit on the program that was subject to our audit.

Mr. Gilleshammer: My question was: Do you see this as a grant from the Department of Education to the school divisions?

Mr. Singleton: Yes, I do.

* (11:30)

Mr. Gilleshammer: In your report you are indicating that these are surpluses that were given to various adult education centres. Mr. Chair, can you identify how much through Morris-Macdonald should be recovered from organizations like HOPE or any other organizations that were funded?

Ms. Lysyk: On Table 7, what you are seeing are what was retained in Morris-Macdonald that added up to their estimated surplus at the end of the year. These do not represent monies paid out to any ALCs at that point in time.

With respect to Tables 6 and 7, the information for the first three years, '97-98, '98-99, '99-2000, the information from there was derived from audited financial statements. We had completed most of the fieldwork by the time the estimate column was being prepared. I think our date there is June 22. That was not audited information that we were using at the time the estimate was being prepared.

So what Table 7 is saying is at June 22, 2001, Morris-Macdonald had approximately 1.7 on hand with respect to ALCs, but this does not represent amounts paid out to ALCs.

Mr. Singleton: Mr. Chair, responding directly to the question, I do not think we specify in the report the dollar amounts transferred to each ALC, although, clearly, the department and the school division would be able to determine that now. I can talk a little bit about some of the principles that the school division should think about in attempting to recover money from the adult learning centres.

First, I would say that, of course, if a school division has transferred money to an ALC for non-existent students, they would seem to have a reasonable case for wanting to recover that money. If an adult learning centre is using non-certified teachers, the school division might have a case for saying that they did not get the service for which they had transferred the money.

Where the difficulty comes in—and this is where we believe they would need legal advice—is, because the school division itself did not do a good job of monitoring these activities, to some extent the school division would need to accept responsibility itself and, ultimately, it would take a court case to determine the quantum of money that the school division would be able to recover. So the school division would need to balance that quantum off and the likelihoods associated with that with the costs of proceeding.

Mr. Rondeau: Just one quick question. The Public Schools Act, does it outline what school is reporting attendance, who signs the attendance document, who gets the money, who does the cheque go to? Those are the questions there just to find out who is administratively or ultimately responsible.

Mr. Singleton: I do not think we have the specifics on what The Public Schools Act says in terms of whose responsibility it is, other than, in general, it is the school division's responsibility to maintain appropriate attendance and registration documents. I do not know whether it names individuals or roles. We would have to take that as notice, or perhaps the Department of Education could respond to that. But the funds are transferred directly to the school division.

Mr. Gilleshammer: So, sir, you are adamant that the only way Morris-Macdonald can recover money that flowed through to third parties is for the non-existent board or the future board to go to court to recover that.

Mr. Singleton: I have indicated that that seems a potential route for the school board to consider, but our recommendation was essentially that the school board get legal advice itself on what its rights to recovery are, and depending on the answer to that question, how practical it would be to pursue those rights.

Mr. Gilleshammer: I would like to turn now to Agassiz School Division. You also, in your report, looked at Agassiz School Division. In fact, they received half a million dollars for non-existent students. My understanding of some of the documentation I have seen, they were trying to correct those numbers. On the advice of the Department of Education, the department said, no, we have found a way to slip you some extra money; report the false numbers. Is that your understanding of the situation?

Mr. Singleton: That is not quite my understanding of the situation. In this particular case, Agassiz School Division did identify that they had reported more students to the Department of Education than they actually had on hand and then entered into discussions with the department on what should happen as a result of that. The decision that was taken by the department as a result of that was to allow them to retain those monies. I think everyone in both the school division and the department that was involved was aware of the discrepancy in the enrolment numbers, but a conscious decision was taken to allow the school division to retain the monies in any case.

The reason that we drew the members of the Legislature's attention to this was that I thought that that was a non-transparent way to transfer monies to Agassiz School Division to allow them to deal with their deficit situation. I do not dispute the fact that the Government has the right to assist school divisions in any way it sees fit with respect to assisting them with any financial difficulties they face. It is my position that that should be done in an open and transparent way so that everyone understands where the funds are coming from to take care of the deficit, and that if funds have been voted or were intended to be used for adult learning, they should either be used for adult learning or transferred to another purpose in an open and transparent way.

* (11:40)

Mr. Gilleshammer: Well, we clearly have an example of a double standard here, where, on the one hand, government is going the ultimate route to highlight what they see as irregularities in Morris-Macdonald, to the point where they fire

the board, and then, through the same funding mechanism, they allow money to flow to another school division based on numbers that both the division and the department knew were in error, and, in fact, the division was prepared to correct. Does the Auditor not see this as a double standard in the department's dealing with school divisions?

Mr. Singleton: I do not feel comfortable commenting on whether or not the department has used a double standard there. In the case of Morris-Macdonald division, I felt it was my duty as a legislative officer to draw the situation to the attention of the Legislature and to recommend that the department get legal advice on whether or not it would be appropriate to recover some of those monies from the school division.

In the case of the Agassiz School Division, the department had already considered the information provided to it on the basis of initially erroneous enrolment numbers and made a conscious decision to allow the school division to retain those funds. I guess I would say, by way of further comment, that while we recommended that the department recover monies from Morris-Macdonald School Division, it ultimately had to be, and must always be, the department's decision whether or not to act on that recommendation.

Mr. Gilleshammer: Were the Auditor and his group that investigated made aware of some of the documentation that was available from the Agassiz School Division surrounding this sum of money?

Mr. Singleton: We did review some of the documentation around this transaction and also interviewed people within the Department of Education with respect to their rationale for this particular transaction.

Mr. Gilleshammer: Was he aware that Agassiz was directed to continue with these numbers so that the Government could provide them with this money and that they were told to submit those numbers?

Mr. Singleton: No, Mr. Chair, we are not aware of direction having been given to the school division to misstate their enrolment figures.

Mr. Gilleshammer: Was the Auditor aware that the Treasury Board had approved this, as stated by the Minister of Education, that Treasury Board determined that this was a legitimate way to fund them additional money through false numbers as far as enrolment was concerned?

Mr. Selinger: This question has been posed in the House and answered. The member will recall that the appropriation to the Department of Education is a large one, and the Department of Education then disburses it. There was no specific approval given for the indications that the member has provided.

Mr. Gilleshammer: Mr. Chair, the minister has said publicly that he had Treasury Board approval to flow additional funds to Agassiz based on false enrolment numbers. Treasury Board minutes are taken to Cabinet, signed by the Minister of Finance and the Premier, so that this was a Cabinet decision to flow these funds to Agassiz School Division. Is that correct, Mr. Minister?

Mr. Selinger: As I have just indicated, the broad allocation to the Department of Education for funding public schools is in the hundreds of millions of dollars, and that was the authority given to the Department of Education. Specific details, with respect to how this flowed, were not the purview of Treasury Board and were not the subject of very specific approvals.

Mr. Gilleshammer: So the Minister of Education spoke saying the Treasury Board approved of funding this money. Now the Finance Minister is contradicting the Minister of Education, who clearly said he had Treasury Board approval to flow these funds.

Mr. Selinger: Once again, I do not think there is a contradiction here. The Minister of Education had approval for the broad allocation for public schools and flowed them accordingly.

We will recall that the Minister of Education acknowledged that the specific transfer in this regard may not have been specifically approved by Treasury Board. But, as we will recall, this money was put in place after the Agassiz School Division had sought help to address a deficit problem that they had and had taken measures

within their budget-specific reduction measures to address their deficit, including cuts to their school supplies, including cuts to their teacher assistance, including reductions to the lunch monitors and division administration costs, as well as other supports that were reduced for special needs students. The department allowed Agassiz School Division to have access to this money to support essential programming in that school division for special needs children, within the broad allocation that they were given by the Cabinet through the budget-making process.

Mr. Gilleshammer: I would ask the Auditor: If the department and government wanted to flow additional funds to a school division, rather than doing it in an underhanded way, what options were available to the Government to give additional support to Agassiz School Division?

Mr. Singleton: Well, I am sorry that I do not know the ins and outs of the departmental budgeting process, but, in principle, I guess, what I think would have been more appropriate here would have been for the department, acknowledging that they were now aware that the enrolment numbers, which they had originally used to calculate funding, were overstated—I guess an alternative way of looking at what the department has done here is acknowledging that the number of students was lower, that they were essentially funding more per student than they otherwise would have been.

In terms of the process that would have been appropriate to follow, I think it would have been better for the department to go forward to Treasury Board with a specific request for deficit financing of Agassiz School Division, drawing attention to the fact that there was this \$500,000 that was available as a result of a reduced number of students that could be used for deficit financing instead. Essentially, to me, it would have been a better process to be open and transparent about the fact that you were using funds that were originally intended for adult learning for other purposes.

Mr. Gilleshammer: In an interview in November, Minister Caldwell acknowledged that he and NDP Cabinet knew Agassiz's enrolments were inflated, but decided to fund the entire enrolment anyway because the division was strapped for

cash. I would ask the Minister of Finance if this is not a correct statement.

Mr. Selinger: I have answered that question.

Mr. Gilleshammer: Well, the minister has not answered the question. I think he has said it is part of global funding. The Minister of Education (Mr. Caldwell) acknowledged publicly, printed November 17, that the NDP Cabinet knew Agassiz's enrolments were inflated but decided to fund the entire enrolment anyway because the division was strapped for cash. So the fact of the matter is that it was not only the minister who was part of this deception, it was the entire Cabinet. At that time, the Auditor, I think, gave an appropriate response when he said, and I quote: It is imperative that if the Legislature is going to vote money to be used for a specific purpose, it should be used for that specific purpose.

Obviously, Mr. Chair, the Government was in error in doing this, and I would ask the Minister of Finance to acknowledge that.

* (11:50)

Mr. Selinger: Once again, Mr. Chair, the minister has acknowledged the error that was made under his watch as Minister of Education in the Department of Education, and I have previously answered whether or not the Treasury Board approved it and Cabinet approved it. I have indicated that they did not approve that specific allocation. They approved a global allocation. There is no question. We take the Auditor's advice seriously in this regard. I know the Minister of Education takes the Auditor's advice seriously in this regard. We will take guidance from that advice in the future.

Mr. Chair, I only point out to the member from Minnedosa that the allocation that was made was to stabilize a program for special needs children after the division had taken other reduction measures within its budget to address their deficit problem. We saw Agassiz School Division making its very best efforts to address its deficit while ensuring that children received a proper education. The Department of Education allowed them to use some money for that purpose without having the specific approvals in

place. The Auditor has commented on that and that advice is taken and has been acted upon since that day.

Hon. Jon Gerrard (River Heights): Mr. Chair, the largest component of the \$2.4 million related to the ETEC funding surplus and just some questions around that. Number 1, were there issues around the quality of education provided through ETEC? As I read the report, it seemed to read that the problem was not the quality there but rather that they were able to provide it more efficiently using technology and therefore at a lower cost than in fact what they had billed for.

Mr. Singleton: We did not specifically evaluate the quality of education provided by the ETEC program. In developing a recommendation that the Government consider recovering the \$1.5 million, it is more of a numbers exercise. The very nature of ETECs and the computer-based learning that they took advantage of was that it was much less expensive to provide specific training to specific students. As such, that resulted in a significant overfunding using the normal formula for calculating the amount to be paid for each student.

Mr. Gerrard: I note that there is a big jump from a pretty small surplus in '98-99 to a huge surplus of about a million in '99-00 and then an increment of another \$400,000 approximately in 2000-2001. Is there a particular reason why there was that huge jump in '99 to 2000? *[interjection]* This is in Table 7? The ETEC surplus for '98-99 is listed at \$9.4 thousand, right? Then, in '99-00 jumps to a million, all right, more than a million. Was there a particular reason for the jump? Did they change operations in the way that they were working, or is this just strictly numbers?

Ms. Lysyk: Between the two years, there was a change in the funding formula as well, where the funds for two years reduced by about \$1,200. I am not sure of the exact amount, but the accumulation was as a result of its being a lesser cost to operate the ETEC than to operate the other facilities where there was a higher student-teacher ratio. So this resulted from the fact that there was a lower student-teacher ratio and that the costs that other ALCs would incur, relating to staff, were not being incurred by the ETECs.

So the reserve was built up as a result of unexpended monies, at the time we looked at this, and based on the audited financial statements at Morris-Macdonald.

Mr. Gerrard: Just to get that very clear, basically, the approach in the ETEC seemed to be more cost efficient. As a result of that, they, in fact, saved money. So the net result was that there was a big surplus built up.

Ms. Lysyk: When the funding rate was communicated by the department, I believe there is a split in the rate dependent on where the money is supposed to be spent; you know, there would be a certain amount for library, certain amount for equipment.

So the point here is that the amount of money available for a higher student-teacher ratio, and providing education under that formula, was not happening with ETECs because they were using a technology-based format, the thought being that that is a cheaper form of education and perhaps the rate that they were getting was too high for providing that type of education.

We did look, on pages 68 and 69, at the course credit achievement rate under the ETEC scenario versus the other ALCs, and the success rate, and also from that, combined with the money sitting in there in the surplus for Morris-Macdonald, believed that the money was not being fully spent on providing the education to the participants in the ETEC programs.

Mr. Gerrard: Just the course credit completion ratio—does that mean that there were a fair number of courses that were taken not-for-credit, or people started and did not finish courses, or could it be a mixture?

Ms. Lysyk: It would be a mixture. The indicators that we are seeing on Table 12 were actually provided by Morris-Macdonald themselves when they provided their self-assessment as to the success of the ETEC programs.

Mr. Selinger: Just for greater clarity, I recall reading somewhere in the report that there was a very high student ratio in the ETECs. If I am

correct, I think the student ratios sometimes ranged up to 80 students per one instructor at the high end. I just wanted to verify if that was correct.

Ms. Lysyk: Yes, that is correct.

Mr. Selinger: Just for greater certainty, if I am reading Table 12 correctly, and Table 13 correctly, the success rate under that ETEC model was dramatically lower than the success rate for other adult learning centres overall. Could you just clarify if that is correct as well?

Ms. Lysyk: That is correct.

Mr. Selinger: It would then seem prudent that, if you had high student ratios and low success rates, the department would probably have been prudent to consider that information and act accordingly in terms of reducing the grant per student.

Mr. Singleton: Yes, I think that would be prudent. That is why we ended up recommending the department consider recovering some of the overfunding for that program.

Mr. Gerrard: Just clarity on the nature of the arrangement between Morris-Macdonald School Division and the department in terms of the ETEC funding: Was there clarity of what the arrangement was going to be going into each of the years?

Ms. Lysyk: Morris-Macdonald received the same funding for an FTE for an ETEC student versus any other student. We saw no documentation distinguishing the funding between either.

Mr. Gerrard: So, basically, it was a standard approach. There had been an adjustment—and you indicated I think it was October of '99—which made for a change in the funding formula. But clearly that change that was made did not in anywhere near address the kind of differences that were present in the ETEC versus other components, whether it be adult learning or, indeed, the primary and secondary learning.

Ms. Lysyk: You could interpret that from the data here, that being the case.

Mr. Selinger: Mr. Chairperson, I just want to clarify once again that the department, under the program as it operated at that time, not now, was really just funding school divisions, not the ETEC program directly. It was funding the school division for the enrolment figures that they provided the department. They were not directly funding the ETEC. Is that correct?

Ms. Lysyk: That is correct.

Mr. Selinger: I want to further clarify, one of the things that has evolved is that first the department moved on the funding per student once they distinguished the issues around the ETEC, and now they have taken even more dramatic steps and moved away from per capita student funding to program-based funding based on a program with the design that shows proper indicators of success. So it is quite a different model now that moves away from this broad-based per-student funding to a program-specific, needs-based funding, depending on the goals and objectives and characteristics of the students of the program, and will have more accountability under this new legislation which flows out of your report.

Mr. Singleton: My understanding is that that is the change in process that has been put in place. I think, as the member earlier was asking me about the nature of the program for adult learning, it probably makes very little sense to use September 30 as a magic date for adult learners to determine how much money you are going to pay. In fact, it is, probably per capita, very difficult to manage in an adult learning environment where people come and go during the year, so that moving to a program basis seems an inherently better approach to adult learning.

Mr. Chairperson: Mr. Gilleshammer, for a quick question.

Mr. Gilleshammer: The org chart on page 78 shows the Morris-Macdonald adult learning centres. Can you indicate which of those you reviewed in your audit?

Ms. Lysyk: Dependent on what we were looking at, we likely would have seen docu-

mentation relating to each one of the ETECs that you see there.

Mr. Chairperson: Is it the will of the committee to pass any of these reports?

Some Honourable Members: No.

An Honourable Member: Oh, yes.

Mr. Chairperson: If not, then the hour being twelve o'clock, what is the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 12 p.m.