

Second Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Jack Reimer
Constituency of Southdale

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, December 1, 2003

TIME – 6:30 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Jack Reimer
(Southdale)**

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

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Gerrard, Selinger

Messrs. Derkach, Dewar, Loewen, Maloway, Nevakshonoff, Ms. Oswald, Messrs. Reimer, Santos

Substitutions:

Mrs. Mitchelson for Mrs. Taillieu

APPEARING:

Mr. Jon Singleton, Auditor General of Manitoba

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

Mrs. Mavis Taillieu, MLA for Morris

MATTERS UNDER CONSIDERATION:

Provincial Auditor's Report—Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division #19 dated September 2001

Mr. Chairperson: Good evening. Will the Standing Committee on Public Accounts please come to order.

Several reports have been referred to this committee for our consideration this evening. Before we begin these discussions, however, I have to take before the committee, on the October 28, 2003, meeting of the Public Accounts Committee, a discussion arose between the Chair and the honourable Member for Fort Whyte (Mr. Loewen) and the Auditor General regarding the process available for reconsideration of matters already passed by the committee and the rules dealing with the appearance of witnesses before the committee.

I took these matters under advisement in order to consult with the Vice-Chair and the Committee Clerk. I would like to thank the honourable Member for Fort Whyte and the Auditor General for their thoughts on these matters.

Two primary questions were raised during this discussion. I will refer to the PAC as the Public Accounts Committee. (1) Is there a process available to the PAC for revisiting issues raised in reports that have been passed by the committee? (2) What processes are available to the PAC for calling of witnesses?

On the first question, Manitoba practice with regard to considering reports in committee has been that once questioning concludes on a report, the committee agrees to pass it, and the consideration of that particular report concludes. This decision is then reported to the House. Having said this, our rules do contain a provision for requests for review by the Auditor General. Rule 120 states that the PAC may request the Auditor General to perform specific reviews or tasks. Rule 123 provides the framework of this process stating that such requests shall be passed as a motion by the committee and the terms of reference should be provided in writing to the Auditor General.

As the Auditor General mentioned in his comments in the last meeting, under this process, if the committee wishes to discuss issues raised

in reports already passed, it could formally request a follow-up report from the Auditor. This new report would then be tabled and referred to the committee for debate and discussion. Further to this, Rule 128 and Rule 129 describe a process whereby the PAC may systematically review government actions and responses to the committee's recommendations. Under this process, the committee could report certain recommendations to the House and then review and discuss the Government's responses to these recommendations at later meetings.

By way of background of the witness question, I would note for the committee that the Manitoba Legislature has a long-standing practice of hearing presentations from witnesses or members of the public at committees considering legislation. Despite this, no comparable practice is currently in place for committees considering reports referred. While our rules are mostly silent on the question of calling witnesses before committees with only a few references in Rule 93 to Rule 95 identifying provisions for the payment of witnesses, Section 34 through Section 39 of The Legislative Assembly Act identify a number of points on the powers and privileges of the Assembly to summon witnesses.

Mr. Chair, while the statute provides the basis for a procedure to call witnesses to a committee, as I have mentioned, our Legislature has no established practice in this area. Given the implications of this issue on our standing committees, I would like to ask if there is a willingness among the committee to consider continuing this discussion in another form, either through a meeting of the House leaders or, if necessary, at the meeting of the Standing Committee on the Rules of the House to consider this matter.

Having said that, if this committee wishes to invite a witness to appear at a meeting, the following steps could be followed: The Government House Leader, in consultation with the PAC Chair and Vice-Chair, calls a meeting and refers a report for consideration by the committee. Members of the Public Accounts Committee propose names of individuals whom they would like to question regarding the reports to be considered by the committee. Following a decision of the committee, a formal written

invitation would be conveyed to the witness from the PAC Chair. The invitation would identify the time, the date, the place of the meeting, the title of the report being considered and the nature of questions to be asked of the witness.

If a witness is unwilling to attend, under the provisions of The Legislative Assembly Act, the committee could convey to the House by way of a motion passed at the committee, a request for the Speaker to issue a warrant for the attendance of the witness.

Mr. Leonard Derkach (Russell): With respect to the issues that you just dealt with as Chair, I would respectfully request that those matters be ones that are put into the consideration of the House Leader and the Opposition House Leader.

Mr. Chairperson: I thank the member for that input. Agreed? *[Agreed]* Okay.

Moving on. On November 20, 2003, letters were sent to committee members requesting submissions for agenda items or questions requiring detailed answers. As we did not receive any agenda items or questions for this meeting, we will be considering the reports already referred to this committee as follows:

The Report on Compliance and Special Audits for the year ending March 31, 2001; Public Accounts Volumes 1, 2 and 3 for the year ending March 31, 2002; the Report of the Investigation of Missing Artefacts at the Anthropology Museum of the University of Winnipeg dated June 2002; the Annual Report of the Operations of the Office of the Auditor General for the year ending March 31, 2002; the Report of the Investigation of the Rural Municipality of St. Clements and Review of Municipal Financial Accounting and Reporting Standards in Manitoba dated September 2002; the Report for the Value-for-Money Audit, Student Financial Assistance Program, dated September 2002; the Report on the Investigation of the Adult Learning Centre ("The Program") in Morris-Macdonald School Division #19 dated September 2001; and the Report on the Examination of School Board Governance in Manitoba dated October 2000.

Are there any suggestions from the committee as to how long we would like to sit this evening?

* (18:40)

Mr. Jim Maloway (Elmwood): Mr. Chairman, I would suggest, given that we are going to be meeting again on Friday, that we rise at 8:30.

Mr. Derkach: Mr. Chair, 8:30 does not give us a great deal of time. I was wondering whether or not, perhaps, at 8:30, we could consider how we are in terms of getting through our report, and, perhaps, we could extend that time to nine o'clock.

Mr. Chairperson: Re-evaluate it at 8:30 then? Agreed? *[Agreed]* Okay, are there any suggestions regarding the order in which we consider these reports?

Mr. John Loewen (Fort Whyte): Mr. Chair, we have had discussions about proceeding first of all to the Provincial Auditor's Report—Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division #19 dated September 2001. If we could do that first on the agenda, and then we move from there.

Mr. Chairperson: Is that agreed? *[Agreed]* Okay. I will now invite the honourable Minister of Finance to make an opening statement—I am sorry. Mr. Loewen?

Mr. Loewen: There are some substitutions I would like to make.

Mr. Chairperson: Oh, substitutions?

Committee Substitution

Mr. Loewen: With the leave of the committee, Mr. Chair, I would like to make the following membership substitutions effective immediately for the Standing Committee on Public Accounts: substitute River East (Mrs. Mitchelson) for Morris (Mrs. Taillieu).

Mr. Chairperson: Is that agreed? *[Agreed]*

* * *

Mr. Chairperson: I will now invite the honourable Minister of Finance to make an opening statement. I would like to ask him if he would please introduce the officials in attendance.

Hon. Greg Selinger (Minister of Finance): Okay. Yes, I have with me the Deputy Minister of Finance, Pat Gannon; and the Provincial Comptroller, Gerry Gaudreau; and his able assistant in the Comptroller's office, Terry Patrick. Those are the officials available tonight.

Mr. Chairperson: I thank the honourable minister.

Mr. Selinger: In terms of an opening statement, I will defer on that, and we will just get right on to the job at hand.

Mr. Chairperson: I thank the minister. I will ask the critic for the Official Opposition if he has an opening statement.

Mr. Loewen: I will follow the minister's example and let us get right down to business.

Mr. Chairperson: Thank you. Does the Auditor General have any opening comments for the committee?

Mr. Jon Singleton (Auditor General of Manitoba): Yes, Mr. Chair, thank you. Just a couple of brief comments to set out how this particular report is organized. Essentially, there are three chapters, one dealing with the particular adult learning centre that we audited, the second dealing with the school division and its management and governance practices over the adult learning program and the third dealing with the Department of Education and its monitoring and policy advice role.

I guess from our perspective, in chapter 1, the main messages we would take from that is the importance of the special duty of care that is owed to the citizens of Manitoba for the efficient management and control over public funds in an organization, both to ensure the funds are protected and that in this case a good quality of education was provided.

In terms of learnings for the school division in the second chapter, there is a risk we have

noticed in a number of other audits we have done. It has to do with the risk of new programs. We find that often when organizations get into new programs with which they have little familiarity and do not do a good job of planning for them, the result can often be that the project does not go the way one would have hoped it would go at the outset. So, in talking to boards, I like to remind them that any time they are considering a new initiative, management is recommending that they really take a close look at it before they give it the go-ahead.

In terms of the Department of Education, the main concern we identify in the report there is the lack of a policy framework for adult learning in Manitoba at the time The Program started. It just demonstrates the fact that, if one does not think through the policy ahead of time when implementing a program, one really increases the risks that something will go awry with the program.

Mr. Chairperson: I thank you, Mr. Singleton. The floor is now open for questions.

Mr. Derkach: This is a report that certainly has led to some questions with respect to the adult learning centres in this province and how they have been conducted over time, Mr. Chair, and also the actions that were taken both by the Government and, indeed, by the department.

I would, first of all, like to extend my thanks to the Provincial Auditor for doing an in-depth investigation into this matter, because, indeed, it has resulted in, I think, some changes in the way that adult learning centres are conducted, but, on the other hand, I guess it has left some questions with respect to the follow-up that was done based on this report.

On page 8, in the Summary of Conclusions with respect to The Program, and this is the adult learning program in the province, Mr. Chair, the Auditor did find: "Based on the investigation, MMSD was over funded for The Program by between \$488,900 and \$613,300; and The Program was poorly managed and poorly delivered, resulting in an inferior quality of education being provided to the students."

Can I ask the Auditor how many delivery arms there were of the adult learning centres that were administered by Morris-Macdonald School Division?

Mr. Singleton: On page 52 of our report, in Table 2, it lists all of the Private/Public Partnerships operated by Morris-Macdonald School Division.

Mr. Derkach: I am not sure whether my questions are to be posed to the minister or through the minister to the Provincial Auditor, and forgive me if I am not addressing it properly. I will await your direction in that regard.

The Program itself that is referred to in this document, and, I think, The Program was identified here as the Morris-Macdonald School Division's adult learning program and, I think, that is, if I am not mistaken, referred to through the document as "The Program." Am I correct in that assumption?

Mr. Singleton: This particular program that we audited was known in the division, started out being called the African Immigrant Program and later became known as Classroom 56.

Mr. Derkach: Okay. Could I ask the Provincial Auditor or the minister to identify who the delivery arm of The Program was?

Ms. Bonnie Lysyk (Deputy Auditor General and Chief Operating Officer): Mr. Chairperson, the delivery arm of Classroom 56? It was Morris-Macdonald School Division that had initially contracted with HOPE to offer The Program. After a few months of operation, the school division took over the direct operation of The Program and operated it through Morris-Macdonald School Division directly.

Mr. Derkach: Mr. Chair, can the Provincial Auditor or the minister identify the reasons for Morris-Macdonald taking over The Program and running it on their own, rather than having it run by the operators of HOPE?

Ms. Lysyk: All right. HOPE had operating difficulties with respect to Classroom 56. There were poor accommodations, no textbooks, no

appropriate facilities in place at the time students would be attending to The Program.

Mr. Derkach: Who was the operator of HOPE?

Mr. Singleton: The operator of HOPE at that time was a Mr. John Orlikow.

Mr. Derkach: Mr. Chair, I am assuming that the operator, Mr. John Orlikow, was the single proprietor of a private adult learning centre who was contracting with Morris-Macdonald School Division.

Mr. Singleton: Some of that background that you are asking for is contained on page 21 of the report in section 1.2.1. In there, we indicate that HOPE was incorporated as a for-profit entity on July 27, 2000. The Program that we are looking at was one of 10 ALCs operated by HOPE in Manitoba, of which 8 were partnered through the Morris-Macdonald School Division. The last two paragraphs of that section carry on describing the problems The Program was having when Morris-Macdonald decided to assume direct responsibility for it on November 15, 2000.

* (18:50)

Mr. Derkach: I am just trying to get a flavour for the relationship between Morris-Macdonald and HOPE. The Auditor has just indicated that HOPE, in fact, was contracting more than just the one program with the Province. So, therefore, I am assuming that all of the programs that HOPE was operating were contracting through the school division with the Province for adult learning centres. Is that an appropriate assumption, or am I in error?

Mr. Singleton: Mr. Chairperson, almost all of HOPE's adult learning centres were partnered with Morris-Macdonald School Division, eight out of ten, which means that two others of their programs were operated by other school divisions.

Mr. Derkach: So Morris-Macdonald School Division, as the flow-through body for funds between the Province and the learning centres, would have had responsibility to flow the money to the adult learning centres on the basis of the enrolments and the numbers that were given to

Morris-Macdonald by the learning centres. Is that correct?

Mr. Singleton: Unfortunately, it is not quite that straightforward. Essentially, what the school division would do, it would count the number of adult students it had and then include that in their enrolment figures to the Department of Education for reimbursement.

Mr. Chair, if we are talking about how Morris-Macdonald operated ALCs in general, they had two fundamental models they used. One was where they turned the funds over to the adult learning centre for the adult learning centre to spend running The Program. The other model they used was that they would ask the adult learning centre to submit invoices to the school division and then the school division would pay those invoices with the funds it had received from the Department of Education.

Mr. Derkach: So, in essence, Mr. Chairperson, Morris-Macdonald would have been the administrative body for the adult learning centre programs in the province, but the costs, student enrolment figures were being submitted by the adult learning centres to Morris-Macdonald so that Morris-Macdonald could then submit those numbers to the Province for funding. Is that correct?

Mr. Singleton: Yes, that is correct.

Mr. Derkach: So, in your audit, Mr. Singleton, I would like to know whether you could determine whether, in fact, the enrolment numbers that were being provided to Morris-Macdonald School Division by the learning centres were, in fact, accurate and representative of the number of students attending those programs.

Ms. Lysyk: With respect to the submissions, the ALCs were required to submit the figures to Morris-Macdonald. In the work we did, we found that the records were not complete, to determine whether or not the information submitted was 100 percent accurate. In a number of cases, there were not registration forms for the students. In other cases, there were a lot of changes on the enrolment listings to basically confuse whether or not people were there or were not there.

The responsibility for submitting accurate enrolment figures was with the school division, even though there was a dependency on the ALCs to file enrolment figures.

Mr. Derkach: I understand that. I understand the Province would hold the school division responsible for the monies that it was forwarding to the school division. The school division, on the other hand, had to rely on numbers that were given to it by the ALCs. Having contracted with an ALC, I would assume there would have to be, as we do have with school divisions right now, a system for counting students at a particular time of the year. I would like to know whether the ALCs had a specific time when enrolments were counted for grant figures, if you like, or grant monies.

Mr. Singleton: Yes, at that point in time, there was not a formal policy framework in place from the Department of Education. As such, the funding for adult students was funded based on the same model as it was for regular primary and secondary school students, which means the enrolment was based on a September 30 date.

With respect to the responsibility of the school division to submit accurate numbers while having to rely on the adult learning centres, I think it is important to remember that, under The Public Schools Act, only a school division has the right to confer credit for courses. That is why the structure of this was that all the adult learning centres had to be affiliated with a school division in order to give credits to the students at the end of the day.

From my point of view, as a result of that, it makes it incumbent on the school division to make sure it has got the control processes and monitoring processes in place to make sure that it can rely on the enrolment numbers and other financial data that is provided to it by the adult learning centres.

Mr. Derkach: I just want to assure the Auditor, Mr. Chair, that I am in no way attempting to absolve Morris-Macdonald School Division of any responsibility here. Rather, what I am trying to do is get the accurate picture, if you like, of what really has happened over time.

I understand also that during a part of that time, it was our government that was in office. Therefore, there is joint responsibility here, if you like, in terms of the administrations of government at the time.

I guess my fundamental question is: Was there a specific date at which time the school division or the department requested numbers of students that were enrolled by The Program either by date or by time or by any sort of mechanism? In other words, if September 30 was the date for ensuring that a program had students in it, was it the responsibility of the school division at that time to make that known? Or was it the responsibility of each of the learning centres to have that information forwarded to the department or to the school division?

Ms. Lysyk: It was the responsibility of the school division to ensure that the enrolment figures reflected September 30 enrolment numbers. In the case of the information presented in the report on Morris-Macdonald School Division, the particular year that we reviewed, we found that the submission from the school division was not put in place or handed into the department until December, I believe, of that year.

There was time between the submission date from the ALCs, which would have been for September 30 enrolment, to the time that it was filed with the Province to determine whether or not the figures were accurate. In the meantime, Morris-Macdonald had also contracted with a consulting firm to determine whether or not they could in some way validate the enrolment numbers as was presented to them by the ALCs.

Mr. Derkach: In fact, is that not the same method that is used by the public schools to report students? That, in fact, they do have September 30 as the deadline, but those numbers are often not submitted to the department in many cases? I only speak from having been in the office, that many times these enrolment figures do not come into the department's offices until November or even the beginning of December.

Mr. Singleton: Mr. Chair, on page 24 of the report, we indicate the actual date that the school division filed its enrolment figures. In the first

paragraph under heading "1.3, Student Enrollment Funding," we indicate that the report on enrolment was filed on December 20 as 301.5 full-time equivalents.

We also indicate in the dark print there that that was later adjusted somewhat. As a result of normal department adjustments and identifying duplicate FTEs down to an enrolment of 296.5.

* (19:00)

Mr. Derkach: I thank the Auditor for that explanation. The next question I have is with respect to the number of centres that HOPE was operating. I think it is eight out of ten that were being operated by HOPE, i.e., John Orlikow.

Can the Auditor tell us how many, what the overstatement of full-time equivalent students was in the year of the audit in all of the programs under HOPE?

Mr. Singleton: Yes, Mr. Chair, we do not have that information in our report. Our report simply identifies our estimate of the over-enrolment for the entire adult learning program, in addition to the particular program that we audited in detail.

Mr. Derkach: So can the Auditor tell us what the total overstatement of enrolment was? I am sorry, I do not have it at my fingertips or I would tell you, but I do not have it.

Ms. Lysyk: The focus of the report here was in particular for one year. During the course of the existence of ALCs, we do not have a quantification of what the overstatement of enrolment was. The report that you have before you only covers an estimation of one year.

Mr. Singleton: Table 5 on page 60 of the report sets out our "Proposed Funding Adjustment to the ALC Enrollment Numbers." As you can see in the middle of the page, the adjustment of full-time equivalent students, not including The Program we audited, was 3699.4 full-time equivalents. There are 112.6 that are deducted from that that Morris-Macdonald Division made to reduce the estimated enrolment based on their consultant report, and some doubling up due to a poor contact rate that the consultants had when they were doing their survey.

Then, below that is a further 150 adjustments that we have made "based on each ALC's negative responses per the Consultant's Report" which we extrapolated to the total ALC's FTE students. So our estimate of the adjusted FTEs other than The Program amounts to 3437.6 FTEs.

Mr. Derkach: But, Mr. Singleton, is it not true that the students that you are counting or not counting in the enrolment are basically the ones that have either dropped out of The Program, but it does not speak about those students who are still enrolled but do not show up for The Program?

Ms. Lysyk: There were a few components here. One was the quantification dealing specifically with Classroom 56, where we were able to determine based on a review of documentation and discussion with the people there as to how many were in attendance. We estimated 50 to 100 in comparison to the number they submitted.

When it came to the remaining ALCs in Morris-Macdonald School Division, we attempted to review as much documentation as possible, but we did place some reliance on the report produced by the consultant that Morris-Macdonald had hired, and utilized that information in estimating the overstatement of FTEs in the one year that we reviewed.

Mr. Derkach: But I guess I make the point, Mr. Chair, that you are simply dealing with students who had formally dropped The Program as students not being accounted for. Your accounting did not take into account those students who continued to be registered in The Program but never showed up to class.

Mr. Singleton: I think to clarify what the consultants were attempting to do, they were trying to contact a large sample of students to find out whether, in fact, they were enrolled at the September 30 date. Obviously, they had a lot of difficulty doing that and a low success rate in actually contacting students, but the goal was to determine what the correct number was, at September 30, of students who were enrolled. Whether or not they had subsequently dropped out was not necessarily relevant to the concern, because at that time the rule was if they were

present on September 30, then they were counted as bona fide students.

Ms. Lysyk: On the bottom of page 59, you will see that as per the consultant's report, only 55 percent of the ALC students could be contacted. Of the students who were contacted, 6 percent indicated that they had either never registered for any courses or they had only requested information for courses but did not register.

So there was also the situation where—not just a situation where people registered and did not show up, but there was a situation where some of the people who were contacted indicated that they had never registered at all.

Mr. Derkach: As an example, in the Findings on page 25, you state in bullet No. 5: "A HOPE document dated November 5, 2000, indicated the following: 'There are approximately only 50 day students showing up regularly. It is not possible to say that the site, lack of resources, lack of baby-sitting, is the sole result of 270 students being unaccounted for.'"

Now, that is just one class, one program. Now, if we were to extrapolate that into the 10 programs that we have, that tells you that we have a dismal record here of about 20 percent of students showing up on a regular basis as compared to the ones who had registered on September 30.

Mr. Singleton: I think one of the things one has to be careful about in interpreting our report is in using the word "registered" because, you know, as we found in this classroom, there were a number of registration forms that had been filled out by people other than the students who were allegedly being registered. So those people were included in the enrolment numbers, but, in fact, they were never actually registered.

A big problem, obviously, that we had in this particular audit was a lack of documentation to actually back up the enrolment figures, and because each classroom was different in its structure, it is difficult to extrapolate from one classroom to the entire population.

Ms. Lysyk: It is also important to note that when the submission went in for funding, it was

based on FTEs, so an FTE was funded. What that assumed is that an FTE had a full course load, six credits. In terms of the submission for The Program 56, their FTE count was assuming that all the students who were listed at September 30 were in attendance full time.

Mr. Derkach: Well, I think this just indicates that the situation was growing worse rather than better. Because in the next bullet you identify that only 25 students on the September 30, 2000, listing were in attendance in May 2001. If 301.5 full-time equivalents was a realistic figure, this would have translated into a dropout rate of 92 percent from the original student enrolment listing.

* (19:10)

Now, I make the point that, even though there were only 25 of these students in class as of May, 2 of them, in fact, were employees because they were included as students for grant purposes as well.

So we had, in essence, a learning centre that was profiting exorbitantly from taxpayers by enrolling large numbers of students in September and only having less than 10 percent of those students really attend classes and take courses and actually have the cost.

So this was a windfall for the learning centres as well, was it not? It is almost a racket, if I could use that term.

Mr. Singleton: In our Summary of Conclusions, on page 8, we estimate that this particular classroom, Classroom 56, which we called The Program there, was overfunded by somewhere between \$488,900 and \$613,300.

Mr. Derkach: But this is not money that was left in the hands of Morris-Macdonald School Division, is that right?

Ms. Lysyk: The money that we are talking about here was being managed by Morris-Macdonald School Division.

Mr. Derkach: We have to be careful how we phrase our questions nowadays.

Mr. Chair, my question was: This is not money that was left with the Morris-Macdonald School Division. Although the Morris-Macdonald School Division administered this money, they did not take the money and hold it. As a matter of fact, this money was transferred to the learning centres, based on the enrolments of September 30.

Ms. Lysyk: In this situation with respect to Classroom 56, Morris-Macdonald did handle and manage the money.

Mr. Derkach: They handled and managed the money, but they paid the learning centre on the basis of the enrolment that was reported to them as of September 30.

Mr. Singleton: By managing the monies, what that means is they were paying the bills. So they would have been paying the salary for the teachers at the classroom, paying various other bills that were submitted by Classroom 56 officials to be paid.

Mr. Derkach: Yes, and they were paying the salaries on the basis of the reporting that came to them from the HOPE learning centre or Classroom 56.

Ms. Lysyk: The school division received invoices during the time HOPE was involved, from HOPE, and paid those invoices submitted by HOPE.

Mr. Selinger: I think I know what the Member for Russell is driving at. He is trying to determine where the excess money over and above the actual expenses remained. Did it get transferred into the classroom or the project, or did it stay with the Morris-Macdonald School Division?

If I understand the answer correctly from the Auditor General, Mr. Chair, the school division paid out just the actual expenses submitted and all the additional money, based on what we might call inflated enrolment figures, stayed in the hands of the school division. Would that be accurate?

Mr. Singleton: Yes, Mr. Chairman, that is correct.

Mr. Derkach: Except that the invoices, Mr. Chair, included direct payments to HOPE—is that correct?—and to John Orlikow.

Mr. Singleton: Yes, Mr. Chair, there would have been invoices from Mr. Orlikow as well that would have been included in those disbursements by the school division.

Mr. Derkach: So, in reality, at the end of the day, any surpluses that the school division could have reported were very minimal compared to the amount of money that flowed to the 10 programs within HOPE. Eight programs, I am sorry. Could I correct myself?

Ms. Lysyk: With respect to this particular program, the school division paid the bills as received from HOPE and as received indirectly from other suppliers. At the end of the day, The Program had not received the full disbursement of monies with respect to all the ALCs that were operated by HOPE.

We did not come to a total figure to determine how much of the money that would have been allocated to HOPE was allocated and how much of that money would have just been managed and remained in Morris-Macdonald School Division. It is not in this report, that split.

Mr. Derkach: When I asked the minister, after seeing this report and understanding that this was just one program that was being audited by the Auditor General, were you not concerned enough that the seven other programs that were being run by HOPE should have warranted an investigation into some of the glaring issues that were raised by the Auditor as they related to Hope?

Mr. Selinger: Obviously, this report created an enormous amount of concern on the part of the Government when they received it. It did lead to a referral to the RCMP to do a criminal investigation. That was where the matter was put in terms of any money that might be untowardly used. The other thing that the member would be aware of is that The Program model that granted resources based on student enrolment has been changed by legislation. Adult learning centres are no longer funded on this basis. We have tried to eliminate the formula-driven approach, which

could lead to these kinds of potential abuses, by going to a program-funding model based on an actual budget and actual expenditures relating to a specific program being delivered and not related to student enrolment figures which may or may not reflect accurate participation in The Program.

Mr. Derkach: Mr. Chairman, to the minister. Mr. Minister, the Auditor General commented on Classroom 56, one program. There were eight programs operated by John Orlikow that were being paid for through Morris-Macdonald either for invoices that were received or grants were being paid on a per-student enrolment basis.

Once this report came to your attention, Mr. Minister, I would assume that it would have conjured up enough questions in your mind with respect to the accounting of the other programs that you would have wanted to launch an investigation into the other programs. Instead, you launched an RCMP investigation into Morris-Macdonald which did not look into the way that students were counted and monies were received for the seven programs run by John Orlikow. I am wondering if you can explain why you would not have launched an investigation into the seven other programs that were being run by John Orlikow.

Mr. Selinger: It is my understanding that the RCMP criminal investigation relates to all the Morris-Macdonald School Division adult learning centres, so it would include all the programs you have just mentioned. The point is that the RCMP has the discretion to investigate where they wish as to any criminal concerns that may arise from this set of incidents.

Mr. Derkach: I would like to ask the minister why he would not have asked for—seeing that we have a Provincial Auditor's report, a pretty scathing report of what transpired with Classroom 56, that anybody responsible for taxpayer dollars would have certainly asked for a further investigation by the Provincial Auditor, who, I think, has done a fairly good job here in pointing out the problems, into the other seven classrooms. Why did the minister not choose to have the Provincial Auditor look at the other programs that were being run not only by Orlikow but also by Ms. Cowan?

* (19:20)

Mr. Selinger: Once again, Mr. Chair, with respect to the Morris-Macdonald School Division adult learning centres, the RCMP was considered to be the appropriate police body to investigate any potential for criminal behaviour and to delay that referral by having, yet, again, another Auditor General's report. The Auditor General's report raised sufficient concern that an immediate referral was deemed appropriate, rather than going through, again, another investigation, which some could have construed as an attempt to avoid launching a criminal investigation. These are judgment calls, but I do not think you can go wrong by asking the RCMP to investigate.

Mr. Derkach: Mr. Minister, you had to make an assessment on how much you would charge the Morris-Macdonald School Division for over-expenditures, if you like, or overstatement of numbers by the learning centres because you held the Morris-Macdonald School Division accountable.

Now, on some basis, you decided that this is the amount of money Morris-Macdonald owed you as the Province. You did that without doing proper due diligence and a proper investigation of what the overstated enrolments were in the other learning centres, who, by the way, were not funded on an invoice basis, as I understand it, but were funded on a per capita basis, which means their enrolment figures were taken as of September 30 and it was on that basis that the centres were paid for.

That in itself would lead to one assuming there could have been gross overexpenditures, if you like, or overpayments for students who were probably not in the classroom in those other seven programs.

Mr. Selinger: The Auditor General in his report established a range of potential overpayments. The Department of Education, based on that information, negotiated with the school division a repayment schedule to manage that and—

An Honourable Member: No, no, sorry. There was no school division.

Mr. Selinger: Well, I am giving you an answer. I would hope you would wait until I completed before you jump in.

Mr. Chair, the trustees of the school division—that number was put to them as the range around which they negotiated a recovery over four years, as I understand it. At the same time, a referral was made to the RCMP to consider any potential criminal exposure that could arise out of this investigation and the questions raised by the Auditor General.

In both cases, I think the provincial officials, through the Department of Education, acted responsibly to protect the taxpayers based on the best information they had through the Auditor General, who, after all, did a quite detailed review of what was going on, and, secondly, made sure there was no additional exposure that was not covered off by referral to a legal entity with legal powers to investigate criminal activity, namely the RCMP.

Mr. Derkach: I want to make the record straight with respect to the school board and who the school board was and the actions of this Government, Mr. Chair, to the minister.

First of all, the Auditor's report covered one program. It did not cover the seven other programs that were run by HOPE.

Secondly, the school board was disbanded. So it was not a negotiation between the school board and the Government. Rather, the Government appointed its own administrator to run the school division and then negotiated with the administrator on what that school division owed the Government.

So, Mr. Chairperson, there was no opportunity for the public to be represented in defending the position of the taxpayers in that school division or, in fact, to put their case forward. It was merely a government-appointed administrator whom the minister was negotiating with to get his way. The minister did not then launch an investigation into the overpayments to the other seven, and I submit, nine, programs, because there were two other programs besides the Orlikow ones that were being funded.

So, Mr. Chair, the minister tried to sweep all of that aside and, on what basis, I do not know, we do not know, he made a judgment that Morris-Macdonald owed him X number of dollars. He had no basis to make his assumption on. He had no investigation into other programs and no audit of the other programs.

To me, it would seem fundamentally important to do an audit of all programs. If in fact there is a problem with one program, would it not make common sense to do a forensic audit on all the programs to establish what had happened to the money, where it went to, who was responsible, and how you could recoup that money?

As a matter of fact, to date no charges have been levied against the operators of the ALC programs. It is my understanding that the Government does not intend to pursue the collection of any monies from the ALCs that were in fact responsible for the overstatement of enrolments.

Mr. Selinger: The overfunding of The Program was identified in the Auditor's report on pages 19 and 34. The Provincial Auditor's report also identified the overfunding potential of other adult learning centres on pages 47 and 61, as well as the Entrepreneurial Technology and Education Centres surplus on pages 47 and 63 and the potential student drop-out rate on page 61, and gave minimum and maximum estimates or a range of what they thought the potential exposure was. That information was used by the trustee appointed by the provincial government.

A trustee acts in place of the board as an agent of the public and the citizens of that area.

An Honourable Member: He is an agent of the Government.

Mr. Selinger: That is your interpretation and you are interfering with my response again. The trustee acts on behalf of the public when appointed in an independent fashion. By the way, the individual appointed was one you know well and, in terms of his integrity and credibility, would act in the public interest. That is exactly what he did. He used the information.

Both parties, the Government and the public trustee or the official trustee appointed, acted on

the best information they had in the Auditor General's report and negotiated to a settlement which protected the public interest and at the same time recognized the exposure that it put the property taxpayers in that particular school division area, the obligations it put them under.

At the same time, there was a referral to the RCMP, who have the ability to look at anything they wish with regard to this matter, not just the one adult learning centre, but all of the adult learning centres, and have forensic capacity in terms of auditing or any other tool that they have available to conduct a criminal investigation.

Mr. Derkach: I hate to disagree with the minister, but if he were to check the mandate of the RCMP, their mandate was not to audit in any way, shape or form. Rather, it was to launch a criminal investigation, which is entirely different than a forensic audit of the numbers and the dollars that flowed with the enrolments.

As a matter of fact, Mr. Chair, it is quite obvious that the minister did not want to pursue the investigation beyond the Morris-Macdonald School Division because there was no investigation done by his department or by the Department of Education into why the overstatement of numbers in terms of the student enrolments happened in the other programs and by what amount.

Mr. Singleton: I think I might be able to provide some clarifying remarks around this. If you take all the items within our report that might be overstated, because we did, in fact, do an estimate of the overstated enrolment for the entire school division, our estimate, when you add up the total, is that the total amount that Morris-Macdonald School Division could have received in excess of the actual enrolment would be somewhere between \$2.4 million and \$4 million. That was the range in which we had suggested the Government consider recovering funds from the school division or requesting back.

* (19:30)

I would say we ourselves wrestled as to whether we wanted to conduct further audits of other classrooms. At the end of the day, we

decided, partly because the police were now involved, but the practicality of doing a further review knowing the shambles the records were in, it seemed to us that we could spend a lot more money trying to figure out what the right number was and, at the end of the day, you would never actually know how many students were present on September 30 of that particular year, so that it did not seem to us from our perspective to be a practical thing to go in and try to build up the numbers after so much time had passed. That is why we stopped at that point ourselves in carrying forward.

Mrs. Bonnie Mitchelson (River East): I would if I might ask, Mr. Singleton, I am looking at page 24 of the review and it indicates here that I guess Morris-Macdonald School Division was granted \$750,200 in funding for Classroom 56. Am I correct? *[interjection]* And that, in fact, \$682,400 was allocated to The Program's budget.

Does that mean, Mr. Chair, out of the 750-odd-thousand, that \$682,000 flowed, as a result of invoices being submitted by HOPE, either directly to staff who were running The Program or to those who were the proponents of HOPE?

Mr. Singleton: No, it does not mean that. All that particular sentence is trying to explain is that Morris-Macdonald School Division took a percentage of the \$750,000 as an administration fee and then set up a budget based on the remaining funds, but the budget does not mean it was actually spent. The amounts that were actually spent would have depended later on actual invoices and salaries paid.

Mrs. Mitchelson: I wonder if Mr. Singleton could tell us then what invoices were submitted and what bills were paid directly to HOPE.

Mr. Singleton: We have a table on page 40, Appendix A, which compares the budget, which shows the total budget of \$682,000 at the bottom, compares it to the actual expenditures for that particular program. If one just looks at the totals, for example, you can see that the total budget was \$682,000. The actual expenses from July 1 to April 30, because that is as far as we went, were \$483,000, leaving \$200,000 as yet unspent at that point in time.

I think it is important to also acknowledge that after our work was done, because we were done before the school's fiscal year end of June 30, I am sure these numbers were subsequently adjusted somewhat by the audit that took place at year end.

Mrs. Mitchelson: I know Mr. Singleton is a lot more experienced than I at looking at financial sheets and interpreting them. Are you indicating then to me that only \$483,000 flowed to The Program out of the \$750,000, and that the rest remained with the Morris-Macdonald School Division?

Mr. Singleton: Yes, as of April 30, 2001. Presumably, there would have been some more expenses between April 30 and the end of June for The Program, which would have increased the \$483,000 somewhat. So it is at a particular point in time, not the year end of The Program.

Mrs. Mitchelson: Could Mr. Singleton indicate whether John Orlikow received a stipend per student that was enrolled in The Program, and where I might find that if it was the case?

Mr. Singleton: I do not think we have that identified separately within our report.

Mrs. Mitchelson: Would it be fair to assume, though, Mr. Singleton, that Mr. Orlikow did receive a stipend of some sort per student enrolled?

Mr. Singleton: It is my understanding Mr. Orlikow did not receive a per-student allocation under this program. However, he did receive salary payments which are included in the teachers' salary number in Appendix A, but I am afraid I do not have the dollar amount that he received.

Mrs. Mitchelson: Okay, so, then, under teachers' benefits, does Mr. Singleton have the information on how many teachers would have been employed through this program?

Mr. Singleton: I am advised that the number of teachers was between four and five teachers.

Mrs. Mitchelson: Yes, so there were four to five teachers. Could Mr. Singleton indicate what their salaries were?

Mr. Singleton: I understand the teachers were paid on an hourly basis based on the contracts that they had, but we do not have the details of what each teacher was paid in the report.

Mrs. Mitchelson: Mr. Chair, I can see that it is not necessarily in the report, but would Morris-Macdonald have been invoiced. Did they pay the teachers directly, or was that money paid to HOPE, and did they pay the teachers?

Mr. Singleton: Yes, the teachers were paid directly on Morris-Macdonald's payroll system.

Mrs. Mitchelson: So, then, that information would be available on how much each teacher was paid, plus how much John Orlikow was paid?

Mr. Singleton: Yes, that information would be available, I guess, if this was something the committee wanted to pursue and get a detailed report on. It would be the kind of thing that they might want to ask the Department of Education with the assistance of the Department of Finance, perhaps, to build up an analysis of salary payments and payments to Mr. Orlikow at The Program.

Mrs. Mitchelson: Is this information that would have been gathered, and would this be data that the Auditor would have on record, or is it something that, in order to get the numbers that we see on page 40, would that detailed kind of information have been provided to the Auditor?

* (19:40)

Mr. Singleton: Yes, we would have had access to that detailed information during the course of our audit. I guess there is sort of an art and craft and science to writing reports on subjects like this. From our perspective, the material that we put in our public report is what we wanted to bring to the attention of the Legislative Assembly and its members. We typically follow a practice of not disclosing names in our reports or details of transactions with individuals by name because there are other fora in which that information can be obtained. We prefer that our reports focus on the key findings, conclusions and recommendations that we are making.

So I guess it is a long and roundabout way of saying where information is available from a department or a government agency, it is our preference that that department or government agency provide that information to the members rather than using our office as a conduit because we have access to all kinds of information which would not be appropriate for us to disclose.

Mrs. Mitchelson: I appreciate that answer, and, certainly, we would not want individuals singled out in a report. I guess the question becomes, though, when we are actually looking at the amount of money that has been determined that Morris-Macdonald may owe the Province, and it is somewhere between \$2.4 million and \$4 million, and we see that a significant amount of that money did flow based on invoices that were submitted to the school division and based on stipends that were paid to the proponents of HOPE, and we look at the issue of the taxpayers of Morris-Macdonald having to pick up the costs for services that were provided and invoices that were paid, I guess I question the fairness of one small segment of the province and the taxpayers in that part of the province having to pick up the costs.

I look at this one program that HOPE was running, Classroom 56, and we see that Mr. Orlikow was paid a stipend under teachers' salaries for this one program. Was there any review done of the other seven programs and was Mr. Orlikow paid a teacher's salary or a stipend from all of those other programs that were run through Morris-Macdonald School Division? Was that reviewed?

Mr. Singleton: No, we did not review what Mr. Orlikow's compensation arrangements would have been at all the adult learning centres. I do not want to respond to the issue of fairness in what should have been recovered because that essentially is a policy decision. But I think it is fair to raise the point that there is a tremendous amount of uncertainty as to the actual quantum of the overpayments, if you like. Having it arranged from \$2.4 million to \$4 million is a very wide range which reflects the uncertainty in what the actual enrolment may or may not have been.

That is why it becomes important to sit down and talk about what is a reasonable deci-

sion to make in the face of all that uncertainty, because there is another element of uncertainty that we did not particularly deal with. Our audit focussed only on one year, and there may well have been similar problems in other years that are unknown because they were not part of our audit scope. So I would say that between the Government and the school division, all those things would have had to be thought about and talked about and negotiated in terms of arriving at what is a fair amount to be paid.

Mrs. Mitchelson: It may be somewhere in the report, but if I could just ask for some clarification on how long Classroom 56 operated. You only audited the one year. How long was The Program in place?

Mr. Singleton: Mr. Chair, this particular program, HOPE, was incorporated in July of 2000, and on November 15, 2000, the school division took over the operation of this particular program from HOPE.

So HOPE was actually only running this program for a relatively short period of time.

Mrs. Mavis Taillieu (Morris): You will have to forgive me if I ask some questions that may have already been asked before.

You have indicated that the amount that you feel is recoverable by Morris-Macdonald was between \$2.4 and \$4 million, but I believe it was the lower amount that was arrived upon. Is that correct?

Mr. Singleton: Yes, I believe it was approximately \$2.5 million that was negotiated as a fair payment subsequent to our audit.

Mrs. Taillieu: You have indicated that there has been some uncertainty around the numbers because you are really quite unable to determine the exact figures. I am wondering why it was you arrived at the lowest figure.

Mr. Singleton: That we did not. All we did was provide the Government with our estimate of overpayments as a result of overstated enrolment. At that point, it moved over to the Government to negotiate with the school division what, if any, to actually recover from the school

division. We were not part of those discussions at all.

Mrs. Taillieu: Then, Mr. Chairperson, I would ask the minister if he would answer the question.

Mr. Selinger: Yes, Mr. Chair, the settlement agreement was negotiated between the Department of Education and the Official Trustee at \$2,359,900; so, say, approximately \$2,400,000.

The repayment schedule was over four years, from 2002-03 to 2005-06, and that number was arrived at quite simply between an official trustee acting on behalf of the citizens and ratepayers in the former Morris-Macdonald School Division negotiating with the provincial government with respect to a set of parameters that had been identified by the Auditor General's report.

Mrs. Taillieu: I believe that in the Auditor's report it was indicated that the Agassiz School Division had overstated enrolment and was granted close to \$500,000. Were they asked to repay that?

Mr. Selinger: In another place on this agenda, we have a compliance and special audit report ended March 31, 2001 with respect to the Agassiz School Division. Essentially, we are dealing with two different school divisions with two different sets of circumstances in terms of how they were treated.

I have details from the former Minister of Education on how that school division was treated, but I do not know if we want to get into that one now.

I think what you are driving at is was there equitable treatment between the citizens and ratepayers of Morris Macdonald versus the citizens and ratepayers of this other school division, the former Agassiz School Division. I think what I could say, without going into the details, is that the Department of Education looked at the specific circumstances in each of those school divisions, negotiated outcomes with regard to those specific circumstances and, in both cases, tried to treat the ratepayers and citizens of those areas equitably with regard to those specific

circumstances. There were some significant differences between the two school divisions.

* (19:50)

Mrs. Taillieu: I would have to agree there were some significant differences when one school division was required to pay back the money and one was not.

Mr. Selinger: I did not actually hear a question, Mr. Chair. I just heard a statement. If that statement was a rhetorical question, then I would say the following: The specific conditions varied between those two areas. In both cases, I think the negotiated conclusions were ones that satisfied the public interest from a provincial government perspective to ensure that taxpayers' dollars were used wisely and, at the same time, had some consideration for the specific circumstances of the school divisions in question, or former school divisions now that they have been merged into new entities.

In the letter that was sent to Mr. Gilleshammer by the former Minister of Education, I will ascertain the date for you, the minister gives his rationale for that.

One of the paragraphs reads as follows: Agassiz School Division acted in good faith and advised the department of their enrolment reporting problems, even though they were already in a deficit situation and very difficult financial circumstances. In recognition of the Agassiz board's successful efforts to reduce their deficit and to avoid creating a further negative impact on students in the division, the department made a decision to provide support for one year only, consistent with the stated commitments. This decision was based on an assessment of what was in the best interests of the students in the Agassiz School Division.

That was an answer given to Mr. Gilleshammer in response to a letter he wrote to the minister. I will have to verify the date on that. It does not seem to have that.

Mr. Chairperson: Are there any further questions?

Mrs. Taillieu: You said there were negotiations. Who was negotiating with these school divisions on the amounts?

Mr. Selinger: The Department of Education officials would be negotiating with the specific school divisions or their public trustees.

Mrs. Taillieu: I just want to go to a few other questions here. There was funding flowed from the Department of Education for some of these adult learning centres that were for-profit organizations. How many of these adult education centres were for profit and how much money actually went to the for-profit ones?

Ms. Lysyk: On page 52, it has Table 2. That lists the status as at July 2000 of the various ALCs in terms of how much money went to each one specifically. The report does not detail that information out. I can add that for the year subsequent to the year of our review the department did put out a qualifier that organizations funded in that next year were required to be not for profits.

Mrs. Taillieu: Could I ask the minister, then, if there are any adult learning centres operating for profit at the present time?

Mr. Selinger: I would have to do some verification of that through the Department of Education, but, as I indicated earlier, there is a new funding model in place that avoids the funding based on a student enrolment formula which was sort of where the slippage occurred here between the actual enrolments reported and the actual program participation. The new model of funding now is a program model of funding where the actual budget for the specific program has to be approved and the grant is given to that. It is not connected to the number of students, it is connected to the actual program budget. This has now been put into legislation to give it a stronger mandate as recommended by the Auditor General at the time that there needed to be some legislation to manage these programs. So it is a different basis upon which they are funded now. I would have to do a check to see if there are any for-profit centres still operating. My best guess would be very, very few, if any, but I would have to check that.

Mrs. Taillieu: Could the minister tell me how many adult learning centres are still operating, and what school division they are operating in?

Mr. Selinger: I would have to get the specifics for the member. I can tell you there is a budget appropriation for adult learning centres throughout the province. It is a significant amount of money, in the millions of dollars. We can get the number if we have the document here. There is a new legislation to mandate how those programs are funded and the criteria under which they have to operate. So adult learning centres are an ongoing dimension of the educational resources spent in this province.

Mrs. Taillieu: Mr. Chair, could the minister indicate the difference in the budgets from the year 2001 to 2003? How many adult learning centres are running, and is there any difference in the amount of money that is going to adult learning centres at the present time than there was two or three years ago? Is it more or less the same?

Mr. Selinger: We will undertake to provide the detailed estimates. They are published every year as part of the Budget. I can tell you that in the first year we came into office, there was a significant overexpenditure in the adult learning centres related to the budget appropriation. The amount was quite dramatic of over expenditure in relation to the actual amount appropriated in the spring Budget of '99-2000. That was one of the crises we had to deal with, that over expenditure. That amount has since been stabilized into an amount that more accurately reflects the amount of spending that goes on in those centres. But we can give you that information. It is available on each Budget that has been put in front of the Legislature. But we can compile that information for you.

Mrs. Taillieu: Can you also tell me in what school division they are operating?

Mr. Singleton: Yes, we can undertake to pull that information together.

Mrs. Taillieu: Can you tell me if Mr. Orlikow is operating any of the ones at present?

Mr. Singleton: We can also ascertain that. I should have pointed out to the member that this is the kind of question that is available to be asked during the Estimates process with respect to the Department of Education's Estimates, the

amount of money appropriated for each adult learning centre, the global amount and what school divisions they are operating in.

But, as I have said to the member, we can try to get that information for her at this date.

Mrs. Taillieu: I realize that these can again be asked during Estimates. I was not at the Estimates process earlier on this fall, so I apologize if I am asking questions over and over again. It is just that I am interested in hearing the answers, so if you do not mind, I will ask a few more.

I am referring to page 100: "A number of ALCs operated as for-profit organizations and were not required to provide audited financial statements to School Divisions or the Department. As such, unless a School Division paid all bills for an ALC, there was no accountability for the monies spent. We are aware of one instance where an ALC with an estimated enrollment of less than 800 students paid salaries of at least \$80,000 to each of the two ALC owners."

I am just wondering who those owners are, and if that might still be operating.

* (20:00)

Mr. Singleton: Mr. Chair, this would be another example where it is not our general practice to provide the names of individuals in our reports who receive these payments.

But it clearly is information that would be available to the Department of Education and could be provided by them if they so chose.

Mrs. Taillieu: In the Conclusions, just on the next page, it says: "The \$80,000 paid in salary to each of the owners of a relatively small ALC may not represent an effective use of public monies." Was this amount of money recovered?

Mr. Singleton: Not to my knowledge. It would not have been specifically recovered, no. But, of course, if you carry on with the paragraph that we had there, obviously we qualified our comment by saying, it "may not represent."

One of the reasons we used the word "may" is that it was difficult to judge because the Department of Education had not put an effective legislative and policy framework in place for The Program, so there were not really any criteria to judge the actions against.

So we suggested that under the new funding program, an appropriate level of remuneration for directors should be considered.

Mrs. Taillieu: I am sorry, I did not hear the last part of that remark.

Mr. Singleton: We just suggested that in the design of a new funding model, the level of compensation for directors or co-ordinators of adult learning centres should be re-examined to determine what would be a fair and effective use of public monies.

Mrs. Taillieu: Can I ask if that policy has been put in place, then? If it has been, would it be retroactive to recover money that apparently looks as if it was not effective use of public money?

Mr. Selinger: As I indicated earlier, as a result of this Auditor General's report, the Minister of Education at that time brought in new legislation to prescribe how adult learning centres should run, changed the basis upon which these centres are funded, and prescribed in legislation what the criteria would be and the objectives for adult learning centres.

So, Mr. Chair, there was a major overhaul done arising out of this report as to how the whole adult learning centre operation would unfold in this province. There is a new funding methodology based on a program model, not a per-student model. There is a specific mandate outlined in the education. That has been put in place for all the subsequent years of the operation of The Program after the legislation was passed.

Mrs. Taillieu: Yes, I understand the whole reasoning behind doing the Auditor's report is to look at monies that may have gone somewhere they should not have and, perhaps, should be recoverable, which is what we are seeing in Morris-Macdonald. We have a statement here

saying this is not an effective use of public monies. I am still asking the question as to why would there not be a move to recover that money.

Mr. Selinger: All I can do is quote you the text there. It says: "may not represent an effective use of public monies."

However, this is difficult to judge in the absence of an effective legislative and policy framework. My take on that is there was no set of policy guidelines, framework or legislative mandate upon which you could judge the effectiveness of the public expenditure. In the absence of that, it had to be a judgment rendered by the Auditor General, which said: "may not." It was not definitive. It was possibly not effective but impossible to determine in the complete absence of a legislative framework, which has now been put in place.

Mr. Loewen: The minister indicated he has a letter that was addressed to a former member regarding this whole issue, from the Minister of Education. I wonder if he would table it with the committee tonight, as that member is not sitting.

Mr. Selinger: I will get the date for that and table it.

Mr. Loewen: Thank you.

In the letter, it seems to me from the short passage the minister read, the then-Minister of Education is indicating, as a result of their openness and honesty along the way, the \$500,000 overpayment to Agassiz School Division is simply overlooked and no request is ever made for Agassiz to repay that money to the Government.

I guess I would ask the minister: Was the then-Minister of Education as open and honest with his Cabinet in terms of admitting they had, in effect, requested Agassiz School Division to stop an audit and, in fact, submit what they knew at the time were figures that misrepresented the truth?

Mr. Selinger: I do not know where to start with that question because there are a lot of erroneous assumptions built into it. Your interpretation of

what I read onto the record does not correspond with what I actually read onto the record. It is your interpretation of it, which is a very liberal one, small "l." What can I say? I guess one brings baggage with him when you change political parties.

Then, I think I have to say, I think the member understands this, what is discussed in Cabinet is not really for the public record. Those are confidential conversations.

Mr. Loewen: Well, Mr. Chair, I am trying to get back to some understanding of process in terms of what happened with the Agassiz School Division because, according to the letter, and from what we know, they indicated to the Government they had a problem with enrolment numbers, that, in fact, the enrolment numbers which had been submitted, they could not verify and were not right. The Government turned around and said, well, we do not want to hear about that; in fact, just go ahead and submit the enrolment numbers that were not right, and we will take care of it.

I am trying to find out the process and who knew and when they knew that the Agassiz School Division was, in fact, submitting erroneous numbers.

Mr. Singleton: Mr. Chair, we have a paragraph on that subject in our report on page 98 where we indicate that in December 2000 the "Agassiz School Division completed a detailed review of their September 30, 2000, enrollment figure upon request by the Department." The school division concluded that the "attendance records and surveys did not support their September 30, 2000, enrollment figure" submitted to the department, and, then, working with the department, the department estimated a smaller number. Then, based on the ALC funding formula for 2001, "Agassiz School Division's funding would normally have been reduced by approximately \$500,000."

Mr. Chair, the department did not reduce their funding, "acknowledging that this School Division needed the funds to mitigate their deficit situation. As such, the department provided approximately \$500,000" to the school division "in ALC funds that they knew would not be used for ALC education."

* (20:10)

Mr. Loewen: Well, Mr. Chair, I agree, and that has been the understanding all the way along. The question really becomes: Why was one school division asked to repay the overfunding and another school was not?

Mr. Selinger: That is why I read into the record that paragraph from the letter that indicates some of the reasons why. The quotation just read into the record by the Auditor General on page 99 also indicated some of the rationale why. The essence of it is that the circumstances were different in the two school divisions, and, in each case, the negotiation between the department and school division representative, whether it was the public trustee or the administration and elected trustees, was intended to ensure that the public interest was protected with respect to tax dollars, and that proper programming for the children in that school division could be carried on.

Mr. Loewen: At the time, Mr. Chair, we had some contrary statements by the Department of Education indicating that the then-deputy minister had made that decision, and we also had the then-minister indicating that that decision was taken with the full knowledge of Treasury Board and of Cabinet.

Is the minister aware of how and when that decision was made? Was Cabinet aware that that decision had been made, or had the deputy minister just made it on his own?

Mr. Selinger: Once again, I am not at liberty to disclose what Cabinet deliberations were or were not. There were many questions at the time recorded in Hansard in the House. I think there was full accountability for the decisions that were made with respect to both school divisions, in terms of how resources were handled and distributed.

Mr. Loewen: I am not asking the minister to divulge confidential conversations at the Cabinet table. I am simply asking him if it was brought to Cabinet.

Mr. Selinger: I have just answered that question.

Mr. Loewen: Well, Mr. Chair, the Auditor has agreed with the Deputy Attorney General, Bruce MacFarlane, who has indicated that, in their review of the issue, they determined there was not any fraud, because both parties knew that, in effect, they were going forward with false information.

Both the Agassiz School Division admitted that the information coming forward to government was false. Government admitted that the information they received from the Agassiz School Division was false. Yet Government refused to, and still refuses to, I guess, indicate to the people of Manitoba why ministers of the Crown proceeded to grant money to a school division and base it on what everybody knew was false information. I guess I would ask the Auditor General if, in his opinion, either the minister or the then-Deputy Minister of Education were in breach of their fiduciary duties to the taxpayers of the province by knowingly using false documentation to support a grant to a school division.

Mr. Singleton: Mr. Chairman, I would say that our primary concern was the lack of transparency with which this transaction took place. I mean, clearly, it is within the purview of the Government to decide how much money it wishes to grant to any particular school division, based on whatever criteria it thinks appropriate. Because of the lack of transparency, we recommended on page 105: "That the Department seek legal advice with respect to requesting a return of monies from any School Division where they are aware that enrollment figures were overstated." I do not know whether that legal advice was sought or not, but I would suggest that, based on the policy decision that ultimately was taken in this case, getting a legal opinion may not be as important as it was at the time we issued the report.

Mr. Loewen: I would ask the minister can he confirm whether or not the department did seek the legal advice that was recommended by the Auditor with respect to requesting a return of monies from any school division where they were aware that enrolment figures were overstated?

Mr. Selinger: I would have to take that as notice and check with the department.

Mr. Loewen: Well, I appreciate that. I would ask the minister if we could have that information for our Friday morning meeting?

Mr. Selinger: I will seek the information from the department and we will see if they can provide it by Friday morning.

Mr. Loewen: Thank you. I guess, just to expand on the question to the Auditor General, you know, with regards to a breach of fiduciary duty, would it be a breach for the minister to flow dollars through the Budget on a guise of it going into one program and, at the same time, giving instruction to the—and I am referring to the former Minister of Education, flowing dollars through the Budget indicating they are for one program and then instructing Agassiz School Division to use those dollars for another program? Is that not a breach of fiduciary duty?

Mr. Singleton: I do not know that I can answer the question that is whether or not that would be a breach of fiduciary responsibility. That sounds like a legal question and also a question attending to the privileges of members of the Assembly, which I am not really qualified to comment on. As I indicated earlier, my concern primarily was that it should be transparent to the members of the Legislature and the members of the public when monies are transferred from one purpose to another purpose, and the extent to which the Legislature needs to be notified of that is something, I guess, the members themselves need to determine.

Mr. Loewen: Mr. Chairman, while I look forward to the minister coming back with the answer to my previous question on Friday, at the same time, maybe he could ask the department to determine whether the then-Minister of Education or his deputy minister, if there were any other occasions where they knowingly used false documentation to support grants to any other school divisions.

Was this just one isolated incident or, in fact, were there a number of occasions where basically false figures were used to support the flow of money to programs that were then, perhaps, redirected to other programs?

Mr. Selinger: We will take all your queries as notice and see what information we can provide.

* (20:20)

Mr. Loewen: Well, I will look forward to those answers.

I want to go back to the recommendations from the Auditor. I am pulling them out of the Executive Summary, but basically Chapter 1, and included a recommendation that the board of the Morris-Macdonald School Division "seek legal advice on the appropriateness of its administrators and/or the administrators of The Program providing MMSD with enrollment figures that they knew, or should have known, were overstated."

I would ask the Auditor General if he is aware whether or not this recommendation was, in fact, followed up on.

Mr. Singleton: No, Mr. Chair, I am not aware of what actions were taken in response to that recommendation.

Mr. Loewen: Then I would ask the minister if he could inform the committee whether, in fact, the Morris-Macdonald School Division, which, for clarification, was fired by the Doer government, and they put in place their own administrator—did, in fact, the government of the day or the minister of the day give instruction to the administrator they put in place to seek legal advice on the appropriateness of the administrators providing false information?

Mr. Selinger: Once again, it was an official trustee that was put in place, and I would have to take, again, that question as notice and see if we could ascertain what occurred there.

Mr. Loewen: Well, Mr. Chair, I thank the minister for that. I do hope that he is taking these questions seriously, and he will get back to the committee because, I mean, these are very, very serious issues.

In fact, Mr. Chair, at one point in time, they were actually very serious issues to the Minister of Finance (Mr. Selinger), who said in the House, and I will quote the minister from Hansard of November 21, 2001. Again, it is a quote from Mr. Selinger referring to the Minister of Education: "he has sought out and received an

Auditor's report"—which we are reviewing now, and to continue the quote—"the recommendations of which he has agreed to follow."

On a number of times in questioning in the House, the Minister of Finance indicated that the Government was going to follow every recommendation put forward by the Auditor with regard to this audit report. I would like to know—he took the issue seriously then—did his Government, in fact, follow up, and, specifically, did they follow through with the Auditor's recommendation that they seek legal advice on the appropriateness of the administrators of The Program providing the school division with enrolment figures that they knew, or should have known, were overstated?

Mr. Selinger: When I said I would take the queries as notice and endeavour to get back to the member, I hope you understood that as a serious response on my part to find out the information he wants and provide it to him.

I think the record shows that our Government has taken this whole imbroglio with respect to adult learning centres very seriously, which is why new legislation was brought in, which is why a new program funding model was brought in, which is why the entire basis upon which The Program now operates is prescribed in legislation with the appropriate criteria, and The Program funding model has been reviewed to make it more appropriate and accountable for The Program delivered on the other end.

I just have to remind the member that this set of circumstances was one inherited by the new government in '99, where there was no legislative framework in place. There was no policy framework in place. This program was running without any guidelines, policy or legislative framework, and running seriously over budget as well.

Mr. Singleton: Mr. Chair, just a matter of a process thing, in looking at the rules of the committee, I understand, based on the discussion that has just happened, the Government has agreed to respond to a number of specific questions in terms of following up on recommendations.

Rule 128 of the committee does indicate that the PAC may systematically review government actions and responses to the committee's recommendations in order to complete the accountability cycle. It would seem to me that, in order to invoke that, the committee would have to do something first to create its own set of recommendations, which would, essentially, be, perhaps, indicating which of our recommendations the committee concurred with and which it did not agree with, if any.

Once the committee had adopted those recommendations as its own, Mr. Chair, and reported them to the Assembly, then the committee would be in a position to regularly request updates or follow-ups on the part of the Government to those recommendations. At least, that would be my interpretation of Rule 128.

Mr. Chairperson: If you recall, at the beginning of the meeting when I read into the record the statement in regard to calling of witnesses and reports and the questioning, this was something that was referred to, Rules 128 and 129. At that time, it was also suggested that, if there was a willingness to continue this discussion, it would be through the House leaders and the Chairperson and the Vice-Chair.

This is what I believe Mr. Singleton is referring to.

Mr. Derkach: Mr. Chair, just a clarification on the Auditor's explanation of Rule 128. Am I led to believe that, if the Auditor were to receive instructions by way of recommendation from this committee regarding a particular report and regarding follow-up on that particular report, then, in fact, the provincial auditor's office would act on those recommendations, then, on the basis of the instruction from the committee?

Mr. Chairperson: Yes. I was just getting some clarification on it because we are more or less working on new ground here. As it was pointed out, because it has never been done before, the discussions would have to be initiated through the House leaders as to the procedures, to come to some sort of recommendations.

Then they would go back to the House in a status of recommendations through the reports to

the House. The system is not there at the present time, but there is a mechanism that has to be discussed by the House leaders, the Chair and the Vice-Chair. There is a mechanism, by my understanding, to request the Auditor to follow up on reports. *[interjection]*

Yes, but there is a mechanism; the precise movements have not been used. This is why the recommendation is that there are discussions to clarify the procedure. The discussions would be with the House leaders and the Chairperson and the Vice-Chairperson in consultation with the Clerk. I will ask Mr. Singleton.

An Honourable Member: It is in a rule already.

Mr. Chairperson: No.

An Honourable Member: Yes, it is.

Mr. Chairperson: It is in a rule, but it has never been used. There is a rule that has never been used, but it has not been clarified. The clarification comes through consultations.

Mr. Singleton: It would be my suggestion that when the House leaders are meeting to consider how to implement that and some of the other rules that are relatively new for the committee, they also consider the new section that is in The Auditor General's Act, Section 16(1), which, under legislation, empowers the Public Accounts Committee to request the Auditor General, by resolution, to examine and audit the accounts of any organization, recipient of public money, or other person or entity that in any way receives, pays or accounts for public money.

Besides the rule that is there that needs to be considered, there is also the provision within The Auditor General's Act that the committee may want to design a protocol for invoking that particular section at a future point in time.

* (20:30)

Mr. Chairperson: We are at 8:30 right now. There was a comment made to evaluate the sitting time. What is the will of the committee?

Floor Comment: Let us go till 9.

Mr. Chairperson: Nine o'clock? Agreed? *[Agreed]*

Mr. Loewen: Mr. Chairperson, it will take me a second to gather my thoughts. We have been somewhat sidelined. I would ask the minister at the same time, then, unless he tells me different from his previous responses, one can only assume that he will not have the answer to this as well, but my question would be whether Morris-Macdonald also followed the Auditor's regulation to seek legal advice on its right to recover the \$25,000 advanced to HOPE for a summer program that provided a deficient quality of education. Can he let us know whether that recommendation was followed?

Mr. Selinger: Once again, I will take that as notice and ascertain if we can answer that in a way that would satisfy the member from Fort Whyte.

Mr. Loewen: Thank you, Mr. Chair. In terms of one of the other recommendations that was made by the Auditor General in the report was that the department seek legal advice with respect to requesting return of monies from any school division where the department was aware that enrolment figures, either knowingly or should have been known, were overstated. I would ask the minister at the same time to undertake to get back to the committee in terms of whether there were, to the department's knowledge, any other occurrences where enrolment numbers were inflated and, in fact, what follow up was taken with regard to those overstatements.

Mr. Selinger: I believe the member asked this question in part before. We will follow up on it.

Mr. Loewen: I would ask the minister if he could explain to the committee how it could be that a program was funded in the year 2001-2002 that was clearly outside of the new criteria and remained a for-profit operation when, in fact, the department had previously instituted a rule or a policy indicating that the only adult learning centres that would be funded were ones that were not-for-profit. Can you explain how a for-profit learning centre was funded in the year following that policy change?

Mr. Selinger: The member would have to provide me with the specifics of the suggestion that he is making that a certain event occurred,

and we will then verify whether, in fact, it did happen and if there is a rationale for it.

I believe this question was actually asked in the House many months ago. If you want to be more specific about what program is funded that was under the auspice of a for-profit organization and for what period of time. You are indicating the year following this report. We will seek to verify the facts around that and report back to him.

Mr. Loewen: I may be mistaken. It has been a while since we reviewed this report in detail, but I would ask the Auditor General if he was aware of a program that was funded that was still a for-profit program after the policy to only fund not-for-profit programs came into effect.

Mr. Singleton: We have done no work in that area so I have no awareness, one way or the other, and cannot respond to the question.

Mr. Loewen: I think, just for clarification, if the minister goes back to the Department of Education, maybe they could clarify it further. I do believe in the year 2001-2002, HOPE was given a grant for \$625,000 to run a program, even though they were still a for-profit operation and, at that point, that policy and guidelines had already been in place to ensure that funding was only given to not-for-profit learning centres. Perhaps he could look into that further, and get back to the committee with the correct information.

Mr. Chairperson: I do not know what—was there a—I am sorry. Maybe Mr. Loewen should repeat the question.

Mr. Loewen: The minister indicated that he did not know of any for-profit programs that were funded after the policy came into place. I do believe, at the time, in the House it was discussed that there was a grant of \$625,000 to HOPE to run an adult learning centre in the 2001-2002 year. At that point, I do believe that HOPE was still a for-profit operation, so I would ask him again if he could undertake to look into the circumstances of that initial grant and indicate to the committee how, if it was a for-profit operation, it was able to obtain a grant contrary to the Government's new policy.

Mr. Selinger: I actually asked the member to be a little clearer about which program he wanted investigated. He has done that now. We will undertake to examine the facts to see if they are consistent with the assertions he made about whether or not they are for-profit or not-for-profit, whether they are funded in that year or not and get back to you with that information.

Mr. Loewen: Well, just for clarification, I would like to know, some time has passed since '01-02. HOPE could now be not-for-profit. I am not sure. They may have changed their charter. What I am looking for is whether at the time the grant was made, they were, in fact, still a for-profit operation, which they were during the time of the report under discussion.

Mr. Selinger: The member is asking whether they received a grant subsequent to this report being issued and whether they had retained their status as a for-profit organization. We will try to ascertain the facts around both of those questions, and then a rationale if, in fact, both of those things occurred. We will try to determine that.

Mr. Loewen: Well, thank you. I do have many more questions, but part of them will hinge on the information I am expecting back from the minister. So, at this point, I think the Leader of the Liberal Party has some questions that maybe he would like to take over.

Hon. Jon Gerrard (River Heights): Thank you. I would like to start on page 92 with a question to the Auditor General. When I read this report, one of the things that struck me was the fact that a decision was taken to, as it described on page 92, deliver "free high school education for adults." There was no planning around the delivery of this high school education for adults. That initial decision was taken when?

* (20:40)

Mr. Singleton: Let me start by responding that we have tried to set out the time frame on page 91, I guess, where we indicate that, prior to '97-98, funds provided by the Schools Finance Branch of the department were specifically to support the K to S4 enrolment program. There was no formal government approval to fund

ALCs at that point; however, we are aware that school divisions, in fact, did include adult learners in their regular K to S4 enrolment at that particular point in time. It appears that it began as a relatively slow process where the department was aware that it was happening, but did not take any specific action either to prevent those students from being included in the enrolment, or to develop a formal program for adult learning. So that would be approximately that timing and then there is a variety of events that are described in the following bullets on that page.

Mr. Gerrard: Ordinarily, the decision to make a major policy change and start providing free adult education would be done either through a pilot program, or would be done through a planned process so that one was able to deliver the programming in a way that was effective, could be monitored well and so on and so forth. One of the aspects which is puzzling is the fact that the September 30 enrolment date was used for adult programs. In experience that I am aware of, clearly, when you are looking at how adult programs operate, that you have got students coming in and out; they are learning sometimes for short periods; they operate very, very differently from programs for students in the regular primary and secondary school years. One would ordinarily think that you would choose a different mechanism for trying to establish what was an appropriate way of funding them, and that it might not necessarily be program funding, but it would certainly be an approach which would provide a different basis than the basis that was used for regular funding of primary and secondary education.

Mr. Vice-Chairperson in the Chair

I wonder if you would comment on this sort of September 30 approach that was implemented when The Program was started. You have had the opportunity, the Auditor General, I think, to have a look at this situation and, perhaps, could provide a perspective on the suitability of a September 30 approach to monitoring enrolment.

Mr. Singleton: It seems relatively clear the way The Program started as an informal basis where school divisions saw an opportunity to start up

adult learning programs using the existing funding formula that obviously not a lot of thought had gone into what would be an appropriate funding basis.

My understanding is there are certain pros and cons, deficiencies and efficiencies in the regular school funding model by using September 30, in that many years of experience have shown that although some students may leave school and move to a different division during the school year, other students move into the school division, so that, at the end of the day, picking one particular date and using that as a basis for estimating enrolment results in a fairly reasonable estimate and stable number that reflects reality to a reasonable extent.

Mr. Chairperson in the Chair

One of the risks one has in assuming that the same approach would work for a new program is that a new program may not follow the same approach as the existing one.

I think it is pretty clear that adult learners are different than school-age learners. Typically, adults have more complex family situations to deal with. They may be married. They may be single parents. They may be employed. They may be unemployed. They may go in and out of employment. The amount of time they may have to devote to school may vary from time to time throughout the school year.

As such, it would seem to be a prudent action before developing a policy framework for adult learning to really understand how adult learners work and to try to design the funding mechanism that makes sure just the right amount of money is directed toward the school division that is offering that learning.

Of course, it is also complicated by the fact that a school division may in good faith have estimated that a certain number of students would enrol for their program. They may have invested money in teachers, contracts and infrastructure that they cannot readily stop paying for just because fewer students showed up than they had hoped for. I would think if you developed an appropriate funding framework, you could take that into account over time and, as experience

developed, you would be able to match the funding with the number of students benefiting more accurately than you could by picking an arbitrary date like September 30.

Mr. Gerrard: Part of the problem here, in a sense, Mr. Chair, was that the decisions were taken, whether it was by people within the department or at the ministerial level, without real understanding of how adult learning differs from the regular learning, and that the framework was used which was not all that good.

Clearly, Morris-Macdonald School Division got blamed and suffered unduly for what may well have been poor initial setup of the whole program.

But what I want to move on to is, on page 91, it was clearly realized that the approach that was being used—this is the fourth bullet—was not a satisfactory approach, and then changes were recommended, and there were clearly changes recommended by department staff in 1998-99, which "were not implemented in a timely manner."

The issue here is that, clearly, there were recommendations that were made. What is not clear to me is why those were not implemented. Let me ask the Auditor General: In looking at this situation, there was clearly an opportunity to address this in 1998-99 and put in place an approach to funding which was much superior than that which had started out in a sort of ad hoc fashion. Is that correct?

Mr. Singleton: I do not think I can go very far in answering this question. Clearly, it was a plus that departmental staff had identified that they were facing a potentially significant issue, that enrolments might go up much more dramatically than had been anticipated and lead to a much more rapidly rising cost of The Program than had been originally thought.

But, I mean, then you have to come back to the real world that government officials are working within and the large array of issues that are pressing and need to be addressed at any point in time. Part of managing a large and complex department is trying to assess where your

biggest risks are and focussing your efforts on those.

So it seems clear with hindsight that effort could have been focussed on strengthening this program, and changing the funding model could have saved a lot of money and could have done a better job of ensuring a high quality of education. But, without actually being in the shoes of the individual faced with all the conflicting demands on their time, it is difficult for me to assess whether or not they made a mistake in the case.

Mr. Gerrard: I think it would be fair to say, though, that had that been implemented in the 1998-99 time frame, these problems with over-expenditure—The Program that was reviewed initially in part 1, in fact, started after that, I believe, and the huge problem in terms of over-expenditure and lack of accountability would basically have been nipped in the bud and there would not have been this huge problem that then surfaced. Is that correct?

* (20:50)

Mr. Singleton: Yes, I believe there is a substantial probability that the problems The Program encountered could have been avoided by putting a proper policy framework in place.

In fact, Mr. Chair, it is one of the learnings that we have drawn to the attention of many other officials within the Government with this report, that really it should be a standard practice of government never to launch a major new program without putting the appropriate policy framework in place first.

Mr. Gerrard: HOPE, I gather, incorporated in 2000, and, clearly, changes made in 1998-99 would have completely prevented any problems that were associated with HOPE, as an example.

Now, on page 98, there is a discussion of the monitoring or, it would appear, sort of the lack of monitoring at the departmental level. The findings, the first several points, really point to the fact that not only was there a planning framework that was not there, but there was not a monitoring framework in place. Had that monitoring framework been in place, many of

these problems should have been identified and corrected much more quickly, one would have guessed. Is that correct?

Mr. Singleton: Yes, I would say that that is true at both the levels of the school division and the department. The whole purpose of monitoring a particular program is to reduce the risk of things going awry, or, when you get the information that something is going a little off the rails, you have an early warning process in place that you can react to and start to take action to improve the situation.

In this particular case, that clearly was not in place. I would take it that from a department point of view they should have been aware of the significant number of ALCs that were taking place in one small, rural school division. That in itself should have served as a warning sign as to how the heck can that school division properly monitor all the programs, and that the risks that it might not be able to do so, or might not have the capacity to do so should have been high enough that it would have caused the department to strengthen its monitoring activities over the school division much sooner than it did.

Mr. Gerrard: One other thing that has puzzled me, if one were to accept that the September 30 enrolment was going to be used, that, clearly, Morris-Macdonald and other school divisions had in place approaches which had been working for many years that used the September 30 date and made sure that it was working properly and made sure that students were connected properly, and so on. It is puzzling to me that the problems that arose with the September 30 date—that the mechanisms, even those that one would normally expect to be in place for regular primary and secondary school students, were not really put in place for the adult learning centres.

Mr. Singleton: Well, clearly, one of the difficulties that the adult learning centre faced, that Morris-Macdonald School Division faced, was that with the rapid growth in the number of adult learning centres it was trying to operate, it really did not have the capacity to make sure that each of those adult learning centres had proper controls in place to measure and report on enrolment accurately. Of course, it meant that a whole bunch of new people were coming in that

did not have a history in the school division and its systems and would not necessarily know what the standard requirements were. So you have risks on both sides where you may have people that do not understand or do not want to understand the rules for reporting enrolment, and you have a division that really lacked the capacity to ride herd on those people.

Mr. Gerrard: With Morris-Macdonald, Mr. Chair, they had a considerable number of primary schools. I do not know how many high schools, but it was not as if they were used to working with just one or two schools. There were really quite a number of schools that they were actually working with before they got into adult education. I mean, this would be clearly an expansion, but in terms of the number of institutions, they already had a significant number, I am presuming, before they got into adult learning. It was not just the volume of institutions that they had to work with. It really was the inexperience, it would seem to me, of the people who were working in the adult learning centres that created the problem.

Mr. Singleton: I guess one would have to remain a little uncertain as to whether it was the inexperience of the individuals or a willful intention to overstate the enrolment. It is difficult for us to determine in each case which situation prevailed.

Anytime you are bringing a bunch of new institutions into your organization, Mr. Chair, it then becomes incumbent on the board of directors or, in this case, the school board not to just trust that those individuals and those organizations will operate in a bona fide, ethical and responsible manner, but to, in fact, ensure that appropriate controls and processes are put in place to compel them to follow the rules of the school division, and that enough people are hired to monitor the activities so that the school division can, in fact, do an effective job of ensuring all of its ethical rules and its procedural rules are followed.

Mr. Gerrard: One of the other curious things about the decision-making here in terms of the negotiations that went on between members of the department and the appointed school trustee in Morris-Macdonald was that, even though the

report comes down very clearly and says that there is a huge problem in responsibility of the department in setting up appropriate planning, in setting up appropriate monitoring, when it came down to sharing the problem, which was a \$2-million to \$4-million problem, there really was not any consideration to sharing the cost of the problem, that it was all put on the school division in spite of the fact that, clearly, from your report, a lot of the responsibility for many of these problems really lay with the department in the way that the department had set up the system and had been doing the monitoring. Can you comment?

Mr. Singleton: I do not think that it is appropriate for me to comment on the process the Government followed in negotiating the quantum of the amounts to be refunded. That ultimately became a policy decision of the Government.

I think I should leave that particular question there.

Mr. Gerrard: I will just sort of wind up that particular point. Certainly, it was something that struck me in looking at this that the situation was such that the department had hired a trustee, and the department then made an arrangement with the trustee and that that arrangement recognized that there had been serious shortfalls in the way that things were being run by the Morris-Macdonald School Division, but that negotiated settlement really did not recognize that there were major shortfalls within the department in the way that The Program had been set up and in the way The Program had been monitored.

One can certainly look back in retrospect, use your report and recognize that if things had been done in a different way in a recognition of where the relative level of responsibilities were, a different decision might have been taken in terms of how the costs and the burden of that cost was shared between the department and the school division, in this case, Morris-Macdonald School Division.

I think that is one of the things clearly that stands out when you look at the fact that the department, sadly, had a pretty major role in setting up a system which did not really adequately provide for the responsibility, the accountability, the monitoring and the ability to provide for a good framework for adult learning that one might have expected.

I guess that is what I am left with at the end of the day, that, clearly, there is a lot of learning that needs to take place or should have taken place or should have been there in putting up an adult learning program.

Mr. Chairperson: In the interest of reducing waste, I would ask you to leave behind all copies of reports we have not passed. This will reduce the number of copies required for the next meeting considering these matters.

The hour being nine o'clock, what is the will of the committee? Committee rise? *[Agreed]*

COMMITTEE ROSE AT: 9:01 p.m.

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