

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

*Chairperson*  
*Mr. Jack Reimer*  
*Constituency of Southdale*

**Vol. LVI No. 2 – 6:30 p.m., Monday, November 29, 2004**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Eighth Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Monday, November 29, 2004**

**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

Mr. Cummings, Ms. Irvin-Ross, Messrs. Loewen, Maloway, Martindale, Reid, Reimer, Swan, Mrs. Taillieu

**APPEARING:**

Mr. Leonard Derkach, MLA for Russell  
Hon. Mr. Steve Ashton, Minister of Water Stewardship  
Mr. Jon Singleton, Auditor General of Manitoba  
Mrs. Bonnie Mitchelson, MLA for River East  
Ms. Bonnie Lysyk, Deputy Auditor General and Chief Operating Officer  
Mr. Kevin Lamoureux, MLA for Inkster  
Hon. Mr. Tim Sale, MLA for Fort Rouge

**MATTERS UNDER DISCUSSION:**

Investigation of Hydra House Ltd. and A Review of the Related Department of Family Services and Housing Financial Accountability Framework dated June 2004

\* \* \*

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

This evening the committee will be considering the following report: Investigation of Hydra House Ltd. and A Review of the Related Department of

Family Services and Housing Financial Accountability Framework dated June 2004.

On November 26, 2004, letters were sent to committee members requesting submissions for agenda items or questions requiring detailed answers. No additional agenda items were received. At the last meeting of this committee, the following motion has been passed:

THAT the Public Accounts Committee call forth Bonnie Mitchelson, Member for River East, and the Minister of Health (Mr. Sale), to respond to questions on the issue of Hydra House.

It has been agreed that Bonnie Mitchelson, then Tim Sale, will be available for questions regarding the Hydra House at this meeting of PAC.

At the beginning of the previous PAC meeting, I proposed that other individuals involved with Hydra House be asked to attend. I am again proposing, as per Rule 108(b), that certain individuals, mainly Patricia Benson, Carolyn Strutt, Ben Van Haute and Peter Dubiensi be asked to come forth at this committee.

Is it the will of the committee to ask these individuals to come forth after Mrs. Mitchelson and Mr. Sale?

**Some Honourable Members:** Agreed.

**Some Honourable Members:** No.

**Mr. Chairperson:** What is the will of the committee?

**Some Honourable Members:** Agreed.

**Some Honourable Members:** No.

**Mr. Chairperson:** Leave is denied.

Is there a motion?

**Mr. John Loewen (Fort Whyte):** I would ask that we take a vote on that and ask the question.

**Mr. Chairperson:** The question before us, then, is it the will of the committee to ask these individuals to come forth after Mrs. Mitchelson and Mr. Sale.

All those in favour of—

**Hon. Greg Selinger (Minister of Finance):** I understood that would be a change of procedure and the House leaders would have to agree on that. I believe you were corresponded with on that by the Acting Clerk of the Executive Council. I wonder if you could clarify the letter that was sent to you by the Clerk of the Executive Council saying that was not properly done by you.

**Mr. Chairperson:** I am referring—

**Mr. Leonard Derkach (Russell):** No, Mr. Chair, the minister is wrong. The letter, if you would review it, indicates the Chair does not have the authority to call these people forward, but the Chair, according to I think it is Rule 1.08(b), does have the right to recommend procedure. I think that is what the Chair has just done. If we want to agree with the Chair, that is one thing. If we disagree with the Chair, then we can either take a vote or the Chair will, I guess, concur what the feeling of the committee is. But it is not right that the Chair does not have the authority. If the minister would care to check the rules, he would find the Chair does have complete authority in that regard.

**Hon. Steve Ashton (Minister of Water Stewardship):** I think the letter from the Civil Service Commission, the office of the Commissioner, clearly points to the fact that this is not a procedural matter we are dealing with. This deals with the rules that apply in terms of Public Accounts. This has been identified, I think, quite publicly that there are discussions certain people feel should take place. These rules, by the way, were adopted unanimously through the consensus process in 2002, as we do with all rules. In fact, I think as recently as today, we had an announcement on a specific time for rules. I know I am on the Rules Committee, and I believe it has been adjusted because of a conflict involving one of the members in terms of scheduling, but we have a Rules Committee that will take place within the next couple weeks.

My suggestion on this would be that we clearly have a full agenda ahead of us at this committee meeting in the sense that we have the Member for River East (Mrs. Mitchelson) who had started last

meeting, and we have the Minister of Health (Mr. Sale) on deck, if I can use that expression. So clearly in terms of the actual procedures today, we have more than enough business ahead of this committee. Once again, this does relate very much to the powers of the Chair, powers of this committee, and we have an upcoming discussion on that. I think, given the fact we have already the Member for River East and the Minister of Health here, perhaps we should maybe intentionally avoid some of the procedural wrangles from last meeting and deal with these matters, and then get into what I believe everybody is looking for from this committee, which is some questions and answers in regard to Hydra House.

**Mr. Loewen:** On the point of order raised by the Minister of Finance (Mr. Selinger), there is no point of order. As the Speaker said to the House, this committee can do what this committee chooses to do. We are simply following Rule 1.08(b) as has been recommended to us. There is a motion that needs to be voted on, so I think the Minister of Water Stewardship (Mr. Ashton) is right. Let us quit filibustering and just get on with voting.

**Mr. Chairperson:** The question before the committee: Is it the will of the committee to ask these individuals to come forth after Mrs. Mitchelson and Mr. Sale?

#### Voice Vote

**Mr. Chairperson:** All those in favour, please say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** All opposed, say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Yeas have it.

**Some Honourable Members:** Oh, oh.

\* (18:40)

#### Formal Vote

**Mr. Jim Maloway (Elmwood):** Mr. Chairman, I request a recorded vote.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.*

**Mr. Chairperson:** In my opinion, the motion is defeated. In my opinion, the decision has been defeated.

\* \* \*

**Mr. Maloway:** Mr. Chairperson, I recommend the committee sit till ten o'clock and revisit the issue at that time.

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

I will then ask Mrs. Mitchelson to—pardon me, before we start. Mr. Singleton has asked to get some—there were questions asked of him in the last meeting. He would like to put them into the record.

**Mr. Jon Singleton (Auditor General of Manitoba):** Thank you, Mr. Chair. The first item I want to put on the record has to do with some documents that were tabled at the September 8 meeting of the Public Accounts Committee. At that time, I was asked whether we had received all the documents previously that had been that day distributed to the Public Accounts Committee, and I indicated that one particular document appeared, that it appeared to be the first time we had seen that document.

Upon checking our records on file next day, we determined that the January 19, 2001, document, specifically Appendix 2 of the briefing note dated February 20, 2001, was provided to our office. The Deputy Auditor General informed the Deputy Minister of Family Services and Housing on September 9, 2004.

Now, moving forward to Thursday's meeting, we have not, of course, had a chance to review Hansard, so we are answering the question to the best of my recollection as it was asked to me. I believe a question was asked to me with respect to the new briefing information, ministerial briefing information that was provided to the Public Accounts Committee last Thursday. The question was asked whether I had received all of those documents in our office. We compared the information package with material we received from the department and can confirm the following.

We did not receive, nor did we request, the December 6, 2000, briefing note. We did receive the

January 3, 2001 briefing note. We received the February 20, 2001 briefing note. We did not receive, or request, the May 2, 2001 briefing note, and we did receive an August 16, 2002 briefing note that was not included in the package. However, in my view, this briefing note does not contain any additional relevant information that the committee needs to be concerned about. I would say that despite not having received every briefing note that was provided to the committee, we definitely received all the information we needed to conduct the audit in an effective way.

One other question that was posed to me was the date when the draft report was initially provided to the department, and I can advise the committee that that was on June 1, 2004. Thank you.

**Mr. Chairperson:** Are there any further questions to Mr. Singleton?

**Mr. Loewen:** I wonder is that available in writing. You went through it rather quickly. If we could just check some of the dates. Thank you.

I just have a few questions for the Auditor, and I do not think it will take long, but I am just curious if you could indicate to the committee, just give us a little more background in terms of the process that got the Auditor General and his department started on this audit. Was it the documents received from the department?

**Mr. Singleton:** It was a combination of events that led to us deciding to conduct this audit. We had received allegations with respect to Hydra House from more than one citizen of the province, and then, in August 2002, we received a letter from the Honourable Mr. Sale requesting us to consider conducting an audit of Hydra House. Is that right?

Mr. Chair, I think I am beginning to suffer a senior moment there. I misspoke myself on that particular question. We were not actually requested by the government to conduct the audit. We were provided with certain information by the minister to help us in making a determination as to whether we wanted to conduct the audit based on the review of that information and the information we received from the citizens, we decided to conduct the audit.

**Mr. Loewen:** I understand from our last meeting that the document entitled *Financial Issues Summary* for Hydra House Ltd., although it is not word-for-word,

you have a similar document. We did ask you, at the time of our last meeting on Thursday, whether in fact you could release the name of the individual who provided that to you. I am just wondering if you have had any opportunity to receive that information yet, or if it has been denied, or just where that request is.

**Mr. Singleton:** We have not yet received permission to make that information available to the committee.

**Mr. Loewen:** Thank you. Can you indicate to the committee when you received this document that is essentially the same document that was tabled in the House last week? I will preface that by saying we do understand that there are some minor discrepancies, but I think basically we are talking about the same information.

**Mr. Singleton:** We received the document in January of 2003.

**Mr. Loewen:** I just want to clarify the date. So this is, in fact, some six months after you had received a request from the then-Minister of Family Services to investigate the audit?

**Mr. Singleton:** I should just correct one premise in that question. As I indicated before, when I misspoke myself, we did not in fact receive a request from the minister to do the audit. We simply received information from him to help us make a decision as to whether or not we wanted to do the audit. In essence your question is correct, that we did receive that letter after we had commenced the audit.

**Mr. Loewen:** Thank you, I appreciate that information. Would you be in a position, seeing as how the government has been forthcoming with at least some information, to share with this committee the letter that you received in August from the minister?

**Mr. Singleton:** I think it would be preferable to receive that letter directly from the government.

**Mr. Loewen:** I would ask the Minister of Finance (Mr. Selinger), as he is the one in the Chair, if he would be prepared to table that document now.

#### Point of Order

**Mr. Chairperson:** Mr. Sale, on a point of order.

**Hon. Tim Sale (Minister of Health):** I intended to make that letter available if anybody wanted it. I do

not think I have enough copies for the whole committee, but the Clerk can make them.

**Mr. Chairperson:** There was no point of order, but I thank the minister for that information.

\* \* \*

**Mr. Loewen:** I thank the minister for that as well. I just wondered if he has the document here. I am sure if he was to distribute it to the Clerk at this time, then we would all have the benefit of that on the committee, of getting a copy of that letter very quickly. I appreciate the fact that he is now offering that up.

\* (18:50)

Again, directed to the Auditor General, I realize this is probably an impossible question to answer in the time frame we are looking for, but could you just give us a brief overview of what the process is when you decide to undertake an audit. How your department, I guess, would relate to the departmental officials, to the individuals at Hydra House? If you can just give us a little more background in terms of the process that you had gone through in an audit like this.

**Mr. Singleton:** We have a process whenever we receive allegations to go through and attempt to assess whether there is sufficient merit and sufficient public interest to go ahead and conduct an audit. The other factor, of course, that we have to consider is the priority and the use of our resources in an effective way.

But, once we have made a decision to conduct an audit, it goes on to our, basically, a to-do list, and when resources become available, we commence the audit. Essentially, the way we do that is we write a letter to the organization that is going to be subject to the audit and hand-deliver that letter to them. The letter essentially sets out the kinds of issues we are going to be looking at and who the contact person will be for the audit. It is our practice then to, at the same time, advise departmental officials that we are conducting the audit. At that point we just go ahead and conduct the audit in a normal way.

**Mr. Loewen:** I wonder if the Auditor General—would it be possible to table a copy of the letter that you wrote to the departmental officials to indicate that you were in the process of starting an audit?

**Mr. Singleton:** Yes, Mr. Chair, we can provide that letter to the committee. We have a copy of it here. It could be photocopied by the Clerk.

**Mr. Loewen:** Would the Auditor General be able to indicate, first of all—well, we will find out when we get the letter tabled, but I guess I am looking specifically for information on who was in the Department of Family Services, you or an official from your department would have been in contact with throughout the course of this audit.

**Mr. Singleton:** The deputy minister at the time, to whom the letter was addressed, was Ms. Tannis Mindell, and our primary contact person was an assistant deputy minister, Ms. Gisela Rempel.

**Mr. Loewen:** Would there have been other officials within the department during the course of the audit investigation you are in contact with? Or would it be restricted really to those two?

**Mr. Singleton:** There would be several other employees we would have dealt with during the course of the audit.

**Mr. Loewen:** I am just going back to the letter that was tabled by the Minister of Health (Mr. Sale). In that letter he states that, and I quote, "I am aware that an allegation of financial mismanagement of provincial funding in support of Hydra House made by the former chief executive officer, Mr. Jim Small, has been brought to your attention."

I am just wondering on what basis the minister would know that information such as this had been brought to your attention. Is this something that you would, in the normal course of events, advise the minister that something had been brought? I am just wondering if you can fill us in on that process.

**Mr. Singleton:** Our office did not advise the minister that we had received that information, so I think that will be a question you would want to direct to the Honourable Mr. Sale.

**Mr. Loewen:** That is the answer I expected. We will try and get further clarification from that when we get, if we ever get Mr. Sale in the chair to ask questions of. You indicated that there were other individuals within the department that your staff dealt with during the course of the audit. Are you able to list those briefly, or is that something you

could provide this committee in terms of a written list or whatever is most appropriate for you to decide?

**Mr. Singleton:** Mr. Chair, I could not provide the list tonight and I guess I am feeling a little reluctant about providing a list of every person we talked to in the department during the audit. So, rather than just agree to provide that, I think, if the committee really wants me to do that, I would like the committee to consider whether that is an appropriate thing for me to do.

**Mr. Loewen:** Well, thank you, and to the Auditor General, I certainly appreciate where you are coming from. There may be some information that needs to be kept confidential there, and we certainly will respect that. Presumably you had contact with individuals at Hydra House. Was there a primary contact at Hydra House either at the staff level or with their auditors? Who was your base point of contact?

**Mr. Singleton:** Once again, I prefer not to begin listing names of individuals at the organization. I can advise the member it is our normal practice to deal with the senior executives and any other key officials in an organization that would have information we thought might be useful to us.

**Mr. Loewen:** Reverting to the recommendations that had been made to this committee numerous times by the office of the Auditor General, again, I just ask a very straightforward question. As the Auditor General and a participant in this committee, do you feel it would be useful to the committee to, in fact, have the ability to invite administrative heads of departments and other staff that are involved in audit so this committee can ask questions directly of them as opposed to restricting ourselves to either what we have now, the Minister of Finance (Mr. Selinger) at the table or other representatives of the government?

**Mr. Singleton:** It has been a long-standing recommendation of my office that the committee take steps to empower itself to invite senior executives to answer questions they may wish to put before them. The context where this happens in other provinces is, usually it is someone at a deputy minister level or perhaps a CEO level in an organization. The context of their coming there is to respond to the recommendations and the Auditor General's report indicating those recommendations

they agree with and those recommendations they do not agree with, and for those recommendations they agree with, what their plans are to implement the recommendations. Typically, that creates an interest in both parties that are involved in the Public Accounts Committee to explore with that individual the steps that are being taken to improve the administration of public funds in any particular program.

**Mr. Loewen:** I thank the Auditor General for that. I assume from his response he is as frustrated as a number of us are in this committee that the government is at every turn stonewalling the ability of this committee to get to the bottom of this issue by not allowing us to have other individuals at the table to answer questions other than those deemed appropriate by the Government House Leader (Mr. Mackintosh), who seems to think it is in his purview to dictate to this committee what we can and cannot do and who we can and cannot talk to. In closing, I just want, for my own clarification again, to focus back on this document, *Financial Issues Summary* for Hydra House Ltd.

\* (19:00)

Just so I am clear, this was a document that was never presented to the Auditor General's office by anyone in the government in the department, politically speaking?

**Mr. Singleton:** As I did the last time I answered this question, I want to premise the answer with the indication that I have no knowledge as to whether the department or the government ever had copies of that document. Having said that, we received the document from a citizen of Manitoba and not a member of the government.

**Mr. Loewen:** Once again, I thank the Auditor General for his participation in answering these questions and for his patience, in general, with the committee. I guess our view is now that we should get on with the task of asking questions of former ministers and seeing where that leads us to at this point.

**Hon. Jon Gerrard (River Heights):** One clarification from the Auditor General. As I understand it, you had received information from one or more sources with concerns about Hydra House. Then you are indicating, I believe, that your activities may have directly been talking with people in the

department, but the department at some point became aware that you had some concerns, and that this then resulted in the letter from the then-Minister of Family Services and Housing, Minister Sale, on August 2, 2002, which the minister has just tabled with this committee. Is that the sequence, that you had some level of contact with the department before this letter was actually sent from the minister to yourself?

**Mr. Singleton:** As I indicated in my previous answer, we did not have direct contact with the government on this matter prior to receiving the August letter from Mr. Sale.

**Mr. Gerrard:** This was when you had said before, in reference to Mr. Small, whether it referred to any contact at all or whether it, in fact, was just specific to the material relevant to Mr. Jim Small in this letter, but there was no contact between you and the department on Hydra House before the August 2 letter. That is what you are saying.

**Mr. Singleton:** That is correct.

**Mr. Loewen:** Sorry, I have to bring up one quick question for the Auditor. I am just referring to the briefing note that is dated December 6, 2000, which was provided to you and, I guess, about halfway down the page under background, the third paragraph. First of all, on the first paragraph it indicates that on November 14, 2000, two former staff at Hydra House and two associates met with officials from the department. Then it indicates in the third paragraph that, and I quote, from the briefing note, "The complainants presented a brief that alleged Mr. Manson and Ms. Lau were using corporate funds for personal needs not directly related to the operation of the corporation." It goes on to follow up with the allegation that there were salaries being paid to people who did not really have a job there.

Can you indicate to this committee whether you ever received that brief that is indicated in this briefing note?

**Mr. Singleton:** As I indicated in my opening remarks, we did not receive this particular briefing note and we did not receive the brief either, to my knowledge.

**Mr. Loewen:** I am sorry to belabour this. Again, right off the hop, I just want to clarify, because I missed this in your opening statement, that you are

saying that you never received the briefing note titled *Subject: Against Hydra House Ltd.*, which is dated December 6, 2000?

**Mr. Singleton:** That is correct.

**Mr. Loewen:** I am sorry, Mr. Chair, I am just looking for the copy of the information. I thank the Auditor General once again for clarifying that, and I think we are certainly ready to proceed with the questioning of individuals that have been requested by the committee.

**Mr. Chairperson:** At this time, then, I will ask Mrs. Mitchelson to come forth for continual questioning.

**Mr. Gerrard:** My first question is to the honourable member from River East, who was the Minister of Family Services in the 1990s for about six years. I would like to ask the member from River East a little bit about her management approach and style as leader. Clearly, what one wants to do as a minister is to prevent these sorts of problems from coming, because it is not just a matter of reacting to some bad news, and having an investigation and so on. What you want to do is to manage things so that these things do not happen in the first place.

My question is whether you could tell us a little bit about your management approach to making sure that these things were probably looked after before they became problems, and preventing problems. Clearly, that would be the most desirable kind of situation.

**Mrs. Bonnie Mitchelson (River East):** Mr. Chair, I thank the Member for River Heights for that question. At the outset, just before I get into my answer, though, I just want to indicate that I think all of us should be very cognizant of what happened at the last meeting.

I want to take as much responsibility as anyone else for the filibustering that went on, and indicate when we have three staff from the Auditor's office here for several hours, when I know they have very busy schedules and many activities ongoing, it makes it very difficult, I am sure, for them to sit for hours on end, when they know that they could be doing some very worthwhile work at the office in the best interests of the taxpayers of Manitoba.

So I do want to indicate that I take as much responsibility as anyone else for that. I hope that

tonight will be a little different, and that we can move forward and get the process underway. Unfortunately, though, we will not have the opportunity to have members of the department available to answer questions, and that is unfortunate, because I think that is part of the process that is missing in this committee. I would venture to guess that, by the end of the night, we still may not have any conclusive evidence on what happened once the allegations came forward.

\* (19:10)

Anyway, thanks, Mr. Gerrard, for the question. I think the direction that our government took when we were in office is indicative of the kind of management style that I had. I took my responsibilities very seriously, worked very closely with what I believed were very competent administrators in the Department of Family Services. I expected that information would be brought forward on a timely basis. I do know that we were a government that had very much a focus on strong fiscal management.

When you look at what we endured when we were government, in the early 1990s, we went through a recession second only to the Great Depression. We also went through some unprecedented cuts in federal transfers to the Province. When we saw \$250 million be cut from our provincial coffers by the federal government for health and social transfers, that meant, based on our desire to try to keep our books balanced, it required some very difficult decisions to be made. So those decisions were made, and we had to take full responsibility for those decisions.

Can I indicate that I worked closely with senior managers, had briefings on a regular basis? One of the areas that I had specific interest, of course, in and where there are significant challenge, is on the Child and Family Services side, and for those that need supports, because they are not able to care for themselves, those with mental disabilities. We made some progress. We introduced new initiatives when we could.

The one area that I worked really hard to try to get more resources on a regular basis was in the area of those with mental disabilities. Even though there were not significant increases across the board, and in many departments throughout government there were decreases, I did manage to make a case based

on working very closely with senior departmental officials for increases in funding in those areas. When you have individuals come into your office, parents that are getting very, very old, that have grownup children, maybe 40, or 45, or 50 years old, the children, who are unable to look after themselves and you have parents that have put energy and time and effort and their own personal resources, year after year, into caring for that individual, and you have them come in, crying in your office, knowing that for not very much longer are they going to be able to manage to look after their 50-year-old child, and they need some support and some help and that help is not available, that the resources are not available, you know, I think no one would sit back and say, "Well, I cannot not make the effort to try to help." So it was an area that I had specific desire to try to obtain more resources, so we could help to support some of those individuals in the community.

So I worked closely with senior managers. I expected that there would be accountability. I do know that the Auditor's office, over the years, had made recommendations. There had been changes. When we came into government, it was the Department of Community Services that changed to the Department of Family Services. There was some amalgamation. There was restructure and there was reorganization. There was the amalgamation of the six Child and Family Services agencies into one in the city of Winnipeg.

Did we always do absolutely everything right? Did we always make all of the right decisions? I do not think anyone can sit and say that they did always make all the right decisions all of the time. I tried to get the best information from my department and from my officials to make the decisions. You know, there were recommendations that came forward from the department from time to time that I agreed with and I agreed to implement, and there were those that came forward that I did not agree with. So we would go back to the drawing board. But in every instance I tried to do what I could possibly do within the resources available to us in the Department of Family Services and hoped, and did ask the questions to try to ensure, that we were getting the best value for our dollar.

**Mr. Gerrard:** Many ministers employ, sort of, a pretty hands-on approach, walk around see what is going on. Did you ever visit any of the Hydra House operations? Did you know or get to know personally the people who were running Hydra House?

**Mrs. Mitchelson:** I believe that on one occasion over the six years I did visit one of the residences at Hydra House, if I can recall. I remember on one instance doing that. I did get out and about into the community quite a bit and tried to visit. I went to Marymount. I visited with individual foster families when there was a request to do that kind of thing. I was out and about. I tried to make contact with many of the agencies.

Did I get to every one? No. I visited a lot of women's shelters throughout the province. I met with many groups of Aboriginal women in the North when I had the opportunity to do that and to travel the province. I tried to visit and get some understanding first-hand of what was going on out in the community. It is such a large number of agencies that are funded through the Department of Family Services that in many instances I did not go back over and over again, but I did try to meet with as many as I could.

**Mr. Gerrard:** Did you know or get to know personally the people who were running Hydra House?

**Mrs. Mitchelson:** No, I did not get to know personally the people who were managing Hydra House.

**Mr. Gerrard:** You have been accused of dismantling the unit which was said to be the watchdog unit, making sure that everything was run properly. Let me give you an opportunity to tell members of the committee about that process, the decision and what you had in place to make sure there were not problems.

**Mrs. Mitchelson:** I thank the Member for River Heights for that question. As you know, in that budget year, the internal audit function for government itself was brought into the Department of Finance so that internal audit function had a stronger mandate in one central location within government.

The advice I was given at the time around agency relations and trying to manage best within the resources we had was that function should be devolved into the branches of the department so that those that were dealing with agencies they were mandated to support and to work with and to fund, so that function was closer to the agencies that provided service in that branch of the department.

In fact, it was devolution of that function, broader. What I was told and believed would happen was that there would be greater accountability through the process of having the managers within the department that provided support and services and recommended funding to those agencies would be closer to be able to get the proper arrangements in place for service and funding agreements. It was an area we struggled with, and, I believe, the department continued to struggle with, even after I was no longer in that office.

**Mr. Gerrard:** Basically, what you are saying is the responsibility was moved from the Agency Relations office down to the people who are directly overseeing the Hydra House, and, in your view, that was closer to hands-on. There would be people who were closely observing what was going on. Can you tell us about that branch, that group or anything in particular that would help this committee see that was a reasonable approach to take?

\* (19:20)

**Mrs. Mitchelson:** All I can do is indicate that I did have confidence. Was I a hands-on micromanager as a minister? No, I was not. I was not watching over every shoulder in the bureaucracy to try to ensure that I had ultimate control.

I had a lot of faith and a lot of trust in the senior managers in the department. I think Tannis Mindell was an excellent deputy minister, worked very hard, long hours and was very competent. I do know that the senior managers under her, I believed, had the ability to manage in their areas.

The services for people at Hydra House at the time I was the minister, I believe, would have been more support for those with mental disabilities and more adult focussed than children. I believe that Hydra House today, if I look at the expanded mandate that was provided to them, I do not know if it was in the year 2000 or 2001, expanded more into care for children, foster placements and that kind of activity. So there was an expansion of their mandate.

I do know that when I was the minister the lead responsibility for funding and support to Hydra House came from—if I cannot remember now, I believe it was Martin Billinkoff who was in charge of— was it the Adult Services Branch, I guess? I was trying to remember the name of the branch, but the

lead responsibility for funding for Hydra House came through the Adult Services Branch.

**Mr. Gerrard:** There has been some debate and discussion about the relative merits of a for-profit corporation running this kind of operation versus a not-for-profit organization running it. I would like to have an indication of what the minister's view is here and what approach you took. Clearly, you had both types of organizations operating and providing these types of services within the department, from what I can see.

**Mrs. Mitchelson:** The answer I am going to give right now may not appear to be the best to some, but, until the Auditor General did his report I could not have told you two years ago whether Hydra House was a profit or not-for-profit agency. I am sure it was part of the briefing notes. It was not anything that I looked at specifically when we were funding. I am being very honest and up front on that issue.

I believe that agencies that were funded by the department were there with their prime goal to serve those that they were being funded to serve. That is all I can say.

**Mr. Gerrard:** Sometimes, and it applies or has applied historically more in other areas than in this, when there are choices between different agencies, or different organizations, or different corporations, the department puts a contract out on bid, as it were.

Was this approach ever considered in this? Were there alternatives, options, as opposed to the provision of service through Hydra House?

**Mrs. Mitchelson:** I cannot answer that question specifically. I do not recall any discussion specifically around that.

I do want to indicate, though, that if there are those within an organization that choose to do, or take on, inappropriate activity—I do not think it matters, government funded; it could be in the private sector somewhere—if there are those who are doing things that do not fall within the guidelines, and they get caught, there should be some action taken.

**Mr. Gerrard:** Had you looked at what measures of quality in terms of the service one might measure and might be reported to you, in your role as minister?

**Mrs. Mitchelson:** Mr. Chair, one thing that we did look at was quality assurance. We had quality assurance reviews done on many, many of the agencies that were funded, and it was a strong focus in the department when I was there. Quality of service was very critical and very important. You all know from time to time that there are very difficult situations, especially on the Child and Family Services side, and every minister of Child and Family Services has experienced instances where children have fallen through the cracks. If they are in care of a mandated agency, there is a significant review, and I am sure that every minister has always looked to those reviews and those reports to try to strengthen the service and ensure that accountability is there. Difficult, and we are dealing and we did deal and I know Family Services continues to deal with some of the most vulnerable within our community.

**Mr. Gerrard:** On the cost side, what assessment was made to make sure that the costs being paid were reasonable?

**Mrs. Mitchelson:** Mr. Chair, I can only speak in generalities at this point. I know one area where we always struggled was in the area of Child and Family Services, especially with the Winnipeg agency. I know that the Auditor would know and recognize, too, that it just seemed that, although the number of children that were in care did not increase, the costs of providing that care increased substantially over the years.

We found that we never could fund Child and Family Services enough. Always by the end of the year they were into a deficit situation. We worked very hard, and, I believe, put together a team of departmental people with people from the agency to try to find a better way of actually determining the cost of care and support. It is very difficult to do, because when an agency comes and says, "You know, we have kids that are in very difficult circumstances," I think our heart always goes out to those individuals. We tried our very best to get some control on the situation to see whether the resources that were going out to the agency were providing the actual kind of service that was needed. It was an ongoing issue.

I guess now, with the Winnipeg agency being a part of the Department of Family Services, I would anticipate that maybe there is a better opportunity to

have controls in place. I would have to ask that question to get that answer, but it is very difficult when you have an external agency that is looking after vulnerable children and says, "We need the money in order to be able to keep these children safe." You know, it is hard to determine exactly how much is required and whether the dollars are being used in the most appropriate fashion.

**Mr. Gerrard:** One more question, and then I will pass it on to others: When you were minister for six years, was it ever raised with you at any time that there were some concerns about the operations or the spending or the quality of care at Hydra House?

**Mrs. Mitchelson:** No, allegations did not come forward while I was the Minister of Family Services about inappropriate expenditure. My understanding is that Jim Small was the person to bring those issues forward in the year 2000 to the present government. But those allegations did not come forward when I was the minister.

\* (19:30)

**Mr. Maloway:** I would like to ask the former minister some questions. Up until the 1993-94 budget year, there was an Agency Relations Bureau in your department, and at that time it consisted of, I believe, four people, and it was eliminated at that time. I wanted to ask you some questions about that group, and I wanted to point out at the beginning that if you do not know the answer to the question then just say you do not know and we can move on to the next question.

The first question is this: As the minister, the department you were responsible for included an Agency Relations Bureau, I would like to know what the role and the function of that office was.

**Mrs. Mitchelson:** That was when I first became the minister in the department. Agency Relations means that those are the individuals in the department who would have responsibility for liaising, working with agencies.

**Mr. Maloway:** Did it have the power to conduct any management and financial audits of external agencies?

**Mrs. Mitchelson:** I cannot answer that question. If there were senior officials from the department

present, I am sure that they would be able to answer those questions quite appropriately.

**Mr. Maloway:** I would like to ask you what the qualifications of these four individuals would be.

**Mrs. Mitchelson:** I cannot answer that question. If the deputy minister from Family Services were here, I am sure that she would be able to.

**Mr. Maloway:** Would the people be auditors? Would they be able to conduct forensic audits? Would they have no accounting background at all? I am just trying to think of what kind of qualifications they would have.

**Mrs. Mitchelson:** I am sure that the Deputy Minister of Family Services, if she were here, would be able to answer those questions.

**Mr. Maloway:** Mr. Chairman, did this group play a role in co-ordinating and supporting the department's efforts to hold these external agencies accountable?

**Mrs. Mitchelson:** Again, if the Deputy Minister of Family Services were here, I know that she would be able to go into great detail and answer those questions for the member.

**Mr. Maloway:** What was the role in co-ordinating and overseeing the negotiation of service purchase agreements with these external agencies?

**Mrs. Mitchelson:** I do know that there were people with the expertise within the department, in the nineties throughout and into the year 2000, who worked on negotiating service purchase agreements with agencies.

**Mr. Maloway:** But this particular committee, did it have any role in negotiating these service purchase agreements?

**Mrs. Mitchelson:** The function of that committee was rolled into the branches within the department when the Agency Relations Bureau was moved right into the branches within the Department of Family Services.

**Mr. Maloway:** I am trying to get at what these people actually did on a day-to-day basis.

**Mrs. Mitchelson:** I did not manage those people on a day-to-day basis, but I am sure that the Deputy

Minister of Family Services would be able to shed more light, if she had the opportunity to be here to answer those questions at committee.

**Mr. Maloway:** According to the Supplementary Estimates produced by your department in '93-94, the Agency Relations Bureau was responsible for accountability of external agencies receiving public funding, of which this was one, and conducting financial audits of external agency operations.

Can you confirm that this was indeed the role of the bureau?

**Mrs. Mitchelson:** There was then, and is today, and always has been a function for Agency Relations for negotiating service purchase agreements.

I indicated, at the time, the internal audit function was moved from every department in government and centralized in the Department of Finance. I believe it still remains there today. The Minister of Finance (Mr. Selinger) would have to clarify that. If it has changed, I am sure he would be able to indicate that.

**Mr. Maloway:** Is Hydra House the kind of external agency that the Agency Relations Bureau was intended to hold accountable?

**Mrs. Mitchelson:** The Department of Family Services is mandated to hold all agencies that it funds accountable for the funding it provides.

**Mr. Maloway:** Then why was this agency established?

**Mrs. Mitchelson:** I know that it was established before my time as the Minister of Family Services. I am sure if the deputy were here she would be able to answer that question very appropriately for the member.

**Mr. Maloway:** Mr. Chairman, according to the 1990 Auditor's report, the main role of the Agency Relations Bureau was to ensure accountability of external agencies. The bureau was established to deal with the very problem of agency accountability.

So why did you choose to eliminate the Agency Relations Bureau after just three years?

**Mrs. Mitchelson:** That function was rolled into individual branches within the department.

**Mr. Maloway:** Well, Mr. Chairperson, I would like to ask the former minister then why she acted against the advice of the Auditor.

**Mrs. Mitchelson:** I have to indicate again, very clearly, that function was rolled into individual branches within the department.

**Mr. Maloway:** To the former minister then: When you decided to cut the Agency Relations Bureau, was it your view that holding external agencies accountable was no longer important or necessary?

**Mrs. Mitchelson:** Holding agencies accountable was very important, and that is why it was rolled into and focussed on right within branches within the Department of Family Services.

**Mr. Maloway:** Mr. Chairperson, I would like to ask the former minister how many years after you eliminated the Agency Relations Bureau did the misspending at Hydra House begin.

**Mrs. Mitchelson:** The misspending at Hydra House was brought to government's attention in the year 2000, under this government's watch, and how they chose to deal with it will be a question that we will be able to ask the ministers that were responsible when that occurred—when the allegations came forward.

**Mr. Maloway:** Mr. Chairperson, this particular agency showed a total lack of respect to the government by taking many, many months to file its annual reports, and I would think that if an organization like that did that with any financial institution that would raise flags. The financial institution would even be more aggressive in trying to find out why these statements were being delayed so much.

I would like to ask the minister, in 1998, can you tell us if Hydra House submitted its audited financial statements on time.

**Mrs. Mitchelson:** I think the Auditor General in his report did indicate that financial statements at Hydra House were outstanding. It is not unlike any report that he might have provided, and I am not sure that any minister today could tell me. I do know that if I asked the present Minister of Family Services (Ms. Melnick) whether all the audited financial statements for every external agency were in today on time, I

know that she would take the question under advisement, and get back and go ask her officials.

Not every minister is aware on a day-to-day, month-to-month basis on which agencies have filed their audited financial statements, and I know that it is something the present minister today would not be able to tell me without checking with her officials. What happened some six years ago in 1998, I would have to go back and it would be really beneficial if officials were here. Maybe they could help answer that question.

**Mr. Maloway:** Well, you should be aware that in 1997-1998 audited financial statements were received 11 months late. I would like to know, did David Langtry, your Assistant Deputy Minister responsible for Child and Family Services, bring this to your attention at the time.

**Mrs. Mitchelson:** As I indicated earlier, Martin Billinkoff in Adult Services Branch had the prime responsibility for dealing with Hydra House and I know that then the minister who followed me, Tim Sale, nodded his head in agreement and indicated that was for the primary function for Hydra House. So, if it came to my attention, it should have come through Martin Billinkoff and that was not something that came to any minister's attention.

The department and the managers within the department work on a regular basis to try to keep agencies compliant and up-to-date. But I think if you look through the Auditor's report, you will note that he has several notations that indicate that there are agencies. I cannot recall offhand. I know sometimes it could be up to several agencies within any given department at any given time who do not have their audited financial statements in on time. The department tries really hard to work aggressively with those agencies to have that happen.

\* (19:40)

**Mr. Maloway:** Mr. Chairman, in the same way that the Finance Department should be concerned about arrears in collection of provincial sales tax from businesses, and so on, I would think that your department would be concerned about delinquent accounts and delinquent statements and that would be an obvious flag. I would like to know why you, or your department, would not be concerned about your

ability to hold Hydra House accountable without having audited financial statements.

**Mrs. Mitchelson:** Mr. Chair, obviously I would be concerned. My department would be concerned, and they would work very aggressively to try to make that happen. I know that the member has not had the benefit of running a government department, but I think maybe if he talked to former ministers of Family Services in his government, or the present Minister of Family Services (Ms. Melnick), I believe she has probably stood up in the House and said that she expects agencies to be accountable. We all do expect them to be accountable.

I do not know whether she could stand up with confidence today and answer the very same question that the member has just asked.

**Mr. Maloway:** Mr. Chairman, in 1999 can you tell us if Hydra House submitted its audited financial statements on time?

**Mrs. Mitchelson:** Mr. Chair, my understanding is, I believe that, and the Auditor could probably correct me if I am wrong, but I think he made notation of that in his 2004 report, that Hydra House's audited financial statements were not in on time, and if it is not there, then I would not have an answer to that.

I believe that there was some indication in the Auditor's report that Hydra House, as well as other agencies, from time to time was behind with their annual audited financial statements, and I stand to be corrected. Maybe just for clarification, the Auditor might be able to shed some light on that question. I may have given the wrong answer, and I would not want to leave a wrong answer on the record.

**Ms. Bonnie Lysyk (Deputy Auditor General and Chief Operating Officer):** On page 53 of the report with respect to the Adult Services bureau, we just have a stat there for March 31, 2002, that indicates seven of thirty-seven external service providers at that time had not submitted their audited financial statements. With respect to CPSS on page 52, we indicated that time for March 31, 2002, all fifteen external service providers had submitted their audited financial statements. We do not indicate in the report, though the time frame, in which they submitted them.

**Mr. Maloway:** Mr. Chairman, I would still like to know why the lack of timely filing of these audited

financial statements would not have raised red flags for you or people in your department, and would that not concern you about your ability to hold Hydra House and other agencies like that accountable?

**Mrs. Mitchelson:** Mr. Chair, I am sure that my concerns and the red flags that were raised back then are raised still today with the present minister, and I hope that she would be as concerned as I was. I do know that for those answers to very specific questions around Hydra House or any other agency, if the Deputy Minister of Family Services were here, I am sure that she would be able to shed a bit more light on the answer for the member.

**Mr. Maloway:** Mr. Chairman, in November 1996, The Public Sector Compensation Disclosure Act was assented to, and at that time you were the Minister of Family Services for three years. The Agency Relations Bureau had been cut, and through the 1990s the Auditor had made repeated recommendations that accountability for external agencies be strengthened.

I would like to know if Ontario at that time had passed a similar type of act. My question to you then is this: If the Ontario act had been passed here in Manitoba, would Hydra House executives have been required to disclose their salaries? Do you not think that that would have been helpful?

**Mrs. Mitchelson:** I am not going to comment on Ontario's legislation. I do know that if senior departmental officials, if the deputy were here, I know that she would be able to shed some light on the issues that he is raising.

**Mr. Maloway:** Mr. Chairman, the point is that Ontario passed a similar act to the one that your government passed. The difference is that Ontario required the for-profit agencies to disclose. In Manitoba, that was not the case.

For example, when this bill went to committee, Brian Kelsey of the Manitoba Taxpayers' Association made a presentation. In that committee he stated that he strongly supported extending the legislation to private companies who receive grants.

Were you aware of his presentation at that time?

**Mrs. Mitchelson:** No, I was not.

**Mr. Maloway:** Mr. Chairman, if Ontario extended this law to cover private companies, then why is it in

the bill, if it virtually mirrors the Ontario act, that you chose to exempt private companies from the requirement that they must be accountable for the monies they receive?

**Mrs. Mitchelson:** I do not recall the rationale behind that decision, but I do want to indicate that, if it is the case today, why has the government, who has been in power for six years, not changed it, if they are that unhappy with the 1996 decision.

**Mr. Maloway:** I would like to ask the minister who served as your assistant deputy minister during the period reviewed by the Auditor in this Hydra House report.

**Mrs. Mitchelson:** Assistant deputy minister of what?

**Mr. Maloway:** Mr. Chairman, the Assistant Deputy Minister of Child and Family Services.

**Mrs. Mitchelson:** David Langtry was the Assistant Deputy Minister of Child and Family Services for some of the years that I was the minister, yes.

**Mr. Maloway:** I would like to know which deputy minister had responsibility for services provided by Hydra House.

**Mrs. Mitchelson:** I have answered that twice already tonight. Martin Billinkoff was the lead assistant deputy minister at the Adult Services Branch of the Department of Family Services, had the lead responsibility for dealing with Hydra House.

By the way, Mr. Chair, I have answered that. I believe this is the third time I have answered that question for the member now.

**Mr. Maloway:** I just have a couple more questions.

I would like to ask the former minister where is Mr. Langtry currently employed.

**Mrs. Mitchelson:** Mr. Langtry is currently employed in the Leader of the Opposition's (Mr. Murray) office as principal secretary.

**Mr. Maloway:** Just a few more questions and I will let someone else.

When Hydra House began using public funds in April of 1997 to pay for \$11,300 in phone and long-

distance charges for the personal residence of the owner, did Mr. Langtry bring this to your attention at that time?

**Mrs. Mitchelson:** Mr. Langtry did not have the main responsibility for dealing with Hydra House. It was Martin Billinkoff and the Adult Services Branch that negotiated funding with Hydra House.

**Mr. Maloway:** Well, then, did Martin Billinkoff bring this issue to your attention?

**Mrs. Mitchelson:** No, he did not.

**Mr. Maloway:** I would like to allow other members of the committee to ask further questions.

**Mr. Andrew Swan (Minto):** Mrs. Mitchelson, I think it is clear from your comments at the outset of our hearing tonight that you respect the role and the work that the Auditor General and his staff do.

I am sorry. I do believe you have to say yes or no for the record.

**Mrs. Mitchelson:** Yes, obviously, I am glad the member listened to my opening comments. Yes, I have a good deal of respect for the Office of the Auditor General.

**Mr. Swan:** I would take it, Mrs. Mitchelson, you believe that a minister of the Crown should make every effort to ensure that they and their department comply with the directions of the Auditor General.

\* (19:50)

**Mrs. Mitchelson:** Absolutely, I think that every minister, myself included, Mr. Sale, Mr. Caldwell, Ms. Melnick, Mr. Gilleshammer, Ms. Olson, and I believe it was Muriel Smith before that, all took their responsibilities very seriously. I think all ministers who have worked in government, or have had responsibility within government, do take those responsibilities very seriously, and we pay attention to what the Auditor has to say.

Does everything, absolutely everything he recommends get implemented before his next annual review was done? I think if you look back and if you ask the Auditor that question, over the years not everything gets accomplished, but he also does a report on what progress has been made and what still is outstanding and needs to be done.

**Mr. Swan:** I believe your comment last time around on Thursday night, you said, as the minister, any minister of the department would be responsible for, in your words, "the buck stops here."

**Mrs. Mitchelson:** Yes, the buck does stop at the minister's office, ultimately. The minister can deal with the issues and allegations that are made under their watch.

**Mr. Swan:** I take it this is not an epiphany you had since you found yourself in opposition in 1999, but this would be a belief you had since you became the Minister of Family Services in September 1993.

**Mrs. Mitchelson:** I would like to think it goes back to the year 1988 when I was sworn into Gary Filmon's Cabinet for the first time as the Minister of Culture. I believe I have taken my responsibilities very seriously as sworn to under that oath of allegiance to Manitoba. So I would say, yes, I did take my responsibilities very seriously, not only when I became the Minister of Family Services but long before that.

**Mr. Swan:** Obviously, I am one of the newer members in this House. I certainly do not have your experience. I presume when you become a Cabinet minister, you are given a fairly full and complete briefing of everything as it relates to your department.

**Mrs. Mitchelson:** One of the cautions that is always given to new ministers and new governments is one of the things that happens when you become a minister is your desk gets piled high with briefing books. There is sort of a time, an ability I guess, to try to get to the most important issues as quickly as possible. I do not know if there is any minister who could ever sit down and over night indicate they have had a full briefing. I think it takes some time to get up to speed.

What you expect from your departmental officials, and, I think, in many instances, especially when the departmental officials I had when I first became a minister, when I moved to Family Services, were very competent department officials, one of my first questions would be what are the issues that are of priority concern to you. What are the issues I would need to address immediately? Can you brief me, or provide the briefing notes on the critical issues? Then you depend on your officials to

give you, I suppose, where the hot spots might be in the department and bring you up to speed as quickly as possible on the issues that are critical to deal with.

**Mr. Swan:** I ask to table the report of the provincial auditor, or some relative excerpts, at page 65, 66 and 67. I have an additional copy for Mrs. Mitchelson.

Mrs. Mitchelson, in particular, I will show, and you could look through the second full paragraph on page 67 under the heading "Further Audit Comments," that passage in the Auditor General's report from 1990 talks about "the adequacy of the Department's monitoring of external agencies." I see there is a pretty full description of what the Agency Relations Bureau is doing.

The last two sentences read, "The Bureau is now fully staffed and became operational in September 1990. We strongly support this development and expect the Bureau will address the communication and accountability problems currently evident between the Department and its funded external agencies."

Now, Mrs. Mitchelson, I would ask you to comment. You must agree that when this report was prepared, before you became the minister, clearly that was a sign that there was a problem in terms of dealing with the external agencies.

**Mrs. Mitchelson:** If I might just seek some clarification from the provincial auditor, was the year that we became government the first year that the provincial auditor ever indicated that there were problems dealing with negotiating agreements with external agencies in the Department of Family Services?

**Mr. Singleton:** I am sorry, Mr. Chair. I did not hear the question.

**Mr. Chairperson:** Mrs. Mitchelson, if you could repeat your question for the Auditor.

**Mrs. Mitchelson:** Yes. Mr. Chair, I was just wondering because there seems to be some sense that it was only the years under a Conservative administration that there were issues around negotiating service purchase agreements with external agencies in the Department of Family Services. It would have been Community Services back then.

Could the Auditor just indicate to me, and I know he probably was not the provincial auditor back then, but was it something new that happened under our government that would have caused some concern with the Auditor, or had there been long-standing issues with the Department of Family Services?

**Mr. Singleton:** We have gone back to our files as far as we could so far, and the first reference that we found to an issue of monitoring accountability in the department goes back to 1983, when Mr. Bill Ziprick was the provincial auditor of the time for those who have been around long enough to remember him.

**Mr. Swan:** Mr. Chair, I will also table portions of the Provincial Auditor's Report for the year ended March 31, 1991. Again, there is another copy for Mrs. Mitchelson.

Mrs. Mitchelson, if I can refer you to the comments at the top of page 52 under the "Comments of Officials" there is the Auditor General's comment at that time: "The Department agrees that service delivery agreements are critical in strengthening of financial control and agency accountability. The Agency Relations Bureau is working towards the design of a service agreement framework and will provide advice to operating divisions in their development of service agreements."

Now, would you agree with me, Mrs. Mitchelson, this is a pretty strong statement from the Auditor General that completing service delivery agreements with external agencies was a very important part of the accountability required by the Department of Family Services?

**Mrs. Mitchelson:** Yes, accountability always was and always will be, I am sure, an important part of any funding to any external agency in the government. Especially when allegations are made to government when someone blows the whistle as they did in the year 2000, I think it even more critical that the issue was looked into and dealt with expeditiously and with some intensity.

**Mr. Swan:** Mrs. Mitchelson, when from the time you became the minister in 1993 until you left that office in 1999, did your department enter into a service delivery agreement with Hydra House?

**Mrs. Mitchelson:** There was no service and purchase agreement in place with Hydra House when we left government, and I guess my question would be is there one in place today with Hydra House six years after this government took over.

I know that there was not one in place when the provincial auditor started or finished his report because the department and the present minister have indicated that, as soon as the Auditor started the report, they stopped negotiating a service purchase agreement and waited for the Auditor's report to be completed. So I think we would need some clarification from the present government today on whether, in fact, a service purchase agreement is in place yet, six years after, or five years after this government took over.

But, if the Deputy Minister of Family Services were here and able to answer questions, I know that we would get the answer to that.

**Mr. Swan:** The question is, Mrs. Mitchelson, from what you told me about your respect for the Auditor General and about your involvement in the department, why did your department not enter into a service delivery agreement with Hydra House from any time before you left office in 1999.

**Mrs. Mitchelson:** This government has been in power almost as many years as I was the Minister of Family Services, and the same question could be very easily asked of the present government and the three ministers that have been in Family Services in the last five years.

**Mr. Swan:** So, Mrs. Mitchelson, are you then saying that both governments are equally to blame?

**Mrs. Mitchelson:** Mr. Chair, can I indicate to the member that, when someone blows the whistle, whether it is inside government or outside government—someone could have been embezzling some private company for 10 years and it never came to light—when someone comes forward and blows the whistle, it is important, it is incumbent upon those in charge to take some action to investigate very seriously, get to the bottom of the issue. It is not just do a cursory examination, go to those that embezzled and took the money and say, "Did you do it?" What would the answer be? It would obviously be no.

So, if there were receipts that were available, those should have been looked at. There was a

function within government, an internal audit function that could have taken those receipts and asked the appropriate questions, got to the bottom of it, and, unfortunately, it took the provincial auditor, after receiving allegations from outside of government, to make a determination to go in on his own, not even requested by the government of the day, after they became aware and after there was an exposé on TV that indicated that there were inappropriate expenditures.

They sat on their hands and waited until the provincial auditor indicated that he was going to do an investigation. So the buck does stop at the minister's office, when they know, when allegations come forward, when someone blows the whistle, and nothing is done.

**Mr. Swan:** Mrs. Mitchelson, you still have not answered the question. Why did your office not, why did you not direct your department to enter into a service agreement with Hydra House in the six years you had an opportunity to?

**Mrs. Mitchelson:** Mr. Chair, my direction to my department would have been to enter into a service and purchase agreement with every external agency, because that was what—[interjection] Well, members of government can sit back and say whatever they like.

I would hope that every minister in an NDP government would want to see a service purchase agreement with every external agency. The department worked towards that goal, and the Auditor reported on a regular basis what success had been made. I want to indicate very clearly my department and my senior officials within my department worked to try to get those agreements in place. Were they successful in every instance? No, they were not, just like this government has not been successful in every instance in getting service and purchase agreements in place.

**Mr. Swan:** Mr. Chair, I would like to table a portion of the Provincial Auditor's Report for 1994 and 1995. Again, I have a copy for Mrs. Mitchelson.

**An Honourable Member:** You guys are trying to lose a decade, a half a decade.

**Mr. Swan:** We wish we could.

**Mr. Chairperson:** Order, please.

**Mr. Swan:** Mrs. Mitchelson, this Auditor's report was released while you were the minister of the department. If I can turn you to the bottom of page 109, the report reads as follows: "Our initial findings indicated that not all agencies are complying with the agency reporting requirements. The degree of compliance varies from agency to agency depending on its size, nature of operations and ability to provide financial data to the Department. The Department is in the process of implementing a new Child and Family Services Information System (CFSIS). CFSIS will greatly assist mandated agencies in providing operational and financial data on a more accurate and timely basis. The reporting requirements developed by the Department, and the agencies' compliance with the reporting requirements, are an integral component of the information needed by the Department to fulfil its accountability reporting to the Legislature. An opportunity presently exists to improve external agencies' compliance with the Department's reporting requirements to ensure accountability reporting to the Legislature."

Now, Mrs. Mitchelson, with yet another series of comments from the Auditor General's office on the Department of Family Services, why would you not have immediately directed your staff to enter into a service agreement with Hydra House?

**Mrs. Mitchelson:** Mr. Chair, I do not quite understand why the member would not ask me the question of why I did not direct service and purchase agreements with every agency.

I had no reason at the time to single out Hydra House over and above any other agency that was funded by the Department of Family Services. The only time Hydra House was singled out was in the year 2000 when Jim Small came forward to the government of the day and indicated that there had been inappropriate expenditures at Hydra House. That was the first time a minister's office had been made aware of allegations of inappropriate expenditures.

I want to indicate clearly that nothing was done. Nothing was done until July of 2004 when those allegations and those receipts were provided to the government. They sat on that, did a cursory view and said everything was fine. All was well and good at Hydra House.

Well, we found out with the Auditor's report that that was not the case, and the difference between

2000 and the year 1999 when we left office is, if the whistle had been blown in 1999, I would have asked someone to do a full review. I had no reason not to ask for that and to get that satisfaction, but that did not happen under this government's watch. So there was a significant difference between then and now.

**Mr. Swan:** Mr. Chair, one final document to table. It is a portion of the Auditor's report from Spring 1998.

Mrs. Mitchelson, on page 144 in italics, there is an ongoing comment from the Auditor General which says, "The Agency and Department had previously identified the service purchase agreement as a mechanism to assist with monitoring and compliance issues. While discussions have been initiated a number of times, a successful conclusion has not been reached. As it now stands, this activity has been deferred until the Agency completes its organizational renewal process, expected by January 1999."

\* (20:10)

Now, Mrs. Mitchelson, when I read this, it appears there has been really no progress made on service purchase agreements from the date of the 1994-95 Auditor's report in December 1994. It comments on a successful conclusion not being reached, which I presume means there were not service purchase agreements with a great number of external agencies, including Hydra House. Why was there no successful conclusion in some four years from the date of the last provincial auditor's report commenting on this?

**Mrs. Mitchelson:** Yes, this report did indicate clearly there was a lot of work to do. The response from the department in the year 1999 was that they would work aggressively to have service and purchase agreements in place with agencies by March of 2002, I believe was the response. That was in 1999, Mr. Chair.

**An Honourable Member:** What was the response? It has been six years since you have been in government.

**Mr. Chairperson:** Order. Mrs. Mitchelson is trying to explain or answer the question, please.

**Mrs. Mitchelson:** I do not believe any progress was made from the time of the Auditor's report and the

departmental response to the year 2002. I just indicate on an ongoing basis I had, when I was the minister, confidence in my senior departmental officials. It would be interesting to see if they could appear before committee today. It would be interesting to see what kind of responses would be provided to members of the committee so that they would have a full understanding of what happened at the Agency Relations level to negotiate service and purchase agreements. I am sure that they could shed much more light on the issue.

I would encourage the newest member of the Legislature, one of the two newest members of the Legislature, to maybe seek a briefing from the Minister of Family Services (Ms. Melnick), to sit down and ask for the kind of information he has been asking me today, so he would understand what some of the issues and some of the challenges are in the Department of Family Services.

**Mr. Swan:** Would you agree, Mrs. Mitchelson, that if your department had actually successfully completed a service purchase agreement, as had been recommended by the Auditor time after time the entire unreasonable actions of the owners and directors of Hydra House might very well have been avoided?

**Mrs. Mitchelson:** Mr. Chair, if the department had followed through on the Auditor's recommendations of 1999 and implemented the plan to have all service and purchase agreements in place in the year 2002, I am sure we may have seen something different occurring at Hydra House. The reality was the allegations came forward in the year 2000. By the year 2004, there was still no service and purchase agreement in place, even though allegations had been public, even though the Auditor General had gone in to audit Hydra House's books. The department decided, in their best interest, to sit by and do nothing towards negotiating a service purchase agreement or putting any accountability in place. I am sure if senior departmental officials were here today and able to shed some light on the situation, we would all have a better understanding of exactly what took place.

**Mr. Ashton:** Mr. Chairperson, just one brief question and hopefully the minister will answer this question. It struck me as I listened to the questioning from the members today what was really instructive, what happened in what I described as "the lost

decade of the nineties," at least according to the Conservatives, was the fact the minister earlier, in response to questioning, said she did not know what the Agency Relations branch, what their qualifications were, what they did. If she had her deputy minister of the time here, she might be able to answer the question. She cut that branch. She was the minister of the day when the government cut that branch, and then a response to the remaining questions, basically, her response is that she knew nothing.

I find it interesting, when the minister talked about whistle-blowers, because in 1994, without knowing what the branch did or the qualifications of the branch, she, basically her government made a decision to cut the branch. So I am wondering, and I asked the minister, the former minister, before in the previous committee, to accept some degree of responsibility.

Today when she has confirmed that she basically did not know the qualifications of the branch or what they did, or that the decision was made, and she did not see any problem with that. Will she at least accept some responsibility for the fact that, in 1995, 1996, 1997, 1998, we saw everything from Cadillacs being purchased inappropriately, Audis, personal expenditures, donations to private schools being made by the service provider? Does she not see at least some connection between the fact that she, as minister, cut the Agency Relations branch in 1994, completely in violation of any of the Auditor General's reports that the member referred to?

I will give her one more chance because, quite frankly, we could ask questions for the next several hours, and it looks like we are going to get the same response, which is that the minister knew nothing. Will she not put on the public record that the reason she knew nothing is because she did not want to know and, in fact, she cut the one branch of government that could have provided that information to her as minister, and that, essentially, for six years, because she was a minister that did not have that kind of capacity in the department, that is, essentially, the reason she is expecting us to believe that she knew nothing? Does she not accept in retrospect some responsibility for cutting the branch that could have provided that kind of information to her as minister to do the responsible thing?

**Mrs. Mitchelson:** I want to indicate that, certainly, we have not heard any responsibility being taken by

the minister in the year 2000 when allegations of financial mismanagement at Hydra House came forward. What did the minister do? Well, he sent his departmental staff in to talk to Hydra House and came back with an answer that an extraordinary review had been done and that there was no misappropriation of funding, that everything was well and good at Hydra House.

Well, it took the Auditor to do a review to find out that, indeed, there was mismanagement that had been going on for several years at Hydra House. The only difference between the years that we were in government and the year 2000 was that no one came forward with allegations. The allegations first came to government's attention in the year 2000, and we have a government that sat on their hands and did nothing, indicated all was well and good. Well, I should not say they did nothing. They increased the funding and increased the mandate to Hydra House, and put more money into the organization.

So, Mr. Chair, I think that that is the reason we are here. It is unfortunate that senior officials from the department cannot be here to share with us the information that they may have to shed some light on why nothing was done.

**Mr. Loewen:** Mr. Chair, I have a few questions of the Auditor General and his department. But, just before I do that, I would like to thank the member from River East, the former Minister of Family Services, for coming here on Thursday night of her own free will, and tonight, and providing this committee with I think some very straightforward and frank answers on the internal workings of the department that she is aware of. We as a committee owe you a big thank-you for that, and we appreciate your input into this process.

**Mr. Chairperson:** We are finished questioning Mrs. Mitchelson.

Mr. Loewen, you say you had a question for Mr. Singleton before we call Mr. Sale.

\*(20:20)

**Mr. Loewen:** I do have a couple of questions for the Auditor's staff. With regard to the report that has been tabled with this committee on the investigation of Hydra House, I am referring, on page 64 and 65, to Appendix B, which indicates that, under the Child Protection and Support Services for the year end March 31, 2002, I just want to make sure we have

got this information right here because there has been some in-depth discussion about the service purchase agreements that were recommended by the Auditor General's office in their report in 1999. I just want to make sure that I am reading this right, that with regard to Child Protection and Support Services, out of the 15 agencies listed on page 64 that, in fact, at the year end of 2002, there was only one service purchase agreement in place, three years after the recommendation had been made to government?

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

**Mr. Loewen:** And with regard to Appendix B, continued on page 65, which is the Adult Services Branch, I believe that indicates that as of March 31, 2002, of the 37 institutions listed on this page, one of which is Hydra House, that, in fact, of 37 agencies, only 21 service purchase agreements were in place, as requested in the 1999 Auditor's report at March 31, 2002.

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

**Mr. Loewen:** I notice in this appendix that there is no service purchase agreement in place for Hydra House at March 31, 2002. Do you have information as to when a service purchase agreement, if one has been signed, was signed with Hydra House?

**Mr. Singleton:** No, I do not have that information.

**Mr. Loewen:** We will leave that information for, hopefully, one of the subsequent witnesses to answer at this meeting.

I think that is all I have for the Auditor General right now.

**Mr. Kevin Lamoureux (Inkster):** I was just wanting to know, from the Auditor, based on his experience, it is just to get a better understanding of his thoughts in terms of the effectiveness of the Public Accounts Committee. What I am looking for, in comparison to other jurisdictions, is this: Where would he rank the Manitoba Legislature in terms of the Public Accounts Committee, out of the 10 provinces?

**Mr. Singleton:** I guess I would say that for several years, my office has been expressing concerns about

the ineffectiveness of the Public Accounts Committee in Manitoba. We have been making a number of recommendations, many of which were adopted in the last round of rule changes for the committee, but which really have not yet fully been implemented. They are operationalized.

Of course, I understand that there is a proposal to have the Rules Committee look again at those particular rules and potentially make some further changes. I guess I would have to express my view that this committee, historically, has been one of the least effective public accounts committees in the country.

**Mr. Lamoureux:** I thank the Auditor for his frankness and, personally, I would concur with him. Thank you.

**Mr. Chairperson:** Thank you, Mr. Lamoureux. I think it is time we call Mr. Sale up for questioning regarding Hydra House.

Mr. Sale, do you have an opening statement?

**Mr. Sale:** Yes, I do Mr. Chair. I, first of all, want to indicate that I am pleased that we are finally at this point. It has been a long time coming, and I am delighted that we have finally got to the point where we can explore what Mrs. Mitchelson knew, and what she did or did not do, and what I knew and what I did. We can, hopefully, assuage people's concerns that there is some kind of vast conspiracy here, which there is not.

I do want to just give a reasonably brief overview of the situation of the department in the first couple of years in which I was minister. Having formed government in October of 1999, we moved on some very significant issues which bear on the capacity of the department around the whole process of getting service purchase agreements in place. I will deal with the numbers that were in place, both when I took responsibility and the numbers when I left, as well as the numbers today.

In assuming government, we indicated that we wished to close Pelican Lake Centre, which was a centre that had 72 high-needs adults who had been long-term residents of that centre for the most part. Some of them have been there all of their lives; some had been there for many years. These are the kinds of

adults Mrs. Mitchelson was referring to who have very significant developmental delay, although they were all ambulatory. They are the kind of people who need community housing and for whom the department had a long policy of community integration where possible and, wherever possible, as close to their former home, or to the homes of their families.

So, at the time at which the decision to close Pelican was taken, which was during the spring of 2000, we were very heavily engaged in finding 72 new placements for high-needs adults and the efforts of the department were very focussed on that because, as some members will know, although I see Mrs. Mitchelson may not be any longer at the committee, but anybody who has worked in Social Services knows, and I think she even referred to this, that at any given time there are in the range of 150 families who are losing the capacity to care for their now adult, and in some cases middle-aged or even older than middle-aged adults, that they have been looking after all their lives.

So, over the last 20 years, the Department of Family Services, under its various names, has tremendously expanded the capacity of our communities across Manitoba. We were engaged in another one of those expansions. I think if members were looking at page 65 of the Auditor's report, the members would see that there is about \$41 million being spent in supporting adults to live in-community in the Winnipeg region alone, a very big service system with very vulnerable people in it. Within that context, in the fall of 2000, I was made aware by my department, specifically by the assistant deputy minister responsible for the area and the deputy minister, that allegations had been raised by a former CEO of Hydra House.

Hydra House, I knew at the time, and have known for years, was the exception to the rule. It was the only for-profit adult care agency that had been funded for a long time by government, so I was naturally concerned about this. I asked the department what their recommendation was in regard to this because it is a unique situation. It is the only for-profit home. I think that members would be aware that the laws in regard to access to information about for-profit agencies are somewhat different than the laws about non-profit agencies.

\* (20:30)

So we sought advice from our Legislative Counsel, Issie Frost. Many of you will know Mr. Frost has been with the government for many, many years. His recommendation to us was that, given the fact that you have no right to seek information from inside a private corporation's financial affairs, focus on the question of the adequacy of service. His rationale for that in his recommendation was that if the agency is providing service that meets the standards of the department, and is doing so at the funding rate that non-profit agencies are provided, and the level of complaints from the public is not exceptional, there are always concerns raised about agencies as the former minister pointed out. There are no easy agencies in Family Services and Housing. He essentially said that, if the services are adequate, the funding is regular, and the complaint level is normal or minimal, then it is highly unlikely that you are going to be able to find anything that will be significant.

That was the advice we were given, Mr. Chair. I think that it probably would have been desirable to have people in the department that were like the people I used to have to deal with when I was community minister in Fort Rouge, and when I was the director of the Social Planning Council of Winnipeg: Joe Cels and Con Butler and Miggie Lampe.

Those of you who do not know those names, let me tell you that, as an executive director of a community based agency, there were no nickels that went uncounted for when Con Butler was your Agency Relations manager, and there were even fewer when Miggie Lampe was in charge. You may not know that name, but her partner is a very well-known Winnipeg artist, a very fine artist. Just as a sort of aside, Miggie was a very diminutive woman, but, boy, did she carry a big stick.

I think it would have been very helpful had we had those capacities there. Unfortunately, with the dilution of the capacity of the department to oversee agencies, and the abolition of the branch that has now occupied this committee for some time, those resources were not there.

Nevertheless, we followed the advice of Mr. Frost, which was to go into a very careful look at the services. When I use the word, "exceptional" in terms of the efforts we undertook, it was that we struck a committee of three very competent people:

one with a mental health background had been the executive director of the Canadian Mental Health Association and now works with the Winnipeg Regional Health Authority; one who had agency relations experience, although had not been a senior person in that branch; and a third person who brought specific skills to the team.

We looked at the residences, found some relatively minor but important deficiencies which were corrected. The team interviewed some parents, interviewed some staff and, where possible, talked to some residents.

The conclusion of that report you all have, which was that the services were adequate. Anecdotally, I was informed by people in the private medical field, in terms of psychologists and psychiatrists, through third parties, that services in some cases were exemplary or not just adequate. They were quite exemplary.

Mr. Chair, as members will know, our government is very supportive of the rights of workers. Usually, when an agency is going bad, in my experience, the workers are usually unhappy. There are usually people knocking on your door saying, "Our agency is being badly run, or workers are being badly treated, or clients are being badly treated."

In the case of Hydra House, it is a union environment. The wage levels in Hydra House, I was informed by my staff, were slightly above average, not much, but slightly above average. As you have seen from the Auditor's report, the remuneration to the agency was right bang in the middle of the accepted per diems for the level of care that was being provided.

At the end of that report, I basically saw an agency in which we had a former employee, very disgruntled, making allegations about his former employer, recognizing, Mr. Chair, that this former employer was the CEO during the time that, it turned out to be, some of the worst abuses took place, and, in fact, had, obviously, knowledge of all of these abuses and, yet, carried on being CEO. Very interesting reflection.

We had a union environment. We had services which, according to both external and internal sources, were adequate to more-than-adequate. So, when the plausible explanations were given to the

questions that were raised, we basically viewed that this was probably a dispute between an unhappy former employee and his former employer. The recommendation, basically, was that we continue to try and reach agreements on service purchase agreements, and that we conclude that, for the most part, not entirely, but for the most part, the allegations lacked any substance we can prove.

I want to just talk about a couple of things in regard to the issues of a private corporation. The Auditor's report on page 18 gives the running total over the five years, total operating income of \$22,626,700 and an operating surplus of \$479,500. Now, I am referring to this report. But by the time our report was finished—and it took an extra year because Hydra House's accounts under the former executive director were very late in coming in. When the new executive director took office, it took some time to get the audited statements completed.

But, at the end of that period, I had five audited statements. So I personally reviewed those audited statements and did the same math on them, then, that I would offer to the committee now: that, over the five years, there were some losses; there were some profits and, at the end of the time, the profit margin was 2.12 percent as reported by their audited statements. Mr. Chair, 2.12 percent for a private corporation is not an obviously excessive rate of profit. Considering that this was this person's corporation, I doubt that very many of us who have run our own businesses would be satisfied with a profit level that small, unless we were a grocery chain which, I guess, can operate on small margins because it has volumes. But this is a very small return on capital.

In fact, Mr. Chair, when you take—which I could not do because the audits did not reveal this information. They were, though, unqualified. They were clean in that sense. If you take the Auditor's full assessment of what he considers excessive administrative freight, whether it is in the form of consulting fees or inappropriate allocation from Hydra House's funds to living expenses or whatever, if you take the whole amount, you still come out with a gross profit margin of under 8 percent.

So, I think, as the Auditor said in a CJOB interview at one point, it was highly unlikely that from any audited statement you would be able to see inappropriate allocations of dollars. You need to do a forensic audit; you need to get in and do tests that are

in excess of the tests that the company's own auditors would have done to determine whether or not the audit was clean. I obviously concur with the Auditor. Our department did not have any forensic capacity, let alone any formal auditing capacity at the point that I was minister.

So the situation we found ourselves in was that following the final receipt of the audit for the year 2001, which we did not get until late spring of 2002, we recognized from reports in the media and from the fact that there were still questions being asked, that there may, in fact, be further work to be done. So, in August of 2002, we wrote to the Auditor and supplied him with the financial statements, and had recognized that it is always his call as to whether he wishes to undertake a special audit on an operation funded by government.

\* (20:40)

I will say, without hesitation, that I was as dismayed as everybody who read the Auditor's report was dismayed, to find out that this corporation had essentially used monies, which probably quite legally were theirs, to be used as they saw fit but, clearly, had enjoyed excess income over and above what one would expect a non-profit, community-motivated agency to have. I agree entirely with the Auditor's comments that I believe he made on the morning or the afternoon in which the audit was made public in which he said that corporations that receive the majority or the bulk of their funding from government to serve people with special needs have a special duty to be prudent and ethical and to take special care in the administration of public funds. I completely agree with the Auditor in that regard, and I regret that we in the work that we did not uncover some of the things that were, although legal, clearly not proper.

I think that that is probably where I would want to end my opening remarks, with one final observation that, when you are running a private corporation sole-in effect, Mr. Manson was the owner. I believe that there were some negotiations between some of the other executives and Mr. Manson for potential sale of the corporation. I do not believe they ever came to anything. I think they ended up with nothing happening.

Mr. Manson, in my understanding of the law, is entitled to do what he will with excess funds in his corporation. What he may not have done, and this is

why this has been referred to CCRA, is he may not have properly accounted to the income tax folks for benefits and fees and funds that were transferred for purposes that may not have been declared properly for income. So far as I know, the Auditor did not allege any criminal wrongdoing. Embezzlement is a term that has been used by members opposite. I do not believe that that term was used by the Auditor.

I think that we need to be very concerned that we get in place the kind of accountability that will prevent this from happening. One of those accountabilities would have been to require the publication of the salary levels of senior executives where corporations are more than 90 percent funded by government, or some such figure. I think that we should consider such an amendment. Myself, I believe that would have been helpful.

I think that the other thing that, frankly, is most desirable is that, instead of having all but one agency serving highly vulnerable adults in our community that are non-profit, I think all of them should be non-profit. I believe that that, indeed, is what the present minister is moving towards.

I would urge the committee, and the members of the opposition in particular, to be very, very sensitive to the needs of those who live in those residences. I think there are a couple of members on the committee, and I know there are at least a couple members in the opposition, who have adult family members who have developmental delay, some of them serious, some of them less so. A former member from Steinbach who died tragically, and too early, last year was one of those people.

So the most important thing in those people's lives is stability, stability with the staff that serves them and stability of the physical surroundings in which they live. So rushing in to turn this agency upside down for political reasons, I think, would be a terrible disservice to those who live there. They are highly vulnerable children, and they are highly vulnerable adults. The staff of the home, I believe, has relatively low turnover according to the information I have been given and is highly dedicated.

I hope that we can find a non-profit home for this agency without taking it apart in the process so that those who are cared for by it do not have their lives turned upside down. Thank you, Mr. Chair.

**Mr. Loewen:** I appreciate that opening comment from the Minister of Health (Mr. Sale). I have to tell him, though, I mean, first of all, I do not think there is anybody on this side of the table or the other side of the table that needs to be lectured by him on the needs out there in the community and how important it is for these individuals who do draw on government services to have those services maintained at a high level.

I find it, I do not know what to call it, ironic or contrary. He opened his statement by saying how, as soon as he came into power in the year 2000, one of his first acts was to close Pelican Lake and basically dislocate 72 adults who were in a stable environment. Then he proceeds to go down the road of lecturing us about how important it is that you know these people do get a stable environment. We agree with him. Maybe, the point being, if he had not been in such a rush to close Pelican Lake, had he found another means of providing service there, then maybe he would have had a little more time to focus on the service purchase agreements as were requested by the Auditor in 1999. Having said that, we do not want to dwell on the minister's political opening statement.

I do want to go back to one particular instance where the minister indicated to this committee that, being a private company providing services, he was advised by his lawyer that they had no right to go in and seek information from this corporation. I would ask the Auditor General, maybe, he could just clarify for us whether the Auditor General's department has the right to go into a privately operated, publicly funded organization to seek information that they deem necessary. Does that right lie within the Auditor General's department?

**Mr. Singleton:** Yes, our act gives us the authority, as essentially, loosely called the "follow-the-dollar" authority, which means any organization which receives public monies can be subject to an audit. Under our previous act, The Provincial Auditor's Act, that was called an inspection audit. That particular act was quite vague as to what authorities or what an inspection audit made. There was a significant improvement made in the act when The Auditor General Act was passed, which essentially gave us authority to do a full value-for-money audit of any recipient of public monies.

**Mr. Loewen:** I thank the Auditor General for that. With regard to that, I guess the most important

question, I think, that the minister needs to answer is, and I would ask him, I tabled in the House a document called *Financial Issues Summary* for Hydra House Ltd. I would like to have the minister explain to this committee when he first saw that particular report.

**Mr. Sale:** Before I answer that question, let me just—I hope in the spirit of civility that has been marking our meeting tonight—say to Mr. Loewen that, beginning in the government of Sterling Lyon, or just at the end of the Schreyer government and through the Pawley government years, through the Filmon government years and through our years, there has been a move away from large congregate settings into smaller community settings closer to home.

So the old facility at Pelican Lake he may or may not have ever seen, but it was clearly not a very suitable place for people who were aging, and it was not very close to home. The reason we were closing it was in conjunction with the Association for Community Living and our department, the previous governments and the previous two governments to those policies of moving vulnerable adults into smaller community settings closer to home. I do not think we were in a particular hurry, but you cannot sort of close an institution; you either close it or you don't.

All I was simply pointing out was that we had been seeking every year significant numbers of new placements. I think the former minister would acknowledge that, during her time in office, she was faced with the same requirement, which was to expand.

Let me say very clearly for the record that I had never seen this document until Mr. Loewen tabled it in the House.

Just to ask a question myself in terms of, I suppose it is a rhetorical question, but I saw the letters that Mr. Loewen or somebody stapled to this in the House. I was really, really puzzled because there is no address on this; there is no date; there are no signatures. I wondered how in the world the Premier (Mr. Doer) could have written any letters back to the sender of this when there was no apparent sender, or date, or signature, or address. It just seemed to me to be a bit of a puzzle as to how the Member for Fort Whyte (Mr. Loewen) would have been able to somehow indicate to the House

that there were letters from the Premier's office to an unsigned, undated, unaddressed, unsourced document. A puzzle, I guess, that maybe, perhaps, he can enlighten us.

\* (20:50)

**Mr. Loewen:** I would like to enlighten the minister because, once again, he is totally wrong. When I tabled this document, I tabled the document and the document alone. He can check Hansard for that. He can check with the Clerk's table, but what was distributed to him was this document. There were no letters attached to this document. I indicated to the House, and again he can look in Hansard because it is in Hansard, that we received this document the previous evening, and that is fine. If the minister has said that he has never seen this document before that, I will take his word for it.

I think there are a lot of issues revolving around this document, but if the minister has said that he never saw it before I tabled it in the House, then I am willing to accept the fact that, as an honourable member, he has come to this committee prepared to share the truth with us. There were other letters tabled in the House that day. They were not tabled by me. If the minister wants to go back and check Hansard and get his facts right, then I would certainly encourage him to do so. With regard to this document that I tabled in the House, has the minister learned subsequently that his former staff in the department, could he indicate when they first received this document?

**Mr. Sale:** I think, Mr. Chairman, I have had no contact with the department since the article was tabled. My understanding is that we can find no record in the department's files, in any files, of this document. That is my understanding, though I have not personally had any contact with my former officials or with the former department. I can certainly assure the member that I never saw this document.

What we were aware of was some of the allegations in a general way but I saw nothing in writing, saw no evidence that was adduced to the Auditor, for example. I believed and still do believe that when that kind of issue was brought forward to a department, the proper thing is to ensure that officials do whatever it is they need to do to try and ascertain whether there is substance or not. I believe

that our officials did the best they could do in the circumstances. Regrettably, it was not good enough.

**Mr. Loewen:** I am referring to the Department of Family Services and Housing briefing note that was given to committee members, dated December 6, 2000. This is the same briefing note that is titled, "Complaint Against Hydra House Limited" which was, for some reason, not shared with the Auditor General's office and has not been to date, as I understand it.

In this document, and I quote from this document from two areas. First, I quote on November 14, 2000, "Two former staff members, staff of Hydra House and two associates from a newly formed social service provider met with Peter Dubiński, Assistant Deputy Minister, Ben Van Haute, Team Leader, Managed Care." Then it goes down two bullets later to say, "The complainants presented a brief." I wonder would the minister be able to share that brief with this committee.

**Mr. Sale:** Again, Mr. Chairperson, I have never seen a brief, and I am not in a position to share it. I am not the minister of the department. I would also perhaps point out a little farther down in that same briefing note, the fourth bullet, "At their time of the presentation, the complainant stated that based on the information they just provided, they felt their newly formed organization should be authorized to begin planning for the current residents of Hydra House." In other words, they came to our officials with a list of allegations and believed that on the basis of those allegations, unsubstantiated at that time, they should be given the business for their new for-profit corporation called Crusader Services.

Remember that one of the partners in Crusader Services was Mr. Small who had been terminated by Hydra House. From my vantage point, at the time I was looking at, there was an intense dispute between a former employee, his former employer, unsubstantiated allegations and an attempt to grab a business out from under an established provider of service to the government. In that context, I think I was not in an unreasonable position to say to my officials, "Check out what you have heard and check it out carefully." We are in the midst of a dispute between two parties, and, frankly, I do not want to be anywhere near that. That is not my job as a minister to adjudicate a dispute over the conduct of a CEO and the actions of his former employer.

**Mr. Loewen:** The minister in his opening statement indicated that, when he did receive the audited financial reports from Hydra House, he read them individually and thoroughly. Is he now asking us to believe that when his department staff came to him and said, and I quote again, "that they had a brief that was presented by Mr. Manson and Ms. Lau," he did not ask for the brief? Is that what he is telling us?

**Mr. Sale:** I was never in possession of any brief, and I do not really know what the word means in this context. I am not sure whether it is in the sense of the traditional parliamentary use of the term brief, which is a file. I received a file. Or is it a brief in the sense of a legal brief that has voluminous pages? I do not know what the brief that they are referring to is, frankly.

I do know that I asked the nature of the allegations. I was told the general nature of the allegations, and I told the department, on the advice of our counsel and on the advice of our deputy, the proper thing to do is to establish a team of competent people to review the substance of the allegations and to make a report. That they did.

**Mr. Loewen:** I will ask the Auditor General if he could indicate whether your department has ever received what is referred to in this briefing document, or in this ministerial briefing document, as a brief that contained allegations by Mr. Manson and Ms. Lau from government. *[interjection]*

I am sorry. I will correct, for the record it was allegations about Mr. Manson and Ms. Lau. It was from whomever the department officials met with.

**Mr. Singleton:** As I indicated earlier this evening on that question, we did not receive this particular briefing note so that we were unaware of the existence of the brief. So, no, we did not receive any such document from the department but, as I indicated earlier, we certainly received all of the information we needed to conduct our audit.

**Mr. Loewen:** I thank the Auditor General for that response. I hope that members on the government side of the committee and, particularly, the Finance Minister, can understand the dilemma that they have placed this committee in by refusing to allow senior administrative staff to come forward and answer questions.

We have been told explicitly that this document entitled, *Financial Issues Summary* for Hydra House

Ltd. was given to government in 2000. We now hear from the Minister of Family Services at the time that he, in fact, never received a document. Therefore, what happened to the document? Where has it disappeared?

We now understand clearly that somebody is hiding something somewhere. We are just told, as a committee, that we are going to continue to be stonewalled because we are not going to be allowed to ask where this document lies. Again, it begs back to the Auditor's indication that this committee is totally ineffective, and it is ineffective because the government is standing in the way, and the government is stonewalling.

I would ask the Minister of Health (Mr. Sale) if he could explain why this briefing note dated December 6, 2000, which we are told in the House last week by the current Minister of Family Services and Housing (Ms. Melnick) was provided to the Auditor General, why this briefing note was never provided to the Auditor General.

\* (21:00)

**Mr. Sale:** What the current minister, I believe, indicated to the committee was that she would provide to the committee the briefing notes that had to do with the review of Hydra House, the financial review and the review. That, I believe, is what she has provided.

This briefing note is the first note that was received by me roughly three weeks after the allegations were made by the former employees of Hydra House telling me what was the general nature of the allegations and what the advice of counsel was in regard to how to go about ascertaining whether there was substance in regard to these allegations or not.

So, as I think the Auditor has said, this, by its nature of being advice to the minister in terms of how to carry out a review appropriately, does not bear on the substance of the financial irregularities themselves, and that the Auditor had, as he has said, I think, three times in my hearing now, all the information he needed to carry out a review. He received that information at various times. I think he has indicated that he received information from my department at that time in the middle of August of 2002. We had received the final copies of the 2001 financial statements roughly a year late at that point.

But finally we had five clean audits, which we then turned over. I think the Auditor has indicated that he received further information in January or so of 2003. I believe he began his review in June of 2003, which he subsequently completed some months later.

So, basically, I am afraid that that is all I can tell the member about the briefing note of December 6. It was not material to the financial investigation as the Auditor has confirmed.

**Mr. Loewen:** Well, I would ask the minister how he could indicate that this briefing note was not material when in fact it indicates very clearly that, and I quote, "the complainants presented a brief."

Now, the minister can dance around it and use all his fancy words that he does not know what a brief was, whether it was this or whether it was that. But, basically, we all at this table and everybody understands that a brief is a document that would have been presented, highlighting and describing the allegations that were made by Mr. Small and others at that meeting. So for the minister to say that this brief is not relevant is just absolutely ludicrous.

Can the minister tell us who the two former staff of Hydra House were that met with Peter Dubiński, Ben Van Haute on November 14, 2000?

**Mr. Sale:** I could probably find it out, but I do not have any recollection of who the people that he met with were. It is probably in the records somewhere, but I do not know the names of the people. I might recall them if someone told me them, but no, I do not recall that information currently.

**Mr. Loewen:** Well, the minister has indicated prior to this, when his microphone was off, that Mr. Small was one of them. Would he confirm that Mr. Small was one of the people that met with Peter Dubiński and Ben Van Haute?

**Mr. Sale:** I would want to confirm that that was correct. I cannot, at this point, recall the names of the people involved. There were, I think, three involved that I am aware of in trying to set up Crusader Services, but I do not recall their names.

**Mr. Loewen:** Well, will the minister undertake to get back to this committee with the names of those individuals?

**Mr. Sale:** I believe that we can find that information this evening, Mr. Chair.

**Mr. Loewen:** Thank you. We would appreciate receiving that as information as soon as possible.

I want to move forward to the briefing note that is dated January 3, 2001, which is titled "Update Complaint Against Hydra House Ltd." With regard to this briefing note, I gather that the information here is information that the minister claims he is satisfied with, the feedback he got from his team that he had set up to investigate this issue, that, in fact, when they came back to him and said that the five allegations that were dealt with and the responses here, he was, at that point, completely satisfied that there was, in fact, no other need to investigate this issue.

**Mr. Sale:** Mr. Chair, I believe one of the individuals was Doug Anderson. I do not know whether the other individual was Mr. Small or not. It may well have been, but I do not know. I am not sure I have any way of finding out the name of that other individual tonight, unless someone from our staff is aware of who it was.

Mr. Chairman, at the bottom of the December 6 briefing note, the six actions are outlined. I will just read for the record the last bullet: Following consultation with legal counsel, it has been decided that the review should focus on the quality of services being provided by Hydra House. To date, and this is action one, all the residential facilities have been inspected by the licensing authorities, with only minor violations noted. The remainder of the review process may include consultation with placing workers; in other words, are the agencies placing people in the homes, either children or adults, satisfied, interviews with current and former staff; in other words, not just those currently there, but those who may have left, consultation with parents, guardians, those who have a special interest in the well-being of people who live in the long-term care facility, feedback from residents, a review of shift schedules.

The reason for that, Mr. Chairperson, is to ensure that the homes were properly staffed around the clock and that there was not short-staffing going on or homes being left unstaffed and in unsafe condition.

Finally, a review of audited statements. Now, all of the first five of those were undertaken by the team that was headed by Ben Van Haute. The sixth, the review of audited statements, was more difficult

because the audited statements were late. They were late, chronically, through the 1990s when Mr. Small was the CEO. When we finally received the last audited statement in the late spring of 2002, that activity essentially wound up the review process. So, that is the substance of the final note, which essentially simply said to me we finally got the last audit. This essentially completes the review process that we undertook.

At that point, within a reasonably short period of time following the receipt of that last audit is when we passed it on to the provincial auditor.

Let me tell the member that, and the former minister will confirm this, Family Services and Housing has literally hundreds of agencies for whom it is responsible and with whom it is in a contractual relationship for services. The number of daycares, the number of child-caring agencies, the number of homes for vulnerable adults and the number of treatment facilities and group homes for children, numbers, quite literally, in the hundreds.

So, when I said in the Legislature, that we had undertaken quite extraordinary, significant review; and you can find the words, I am sure, and quote them back to me, the context of that is, that with literally hundreds of agencies under our responsibility, to do this much work on one was quite extraordinary and took an enormous amount of effort on the part of the senior staff of the department. You can imagine that if that you are trying to review an agency that has eight or ten homes, as well as a number of community-based foster care programs, this is not a trivial undertaking. So that is the context in which I made that remark.

If we tried to do that level of review every year on every agency, we would not get through a tenth of them in one year. The nature of the business, and again, I would think the former minister would tell you this, Mr. Chairperson, the nature of the business is that the vast majority of adults and boards that are caring for these people are deeply caring, running not on a very rich budget, frankly, not paying high wages and providing exemplary services to very vulnerable people.

Basically, this is an exercise in trust, and so when you find that trust is abused, I am just as appalled as the provincial auditor was. I am as appalled as the member opposite was when there is

an abuse of trust of public funds, but to undertake the level of review that we did with this agency was, in fact, extraordinary, given the resources that were left in the department to do that, and given the number of agencies we were overseeing at the time, which, literally, is in the hundreds. As the former minister will remember, you sign agreement after agreement after agreement for the provision of services. That is the context. So that is why I said it was an extraordinary review.

\* (21:10)

**Mr. Loewen:** We will get back to the point of this minister's quote regarding this extraordinary review. I just for the life of me cannot understand the minister's position when it is very clear from the briefing note of December 6 that allegations were brought forward about Mr. Manson and Ms. Lau using corporate funds for personal needs, when allegations that were made that personal acquaintances of Mr. Manson were being paid a salary out of corporate funds, even though they had no job. There was no visible connection to the organization, and yet the minister wants to tell us about an extraordinary review on service provision.

The allegations that were given to his department were not about service provisions, they were financial mismanagement allegations. I am wondering if the minister has a reasonable explanation as to why he or his supposed team did not follow up on the financial allegations that were made. Why did they choose to ignore them and in fact, only go to audited statements which he has already admitted were a year late? Can the minister explain his thinking behind it?

**Mr. Sale:** Mr. Chairman, I have done that a couple of times already. If it is helpful to the member, I will do it again.

The first duty of any Minister of Family Services and Housing is the care of those whom he has or she has responsibility for in law. Most of the people that we were caring for were very vulnerable people. There are many other such agencies in the community. There is a reasonably well-established standard of care that can be expected for vulnerable adults living in community which was the bulk of the service Hydra House was providing at that time.

The advice of counsel was that, in light of the private nature of the corporation, the best test of

whether the monies were being used appropriately was the quality of service and the relative lack of complaints, the wage levels of employees, what was actually happening on the ground. As a private corporation and at the department level, we do not have the rights of the provincial auditor.

Frankly, when you see a former employee coming forward and in one and the same meeting, saying, "I was the executive director of an agency and was responsible for signing its financial statements, and I did all kinds of things that were unethical. I saw money going right, left and sideways, and I now, having told you these things, want you to contract with me to take over these services," I think that a reasonable person would say, "Well, perhaps not so fast. Perhaps first we ought to check out your allegations and find out whether there is any substance, and more importantly, find out whether the care of the children and adults in your agency meets the standards, whether there are accusations from parents or former staff of inadequate care." That would be the focus that you should have.

I was also very cognizant of the fact that the union, CUPE, that represents these workers is not what I would call a docile and quiet union. When it has had complaints about other areas of government in years gone by, it has not exactly been quiet about them. So I had some confidence that the workers in Hydra House had the protection of their union, should they feel that people in their care were being in any way inappropriately cared for, or that staff were being inappropriately dealt with. The union had the ability to protect its workers, and they would come forward, I believe, quite aggressively. They did not do so. We did not have that kind of concern raised to us.

We did the best we could in the circumstances. The best we could, sadly, was not enough, and I would not, for a moment, deny that I was as unhappy as the Auditor was when I read in the newspaper and heard the report's conclusions. That is not a pretty conclusion.

I would also underline, though, that in the nature of the beast, it is a private corporation. At the face value of the financial statements that I saw, 2.14% gross profit is not on the face of it, an excessive profit. Even when you add in what the Auditor, I think, correctly sees as inappropriate large payments

with public dollars to a few executives and inappropriate allocation of corporate resources to purposes that should have been paid out of salary and declared as such, you still only get about 8 percent, slightly less. I refer you again to the Auditor's comments that the simple review of financial statements, no matter how careful, will probably never reveal financial wrongdoing.

In just concluding this, and I do not want to go on because I do not want to make it a big deal, but I just want to remind the member that when we came to government, we found the Lions Club of Winnipeg in complete disarray in its housing, and we brought in the provincial auditor. The provincial auditor, after months and a lot of money spent, was unable to create a balance sheet for that corporation and concluded that something, if my memory serves me, around \$1.4 million simply disappeared. We do not know where it went. We do not know who got it, but we know it disappeared.

Now, that was entirely during the time of the previous government, Mr. Chair. We did not go on to my old friend the member from, now what is it, south-something, southwood—

**An Honourable Member:** Dale.

**Mr. Sale:** Southdale. We did not rag on him in the House and yell about embezzlements and cover-ups and all of those nasty words, whereas, in fact, in the case of the Lions Club, I think the Auditor concluded that there probably was wrongdoing. The problem was that, in the creation of the records being so incredibly awful, you could not figure out who did it for sure.

So, when we found the problem, we remedied that problem. We did not make, you know, mince meat out of my friend here and say, "My goodness, you just completely failed in your duty of oversight, and you were hiding, and you were covering up, blah, blah, blah." We fixed the problem and that is what my colleague, the current minister, is doing.

When she got the report of the Auditor, she acted very, very quickly. I would just say all of the evidence is that, through the nineties, when you got reports of the auditors, you not only did nothing, you actually took apart the one agency that could have helped track and prevent this sort of thing from

happening. You passed an act that allowed people getting 100 percent of their money from the public purse not to declare their salary levels.

So, essentially, the conditions were created by neglect for what happened mostly during the time of the previous government. I regret it took us so long to find it, and I regret what we found. I take responsibility for the fact that, unfortunately, in the investigation of Hydra House, we did not find what had gone wrong. In the investigation of the Lions Club, we did find what had gone wrong and we fixed it. We did not go around trying to find somebody to blame. We just fixed it.

**Mr. Loewen:** Well, I would simply remind the minister that, in this case, not only did he not fix it, he did not even look into it. I mean, there are specific allegations detailed in the briefing note from the Department of Family Services dated January 2001. One, it was alleged that, and I am quoting from the document, "Mr. Manson had personal acquaintances who had been paid out of corporate funds even though they had no visible connection or function within the organization." In response to the department, Mr. Manson indicated that, "One individual was hired as an executive co-ordinator and the other as a personal assistant." For some reason, people in your department, you as a minister, simply took the answers presented to you on this briefing note, and yet you had no interest, it seems, in the detailed financial allegations of mismanagement.

You know, it just begs the question why not. I mean, once again, we are all concerned about the level of service. It was proven that the level of service was, in fact, satisfactory in this case. But I remind the minister that was not the allegation. The allegations were specifically about financial mismanagement.

The question is, and unfortunately we cannot get an answer to that because the minister just wants to go on and on and on and he will not allow and his government will not allow the departmental administrative heads to be here, so the question remains why there was not a thorough investigation of the financial allegations that were brought forward.

\* (21:20)

**Mr. Sale:** Well, let us look at this briefing note. *[interjection]* Did you want to say something? Because I will wait if you want to say something.

Mr. Chairperson, remember the context. The allegations were shared with my staff on November 14. On November 14, individuals apparently provided some receipts and some cheque stubs and whatever else they provided. I am not aware of the whole package, but that is what I am told by the Auditor was what was provided. I did not ever see any of that material.

By three weeks later, which is a very short period of time in any organization, but especially in government three weeks is not a very long period of time, our staff had interviewed the owner and the CEO of Hydra House. Now, I just want to recall for the member that the Auditor has pointed out that under his new act in 2002, he has the ability to actually go in and follow the cash. Our staff does not have the right under law to go to the owner of a private corporation and say, "Open your books." So, the interviews were, "What did you do? Here is what we were told. Tell us your story."

Mr. Manson said that one was hired as an executive co-ordinator and the other as a personal assistant. The member may not know. Mr. Manson, I am told, is a gentleman older than I am, which is 62 and nine-tenths or eleven-twelfths or something and is essentially semi-retired, or whatever the right words might be. So it did not seem unreasonable that somebody would be hired by him to oversee his business at this point.

Allegations of cars. Mr. Manson indicated the corporation no longer owns vehicles but does reimburse senior managers for vehicle expenses and repairs, not an unreasonable behaviour in a private or a public corporation. These benefits are declared as income. Well, again, our staff does not have the right to say, "Show me the T4s. Show me the T-5A. Show me whatever it is you have declared as income." The auditor does.

Certainly individuals were being paid with large, unmonitored expense accounts. Yes, they had expense accounts for the day-to-day operations of the corporation. Again, this is a \$5-million-a-year corporation. An expense account for senior managers would not be an unusual thing in the private sector or the not-for-profit sector. When I was the executive

director of the Social Planning Council, I had a modest expense account which I had to account for, but I had the right to spend modest amounts of money without going to the board and saying, "Can I take somebody out for lunch, or can I go to a conference in Toronto?"

Alleged that funds were paid to purchase personal property. Well, Mr. Manson told us this simply was untrue, et cetera. So, within three weeks, we had formed a team, we had inspected the residences, we had started the process of a longer-term quality review. Let me remind the member from Fort Whyte that the allegations were that the financial mismanagement was bearing on the quality of service that was being provided to individuals. It was not simply that there was some mismanagement going on over here; it was that the misallocation of public funds was bearing on the lives of those who were being cared for in the agency. That was the nature of the initial allegation to us.

So the only way to check out whether there was substance that we had at our disposal was to do what I have said, which was to make as careful a check of the quality of service and the satisfaction of referring agencies to see whether the funding for the agency was within the regular parameters of government, which it was. Interestingly, the wage levels paid under the CUPE agreement were slightly above average.

So, for all those reasons, and for the fact that the people making the allegations were clearly self-interested in taking the business away from Hydra House to this corporation called Crusader and essentially taking over the business being run by the same man, who apparently had essentially misused public funds.

So the Auditor, I think, did us a service by pointing out that the former staff were as culpable as anybody else in undertaking and overseeing questionable financial dealings, including cars, in '95, '99, payments to condo corporations; all under the aegis of Mr. Small who has come to us and said, "They did bad things. I was the CEO; do not pay attention to that, and we'd now like to take over the business, please, and run a new home in Teulon."

I think our staff acted prudently, Mr. Chair, and I think that they had no reason at that point to doubt the explanations that they had been reasonably given,

as I said in my interview with Global, "eyeball-to-eyeball, with receipts in hand."

**Mr. Loewen:** A question for the Auditor General, and I am referring to the Value-for-Money Audit, summer 1999.

On page 42 of that report, it says, and I quote from the report, this is under the title, "*The Branch Has the Authority To Access Agency Records*," and I quote: "We noted that the act empowers a director of Child and Family Services to enter and inspect the premises of any agency and obtain copies of any records."

I would ask the Auditor General, would this include financial records?

**Mr. Singleton:** As we are aware from the material that has been tabled in the briefing notes, the department did have a legal opinion that advised them that, despite the section that you are quoting, they did not have the authority to go in and inspect the financial records of a for-profit agency. I suppose it is possible you might be able to get another legal opinion that would come to a different conclusion on that.

But I guess our main point in arguing for the importance of service purchase agreements is that you could put a clause into the agreement that would clearly give you the authority to go in and do the financial review, and if such an agreement had been in place, and that kind of wording is present in the service purchase agreements that do exist, had that been in place in the case of Hydra House, there would have been no question that the department had the authority to go in and take a look at the financial records.

**Mr. Loewen:** I would ask the minister if, at the time he did receive a legal opinion in writing from Mr. Frost that said the department, in fact, did not have the right to go in and, if so, would he table that with the committee.

**Mr. Sale:** Mr. Chairman, I do not have that document. The advice that I received was that Mr. Frost had provided that advice. I did not see a written opinion from Mr. Frost to that effect at the time. The member, I suppose, could ask the present minister for that document, but I do not have it.

**Mr. Loewen:** And never saw it?

**Mr. Sale:** I already said I did not see it. I did not see it because I do not know whether it exists or not. I certainly did not see it.

**Mr. Loewen:** The briefing note of January 2001 indicates that the review team interviewed Mr. Manson and Ms. Lau. The minister indicated on July 31, 2002, and I quote, it was a quote from the minister of the day, now current Minister of Health (Mr. Sale): "When we did our investigation, we met with the company's auditor. We received adequate explanations for the allegations that Mr. Small had made."

Why would there be no indication in this briefing note that your review team or the minister had met with the auditor?

\* (21:30)

**Mr. Sale:** I think that, first of all, when I used the term "we," I was speaking in terms of the department, not speaking in personal terms in terms of who the meetings were with. I was not part of the meetings at any point in terms of the meetings with auditors or Ms. Lau or Mr. Manson or anybody. I was not directly involved, nor do I believe that I should have been involved in a direct way. That, I think, would have been inappropriate.

I think the member may recall that the final audited statements for the year 2001, ending March 31, 2001, were not received until late in the spring of 2002. So, at the time that this briefing note was written, I am not aware that our staff had met at that point with the auditor.

The records of Hydra House, in financial terms had been chronically late, as the previous minister was made aware, often up to a year late. That situation appears to have developed during the time that the person making the allegations was the CEO.

My understanding is that following the receipt of the audited statements or at some point well after January of 2001, staff did have conversations with the auditors. I do not know who the actual auditor was. It is Evancic Perrault Robertson, who have been consistently the auditor for the five-year period of the audits.

**Mr. Loewen:** Once again, we have contradictory statements from the minister who said on the one

hand that they did some normal and some quite extraordinary checks into the issue. He said in the same breath, referring to the same report that we, meaning the department, met with the company's auditor. Yet, in this briefing note, it is very clear that the review team did not meet with the auditor. They met with Mr. Manson and Diane Lau.

I would just ask the minister, without having access to the members of his review team or to senior administration, how are we as a committee to know where the truth lies in this. How are we to know where the truth lies in these contradictory statements that were received day after day after day, not only from this minister but from the current minister?

**Mr. Sale:** First of all, Mr. Chairperson, my statements have not been contradictory. I think if you take a look at the record, you will find they have been extremely consistent. The member may not like them, but they have been very consistent. They are not contradictory.

In terms of the audit question, the question in regard to the auditors, that the member from Fort Whyte is asking, I have already told him that in the January 2001 period between December 7 and January 3 it is only a matter of a little less than a month, and Christmas and New Year's intervened. The focus was on the quality of service question. That was the assessment that was going on. I think if the member goes to the next note, February 20, basically what we are saying here is that the analysis of financial records be completed when the audited statement for the fiscal year '99-2000 is made available that Hydra House be given a specific date to comply with agency reporting requirements. If it does not comply with providing the required financial information, or that there appears to be irregularities within the information received from their auditor, a formal audit be conducted on the agency. Once the review is completed, a summary of the findings of the investigation be provided to the complainants.

It also notes that, by that point, Mr. Small, we were aware was currently involved in a civil litigation with Hydra House regarding a wrongful dismissal suit. So now we are in a situation where the complainant is involved in a civil action. We are trying to figure out, for the sake of our residents, whether there is any threat to their care while two

parties spar over the question of the dismissal of an executive who is now making allegations essentially in a kind of a bizarre way about what he did while he was executive director, and what he saw happening.

It was perhaps a bit convoluted, to say the least, from our perspective. What we really decided we had to focus on was if the residents were cared for. Are they safe? Do the homes meet standards? Are the licensing requirements met? Is the home providing clean financial statements? Then we are going to have to just let this civil dispute sort itself out. We cannot ascertain the truth at this point from the information that we have been given. Ultimately, at the end of the day, that is why we turned the whole thing over to the provincial auditor. We had been made aware through press reports that complainants had spoken to him. We viewed that as a good thing because, frankly, he had the resources to do what we did not have the resources to do, and that is to get to the bottom of it, which ultimately he did.

**Mr. Loewen:** Mr. Minister, you indicated to this committee previously that you had no knowledge of what was presented in terms of, and I will use it in quotations, "a brief" that the note of December 6 indicates was given to your staff. Do you stand by that statement?

**Mr. Sale:** Mr. Chairperson, what I am indicating is that by January 3 I knew more of the substance of the allegations because they were outlined for me in a briefing note. In a general way, my deputy minister told me that the nature of the allegations was around whether there were funds used for inappropriate purposes, whether things were purchased that should not have been purchased. In a general nature, she verbally informed me of the nature, in general, of the complaints.

But, in terms of the details, I did not ever see any of the things which the Auditor has seen in terms of cheque stubs or invoices, which were or were not inappropriate. I believe the Auditor found that some of the allegations had substance, others did not. Some were properly accounted for, some were not. Ultimately, at the end of the day, he issued a report that substantiated some of the things in here and did not substantiate others.

So that is where we were at by January. In February, I had more knowledge of what the investigative team had found in terms of the quality

of services. I had more information about the general nature of the allegations because I had the question-and-answer section of the January 3 briefing note. By February I had a recommendation, a six-point recommendation, which appeared to me to be very sound. Basically, the course that I directed that we follow, was the six recommendations.

There are more findings on page 2 of that briefing note, "Child Protection Support Services for the Children's Side," there are Community Living Division findings for the adult side, there are Winnipeg Regional Health Authority findings for the Winnipeg regional involvement. Basically, we thought that the recommendations, I thought that the recommendations provided at the outset of that February 20 document were sound, and that is the course we followed.

**Mr. Loewen:** So you are telling the committee that by early January you knew that there had been written allegations presented to your department?

**Mr. Sale:** I think if you read the briefing note, what it says is, "were interviewed on December 7, 2000, and provided with an opportunity to respond to the following allegations." It does not say anything about written or verbal or whatever. My understanding is that the staff of the department was given a range of allegations. The form that they were in, I believe, some was written, some was in the form of, we later learned, invoices or whatever. But at that time, I had not seen any detailed information about the allegations, as I have previously said I am not sure how many times, probably about seven or eight by now.

**Mr. Loewen:** So you are expecting us to believe that a minister as thorough as you have described yourself did not even ask if there was paper? Is that what you are asking this committee to believe, that you did not even ask? You did not even ask to see the brief that had been presented to them. Is that what you are saying?

**Mr. Sale:** Essentially, as you said earlier, all ministers are honourable when they take an oath of office to serve without fear or favour. They are expected to do that. That is what I have done.

**Mr. Loewen:** Answer the question. Did you ask for the brief? Did you ask to look at the brief?

**Mr. Sale.** No, I did not.

\* (21:40)

**Mr. Loewen:** Why would you have made the statement, and I quote, again this is your words directly, "I can't comment on the exact things they did when they were talking with the auditor of Hydra House or with senior staff. Clearly, I was not there. They took the allegations Mr. Small had made. My understanding is they took the actual paper that they were provided with and asked for answers." So, on the one hand, you do not know if there is a brief, you do not know if there is anything in writing, but on the other hand you know, through your supposed examination, that you had paper.

**Mr. Sale:** I wonder if the member could put the date on the quotation that he is quoting. Could he put a date on the comment that he just quoted?

**Mr. Loewen:** September 20, 2004.

**Mr. Sale:** By September 20, 2004, Mr. Chairperson, the Auditor's report was out. There was a great deal of information available that was not available in 2001 and 2002. By then, it was clear that there was substance to some of the allegations and not to others, and that the owner of Hydra House had profited inappropriately, and had probably not allocated expenditures appropriately in terms of the income tax reporting requirements, but that will be adjudicated by CCRA. I believe the information was supplied by the Auditor to CCRA for purposes of their internal review.

**Mr. Loewen:** Well, it is a tangled web that we weave, Mr. Chair. For the minister to tell this committee earlier tonight that he did not know the form that the brief took, then to say, "Now, well, I did not know then, now I know now." There is nothing that this committee can glean from this minister without getting the administrative staff here to the table to be asked the pertinent questions. The minister wants to sit here and dance and twist and turn in the wind and change his answers at will. It is farcical, the approach that he has taken. It is going to be very, very difficult for anybody to get to the bottom of this without some type of public inquiry. That has become obvious by the minister's inability to answer the simplest of questions.

I would just like to turn my attention to the Auditor General for a few minutes. I have a couple more questions here. I know there are other members

of the committee that do want to ask some questions. I am on page 36 of the Auditor General's report at the bottom that indicates that a salary was paid of \$74,900 in the year 2002. I would ask the Auditor if he can indicate to us whether he has any specific knowledge of whether this personal assistant is still on the payroll, if they remained on the payroll for 2003 and 2004.

**Mr. Sale:** Mr. Chairperson, I just would like to respond to comments made by the Member for Fort Whyte (Mr. Loewen). I have not changed anything that I have said from the beginning of this issue. In the year 2001, we did not know what we knew by 2002, and we certainly did not know what we knew by 2004. So, when I commented in 2004, I was commenting with the hindsight of the Auditor's report in my hand and with a great deal more information about what he had been able to ascertain and the nature of the allegations that he had been able to substantiate.

I think it is not helpful for the member from Fort Whyte to take my knowledge in 2004 and attempt to portray it as real in 2001. In 2001, regrettably, Hydra House had not been forthright with our staff, and we did not believe, based on the opinion of civil legal counsel, that we had any other alternatives than to focus on service, which was the focus of the allegations, contrary to what the member from Fort Whyte says. Allegations were that inappropriate financial dealings were impacting on service, and so that was our first concern. I do not want to prolong that debate, but what I knew in 2004 after reading the Auditor's report was a great deal more than I knew in 2001 when we were trying to find out whether service was being impacted in any way, Mr. Chair.

**Mr. Chairperson:** Mr. Singleton, you had a reply to Mr. Loewen's question?

**Mr. Singleton:** Mr. Chair, our audit stopped at the year ended March 31, 2002, and so I really cannot comment on whether the personal assistant is still on the payroll or how long the individual remained on the payroll after our audit. That would be something the government should be able to provide to the committee.

**Mr. Loewen:** The briefing note of May 2, 2001, indicates, and again I will quote directly from the briefing note: "Now that the financial audited

statement has been received, the review team will forward the findings and recommendations of the investigation to Hydra House Ltd. A summary of the findings will also be forwarded to the complainants."

I would ask the Auditor General if those findings and recommendations were ever forwarded to the Auditor General's office.

**Mr. Singleton:** I believe we received that information from a citizen.

**Mr. Loewen:** I wonder if the Minister of Health (Mr. Sale) would see to it that those findings and recommendations are tabled with this committee as well.

**Mr. Sale:** That is what you have already got. You have got the report. You have got the appendix. You have got the two briefing notes that have to do with the financial review. So far as I am aware, that is the package. I am not aware of there being anything else. So I think you are drilling a dry hole, John.

**Mr. Loewen:** Well, we never know that because we never get all the information we ask for, and it never comes in the order that we ask for it.

I would ask the Auditor General then if he could confirm. The minister has already said that he gave us all the findings and recommendations that are indicated May 2, 2001. Would it be his belief that we, in fact the committee has received all the findings and recommendations of the investigation into Hydra House? Was there other information that you received that we do not have?

**Mr. Singleton:** I am sorry, I will have to ask you to repeat the question because I am having a bit of difficulty following the logic of the question, and I want to be sure I give you an accurate answer.

**Mr. Loewen:** Thank you. I appreciate that.

Again, I am referring to the briefing note dated May 2, 2001. The fourth bullet under the current status says, and I quote, "Now that the financial audited statement has been received, the review team will forward the findings and recommendations of the investigation to Hydra House Ltd. A summary of the findings will also be forwarded to the complainants."

The minister has indicated that this information has been tabled with his committee. I am simply

trying to determine you indicated that the Auditor General's office received information but not from government, you received it from a private source. I am just trying to determine if, in fact, this information has been tabled with this committee.

\* (21:50)

**Mr. Singleton:** Mr. Chair, we received that summary of findings from a citizen, not from the government.

**An Honourable Member:** I do not understand that answer for a minute.

**Mr. Loewen:** Mr. Chair, I would just like to put on the record now that the minister looks, there in his seat, exasperated. His specific comments were, "Well, what, I do not understand that," which clearly indicates that this information was never passed, either to the Auditor General and, to date, has not been passed to this committee.

So I would ask the minister if he would simply do the right thing and just table it now, or is he going to make up another answer on the fly.

**Ms. Lysyk:** The summary that was prepared, that we understand was prepared by the Province, is included in the package that was provided to you. The reference to a summary of findings will also be forwarded to the complainants. The Province sent a response based on that report to the complainants. We obtained a copy of that response directly from the complainant, and we did not have to ask the Province for it because we already had a copy from the complainant.

**Mr. Loewen:** Just for clarification, this committee does not have a copy of that report to the complainants. Would that be accurate?

**Ms. Lysyk:** Unless it was provided in another forum, I would probably say that is true. The content of the response was an extract from the report.

**Mr. Sale:** Just to relieve the exercised mind of the member from Fort Whyte: A third-party document like that, if you want it released, you are going to have to get permission from the person it was sent to. As the Auditor has said, the document is simply an excerpt extract from the study that was prepared, the report that was prepared by the staff of the department in regard to the allegations.

Now, if the Auditor can get a release, or if you want to ask for a release there is certainly, I can assure the member, nothing in that document that would add a single jot of information to the information that is already before the committee, because it is an extract from the report that the member has basically in front of him.

**Mr. Loewen:** We are simply trying to get to the bottom of this issue, and the minister gives us different answers all the time. I asked a very straightforward question. He said we had all the information, and it turns out we do not. So I will leave that up to the minister. Those are all the questions I have for now.

**Mr. Gerrard:** My first question to the Minister of Health (Mr. Sale) is similar to what I asked for the Member for River East (Mrs. Mitchelson). I would ask the Minister of Health a little bit about his management style in terms of preventing, I am asking the Minister of Health; obviously, it would be better to prevent these problems rather than to have to investigate them after the fact, so I am asking what is your management style in terms of trying to make sure you prevent these kinds of problems. As one example: Did you ever visit any of the Hydra House houses and have a look personally at their operations?

**Mr. Sale:** I guess in the broadest terms I believe that, when you are given the privilege of directing an organization or being a minister of the Crown or any senior executive position, you have to decide what the four or five biggest things you want to accomplish are in the light of the policy direction of your organization, government or private or non-profit or whatever.

As a senior manager, you cannot allow yourself to be subsumed in the minutiae of everyday micromanagement of the department for two reasons: One, you will never get anything done and, secondly, you are presuming to second guess people who have been in the field a lot longer than you have and who have a lot more competence.

So our goals in our government's forming government in October of 2004 were to focus on early childhood development and to put in place Healthy Child Manitoba and the Prenatal Benefit; to strengthen our child care system materially, significantly, which we have done; to develop an

affordable housing program, in which we have completed well over 2400 units of housing; and probably the most significant innovative policy of this government and Child and Family Services was to transfer the mandate for child welfare from departments and non-profit agencies to First Nations and Métis communities. So we undertook, beginning in early 2000, to develop the capacity and the legal framework for a historic transfer of mandate, which I am sure the member opposite is very well aware of, because he was at many of the events. I appreciate his interest in and support of, those new agencies which I think will make a very material difference in how child welfare is done five years from now, when the whole thing is stable and implemented.

So the short answer is that you pay a fair amount of attention to your Estimates process and you make sure that your senior staff feel that they have access and are supported, but you stay out of the day-to-day management of the department. First of all, it is too big, and secondly, you do not know what they have to do anyway. Thirdly, you take four, five or six things that are key to your government, and you drive those four, five or six issues forward as best as you can.

In terms of accountability, though, I would like to just put on the record that when we formed government, there were 55 SPAs, so-called. When I left the ministry, there were 129. There are now 146. A SPA is a service purchase agreement, not a hot tub, at least in this context. So we did pursue, very aggressively, the development of the accountability mechanisms.

I would tell the member, and I am sure he knows this as a former practising physician, that it is very, very complex to develop a service purchase agreement when you are dealing with very high-needs individuals and the people in the homes are changing all the time, because each person has an individual plan. The previous minister will remember that individual plans for each adult or each child were mandatory if you were going to receive the funding level that was being provided by the department, because it is quite significant.

So it is very difficult to build a SPA, a service purchase agreement, for an agency where the people in it and their needs, therefore, are changing all the time. The difficulty is, you are either so general that the service purchase agreement does not have the

teeth in it that you need to make it work, or you are so specific that it is not flexible when things change within the agency. So it is not easy to develop these.

Nevertheless, by today, we have 146. That compares with 55 when I took responsibility for the department, and it approximately doubled during the time I was responsible.

**Mr. Gerrard:** I asked whether you had ever visited one of the Hydra House houses.

**Mr. Sale:** No. I do not believe I was ever in a Hydra House home.

Basically, again, I am sure the member probably knows this, you have to be careful visiting homes where people with very significant special needs are being cared for. Interruptions in daily routine are not easy. I have been in a number of homes. I have been in a number of receiving homes. I have been in some kids' group homes. I have been in adult homes run by L'Arche and by Dasch and by Winnserv. But I have never been in a home that was run by Hydra House.

I have also been in group homes, quite a number of the group homes run by Child and Family Services, Marymount, as the former minister indicated, Hugh John, now called Macdonald Youth Services, Knowles, New Directions.

I have done evaluations of group homes when I was director of the Social Planning Council with team evaluations of child-caring agencies in Portage la Prairie and for homes run by the Association for Community Living in Winnipeg. I have done a number of contract evaluations as well as volunteer evaluations.

\* (22:00)

**Mr. Gerrard:** Did you, in this context, know or get to know the people who ran Hydra House, Mr. Manson or Ms. Lau, for example?

**Mr. Sale:** To the best of my knowledge I have never met Mr. Manson. I say to the best of my knowledge because I was the director of the Social Planning Council for nine years from 1976 to 1985. It is conceivable if Mr. Manson was in the city at that point, I may have met him during that time, but I have no recollection of meeting him. Certainly from the time I became minister, I did not meet Mr. Manson.

Ms. Lau, I met maybe six months or five months after we formed government. She became very active in the association of community care providers. If the member will look at page 65 I think it is of this document, there is a list of external service providers numbering some 37 providers—

**Mr. Chairperson:** Excuse me, if I could just interrupt the proceedings for a moment. It was agreed that at ten o'clock we would look at the clock to see what was the will of the committee as to whether we extend the sitting. What is the will of the committee?

**Mr. Maloway:** I would suggest that we continue until eleven o'clock and revisit the issue at that time.

**Mr. Chairperson:** Agreed? *[Agreed]*

**Mr. Chairperson:** Is it the will of the committee to take a 10-minute recess?

**Some Honourable Members:** No.

**Mr. Chairperson:** No.

**An Honourable Member:** Do you want an answer to this question? I will finish this answer and then you can—

**Mr. Chairperson:** Is it the will of the committee to then let the minister finish his answer and then we would have a 10-minute recess? *[Agreed]*

**Mr. Chairperson:** Mr. Minister, to finish.

**Mr. Sale:** The association of community care providers, I think that is the name and I may need a correction on that, was the association of roughly these 37 organizations, plus some rural members as well from Brandon who came in quite regularly. They are quite a large organization and met regularly. They had in-service. They also acted as a lobby group on behalf of their staff.

Members may remember that in the first and the third year of our government we increased the wages of workers in this field that were, in my view, tragically low considering the work that they did. We raised the wages in two tranches, and I think that helped a lot to stabilize and prevent staff loss. Ms. Lau took quite a significant role in that association and was on the executive, I believe, at one point, so I saw her at meetings in my office with other care

providers. I saw her at some of the monthly meetings I occasionally attended and simply listened. At other times I spoke to the organization. That was the context in which I came to know her. That was the only person in the agency that I actually had any significant contact with.

**Mr. Chairperson:** The committee will recess for 10 minutes.

*The committee recessed at 10:03 p.m.*

*The committee resumed at 10:15 p.m.*

**Mr. Chairperson:** Will the committee come to order.

**Mr. Gerrard:** My next question is a follow-up on the last. The minister has indicated that he had first met Ms. Lau six months after coming into office. Did you at any time talk about the situation at Hydra House with Ms. Lau?

**Mr. Sale:** No, we did not address that issue. It would not have been appropriate to talk about the allegations at that point.

**Mr. Gerrard:** What you said before was that the first time you met Ms. Lau was six months after you came into office, you had not known her before.

**Mr. Sale:** Let me be very, very careful to say the six months is a guess. I would have to go back to my day books and find out when we first met, either her in regard to Hydra House or the council of agencies of which she was a member. If that is really important to the member, I am sure I could probably do that.

I think the point of the member's question is did I have any kind of significant social or personal relationship with Ms. Lau. I had never met her before I was sworn in as Minister of Family Services and Housing. I am guessing that it was roughly six months into that job that I first met her. I certainly would not swear that it was not eight months or it was not four months. It was some months. But the point of the question, I think, is did I know her personally. The answer is no.

**Mr. Gerrard:** When Mr. Small first came to the department, or to you initially, or to your staff, can

you just take us briefly through how he presented, who he talked to and what he brought with him.

**Mr. Sale:** To the best of my knowledge, Mr. Chairperson, I never met with Mr. Small. The date that is referenced in the letter, November 14, I believe, is the date at which he met with members of the staff. I was actually out of the country at that time with a colleague from New Brunswick examining early childhood services because we were both governments committed to bringing in the prenatal benefit. I have never met with Mr. Small, to my knowledge.

I thought once I knew the general nature of the allegations that he made to staff at that time, and knowing the fact that Hydra House and he were in a dispute, I considered it inappropriate and would still consider it inappropriate to meet with him in regard to that issue. That is why I would not discuss the matter with Diane Lau. I could not avoid meeting with her because it was a professional association that she was involved with. I did not meet with Mr. Small, so I cannot tell the member anymore than that.

\* (22:20)

**Mr. Gerrard:** Can you tell us whether Mr. Small came in with a piece of paper or a briefcase full of information or what?

**Mr. Sale:** I may not have been clear in my previous answer, Mr. Chair. I thought I had just said that I did not meet with him so I have no idea what he came in with.

**Mr. Gerrard:** One of the allegations was that there was personal equipment like jet skis that were purchased from Hydra House funds. It seems rather unlikely that the clients of Hydra House, the people who were staying in the organization, would be using the jet skis. Can you tell us when you became aware of this issue of jet skis?

**Mr. Sale:** I was not aware of that specific allegation until I think the CBC stories. I am not sure whether the CBC stories were the spring of 2002. I would have to ask staff to review the dates they—I think that was one of the allegations—but I am trying to find in the Auditor's report. I seem to remember that the Auditor either found that did not occur or it was checked out and not commented on. Perhaps the Auditor can help me in that regard. I was not aware

of the specific allegation of the jet skis until CBC, I think, used it in one of their stories.

**Mr. Gerrard:** Perhaps his staff will find that, and we can bring that back but let me continue. One of the allegations, I believe, related to the individuals in the corporation going on trips funded by the corporation. Somewhere I heard mention of Australia, China and various other places. When did you become aware of these sorts of allegations?

**Mr Sale:** Again, I cannot claim any awareness of that element even now. I am not aware of those particular allegations. The Auditor's report has a range of allegations. The allegations that we investigated on January 3 did not include, at least the briefing note from January 3, did not include anything about trips so I do not think I can comment on that again. That may have been in a CBC report. I do not recall, but I was not aware of it at the time. I think I have said both to the member from River Heights and the member from Fort Whyte the detailed allegations, I did not have in possession. I did not have any paper. I had my staff's and my deputy minister's general summary of the nature of the allegations.

**Mr. Gerrard:** One of the allegations related to the funding of a personal assistant to the owner who was not doing any work for Hydra House of a significant way. In the briefing note of December 6, 2000, sorry, January 3, 2001, this clearly was referenced as an allegation, and it is mentioned that Mr. Manson had indicated that one individual was hired as a personal assistant. I would ask whether you had made inquiries as to what this meant, and it would seem that this might be a bit of a red flag in terms of something that would be of concern.

**Mr Sale:** I was just informed by staff that the issue of the travel was in the CBC report of July 2002, so my memory was correct in that regard, but not in terms of the date.

In terms of this third bullet in the January 3 briefing note, it indicates that Mr. Manson and Ms. Lau were interviewed and provided with an opportunity to respond to the allegations alleged that Mr. Manson had personal acquaintances being paid out of corporate, even though they had no visible connection or function within the organization. Mr. Manson indicated that one individual was hired as an executive co-ordinator and the other as a personal

assistant. Again, whether we thought that was a good thing or a bad thing, a private corporation is entitled to hire staff, basically, as he sees fit, I guess.

Our focus, as I have said many times, was on the question of whether the agency was funded appropriately, within the norms. Were there any special funding arrangements in place that would seem inappropriate? Was the care within the norms? Were there complaints from the public? Was the condition of the houses in compliance with licensing? In all of those areas, the answer was yes, and the added comfort, I guess, I took was that this was a unionized environment in which wages were slightly above normal, and the union was in a position to, without any fear of retaliation, report inappropriate allocations or behaviours on the part of the owners, and there were no such reports forwarded to me. So, on the basis of that, I had to conclude that this agency was operating within norms, although as a for-profit agency, I would have preferred that all of our agencies be non-profit, but they were providing care to some very vulnerable people. So that is the best that I can give the member, that as long as the service quality met the normal tests, it was difficult to take issue with how the owner might choose to staff his organization.

That, combined with the fact that the previous government had decided that, even though organizations that got 100 percent of their money from government and that were non-profit had to publish their salaries, the for-profits did not have to publish their salaries, so we did not have that avenue of disclosure open to us and we did not believe, based on legal advice, that we had the right to demand access to T4s or to income tax records. So that is how we proceeded.

**Mr. Gerrard:** One of the bullets just below talks about the allegation that corporate funds were being used to purchase personal property in Fort Myers in Florida. It would seem that, if you have that sort of allegation and you are going to investigate it meaningfully, you have to do something more than just ask the individuals as to whether that is not the case. So what I would say is, when you look at this, did you not think that maybe there should be more of an investigation than just asking the individuals involved.

\* (22:30)

**Mr. Sale:** Well, I guess, a couple of things. I just repeat again, I hope I do not have to do this too many more times, the focus of our attention and review was on the quality of service to the individuals, and the tests of that were the six-part study that was done and the ascertaining of whether there were more funds being provided to this agency than to normal agencies. Now, as a sole-ownership corporation, if the owner, as any corporate owner is entitled to do, decided to spend some of his money in a way that I did not think was right, I could complain about that, but at the end of the day it is the service we are purchasing. It is the lives of the vulnerable people we are responsible for, and we believed that was what we needed to check out, as I have said many times tonight. At the end of the day, we were unable to verify one way or the other whether we have been given the complete goods and so in August of 2002—  
[interjection]

**Some Honourable Members:** Oh, Oh.

**Mr. Sale:** I am waiting for there to be some order.

Mr. Chairperson, to conclude, the purpose of the review was around quality of service. The opportunities we had at the end of the day were not sufficient for us to be certain that we had completely—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order, please. Mr. Minister, to continue.

**Mr. Sale:** —to be completely certain and because we were aware that there were still allegations, we turned the file over to the provincial auditor. As I said at the very beginning of my sharing of comments with the committee tonight, I was as dismayed as everybody else was to find, first of all, that monies were paid to the owners at a rate higher than would be reasonable, and secondly, that we had been essentially lied to by the senior staff of Hydra House. I was very upset by that. I am sure you were, and I am sure anyone involved was. I regret that we were lied to and that we were not able to discern the truth.

**Mr. Gerrard:** An opportunity to pick up the problems here—

#### Point of Order

**Mr. Sale:** Mr. Chairman, just a point of order.

**Mr. Chairperson:** Yes, Mr. Sale.

**Mr. Sale:** I do not want to make a big deal about this, but I think everyone on this side and that side knows that I have trouble hearing, and I am having trouble hearing. We are going to have to do a lot of repeating if people are going to be yakking during questions. If we need to do that, I guess we need to do it. I would ask you if you can encourage members to go find a place to have their conversations.  
[interjection] It does not help, Len.

**Mr. Chairperson:** The member did not have a point of order, but I would encourage all members to try to be cognizant of the questions and the answers.

\* \* \*

**Mr. Gerrard:** I think it is pretty clear that there was an opportunity in December 2000 and in January 2001, to pick up specifically on the concerns that were raised to see through what had been a cursory investigation in certain areas, and that there was a need at that point to go further. It is too bad that that opportunity was missed because it led to a lot of public money being used in ways that I think could have been avoided. They could have been better directed to looking after the people, the clients, who were so particularly important in all this.

One of the things and the points that the Minister of Health (Mr. Sale) has made is that a regular audit will not reveal the problems. I take that as pretty clear. Sometimes it may, sometimes it will not. But, clearly, what the minister is saying is that a regular audit is not enough. There was enough here to be suspicious about, that the minister relied on a regular audit instead of asking some incisive questions that had the potential to bring this to light considerably earlier than it was brought to light. I think that the sad point here is that it took as long as it did to bring this to light to stop the wastage of public money.

One of the things that I would ask the Minister of Health is a point which comes from the letter. This is the letter of August 2, 2002, and in that letter the minister says, "I am aware that an allegation of financial mismanagement of provincial funding in support of Hydra House made by the former chief executive officer, Mr. Jim Small, has been brought to your attention."

**Mr. Chairperson:** I would ask the minister: How did he become aware that the allegation of financial

mismanagement had come to the attention of the Auditor General? It was the provincial auditor at that point.

**Mr. Sale:** The member may recall that CBC did a number of, I do not know if you would call them investigative reports or whatever, during the late spring and early summer of 2002. I believe in one of those transcripts it is referenced that Mr. Small had gone to the provincial auditor, provided information to him. My primary awareness of that came from CBC. I believe, if I am not mistaken, and the auditor may be able to clarify my memory here, but I believe they actually interviewed Mr. Small on CBC, and I think there was discussion about him taking his allegations to the provincial auditor.

**Mr. Gerrard:** It is clear from what we know that the allegations were made from Mr. Small and, perhaps, from other people as well. Can the Auditor General confirm that?

**Mr. Singleton:** Yes, we did. The article that was on the news that involved Mr. Small, and I think it also involved interviews with me on at least one occasion, indicating that we had received information and that we were reviewing and considering it. But we also received information from other citizens than that.

**Mr. Gerrard:** I just want to make it very clear, as the minister himself has said that he was responding to a situation where these concerns had been taken by others to the provincial auditor and providing information that might be helpful to the provincial auditor after this had been brought to the attention of the Auditor General, or the provincial auditor, by others.

**Mr. Sale:** Just to remind the member about the sequence: Complaints in late 2000, service review in early 2001 and completion of a report on service quality, but in the January 3 note it points out that the financial statements were not complete. The recommendation for how to proceed in the February briefing note was that when the financial statements were completed and submitted, then we would bring this thing to a conclusion. That, I do not have an absolutely accurate memory of when the last financial statement was received, but I believe it was in May or June of 2002.

So we did not have, in our view, a complete picture of the finances of the agency until roughly

May or June of 2002. That coincided with the period of time when the CBC was doing its series on Hydra House. It seemed to me at that point that whether there was substance or not, this issue was not going to resolve itself without the Auditor taking a hand in it, and so we provided to the Auditor our financial review as it had been done, the report on service quality and the five audited statements which were then in a consistent format and were essentially uncommented on.

In the parlance, they were clean. There were no reservations. They were in a consistent format for five years and revealed a pattern of very low net revenue, as I said earlier tonight, 2.14 percent on that five year period, which further gave me a sense that if there were irregularities, they must be reasonably small because there is not much room in that percentage for much to be terribly out of whack.

Nevertheless, we passed it on to the Auditor and, sadly, he found that money was being spent on things that certainly would not be contemplated by any government wanting to serve vulnerable people. I was as dismayed as everybody else was at that.

\* (22:40)

**Mr. Gerrard:** I have a briefing note in front of me, or a copy of it, from May 2, 2001, that indicates that the audit for Hydra House for the fiscal year ended March 31, 2000, has been received, and it provides some details. It certainly, from my look at this, would suggest that, even though the audit had been received as you had indicated, the audit did not answer the critical questions here and would certainly not qualify, as I would read it. In any way as sort of an extraordinary investigation into the kind of financial status here.

I think that there is room for a fair bit of scepticism, quite frankly, about how well things were really looked at in the first few months of 2001, and when there was an opportunity to pick this up and to stop the hemorrhage of public dollars into activities that clearly are inappropriate. It would seem to me that that opportunity having been missed led to a significant delay in the investigation of Hydra House.

I would ask the Auditor General was Hydra House the only agency of its kind which was late in reporting or were there others.

**Mr. Singleton:** On page 52 of our report we indicate that at that point in time, all 15 external agencies that received care-residential support for the year ended March 31, 2002, had submitted audited financial statements. However, there was other financial information that had not been consistently provided to the government, and that is about it.

**Mr. Gerrard:** I would ask the Minister of Health (Mr. Sale), when he was with Child and Family Services whether, were there other agencies where people had raised significant problems the like of this.

**Mr. Sale:** Oh, Mr. Chairperson, I could spend a long time talking about the Lions Club of Winnipeg. There were enormous allegations of improprieties and lost dollars that were brought forward in regard to that formerly very fine service agency. So, yes, that was one in which the provincial auditor spent a lot of time and a lot of money trying to get to the bottom of that one with, sadly, very little success, except at the end of the day. We knew we had to take it over and fix it, which we did, and we are currently in the process of handing management back to the Lions Club of Winnipeg to resume their role of providing quality housing to the citizens of Winnipeg, but that is the other large one that I recall.

Unfortunately, for-profit, not-for-profit is not necessarily a test of the integrity of the management. One can prefer not-for-profit because at least there is a board there that you can hold accountable, and you have, clearly, the right to see all the financial details, so, I think, not-for-profit is to be preferred.

But we are looking today at Aiyawin, for example, where primarily federal funding under the urban native housing program, which was a long-standing federal program, appears to have some questionable things happen to it, yet, there is an agency with a board, a large inventory of homes, been around a long time. I can tell you having been director of the Planning Council of Winnipeg for years, we knew when I worked with the United Way on agency allocation, there were always some agencies who were in weak positions. There were always agencies that had strong managements. It was a cyclical thing. I think, the Minister of Finance (Mr. Selinger), who worked in the same sector, will say the same thing, that agency strength waxes and wanes with their volunteer boards and with the quality of their management.

That is why you need accountability, and frankly, that is why if we had a stronger process in the 1990s, we might have avoided what happened from 1996 and probably earlier onward with Hydra House. One can look with the virtue of hindsight and see that a number of things that could have been there could have made a difference. If our staff had been more aggressive, perhaps they would have caught the problem and turned it over to the Auditor sooner, but we would never have been able to ascertain what the auditor was able to ascertain.

We cleaned up a mess that started long before we formed government. I think, the one thing I regret is that we did not clean it up faster, and our staff, for whatever reasons, felt they were not able to be more intrusive in terms of the financial affairs of Hydra House. You can go back and second guess all the way back to 1990 when the previous provincial auditor said strengthen the agency accountability function. Put in place an Agency Relations Bureau with some real teeth. That decision was not taken and the bureau was taken apart. You can second-guess this thing all the way back there and regret each step of it.

Frankly, there is enough responsibility around for everybody, and what we mainly need to do is to make sure that this does not happen again by strengthening that accountability function and requiring service purchase agreements for all agencies. We are well on our way in that regard, having gone up, I think I said earlier, we are currently at 146 service purchase agreements including 104 in agencies for persons with disability and 31 family violence prevention and child and family services is 11. In health 75 percent of our agencies have SPAs. One is being renegotiated and 5 are in the process of negotiation out of 24. All of them are either concluded, in renegotiation after being expired or being negotiated for the first time. I expect those and have indicated to the department that I want those completed as quickly as possible.

My regret is that we were not able to find out the truth, but in the end the Auditor did. The problem is being fixed. There will be a non-profit agency in the future, and the lives and well being of those that it serves and are being protected. We are doing our job.

**Mr. Gerrard:** I think that from what we have seen there were some red flags that could have been picked up earlier, and you know, it is perhaps too

bad from a variety of perspectives that they were not picked up, but I am going to pass to my colleague from Ste. Rose and let him continue with the questions.

\* (22:50)

**Mr. Glen Cummings (Ste. Rose):** Well, I think, the minister just, without maybe meaning to, summed up what has been my main concern all along with this situation. That is, early on when there were significant questions being asked, all of them being financial, what I worry about is if, when the information came forward and the department was, or someone in the department was, directed to take a look at the Hydra House operations, in fact, you did not have a situation where people who had a significant responsibility already existing with Hydra House are asked to review something that they may have screwed up on in not keeping track of this as they performed their day-to-day duties in relationship to Hydra House. Is the minister confident that he was getting all of the information relayed to him appropriately? He says that he did not get some of the information. He was not given some of the paperwork by the sounds of what he said here this evening. Is he satisfied that senior officials in the department were taking this on as aggressively as he now believes would be appropriate?

**Mr. Sale:** Mr. Chairperson, Tannis Mindell has been a civil servant since the late seventies, and, I believe, has served a number of governments. She is now the Secretary of the Treasury Board. I think, if you ask the previous minister, she would say that she is one of the most able deputy ministers and non-partisan deputy ministers this government has ever had the happiness of having on its staff. She is an exemplary civil servant, having served a number of governments.

Peter Dubiński has served as a civil servant since at least 1975-1976, somewhere in there, I do not know, maybe a little earlier than that. He has served in the community treatment association, Manitoba Adolescent Community Treatment association, community treatment, sorry, centre, I guess, MATC. He was largely responsible for the development of new careers, ran that program for some years, worked in the Corrections field, worked in the Education Department. He has a long and honourable record. Perhaps the member will know his father, George Dubiński, and I think he has

brought great integrity to everything that he has done as a civil servant and as an advocate particularly for people who are disadvantaged in life, one way or another.

I do not know the third person on the team very well. I just know that Caroline Strutt was executive director of the Canadian Mental Health Association and had been an outstanding advocate for people with mental health issues. I believe she is also a person of integrity and competence.

Ben Van Haute I did not know before I became minister, but to my knowledge he is also a long time civil servant who has served a number of governments. He, unfortunately, did not have the support of an Agency Relations branch that had staff of the likes of Joe Cels or Miggie Lampe or Con Butler or any of those people who, to be blunt, made the lives of agencies difficult in terms of accountability issues.

When I was in the voluntary sector running agencies they held agencies to account during the Schreyer era when I was responsible for several agencies and during the Lyon era and during the Pawley era, all of which were years in which I was an executive director or involved with agencies. Sadly, that capacity was not in the department in the nineties after the Agency Relations branch was closed. So basically, did I think those people were performing their jobs? I have great confidence in our senior civil servants. I believe they are capable and I believe they are people of integrity and that they did their job as well as they believed they were able to do, given the legal advice that they had received which was, your scope for testing these allegations is somewhat limited. The best you can do is to ascertain whether the service levels are appropriate, the houses need inspection and talk to former staff, talk to present staff, talk to parents, talk to residents when you can and make sure that there are no extra dollars going in terms of the formula and that the service levels meet the tests. That is what they did, and I believe that those staff did what they thought they could do within the scope of their capacity.

My one regret is that we did not get it unearthed sooner. The Auditor received the complaints in the year 2003-2002 and was able to bring this thing to an unhappy conclusion nine months or so later. It is too bad we did not bring it to a conclusion a year before that. We did what we were able with the resources

that we had. I do not believe anybody tried to cover up or badly do any of their work. I do not believe our public servants function like that.

**Mr. Cummings:** Mr. Chairman, again the minister talks about capacity, and yet one of the civil servants, I think, that we all agree around this table that is very capable, the deputy at the time, probably understands the Treasury Board process as well as anybody. Even there, one of the ways the Treasury Board has of keeping track of functions within the department is that you do not ask the department to review itself. Therefore, I was asking the minister if he thought that he compromised the people who were asked to check these allegations out because that was the area which they may well have already had responsibility and were working within.

We have asked 10 different ways whether or not there was any reason for the minister not to have looked for either the support of the Auditor, or the audit function in Finance to take a look at what was occurring here. Instead, it appears that he chose the easy way out by saying well, really we were advised that we could only deal with the service side. There were calls for involvement by the Auditor earlier on. I ask if there was anything that crossed the minister's mind at the time as to whether or not he should be seeking that expertise. Did he simply decide that this was the route he wanted to go down and not look sideways while he was going?

**Mr. Sale:** Mr. Chairperson, you know, the most interesting question of all is what possible interest would I have in covering up mispending of monies that took place during the previous government. What possible interest would I have in doing anything other than unearthing, as aggressively as I could, so that I could relish the political opportunity. It defies any kind of reasonable reason that I would have some interest in anything other than finding out what was going on.

We found out what was going on in the Lions Club of Winnipeg, and we moved very aggressively on it. We did not cast blame on the previous government, but we fixed the problem. Had we found substance when we did the investigation, we would have done exactly the same thing.

Let me just underline our collective puzzlement at the notion that somehow we had something to gain from hiding a misallocation of dollars under a

previous government. It just makes no sense whatsoever. But that said—*[interjection]*

\* (23:00)

No, let me just review for the member how things get done. I am sure he remembers this because he was an able minister for a number of years. When something comes to a department that raises some questions about an external body that the department has a relationship with, you do not immediately go running to the provincial auditor or to the Treasury Board or to somebody else. You start with the resources you have in the department, and you ask those resources to take a look at the issue and see if they can determine whether there is substance to the concern or not. That is what all ministers do. I am sure that is what the member from Ste. Rose did when questions arose about departments that he was responsible for.

At the end of the day, when you are either unable to or you do find that there was substance, then you have to make a decision. Does this go to the Auditor? Does it go to be remedied through some kind of action politically in terms of Cabinet decision? You have to take it somewhere if you have found any substance, but you do not immediately start by taking a complaint and punting it to the provincial auditor.

When we found out what was happening with the Lions Club of Winnipeg, we did a fair amount of work to document the scale of the problem. Then we called in the Auditor and said you are going to have to help us with this one. We do not have the resources. At the end of the day, we came to the conclusion we needed to do the same thing with this one.

**Mr. Chairperson:** Order. As previously agreed, we would look at the clock at eleven o'clock as to whether it is the will of the committee to continue.

**Mr. Maloway:** Mr. Chairperson, I would suggest we continue till twelve o'clock and revisit the issue at that time.

**Mr. Loewen:** Mr. Chair, obviously, we are getting nowhere tonight. This government is continuing to stifle the committee and its work.

You know, we have the Auditor General and his staff at the table. I know he has a plane to catch at 5:45 in the morning. Why we would want to keep him here another hour to suffer through this sham of a committee is beyond me. So I think it is probably in everybody's best interest to wrap it up now.

Having said that, I would move

THAT the committee reconvene with the Minister of Health (Mr. Sale) in the Chair, and that invitations be extended to Peter Dubiński, Ben Van Haute, Carolyn Strutt, and Patricia Benson to attend the next meeting of this committee.

**Mr. Chairperson:** We have a motion that the committee can vote on.

**Floor Comment:** No, it is out of order. The motion is out of order because the committee cannot convene a meeting. The House has to call the meeting.

**Mr. Chairperson:** I have been told that the motion is out of order because this committee cannot call another meeting of itself unless it is called by the House committee. So the motion is out of order.

**An Honourable Member:** There was a suggestion also on the floor by Mr. Maloway about sitting to midnight.

**Mr. Derkach:** Mr. Chairperson, according to your own admission earlier, you said that in accordance to the procedures under 108(b), I believe it is, that you were calling for witnesses tonight, and that was quite in order. Now we have a motion before you, sir, and you are calling it out of order. Now, can you tell me what the difference is between you recommending that these witnesses come forward and the motion being out of order?

**Mr. Chairperson:** I should point out to the member that part of the motion is the recommendation that the committee reconvene. The committee cannot do that. The other part was part of what we talked about before. So, you got actually two parts to the—*[interjection]* The top part, calling the meeting to reconvene. If the member would like to rewrite it—

**An Honourable Member:** I would like to do that. I am willing to amend the motion. I am not sure if you

are having trouble reading my writing. That is not what I intended that we convene ourselves.

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** If the member would like to bring forth a new motion then. The minister is here to answer to questions.

**Mr. Derkach:** I only want to reiterate that the intent of this motion, I believe, is not any different than the motion that was passed Thursday night, when, in fact, this committee passed a motion indicating that when the committee reconvened, Mrs. Mitchelson would be in the chair.

**Mr. Chairperson:** I believe Mr. Loewen has the motion to be read in now.

**Mr. Loewen:** Mr. Chairman, I appreciate the advice from the Clerk. I would therefore move

THAT the committee recommend that, when it reconvenes, the Minister of Health (Mr. Sale) is in the chair.

**Mr. Chairperson:** It has been moved by Mr. Loewen,

THAT the committee recommend that when it reconvenes, the Minister of Health is in the Chair.

It is a debatable motion.

**Mr. Derkach:** No, Mr. Chair, I want clarification. I think you had indicated that the last part of that motion was in order. Is that correct? That we had asked for witnesses to appear. That part of that motion was in order?

**Mr. Chairperson:** Yes, I have been informed that the calling of witnesses is not within the purview of this committee.

**An Honourable Member:** What?

\* (23:10)

**Mr. Chairperson:** There was a motion passed, and there was also the indication that the Chairperson could propose recommendations. I believe it is called Rule 108, the Chairman "may propose procedures that facilitate the operation of the PAC." That is when the motion was put forth, and individuals were named under the proposal that the Chairman put

forth. I believe those were read into the record, and that was voted on.

Whether it was the rules of the committee, it is not the rules of the committee that they can call witnesses. The Chairperson may propose procedures that will facilitate the operation of the PAC. It was suggested that one of the procedures was to call witnesses. That is where the introduction, and the conversation that was made earlier in the day, when we had the meeting, when it was proposed by myself, that, as per Rule 108(b), certain individuals may be asked to come forth to this committee. It was at that time that it was voted down.

**Mr. Derkach:** That is why this committee is such a sham. Mr. Chair, earlier today we voted, at the beginning of this PAC meeting we voted on the issue of witnesses. That was not ruled out of order at the time. It was not indicated in any way that it was out of the scope of the PAC committee.

You recommended a procedure, and then because there was not unanimous agreement in this committee, we put it to a vote. Now, had that vote been in the affirmative, that would have meant that witnesses would have come forward, because that would have been the unanimous agreement of the committee, a procedure which you had, indeed, recommended.

Now, that same motion, that same procedure, is being requested by this side of the table. It is no different than what you had recommended in the beginning. Once again, it is just a matter of the Chair asking whether there is unanimous agreement to bring these witnesses forward. If there is not, there would probably be again, I would suggest, a vote on whether or not a majority of this committee would see that as a valuable exercise.

Now, Mr. Chair, I see that no differently than what happened in the beginning of this meeting, with one exception, and that is who is proposing this particular motion. So I argue the precedent has been set in this committee with regard to calling witnesses and with regard to voting on whether witnesses come forward or not. In this case it is this side of the table that is asking. I do not want to prolong this debate, because I think that this committee has shown to the public of Manitoba that this process is a sham and it needs to be corrected. It needs to be properly reconstructed so that, indeed, the recommendations of the Auditor can be implemented in their entirety

and that the function of this committee can then be constructive and productive for the people of Manitoba, and so that we can, indeed, hold government and its departments accountable to the people of Manitoba.

**Mr. Chairperson:** Maybe as a suggestion, it has been pointed out to me in conversation with the Clerk, the motion that is on the floor right now theoretically is causing a fair amount of concern. As a matter of procedure, though, I can reintroduce the motion that was first presented at the beginning of the committee meeting, which we can then vote again if we like. I used the word motion. I mean procedure, because the Chairperson can make proposals for procedure.

First, we have to deal with this motion that Mr. Loewen has brought forth. It has been ruled, theoretically, the whole thing, out of order, but the other half that I mentioned, that moved that the committee recommend when it reconvenes that the Minister of Health (Mr. Sale) be in the chair, that is in order and that is what Mr. Loewen moved.

Debate can continue.

**Mr. Gerrard:** Just one clarification. Surely, you do not want the Minister of Health in the chair. I thought you are in the chair.

**Mr. Chairperson:** I am reading the motion as it is written. I recommend the member be in the chair.

**Mr. Ashton:** I think that before we get more tangled in this web, we have a motion on the floor. We also had agreed to assess again at eleven o'clock, and the normal procedure in our committees is, I think, the assessment is based on the consideration that is being given, in this case, presentations by two former ministers and, indeed, where there are further questions that could be facilitated by going longer. I note last time we did assess at 11. I think we went to at least 11:40, 11:45. It seems to me that it would not be appropriate in this case to, essentially, go against that so I suggest we, members committee, may wish to vote this down, to continue the questioning and then recess again at twelve o'clock. But I think the proper way, as you have indicated, is to deal with this motion.

I find interesting members making comments from their seat, but I think the motion that is before

us clearly is in order. This deals with, obviously, the ability of the committee to order its business. My suggestion is to have the vote, deal with it and then, if it is not successful, to continue until twelve o'clock. I think that would facilitate further questions.

I would point out that the minister has been answering questions, entirely from members, the opposition, I might add, for about the same length of time that the former minister was answering questions which consisted of some questions from both sides and, I think, in this committee sides perhaps matter less or should matter less, given the mandate of the committee. But I think it would be entirely reasonable to continue at least until twelve o'clock, because I do believe that there, and you may be able to give us some indication if there are, other members wishing to ask questions, and that would be a more useful use of the committee's time.

**Mrs. Mitchelson:** You know, what hypocrites. We are seeing the exact reversal tonight on the government's side of the House as we saw on Thursday night. This just shows what a sham this committee is and how the politics that are being played and the heavy hand, and daresay, the union-style tactics of the socialists that are sitting across the table are, well, they are despicable.

**An Honourable Member:** Senator McCarthy over there.

**Mrs. Mitchelson:** A socialist is a socialist is a socialist. What we are seeing today is that kind of heavy hand, not—[interjection] This puts us one step closer—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order.

**Mrs. Mitchelson:** This puts us one step closer to Communism in this province, Mr. Chair. Well, we know—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order.

**Mrs. Mitchelson:** We know, Mr. Chair, that that is—

**An Honourable Member:** Last week it was jackboots; now it is Communists.

**Mrs. Mitchelson:** Well, I guess I could say, if the shoe fits, wear it.

**An Honourable Member:** Let us sing "Solidarity Forever."

**Mrs. Mitchelson:** No, I know that is what you sing every night, but, yes—

**An Honourable Member:** It is your prayer.

**Mrs. Mitchelson:** Anyway, it is their credo.

**An Honourable Member:** Feel better about that?

\* (23:20)

**Mrs. Mitchelson:** No, I do not feel better, because I think there is a double standard. That is why this committee does not work. We cannot get to the bottom of the issue. We have not had the opportunity. At every turn of the way, this government has stifled our ability to bring forward senior officials.

The minister has said many times, "I have nothing to hide." Well, if he has nothing to hide and nothing to fear, why is he afraid, and why are the socialists across the way afraid of having senior bureaucrats come forward?

The same motion was put on the floor by members of the government last week, the very same motion, and this government supported it and forced their will on this committee. But it is different now when their minister is in the chair and there are more questions that need to be answered.

**An Honourable Member:** Then start asking them.

**Mrs. Mitchelson:** Well, we offered on Thursday to extend the hours and the government said, "No, we will not allow that. We are going to impose our will and we are not going to sit any longer. We want the Member for River East back at the next session." So here we are, and I believe that, if the government today votes against this motion, they speak out of both sides of their mouth, but I guess that is what socialists do. They talk one way one day and another whenever it suits them.

So I, Mr. Chair, would hope that they would treat this motion today the same way they treated the motion on Thursday evening.

**Mr. Chairperson:** The motion before the committee reads: It has been moved by Mr. Loewen

THAT the committee recommend that when it reconvenes, the Minister of Health be in the chair.

**Voice Vote**

**Mr. Chairperson:** All those in favour of the motion, please say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** All opposed, say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Yeas have it.

**Formal Vote**

**Mr. Martindale:** A count-out vote, Mr. Chair.

**Mr. Chairperson:** A counted vote has been requested.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.*

**Mr. Chairperson:** I here declare that the motion is defeated.

\* \* \*

**Mr. Chairperson:** What is the will of the committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Committee rise.

**COMMITTEE ROSE AT:** 11:23 p.m.