

**Fourth Session - Fortieth Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Public Accounts**

*Chairperson*  
*Mr. Reg Helwer*  
*Constituency of Brandon West*

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Fortieth Legislature**

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

**Monday, December 8, 2014**

**TIME – 2 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Reg Helwer (Brandon West)**

**VICE-CHAIRPERSON – Mr. Matt Wiebe (Concordia)**

**ATTENDANCE – 10 QUORUM – 6**

*Members of the Committee present:*

*Hon. Messrs. Dewar, Gerrard*

*Messrs. Friesen, Gaudreau, Helwer, Maloway, Marcelino, Pedersen, Schuler, Wiebe*

*Substitutions:*

*Mr. Gaudreau*

**APPEARING:**

*Mr. Norm Ricard, Acting Auditor General*

**MATTERS UNDER CONSIDERATION:**

*Auditor General's Report – Operations of the Office for the fiscal year ending March 31, 2014*

*Auditor General's Report – Follow-up of Previously Issued Recommendations, dated January 2013*

\* \* \*

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

This meeting has been called to consider the following reports: Auditor General's Report—Operations of the Office for the fiscal year ending March 31, 2014; Auditor General's Report—Follow-up of Previously Issued Recommendations, dated January 2013.

For the committee's information, as a result of the recent Cabinet appointments, we have two vacancies. I would like to welcome Mr. Maloway as a new PAC member and Mr. Gaudreau, who will be sitting in for today's meeting.

As well, I'd like to welcome Minister Dewar in his new role as Minister of Finance.

Are there any suggestions from the committee as to how long we should sit this afternoon?

**Mr. Blaine Pedersen (Midland):** Mr. Chairman, I would suggest that we sit until we've completed the business of these reports.

**Mr. Chairperson:** Is that agreeable to the committee? *[Agreed]* All right.

So we are considering the—shall we consider the—is there any interest in—anyone wish to consider how we should review these?

So, first, we'll consider the operations of the office. Does that sound fair? *[Agreed]*

Does the acting Auditor General wish to make an opening statement?

**Mr. Norm Ricard (Acting Auditor General):** Yes, I do, Mr. Chair.

First, I would like to introduce the staff member that is with me. Tyson Shtykalo is our assistant auditor general responsible for financial statement audits in the office.

For the year ended March 31, 2014, we issued audit opinions on 35 financial statements, including the Public Accounts of the Province, as well as 38 opinions on other financial information. We issued seven project audit reports, started or continued to work on another eight project audits, and followed up on 244 recommendations.

Our operations report includes a discussion on the office's four critical success factors. Two are of particular concern to me, namely, independence from government and relevance of audit work performed. Above all else, we must be independent from government and the government organizations we audit.

A long, unresolved matter impacting our independence from government organizations is our relationship with the Civil Service Commission and the Treasury Board Secretariat. Because our act states that all of our staff must be appointed in accordance with the Civil Service Act, this has been interpreted to mean that we must follow Civil Service Commission and Treasury Board Secretariat

policies and procedures and related decisions on hiring, compensating, and classifying staff positions. While we are subject to their decisions, we are also responsible for auditing their operations. We believe this creates a conflict of interest. A government organization should not be in a position to make decisions that directly impact the operations of the office. Only the Legislative Assembly should have that ability.

I am not saying that the objectivity of senior members of the Civil Service Commission, the Treasury Board Secretariat or my office has ever been compromised as a result of our interactions, only that the risk is present, and, in my view, needlessly present. I respect the role played by the Civil Service Commission and the Treasury Board Secretariat in ensuring equitable human resource management practices within the Manitoba civil service; however, because of our need to be independent from government and to be perceived to be independent, I believe that oversight of the office's human resource management practices must be conducted outside the structures of the government. I have begun the process of determining how best to amend legislation to grant the Auditor General the staffing authority needed to function independently of the Civil Service Commission and the Treasury Board Secretariat while respecting the office's position within the Manitoba public sector and the need for accountability to the Legislative Assembly. As such, I am today seeking the support of the Public Accounts Committee on the need to strengthen the accountability structure within which the office operates.

The other critical success factor I would like to highlight is relevance of audit work performed. There are more programs, issues, financial statements within the government reporting entity than we have the resources and capacity to audit in a year or even over several years. It is critical therefore that we use our limited human resources in ways that will maximize the value received by the Legislative Assembly. A key decision for the office is how much of our resources to devote to financial statement audits versus projects audits. For the past several years, our goal has been to spend an equal amount of time on each. With this allocation, we strive every year to present the Legislature with a wide array of project audits while meeting our statutory obligations to conduct specified financial statement audits.

Now the office conducts the financial statement audits for 26 of about 150 organizations that comprise the government reporting entity. Of concern is that many of these 26 engagements are in place because of a legislative requirement rather than an explicit consideration of the importance or significance of the organization within the government reporting entity. As a result, office resources are being used to audit the financial statements of organizations that may be considered of lower importance and private sector accounting firms are used for more significant organizations.

As Auditor General, I am uniquely positioned among external auditors, as I have a mandate to bring to the attention of the Assembly anything resulting from the work of the office that I believe should be brought to the attention of the Assembly. This is why a more strategic mix of financial statement audits would maximize the value of our financial statement audit work to the Assembly. We have begun an analysis to identify selection factors to help determine which financial statement audits we should conduct or where we should conduct more strategic overview procedures. These factors will be used to guide our future efforts of pursuing a more strategic group of financial statement audits.

Our 2014 operations report also includes a discussion on the implementation rate of our recommendations with respect to the 429 recommendations issued between April 2007 and June 2012. I can report that as of June 30th, 2013, 136 or 32 per cent had not yet been fully implemented. We continue to encourage the Public Accounts Committee to request action plans for some or all of the recommendations that remain in progress, particularly in relation to 66 of the in-progress recommendations that we have followed up for three years and for which we do not intend to continue following up.

\*(14:10)

In closing, I would like to acknowledge that the work completed in 2013-14 was directed by the former auditor general, Carol Bellringer. Carol worked tirelessly over her eight years with the office to ensure the Legislative Assembly, the Public Accounts Committee and the citizens of Manitoba were well served by their investment and trust in the office.

Thank you, Mr. Chair.

**Mr. Chairperson:** Thank you, Mr. Ricard.

Now, before we get into questions, I would like to inform those who are new to this committee of the process that is undertaken with regards to outstanding questions. At the end of every meeting, the research officer reviews the Hansard for any outstanding questions that the witness commits to provide an answer and will draft a questions-pending-response document to send to the witness. Upon receipt of the answers to those questions, the research officer then forwards the responses to every PAC member and to every other member recorded as having attended that meeting. At the next PAC meeting, the Chair tables the responses for the record.

Therefore, I am pleased to table the responses provided by the following deputy ministers: Deputy Minister of Justice, to all the questions pending responses from the August 27th meeting; Deputy Minister of Finance, to all the questions pending responses from the September 3rd meeting; acting Deputy Minister of Finance and the acting Auditor General, to all the questions pending responses from the September 8th meeting. These responses were previously forwarded to all the members of this committee by the research officer.

The floor is now open for questions.

**Mr. Pedersen:** Mr. Chair, through you then to the—Mr. Ricard, the acting Auditor General: This, in terms of independence of the Auditor General's office, is nothing new. As long as I've been on PAC, it's come up every year in the annual report of that, so we're not really dealing with anything new.

In here, you've—in your report, there's three bullet points: explicitly grant to Auditor General the necessary authorities, et cetera, et cetera; require compliance; and require annual accountabilities. Now, I guess I'm sort of looking at how procedurally this works for it. It takes amendments to the existing act under the Auditor General and, as I understand, under other independent officers such as the Ombudsman and the Child Advocate's office, et cetera. From your point of view, is it—do you feel it's within your purview to send this—we on PAC know about this; the members—the MLAs who are on legislative management committee know about this. I'm not sure the other members of the Assembly, the 57 members of the Assembly, know about this. Have you—is it within your purview to perhaps send a notice to the other MLAs that this is what you would like to see, or do you—would you not be comfortable with doing something like that?

**Mr. Ricard:** I guess, when we included it in the operations report in as detailed a fashion as we did this year, in my—because it's a report that's tabled in the Legislature, it seemed to me that it achieved that exact purpose. It provided information to all the members that this is a concern of ours, an ongoing concern of ours, and one that we are trying to move forward more aggressively in resolving.

**Mr. Pedersen:** That's right; it is tabled in the Legislature, but I'm sure with the—all the things that run past our desks, not all members are aware of this, so I'm just wondering if there's some way that we can make—help make other members aware of this. And so that's—perhaps that's what we need to do as members of this committee or LAMC need to do, and so I'll leave it at that. Like it—you—it is public information so we can go with it from there.

I guess the other question I have is if you had this—independent authority is what you're looking—what you're asking for in this—and again, it's nothing new; it's been asked for for a number of years. So how would the—we'll use the Auditor General's office as the example, not the other independent officers—how would your office then be scrutinized for human relations—HR practices, et cetera? If currently you're covered under the Civil Service Commission and the Treasury Board, how do you envision that working then if you did have this independence that you're seeking?

**Mr. Ricard:** That's an interesting question. It's one that we haven't completely resolved. You know, being scrutinized, to use your word, through the LAMC is one option—probably the most viable option. We haven't looked at this in any great detail, so I can't speak to how specifically we see it working. But definitely the LAMC is an avenue for us, you know, for the Legislative Assembly to use to hold us accountable for our human resource management practices.

**Mr. Pedersen:** Your budget actually comes through LAMC, does it not? So, therefore, it could be—if there was things like HR complaints or whatever, it could go through LAMC then?

**Mr. Ricard:** Yes, it could. Like, the LAMC approves our budget. They also approve—if we want to request an additional full-time equivalent position, it all goes through LAMC. So it's just—it feels like a natural extension of that role.

**Mr. Cameron Friesen (Morden-Winkler):** To the Auditor General—or the acting Auditor General, thank you for sharing in your report this area, like my colleague has already said—the member for Midland (Mr. Pedersen)—this is not a new area of examination, certainly not the first time that this issue has come to this committee. And I recognize on page 15 of your report how you indicate that there is an important issue of best practice at stake here. And I have to agree in principle with the concern expressed by the AG office that the potential would exist under the current framework for a situation in which there would be real sensitivity and a real concern about conflict of interest.

I wonder if the acting Auditor General could indicate to this committee, besides the formal notification through formal channels to the Legislature of this area, have—has there been other correspondence to the Legislature or to the Speaker's office or other members expressing what best practice looks like in other jurisdictions and how it differs from the practice here in Manitoba?

**Mr. Ricard:** I believe in—the time frame is going to escape me exactly, but the former auditor general, Carol Bellringer, had drafted a letter to the Speaker expressing her concerns and including an analysis of the practices in other jurisdictions, or an abbreviated analysis, I believe.

**Mr. Chairperson:** Mr. Friesen, if there's communications that we have not seen, there's things that perhaps we can't address. If it's a communication to the—from the Auditor General to the Speaker, it's those two individuals that would have to speak to it, so.

**Mr. Friesen:** I can reframe my question.

**Mr. Chairperson:** Okay.

**Mr. Friesen:** I wonder, then, in addition to the argument that the acting Auditor General and the AG office has advanced here—one that I think is a significant one—would the AG office be able to provide us with information they might have on hand—members of this committee—of how the practice here differs from other jurisdictions in Canada? Is that information they would be able to share with this committee in the form of a letter?

**Mr. Ricard:** It's certainly information that we possess. One of the—just a caution—because we gather information from our contemporaries in other

jurisdictions, you know, the other legislative offices across the country, and some of that information I'd have to check if it's public or not. So, before I could share that, I don't want to just—so it—you know, confer with my colleagues across the country to ensure that they are comfortable with that information being shared. So that might just take a little bit of time is what I'm getting at in terms of turning around an analysis.

**Mr. Friesen:** I thank the acting Auditor General for looking into that matter for us.

I wanted to also reference on page 15 of the Operations of the Office report, also under this section, Independence from government. The report indicates that they are looking for support—tacit support—from this committee for the changes that the Office of the Auditor General is proposing. I would just like to ask the acting Auditor General to comment. What would—in his mind, what would support from this committee look like?

\*(14:20)

**Mr. Ricard:** What we were hoping to get would be a statement of agreement or support with the notion that the accountability framework within which the office operates should be strengthened in this manner with statement by the Public Accounts Committee to the Legislative Assembly expressing support of the initiatives undertaken by our office to strengthen the accountability framework.

**Mr. Chairperson:** Mr. Wiebe had a question?

**Mr. Matt Wiebe (Concordia):** Just to back up just a little bit in terms of the question of objectivity or conflict of interest, I'm just wondering—so you say very clearly in your report that there has not been a compromise of objectivity to this point. I'm just wondering if you could—so this would be, I guess, a hypothetical situation or something that you could foresee happening. I'm just wondering if you could give us, maybe, an example of what that might look like or how, in what specific ways, you might think that there could be a conflict-of-interest problem in the future.

**Mr. Ricard:** Certainly. So let's use an—let's use a hypothetical example. We—because we are the auditors of the Civil Service Commission, we recently, for example, issued a report on an ethical framework within Manitoba, and that's an audit of the Civil Service Commission. So, as part of that auditing process, part of that clearance process of the report, we meet with senior officials from the Civil

Service Commission, including the Civil Service Commissioner, to talk about our findings, to talk about our recommendations. Not all of our recommendations, not all of our conclusions are necessarily supported by the Civil Service Commission. I think if you look at the report you'll see that that's clearly the case.

So imagine a meeting, one week, of us with senior representatives from the Civil Service Commission to talk about a report, having very difficult conversations around conclusions and recommendations, and the following week having a meeting with the same people asking for or indicating that the office would like to reclassify a position and then that reclassification being denied.

So here you have a situation where we are auditing, we are commenting. They don't like the messages too much. They are in a position to make a decision that impacts our office in a way that we don't want it to, and yet we both have to put aside our—what's the right word?—dissatisfaction with the other party to make an objective decision, both of us. It just puts us and them, in my view, in, potentially, in difficult situations where we shouldn't have to intersect that way.

**Mr. Chairperson:** And be clear, this is hypothetical only. This has not occurred. So just to be clear to everyone, this is an example of what might be a conflict, not something that has indeed occurred.

Mr. Wiebe, do you have a follow-up?

**Mr. Wiebe:** And just quickly, with regards to the staff request, the office is asking for an additional staff person to handle the HR and additional duties that would come from detaching yourself from the Civil Service Commission. Is that correct?

**Mr. Ricard:** That would eventually be the role of that person. Regardless of how we move forward, what I'm looking to hire is a director of HR and administration. So that person would be responsible for the administrative component of the office as well as the HR. So, currently, that would mean liaising with the Civil Service Commission and the Treasury Board Secretariat on all matters to deal with HR. Currently, our executive staff, in many regards, our principals spend a significant amount of time, when we're recruiting and hiring and promoting, on HR-related matters. That, I think, would be better handled by an HR professional, certainly, led by an HR professional. It doesn't take away the role that our executives and principals

would have to play, of course, but it could certainly relieve them of having to manage the process. They could just then do what needed to be done, but not manage it.

**Hon. Greg Dewar (Minister of Finance):** My question is, of course, to Norm. I think—maybe you can just comment on them, but I believe that any changes that would be required to the Civil Service Commission act to accommodate your request, would that not—should that not include all the other independent offices as well?

**Mr. Ricard:** I think it would be a good idea to—when looking at how best to strengthen the accountability framework within which the office operates, that we would look—that the Assembly should look at how best to treat all of its independent officers. So, yes, I believe if—what's good for us is also very good for the Ombudsman and the Child's Advocate and the Chief Electoral Officer.

**Mr. Dewar:** I also understand that you have been working with the Civil Service Commission and the Treasury Board staff to come up with some interim measures. Can you maybe outline those to the committee?

**Mr. Ricard:** It's a little early; we've met once and we talked about possible interim measures to create a better environment, one of more independence from the Civil Service Commission and Treasury Board Secretariat, but we haven't made much progress. It's still early days, really. I provided the Civil Service Commissioner with a list of HR management concerns that we had and have since then—I'm still waiting our—you know, our next meeting to discuss the matter further.

**Mr. Friesen:** I'm just seeking a quick clarification. On page 15, going back to the issue of the 2015-16 budget submission to LAMC by the AG's office. Could the acting AG please indicate for this committee how many people now are full time in the office of the Auditor General?

**Mr. Ricard:** We have 55 full-time people: 53 of those are permanent staff and two are term.

**Mr. Friesen:** And, if I heard correctly in your response to Mr. Wiebe, at this point you say the practice is that even principals on an audit, really, the work would fall to them, to bring on additional resources as needed. They would be doing—they would be publishing advertisements for positions and they'd be interviewing and doing all of that work. Was that correct?

**Mr. Ricard:** That's correct—principals or actual executive members.

**Mr. Friesen:** One final question on that matter, and that would be it would seem to me in an office of more than 50 people that there would have already been a human resources or office manager. Is it—when he talks just with other offices across Canada, the—anecdotally, would he report that offices of this size would have a position of this type, a human resources office manager?

**Mr. Ricard:** The short answer is very much yes. We—in Manitoba, we are middle of the road in terms of size. The offices on the Atlantic coast are much smaller. Quebec, Ontario are very large and BC is very large. Alberta—very, very large. All of the large offices have HR functions. The only offices that don't are the really small offices in the Atlantic provinces. Interestingly enough, the office in Newfoundland and Labrador has an individual that is closer to an HR professional than we have.

**Mr. Ted Marcelino (Tyndall Park):** Yes, just a corollary, maybe, to the principal question that was asked by Mr. Friesen—do you have any independent contractors or consultants being employed now?

\* (14:30)

**Mr. Ricard:** We—it's not unusual for us to work with consultants on different audits. We also work with accounting firms to supplement our audit staff during peak periods, but, currently, at the moment, there are no contractors working for the office.

**Mr. Marcelino:** So, if we were to follow up on the answer given, is that something that's good business practice or not?

**Mr. Chairperson:** Mr. Ricard, I'm not sure if you want to give an opinion on this one, but it's—

**Mr. Ricard:** I'm not sure I understand the question. Is it a good business practice to hire a consultant?

**Mr. Chairperson:** Mr. Marcelino, would you care to clarify?

**Mr. Marcelino:** Yes. It's more on the secrecy and confidentiality of all government operations. If you have an independent contractor employed not by the Auditor General's office or the government, how can we assure ourselves that all our data are secret?

**Mr. Chairperson:** I guess, Mr. Ricard, the question is on your confidentiality with your hires, how you deal with that.

**Mr. Ricard:** All of our contractors sign confidentiality agreements with the office, so there is no—they become staff of the office for the time that they work with us.

**Mr. Pedersen:** If we can move on to page 29 of your report here, between August 2007 and June 2012, 429 recommendations were issued in 29 audit reports. As of June 30th, 2013, 32 per cent had not yet been fully implemented.

Can you give us an update on that, more to date?

**Mr. Ricard:** Unfortunately, we are currently working on a follow-up report. That follow-up report will be as at June 30th, 2014. As we speak, as a matter of fact, we are still compiling responses from departments and compiling a report. We hope to be able to issue the report early in the new year, January-February period.

**Mr. Pedersen:** Mr. Chair, just for clarification, if I understand correctly, do we have to be in session when that report, then, is issued to the public, or how does that work?

**Mr. Chairperson:** My understanding is that the Auditor General issues that report, and we—when we are—we receive it when we go into session. So, until we receive it, I think it's been the practice that we can't consider it in Public Accounts, but the Auditor General can release it.

Perhaps Mr. Ricard could clarify his side of it. Mr. Ricard, if you can.

**Mr. Ricard:** So, yes, it's not unusual for us to issue reports when the House isn't sitting, and we have our standard intersessional procedure for issuing reports, all of the—we distribute it to the Speaker as well as all the members of the Assembly, and then it is our understanding that the Speaker tables it once the House sits.

**Mr. Chairperson:** My understanding is correct. It is deemed tabled on the first day of our session, but until it is tabled, we can't consider it in front of Public Accounts. But it can be released to the public and you can review it and read it at your pleasure and enjoy the Auditor General's comments and recommendations.

**Mr. Friesen:** I wanted to ask the acting Auditor General if he would comment on the number of recommendations that are not fully implemented. His report indicates on page 29 that in a five-year period there still exists 32 per cent of the recommendations that have not been fully implemented.

I'm asking for a comment by the acting AG. Is this acceptable and is this a standard rate? Because, as a committee member, it seems like a high number to me.

**Mr. Ricard:** I think it's fair to say that 32 per cent after, you know, given that time period, is still very high. We would prefer to see a higher implementation rate. But there are many factors that come to play in terms of the ability of a department or a Crown to implement the recommendations. It's not one of the things that we follow up on. When we do a follow-up—we—it's a—pretty much a numbers game: Is it implemented or not? We leave it up to the departments and the Crowns to indicate to the Public Accounts Committee, when they do meet before it, to discuss the progress against the recommendations, why the progress has been as—has been delayed potentially.

**Mr. Friesen:** And I want to ask another question of the acting AG and ask him again just to comment when it comes to comparing Manitoba to other jurisdictions: In his conversations with other auditors general, would he indicate that they also would report back similar, yet to be fully implemented numbers?

**Mr. Ricard:** Unfortunately, that's not a question I can easily answer, because the follow-up practices of the offices across the country vary significantly. I can tell you, in one of the Atlantic provinces where they reported a—I believe it was a 79 per cent implementation rate, and they were expressing incredible dissatisfaction with that. So—but across the country, it's difficult, so I can't say where 32 per cent or 28 per cent, depending on the time frame we look at it—where that falls in the spectrum.

**Mr. Friesen:** I thank the acting Auditor General for raising this point in the operations of the office in this particular part of the report because it is an issue of extreme importance for us as a committee, and I know that we deliberate a lot about how to revisit outstanding recommendations. We know that on this committee we have an obligation to the ratepayers—to taxpayers of this province, and we wonder from time to time how we can both serve your office by retiring reports so that you can focus on new work, while at the same time holding these areas to account for work that they have agreed in most cases to perform. We understand that these recommendations are—they're not issues of contention. These—in many cases, these reports have been to the committee table, we have had witnesses here, and they have said, in

many cases, we're working on this. This is something that we're working on, and we intend to get it done.

So I take—I'm interested in the language you use at the bottom of page 29 when you encourage the committee to request detailed action plans for some or all of those recommendations. And I would agree with you that there's an important role to be played here by the Public Accounts Committee.

I wonder if the acting Auditor General would just comment then: In what cases, then, would he see us perhaps issuing a request? Would it be whenever we see that there would be a recommendation that is not yet implemented, as we will yet consider this afternoon?

**Mr. Chairperson:** Mr. Ricard, I'm not sure if that's in your area of expertise, but I'll allow you to consider it if you wish.

**Mr. Ricard:** If I understand the question correctly, it's a question around how I would see the committee acting in terms of requesting detailed action plans of departments. I mean, in my—from my perspective, the committee should be focusing first on the—if you go to page 31—the 66 recommendations in progress for—you know, that we will no longer be following up on. So there's 66 there that are on the bottom of that page that could be the subject of an action plan request, but the committee itself may choose to be more selective.

There's a department there, if you look at—for the August-October-December line—the Province's management of contaminated sites, for example, in landfill are 42 outstanding recommendations. That strikes me as a good candidate for an action plan request. But it would be, you know, the reports that the committee is particularly concerned with or that the committee believes is more strategic than the others. It would be, you know, the—it could be them all; 42 covers a lot.

But the personal-care homes program, there are five outstanding recommendations. Personal-care homes is a significant area, I would argue.

**Mr. Dave Gaudreau (St. Norbert):** Yes, on the—on page 29, you have the 32 per cent of—do you have a ballpark number of what it would cost to implement some of these recommendations? Like, would you know that—what the cost would be for the government?

\* (14:40)

**Mr. Ricard:** Unfortunately, I would have no information on that at all.

**Mr. Pedersen:** So going—and you were highlighting page 31. Using this as an example only, not necessarily these ones per se, but the Province's management of contaminated sites and landfill, we're going to look at this—perhaps we will look at passing this report today on chapter 4 of the January 2013 report. But that does not really stop us. Just because it—if it were to pass here, we could still go back to the department in a timely manner, to the department, not trying to blindside them or anything—

**An Honourable Member:** Or with notice.

**Mr. Pedersen:** —with—perhaps with notice as to ask where they're at with these 42. And, I guess, really, the question comes down to just because we pass a report here, it takes it off of your backlog, but that doesn't necessarily mean that the department is off the hook then. We can still ask questions of that sometime down the road, with proper notice.

**Mr. Chairperson:** I guess to start to answer a little bit of that, the recommendations are still outstanding. They don't stop because we have accepted the Auditor General's review of that department. Those recommendations were made to that department and some of them, they're still carrying forward. We have to deal with how we would address those questions if we write something to the—a letter to the department or to the AG or the assistant or the deputy minister. But I'll let Mr. Ricard answer from his perspective.

**Mr. Ricard:** The one caution is that we have a follow-up report subsequent to the one that you're currently looking at, which, I believe, includes another follow-up of this particular audit. So passing that report—there is another follow-up report coming up with the same audit follow-upping, is all I'm saying. So it's—from our perspective, whether you pass or not, the recommendations are outstanding and live. We follow them up for three years and then we stop because of resourcing constraints.

**Mr. Pedersen:** So, when this follow-up report's coming out, we may actually see less than the 42 that are outstanding there right now in—again, using this contaminated sites and landfills report. So perhaps we need to wait for the follow-up report to come up. But, at the same time, I guess it's a terminology thing to make sure that when—just because we pass a report, that all that means is that we are accepting the Auditor General's report, we're not passing the department on this—

**An Honourable Member:** Excusing.

**Mr. Pedersen:** —or excusing the department.

**Mr. Chairperson:** Thank you, Mr. Pedersen. That is, I think, a correct interpretation. And Public Accounts can request the Auditor General to review a report or an agency. So, if we found, down the road, as Public Accounts Committee, that we were concerned about a particular report and required there to be a follow-up, even though it was not scheduled, we could as a committee, if we agreed, request the Auditor General to look at that.

**Mr. Ricard:** I just wanted a follow-up comment on the status of that particular audit. The—this table shows the status of all of these recommendations as at June 30th, 2013, which is the—as that date of the report that we issued in May 2014. So it's the most current information we have.

**Mr. Friesen:** I have a question pertaining to page 18 and 19 in the report. It's having to do with what the acting Auditor General referenced in talking about the relevance of the audit work performed. I had a few questions just with respect to that. I thank the office for bringing this issue to our attention.

I know that the acting Auditor General indicated that, you know, because they have finite resources and they are tasked with doing certain audits that really act as flow-through funding entities, that perhaps their activities would be better directed looking at the subsidiary groups or the recipients of those funds and then—and applying audits in those areas. And I think, in principle, I would agree with that analysis.

What I would like to ask the acting Auditor General in this case is he makes a comment to say he has begun to analyze and to identify selection factors. So I understand it would be very much at this point in a preliminary stage of this kind of thing. I would like to ask the acting Auditor General to say—I understand it's a work in progress, but what kinds of factors would they be analyzing to determine how they might be able to better use their time and resources?

**Mr. Ricard:** So what we're trying to do is come up with a way of analyzing all of the 150-odd entities within the government reporting entity to say which one of these should we as the auditor for the Province be involved with or—and so we would be looking for factors that would help us make that determination. It can be—we haven't yet begun, so I hesitate to raise any possible factors. But, certainly,

things like issues raised in the House on an entity, the sheer size of the entity, the dollar value, the debt load of an entity. Nothing else is coming to mind, but factors like that that we could apply against them all to say these ones here are likely of strategic value to the Legislative Assembly and we should be involved either in doing the financial statement audit directly, but because we have limited resources, there is only so many we can do. But we could also strengthen our processes internally by doing what we call strategic oversight procedures on a number of organizations where we do currently more limited review procedures.

**Mr. Friesen:** I thank the acting Auditor General for that response, and if I could add, and he can clarify this, correct me if I'm incorrect, but I believe that because the act compels the Auditor General office to report to the Legislature anything that they believe would be a concern to them, how this would help our processes is that where an external agency conducting an audit doesn't have that requirement, that even the involvement of the AG office in some of these other areas would mean that there would be this necessity of reporting back to legislators through this committee anything of interest that you discover. Is that correct?

**Mr. Ricard:** You're correct in your statement that we have a mandate to report to the Legislature anything that comes to our attention that we feel should be brought to the attention of the Assembly as a result of our audit work. And so private sector auditors conduct the lion's share of government reporting entities; they don't have that reporting relationship to the Assembly. We are unique that way, and that's why, for those entities that are strategic or more important to the Legislature, we would have the ability to share with the Assembly any concerns that we might have that a private sector auditor would not.

**Mr. Friesen:** When would the work that the Auditor General offices conducting on this matter be reported back? What is the timeline that the acting Auditor General is—would indicate for this work?

**Mr. Ricard:** We're hoping to be able to include in next year's operations report the factors that we will use or have used. It depends on workload, but, certainly, we intend to be able to report the factors.

**Mr. Chairperson:** Any further questions of this report?

So, before we move on to accepting or not accepting this one, shall we move on to the other report we are considering? The Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated January '13.

And I believe you had some comments in your opening statement about it. Is there anything you'd wish to add about this report, Mr. Ricard?

**Mr. Ricard:** No, there's nothing I'd like to add. Thanks.

**Mr. Chairperson:** Are there any questions of this January 2013 report?

\* (14:50)

**Hon. Jon Gerrard (River Heights):** Yes, one of the sections here dealt with the report on managing climate change, and I notice that in this report, only one of 15 recommendations is completed. I further note that that is exactly the same status as the year before and, you know, that's a 93 per cent incomplete record which kind of stands out as a rather drastic sore thumb. And I wondered whether—and you've completed your audit on this follow-up twice now—whether you would comment on the status of these recommendations in this area of climate change.

**Mr. Chairperson:** Understanding that we don't have the deputy minister to answer particular questions, but do you have one that we can direct to the Auditor General?

**Mr. Ricard:** Certainly, you know, 14 out of 15 still in progress as at June 30th, 2013, is certainly not the progress we had hoped to see, but this is where I think the department might be able to explain why the progress has been as slow as it has. It—the—I mean, the recommendations are likely difficult to implement or some of them would be difficult to implement, and so it is interesting because it's one of those that we are currently doing a final follow-up on. I can't talk about the findings of that follow-up, but it is one that we will be making more comments on in our coming follow-up report for sure.

**Mr. Chairperson:** So there will be a follow-up report to that particular one, Honourable Dr. Gerrard, so we can indeed ask the department should we choose to call that report.

**Mr. Gerrard:** I—just wondering whether, when you went through this, you found any sign of any, you know, improvement over the years.

**Mr. Chairperson:** I believe we're going to have to limit that one to the report when we have the follow-up. We're asking the AG to report on an ongoing review, so perhaps that's not something we can really ask at this point.

**Mr. Gerrard:** I mean, it seems to me that it's relevant, at least in terms of the report that we're looking at on the table, whether there was any sign of progress.

**Mr. Chairperson:** I guess—was there any progress between the two reports, in the AG's opinion? Is that okay?

**Mr. Ricard:** Well, between the—certainly between the January 2013 follow-up report that we issued and the one that we issued in May 2014, there was very little progress.

**Mr. Gerrard:** What I wanted to start and at least get the situation—let me pass it back and I may ask some more questions.

**Mr. Chairperson:** Okay.

**Mr. Friesen:** My question is similar to Dr. Gerrard's, and that is while I recognize that we don't have the deputy minister here today, I guess I would ask a question pertaining to the section 9 on public sector compensation disclosure reporting. And I wanted to ask the acting Auditor General, if in his opinion between this report then and the next one, the May 2014 report, if with respect to the No. 2 work-in-progress item, if in his opinion there had been progress made on making government reporting of public sector compensation reports available on a provincial government's website?

**Mr. Chairperson:** So, Mr. Friesen, is that comparison between published reports or an expected report?

**Mr. Friesen:** In my view, this would be an opinion expressed by the acting Auditor General between this report we have in our hands and another report that has been published.

**Mr. Ricard:** So, in the January 2013 report for chapter 9, the Public Sector Compensation Disclosure Reporting, we show three as a work in progress, on table—figure 6 in our operations report, page 31, we show the progress of that same report as at June 30th, 2013. So the progress that was reported in our May 2014 follow-up report has still three remaining in progress, so no progress. The first—

**Mr. Chairperson:** Mr. Friesen—you've got the page picked up there? Okay. So that is between the two existing reports. No comment on the current report that they are reviewing.

Further questions—oh, Mr. Ricard?

**Mr. Ricard:** Just a clarification. The Public Sector Compensation Disclosure Reporting is one of those that we are no longer following up. Okay, page 31, no additional follow-up reviews.

**Mr. Friesen:** So now, I'm going to ask a question again that will reference an answer that Mr. Ricard gave just earlier. So, again, if I'm looking at my page 31 of the Operations of the Office, because that table there summarizes a lot of this work, and the acting Auditor General has just said, then, these three recommendations that I just—I cited one of them. Those do fall in the category of ones that will not be followed up on in any other case.

Then, in the opinion of the acting Auditor General, if it was the intent of this committee or the will of this committee to provide some kind of direction to a department to report back to us, an action plan, would this also be, if I had questions pertaining to this, would be—this be a good place for us, as members of a committee, to issue such a request of a department to perhaps come back and tell us how are things going, even though the Auditor General office won't be following up any longer?

**Mr. Ricard:** I'll leave the committee decide if it's a good place. It's one of the places—it's one of the places. On page 31, any of the reports that are listed on that page are potential candidates for the committee to focus on.

**Mr. Friesen:** So, Mr. Chair, I'm going to ask for you to provide a comment here, as a member of this committee. What I'm wondering about is if it was the will of this committee to provide a direction to departments and, certainly in this area, when I look at the column that Mr. Ricard has referred us to, yes, we have 66 works in progress there that—I'm trying to respect the good work that has been performed by the Auditor General. It's an enormous amount of resources that go into reporting to this committee, and it seems that we understand that our work here is serious and we understand that this is done on behalf of the taxpayer.

I wonder if, Mr. Chair, if you would give us some kind of direction about how our committee could make a request for a detailed report by these committees—or, sorry, by these entities to provide an

update to this committee about where they are with respect to these unfinished acts.

**Mr. Chairperson:** Well, to remind the member, this committee acts by consensus. So, if it is the will of the committee to proceed in that manner by consensus, then we can so do so, should we choose. It is also something we have had several discussions on reviewing how we—what our rules are and how we may want to interpret them. But that is not the point we are at today. So, unless there is a consensus from the committee today to proceed on this immediately, I think we'll have to delay that concept for a rules review. I think some of it will be done in camera and some of it will be done, perhaps, by a committee. But that's for this committee to decide.

**Mr. Friesen:** Thank you, Mr. Chair, for that response. But, then, just to reiterate, and I understand the process here and that we're trying to work together to accomplish some of this work, and even, you know, and even attend to some of the matters about how we function. But, then, for clarification for myself, we could still, the next time, for instance, the Finance Deputy Minister is here at this committee, with notice or in another way, we could indicate that we would like to have an update on these matters. Nothing would prohibit us, the next time that group is at committee, from asking questions pertaining to these matters. That would, in essence, allow this to retire off of the Auditor General's office. They could put this matter, you know, in a filing cabinet somewhere, but we still would retain the right to ask questions later on, for instance, on that Finance chapter on pages 50 and 51 of the January 2013 report, works in progress 1, 2, and 3. Am I correct in assuming that?

\*(15:00)

**Mr. Chairperson:** There is nothing preventing a committee member from asking any particular question about a deputy minister that is present as a witness that has—on a report that has been considered in the past. Even this has been accepted.

However, I would suggest to committee 'menemers,' as I have in the past in other forums, that it is not reasonable for us to expect a deputy minister have full knowledge of every report that has been issued with respect to their department. So, if it is a report other than the one we are currently considering, we would probably have to request the member to send a written request to that deputy minister so that they're briefed on it when they come to committee. I don't think it's reasonable to expect

the deputy minister to know every particular question that the member may have—a response to every question.

**Mr. Friesen:** I'm not going to test the patience of this committee, but as a relatively new—

**An Honourable Member:** Oh, no.

Keep going.

**Mr. Friesen:** But, as a relatively new member of the Public Accounts Committee, I wonder if this is something that we could get assistance from with respect to the resources that are allocated in the Clerk's—or, sorry, in the Public Accounts Committee office, where—could we have someone, whenever we have a department coming to the committee, be able to simply review the docket, see what recommendations are outstanding and add those exactly to our agenda items? So it's captured; it's followed up on. But it wouldn't rely on the efforts of individual members of this committee to try to remember what had been parked under the works in progress but there would be a mechanism to simply keep that coming up at committee the next time the appropriate department is here reporting at the committee? *[interjection]*

**Mr. Chairperson:** Mr. Marcelino?

I think—is there a question here, Mr. Friesen, or a guidance? Some of this, I would recommend, you take back to either recommendation to the steering committee or to discuss it in camera. I think that was the intent of where we were going to go previously, but we're not there now. So I don't think it's something we really want to open up here.

You are certainly, as a member of this committee, able to ask a question about any relevant report, but I don't know that you're always going to get the answer if you have not informed the deputy of that question. And you are able to seek consensus of the committee, should you wish to forward a question to the deputy, but that is something we—probably you're not going to do today.

But, Honourable Dr. Gerrard?

**Mr. Gerrard:** Yes, just one of the audits that will be left behind is the one on the Employment and Income Assistance Program, and you report that there are two recommendations that were not completed. And can you advise us which of the two recommendations were not yet completed and—

**Mr. Chairperson:** Mr. Ricard?

**Mr. Ricard:** To do that, I'd have to see the May 2014 report.

**Mr. Chairperson:** Just a moment while the acting Auditor General reviews the report.

**Mr. Ricard:** So the two recommendations that remain outstanding as at June 2013 are No. 10 and No. 14.

**Mr. Gerrard:** Yes, just the No. 14 which is—deals with a formal documented process for reviewing and making recommendations to periodically update basic and shelter rates and so on: Would you regard that as a particularly important recommendation that would be important for the program?

**Mr. Ricard:** So we consider all of our recommendations to be significant. Otherwise, we don't make them.

But, yes, I would say this is a—this would certainly be an important recommendation that we would like to see the department implement.

**Mr. Gerrard:** Yes, one of the areas which was not actually on one—this one will get reviewed again, but I'm looking for just some insight in terms of to what extent there has been any progress. This deals with the one under economic development loans and investments under the development corporation act. And, I mean, it would seem to me that where we're talking about the government making loans that there should've been a priority in terms of making sure that this money is managed well. And so, I'm particularly interested in to what extent there's been any progress up until your 2014 report on this particular recommendation or series of recommendations. I think there are eight which are not yet completed.

**Mr. Ricard:** So, in the May 2014 report, we indicate that there are four recommendations that remain outstanding. Just a sec so I can identify which ones.

So those four recommendations are No. 8, 9, 10 and 14.

**Mr. Gerrard:** Let me take No. 14, which deals with the accuracy and consistency of performance measures for the program. It—I know you see all your recommendations as important, but if you're going to be running a program that's going to be loaning public money, it would seem to me that this would be a rather substantive recommendation, and I'd just like you to comment if you would.

**Mr. Ricard:** I would agree that it's an important recommendation because it deals with performance measures and reporting performance results in an accurate fashion critical for ensuring effective use of public resources.

**Mr. Chairperson:** Are there questions on this report?

**Mr. Pedersen:** So, Mr. Chairperson, if I understand this correctly, with the wording correct, chapters—in the January 2013 report, chapters 1 and 17, there are no outstanding issues for the Auditor General's office, and chapters 2 to—through to 16, they are covered in a follow-up in May of 2014. Am I correct in that assumption?

**Mr. Ricard:** Yes, that's correct.

**Mr. Pedersen:** And just so we further our understanding and make sure we're all on the same page here, should we pass these reports, then, in January 2013, that—all that means is that we are accepting the Auditor General's recommendations that these chapters be passed and that we can again review them in May 2014, the ones that are covered in the follow-up.

**Mr. Ricard:** That's my understanding, yes, it's correct.

**Mr. Chairperson:** Any further questions of these two reports?

Auditor General's Report—Operations of the Office for the fiscal year ending March 31st, 2014—pass; Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated January 2013—pass.

This concludes the business before us. Before we rise, it would be appreciated if members would leave behind any unused copies of reports so they may be collected and reused in the next meeting. We've done all that.

Thank you to everyone for attending and to our page and our Hansard staff and recording staff, clerks. Merry Christmas to everyone and to all your families.

The hour being 3:10, what is the will of committee?

**An Honourable Member:** Rise, please.

**Mr. Chairperson:** Thank you.

**COMMITTEE ROSE AT:** 3:10 p.m.

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