



Audit of Management Staff Reductions for Select Crown Corporations

REPORT

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INTRODUCTION

MNP performed an audit of management staff reductions in Manitoba Hydro, Manitoba Liquor & Lotteries Corporation and Manitoba Public Insurance according to procedures agreed to with Manitoba Crown Services and outlined in this report.

This report is to be used solely for the information and use of Manitoba Crown Services in connection with assessing fulfillment of their management reduction request and is not intended to be and should not be used by anyone other than the specified users for any other purpose.

AUDIT OBJECTIVE

The Province of Manitoba mandated all Crown Corporations to reduce their management positions and management salaries by 15% between May 1, 2016 and March 31, 2018. MNP performed an audit of Manitoba Public Insurance, Manitoba Liquor & Lotteries and Manitoba Hydro (“Selected Crown Corporations”) to provide assurance to the Minister of Crown Services that the direction of government has been carried out, resulting in permanent reductions in management for the Selected Crown Corporations.

AUDIT DEFINITIONS

Terminology	Definition
Elimination (or Eliminated Position)	A position permanently removed from the organizational structure and budget of a Selected Crown Corporation
Filled	A permanent position occupied by an incumbent
Vacant	A permanent position not occupied by an incumbent
Added Position	A permanent position that did not exist prior to May 1, 2016, but that existed on March 31, 2018
Eliminated Replaced - Non-MGMT	A management position that was permanently removed from the organizational structure of a Selected Crown Corporation between May 1, 2016 and March 31, 2018, and replaced with a new non-management position

DECLARATION OF FINDINGS

MNP’s audit of the Selected Crown Corporations—Manitoba Public Insurance, Manitoba Liquor & Lotteries Corporation and Manitoba Hydro—found that all three corporations met the targeted 15% reduction in both management positions and management salary costs. MNP’s audit of the Selected Crown Corporations finds that no eliminated management positions have been replaced by contractors and no vacancies included in the calculation of management reductions are being retained.

SPECIFIC AUDIT FINDINGS

A. Calculation of Management Position Reduction

Objective: Verify the total percent reduction in management FTE positions between May 1, 2016 and March 31, 2018.

As identified by Manitoba Crown Services, “management positions” shall be any position that:

- Is responsible for hiring, supervising and managing employees; and/or
- Manages a business function within the organization; and/or
- Directs the work of a position responsible for managing/supervising others; and
- Has a title related to one of the following levels:
 - Executive / Vice President level positions
 - Executive Director / Director level positions
 - Manager / Assistant Manager level positions

This definition excludes supervisory level positions—positions that supervise frontline employees.

Scope: The following procedures were applied to the 2016 and 2018 management position lists, 2016 and 2018 organizational charts and the list of eliminated positions presented in section Appendix A—Management Reduction List by Crown Corporation.

Audit Procedure Applied:

To calculate FTE position reductions, MNP:

- Compared total number of positions as well as position titles, position numbers and employee names (all available) between May 1, 2016 and March 31, 2018 and documented all differences
- Confirmed where management position titles had changed within the audit period to ensure that positions were not mistakenly identified as new or eliminated based on title differences
- Compared position titles, position numbers and/or employee names (all if available) between organizational charts and management lists for the same period and documented all differences
- Compared differences to the identified eliminated positions and documented any discrepancies
- Submitted follow-up questions to the Selected Crown Corporation representatives as required and documented responses
- Updated management lists and eliminated position lists based on clarifications and additional information provided
- Calculated total net percent reduction on an FTE basis based on the final number of net eliminated positions between May 1, 2016 and March 31, 2018 and the final total number of management positions in 2016

Findings:

		Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
Total number of filled management positions in 2016	A	175	170	189
Total number of vacant management positions in 2016	B	11	3	5
Total number of management positions in 2016 including vacancies	C (A+B)	186	173	194
Filled management positions eliminated	D	(57)	(38)	(43)
Vacant management positions eliminated	E	(7)	(2)	(2)
Total Eliminated	F (D+E)	(64)	(40)	(45)
New management positions added between 2016 and 2018	G	12	4	3
Total number of management positions in 2018 including vacant positions	H (C+F+G) or (I+J)	134	137	152
Total number of filled management positions in 2018	I	127	129	141
Total number of vacant management positions in 2018	J	7	8	11
Total net reduction in management positions between May 1, 2016 and March 31, 2018 (as a percentage of management positions)	(H-C)/C	-28.0%	-20.8%	-21.7%

Questions posed to the Selected Crown Corporation representatives to address discrepancies, and the responses provided, can be found in Appendix B—Discrepancy Clarification Questions and Responses.

B. Calculation of Management Actual Annual Salary Costs Reduction

Objective: Verify the total percent reduction in actual management salary costs between May 1, 2016 and March 31, 2018

Scope: The following procedures were applied to the 2016 and 2018 management position lists and the list of eliminated positions presented in Appendix A—Management Reduction List by Crown Corporation.

Audit Procedure Applied:

To carry out the salary cost reconciliation, MNP:

- Compared total actual salary costs for all management positions between the two points in time (May 1, 2016 and March 31, 2018) and documented any discrepancies or anomalies
- Calculated differences in total actual salary costs between the two points in time for the identified eliminated positions (May 1, 2016 and March 31, 2018), and documented any discrepancies

- Provided follow-up questions to the Selected Crown Corporation representatives as required and documented responses
- Updated salary data in management lists and eliminated position lists as needed and determined final numbers
- Calculated total net percent reduction on an actual salary cost basis based on the final difference in actual salary costs between May 1, 2016 and March 31, 2018 compared to actual salary costs in 2016

Findings:

	Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
Total salary costs of filled management positions in 2016	\$23,623,304.04	\$18,625,209.86	\$37,055,489.62
Total salary costs of filled management positions in 2018	\$17,425,709.07	\$14,996,412.19	\$28,276,541.91
Total net reduction in actual management salary costs between May 1, 2016 and March 31, 2018 (as a percentage of salary costs)	-26.2%	-19.5%	-23.7%

Questions posed to the Selected Crown Corporation representatives to address discrepancies, and the responses provided, can be found in Appendix B—Discrepancy Clarification Questions and Responses.

C. Calculation of Management Salary Cost Reduction including Vacant Positions

Objective: Verify accuracy of the total percent reduction in estimated potential management salary costs **including the average costs of vacant positions** between May 1, 2016 and March 31, 2018

Scope: The following procedures were applied to the final management position lists and the list of eliminated positions from section Appendix A—Management Reduction List by Crown Corporation.

Audit Procedure Applied:

To calculate annual salary costs including the potential cost of vacant positions, MNP:

- Added total average salary costs for vacant positions to the management salary costs for both the 2016 and 2018 management lists (average salary cost was determined based on the range of minimum and maximum salary provided for each vacant position)
- Calculated total net percent reduction on an estimated management annual salary cost basis based on the final difference in estimated management salary costs between May 1, 2016 and March 31, 2018 compared to estimated annual management salary costs at May 1, 2016.

Findings:

	Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
Total salary costs of management positions in 2016 including the potential salary costs of vacant management positions	\$24,887,044.18	\$19,036,450.82	\$37,871,811.91
Total salary costs of management positions in 2018 including the potential salary costs of vacant management positions	\$18,285,156.82	\$15,979,696.34	\$30,004,594.33
Total net reduction in actual management salary costs between May 1, 2016 and March 31, 2018 (as a percentage of salary costs)	-26.5%	-16.1%	-20.8%

Questions posed to the Selected Crown Corporation representatives to address discrepancies, and the responses provided, can be found in Appendix B—Discrepancy Clarification Questions and Responses.

D. One-Time Costs Associated with Reductions

Objective: Verify one-time costs associated with reductions, including but not limited to employee severance payments.

Scope: The following procedures were applied to documentation related to one-time costs associated with reductions provided by the Selected Crown Corporations.

Audit Procedure Applied:

- Review available documentation
- Provide any follow-up questions to the Selected Crown Corporation representatives and document responses

Findings:

	Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
Total one-time costs associated with the eliminated positions that occurred between May 1, 2016 and March 31, 2018	\$458,501.01	\$824,907.94	\$2,584,625.22
	All one-time costs are associated with incumbent severance payments—no eliminated management functions are being fulfilled by contractors beyond March 31, 2018		

E. Secondments and Interchange Agreements

Objective: Identify secondments and interchange agreements used to replace eliminated management functions.

Scope: The following procedures were applied to documentation related to secondments and interchange agreements provided by the Selected Crown Corporations.

Audit Procedure Applied:

- Review available documentation
- Provide any follow-up questions to the Selected Crown Corporation representatives and document responses

Findings:

	Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
Secondments and interchange agreements between May 1, 2016 and March 31, 2018 related to management reductions	No secondments or interchange agreements have been used to replace eliminated management functions	No secondments or interchange agreements have been used to replace eliminated management functions	No secondments or interchange agreements have been used to replace eliminated management functions

F. Vacancy Management Policies and Practices

Objective: Verify accuracy of the total percent reduction in estimated potential management salary costs including vacant positions between May 1, 2016 and March 31, 2018.

Scope: The following procedures were applied to vacancy management policies and practice documentation provided by the Selected Crown Corporations.

Procedures:

- Review available documentation
- Provide any follow-up questions to the Selected Crown Corporation representatives and document responses

Findings:

	Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
<p>Summary of vacancy management policies and practices applied between May 1, 2016 and March 31, 2018</p>	<p>Manitoba Public Insurance practice is to review each position as it becomes vacant to determine whether the position should be filled or eliminated. All positions are also reviewed on an annual basis, during budgeting process.</p> <p>Several vacant positions were eliminated as part of Manitoba Public Insurance’s management reductions between May 1, 2016 and March 31, 2018, all of which are reflected in the findings and appendices of this report.</p>	<p>During the period covered by this audit, Manitoba Liquor & Lotteries Corporation’s policy is that multiple levels of approval are required to fill management vacancies. Approval is escalated to the Executive level within Human Resources and the position’s business area with final approval by the President and Chief Executive Officer. Any new positions require a business case to be signed off by the President and Chief Executive Officer, Chief Financial Officer and Vice President of Human Resources.</p> <p>Several vacant positions were eliminated as part of Manitoba Liquor & Lotteries Corporations management reductions between May 1, 2016 and March 31, 2018, all of which are reflected in the findings and appendices of this report.</p>	<p>Manitoba Hydro implemented a hiring freeze practice during the period covered by this audit, in which filling of all management vacancies required Vice-President or President and Chief Executive Officer approval.</p> <p>Several vacant positions were eliminated as part of Manitoba Hydro’s management reductions between May 1, 2016 and March 31, 2018, all of which are reflected in the findings and appendices of this report.</p>

Specific policies provided by the Select Crown Corporations are provided in Appendix C—Vacancy Management Policies.

APPENDIX C—VACANCY MANAGEMENT POLICIES

The following vacancy management policies were provided by the Selected Crown Corporations in response to a request for policies governing vacancy management practices used for management reductions during the audit period.

Manitoba Public Insurance

Our practice is to review each role as it becomes vacant and determine whether the role should be filled as is or filled at all. All roles are also reviewed on an annual basis, during budgeting process

Manitoba Liquor & Lotteries Corporation

Manitoba Liquor & Lotteries: Vacancy Management Processes

Filling Vacant Positions

1. When a vacancy occurs a staffing request is completed by the hiring management and is then signed off by the Executive responsible for the area. On the staffing request they indicate the vacancy, the reason it is vacant and any other options that were considered to fill the vacancy.
2. The staffing request is sent into HR. The vacancy is verified by the HR Administrator. If it is a vacant position it is sent through workflow to the Director Recruitment, Diversity & Total Rewards for initial approval.
3. The Director, Recruitment, Diversity & Total Rewards reviews the reason for the vacancy, establishes that there are no outstanding issues, future plans for the vacancy or restructuring in the area. If it is still considered a vacancy the Director, Recruitment, Diversity & Total Rewards approves the staffing request.
4. If the vacancy is a temporary backfill or term assignment it then goes to the VP, Human Resources for approval and if approved is then returned to the HR administrator for posting.
5. If it is not approved it is rolled back to the Director, Recruitment, Diversity & Total Rewards for further review or to answer questions.
6. If the vacancy is a permanent backfill it goes to the VP, Human Resources for approval and if approved is sent to the President & CEO for final approval. If approved the staffing request is then returned to the HR Administrator for posting.
7. If it is not approved during this process it is rolled back to the Director, Recruitment, Diversity & Total Rewards for further review or to answer questions.

Requesting New FTE's

1. To request a new FTE, management is required to prepare a staffing request as well as a business case for approval by the FTE Committee. The staffing request and business case must be signed off by both the hiring management as well as the Executive responsible for the area requesting the FTE. The FTE Committee members are: President & CEO, CFO and VP, Human Resources.
2. All staffing requests and business cases are sent to the Director, Recruitment, Diversity & Total Rewards for review and discussion with the requesting department prior to the Director, Recruitment, Diversity & Total Rewards setting up an FTE Committee meeting. The FTE Committee meetings are quarterly or as required throughout the year.
3. The Director, Recruitment, Diversity & Total Rewards sets up a committee meeting and provides the FTE Committee members with copies of the staffing requests and business cases prior to the meeting.
4. The agenda for the meeting is set and the hiring management as well as the Executive responsible attends the meeting to discuss their request and answer any of the questions the FTE Committee members may have regarding the request.

5. On occasion there are follow up meetings required as the FTE Committee members have requested further information.
6. Within one week of the meeting, decisions are made and the Director, Recruitment, Diversity & Total Rewards advise the requestors of the FTE Committee's decisions.
7. If the request is approved the process begins to determine the details of the position including final position description, compensation, union determined if required and posting of the new position.
8. If not approved management is advised why it was not approved.

Manitoba Hydro

Appendix "A" – Hiring Freeze Staffing Approvals

Staffing and Recruitment (P516)

- a) Replacing an equivalent full-time (EFT) position when the employee took an early retirement plan (ERP)
 - **Signing Authority**—President and Chief Executive Officer
- b) Rehiring a retiree for a temporary assignment
 - **Signing Authority**—President and Chief Executive Officer
- c) Replacing an existing EFT (other than ERP) for:
 - i) Division Manager and above
 - **Signing Authority**—President and Chief Executive Officer
 - ii) Department Manager and below
 - **Signing Authority**—President and Chief Executive Officer
 - iii) external recruitment and advertising
 - **Signing Authority**— President and Chief Executive Officer
- d) Hiring a new EFT or over-complement:
 - **Signing Authority**—President and Chief Executive Officer
- e) Extending a temporary, term or over-complement EFT:
 - i) not exceeding 3 months
 - **Signing Authority**—Vice-President
 - ii) exceeding 3 months
 - **Signing Authority**—Vice-President
- f) Hiring & extending from a temporary staffing agency (contracted) employee
 - **Signing Authority**—Vice-President*

g) Summer Student Program

Note: Hiring for the Summer Student Program must be within the annual program hiring targets approved by the President and Chief Executive Officer.

i) Summer Student Program (annual approval of hiring program)

- **Signing Authority**—President and Chief Executive Officer

ii) extending summer student

- **Signing Authority**—Vice-President*

h) Paying part or all interview expenses for an external applicant

- **Signing Authority**—Department Manager

i) Setting the release date for a successful job applicant to a new position

- **Signing Authority**—Selecting Supervisor and Current Supervisor

Note: All staffing approvals are subject to having sufficient funds in approved operating or capital forecasts.

* *Each Vice-President to ensure President and Chief Executive Officer support as a hiring freeze exception as deemed necessary.*

APPENDIX D—DOCUMENTATION AUDITED

The following documentation was provided by the Select Crown Corporations and audited by MNP. Electronic copies of all documentation listed below has been provided to Manitoba Crown Corporations:

	Manitoba Public Insurance	Manitoba Liquor & Lotteries Corporation	Manitoba Hydro
Data/Documentation Requested			
Staff titles and summary position descriptions and FTEs as at May 1st, 2016 and March 31st, 2018	✓	✓	✓
Total annual compensation costs for identified positions as at May 1st, 2016 and March 31st, 2018 including a listing of all employees within the scope of the review and associated annual compensation (salaries & benefits)	✓	✓	✓
Financial statements by department as at March 31st, 2016 (or nearest applicable date) and March 31st, 2018	✓	✓	✓
List of positions eliminated from May 1st, 2016 to March 31st, 2018, date eliminated and status at the time of elimination (vacant, full-time, part-time)	✓	✓	✓
One-time costs associated with management reductions	✓	✓	✓
Summary of any secondment or interchange agreements	✓	✓	✓
Identification of independent contractors fulfilling work requirements of previously staffed positions	✓	✓	✓
Identification of policies and/or practices related to vacancy management (including the use of independent contractors)	✓	✓	✓
Organization charts for all identified positions as at May 1st, 2016	✓	✓	✓
Organization charts for all identified positions as at March 31st, 2018	✓	✓	✓



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