

Second 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**

Wednesday, October 9, 2013

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Reg Helwer (Brandon West)

VICE-CHAIRPERSON – Mr. Gregory Dewar (Selkirk)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Messrs. Gerrard, Struthers

*Messrs. Allum, Cullen, Dewar, Mrs. Driedger,
Messrs. Helwer, Jha, Marcelino, Pedersen,
Whitehead*

Substitutions:

Mr. Marcelino for Ms. Braun

APPEARING:

*Mr. Cliff Graydon, MLA for Emerson
Ms. Carol Bellringer, Auditor General*

WITNESSES:

*Hon. Christine Melnick, Minister of Immigration
and Multiculturalism
Mr. Hugh Eliasson, Deputy Minister of
Immigration and Multiculturalism*

MATTERS UNDER CONSIDERATION:

*Auditor General's Report—Annual Report to the
Legislature, dated January 2013*

*Chapter 7—Provincial Nominee Program for
Business*

* * *

Mr. Chairperson: All right. Good evening. 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—Annual Report to the Legislature, dated January 2013, Chapter 7—Provincial Nominee Program for Business.

Prior to dealing with tonight's business, I am pleased to table the responses provided by the deputy ministers of Health and Innovation, Energy and Mines to all the questions pending responses from the June 25th and August 8th meetings. These responses were previously forwarded to all the members of this committee by the research officer.

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

Mr. Blaine Pedersen (Midland): Mr. Chairman, I would suggest that we sit 'til 9 p.m. and then re-evaluate at that time to see if we need to continue.

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

Nine p.m. is what I heard.

Does the Auditor General wish to make in an opening statement, and would you introduce any staff that you have with you, please?

Ms. Carol Bellringer (Auditor General): I will. Thank you very much.

Mr. Chairperson: Madam Auditor General.

Ms. Bellringer: Thank you, Mr. Chair. I'll introduce Jeff Gilbert who's sitting behind me. *[interjection]* May—am I good? *[interjection]* And Jeff's an audit principal in our office and he worked on this audit. And hiding at the back is Maria Capozzi who supports our Public Accounts committee. Wave. And she's joined tonight by Norm Ricard, who's the deputy auditor general.

The Provincial Nominee Program for Business allows Manitoba to recruit and nominate qualified business immigrants who agree to settle in Manitoba, make a business investment and run a business within the province. The provincial government issues certificates of nomination that accelerates the federal government's processing of permanent resident visas.

We examined the program's policies and procedures for the assessment of applications. We found policies and procedures in place, but

weaknesses existed. We also found opportunities for efficiencies to be gained by updating the current process. The most significant weakness we found that was before 2010, due diligence procedures were limited to obtaining application information and conducting interviews. Information was not being verified. Also, the due diligence procedures were not risk-based.

During our audit, we found application documentation in some files that was or was thought to be false. As a result, we examined the processes in place for the detection of and response to false documentation. The program started reviewing some previously submitted information for false documentation. In some cases, they found false information for individuals who had already received certificates of nomination and permanent resident visas. Consistent with direction from the federal government, the program is no longer reviewing previously submitted applications for false documentation. However, the program has responded to the problem of false documentation on a go-forward basis. The program created an integrity and quality assurance unit to co-ordinate and manage third-party verification and to monitor and track false documents. Information is now being verified appropriately.

We also found that the program does not measure long-term performance in retaining business immigrants and the financial benefits to Manitoba because it does not track nominees.

Mr. Chairperson: Thank you, Madam Auditor General.

I'd like to now, at this time, invite the minister and deputy minister forward to join us at the committee table. Welcome to the minister and deputy minister, and does the deputy minister, Mr. Eliasson, wish to make an opening statement?

Mr. Hugh Eliasson (Deputy Minister of Immigration and Multiculturalism): Yes, I do.

Mr. Chairperson: Okay, you may proceed, and I believe we have some printed material, as well, in front of us from you. Thank you.

Mr. Eliasson: I think a copy of my statement was circulated earlier.

Just before I start, I'd like to introduce the staff that are with us here today. Rick Zebinski is the director of the Provincial Nominee Program for Business. Radu Pirlog is with our Business

Settlement Office, and Aaron Mehzenta is a senior immigration officer in the branch.

First of all, I'd like to thank the Auditor General for her and her staff's effort in the preparation of their report. It contains 13 very constructive recommendations and it's our intent to implement all of them. Some are more challenging to implement than others and, as a result, will take a little more time. An implementation team has been established, and we have begun working our way through the report and developing actions to advance the recommendations.

Through the Manitoba Provincial Nominee Program for Business a significant number of newcomers have successfully established their businesses in Manitoba, creating jobs and contributing to the economic prosperity of our province. To date, over 593 businesses have been started and over \$214 million in initial investment has been made, and I say initial investment because that's the investment made at the time that a business is established or acquired and doesn't include the investment that follows on or nor the purchases that people make of a personal nature such as houses. The program continues to be a major contributor to maintaining vibrant regional communities in Manitoba. Thirty-one per cent of the business immigrants locate their investments outside of the city of Winnipeg, and it's become an important program to help in addressing part of the succession there—challenge that some farmers have. To date, over \$98 million have—has been invested in acquiring farms.

A majority of the 13 recommendations have already been implemented. Specifically, the program has introduced a new information release form. While recognizing that the department continues to have the obligation and authority to verify an applicant's eligibility for the program, this new form broadens the information exchange authorization and is applicable to all applicants across various international jurisdictions.

Three recommendations deal with documentation inside the policies and procedures manual and these have already been implemented. One recommendation deals with conflict of interest declaration. Earlier this year this program began having all staff update their conflict of interest forms on an annual basis. The program has implemented a new policy in response to a recommendation concerning its site-visit process. The new operating

procedure identifies factors and methodologies for conducting site visits as recommended by the Auditor General.

The program has formalized a risk matrix which will further enhance the program's abilities to efficiently manage the risk associated with false information being submitted during the application process. Associated with the use of a risk matrix is improving the data-gathering mechanism which will make the risk matrix and the program's due diligent processes more effective. The program has completed a phase 1 database which collects data gathered during our due diligence efforts. Once the matrix is fully tested and working effectively, the program will revisit the existing database to enhance what is captured. Phase 2, which involves the development of reporting capabilities, is already in the early stages of requirements gathering.

Another recommendation focused on when to stop the process when false information is detected. The current process requires applicants to complete an exploratory visit to Manitoba to research business opportunities and lifestyle benefits of living here. During the interview which takes place during the visit, false information can be identified including the applicant admitting that misrepresented information was submitted earlier in the process.

*(19:10)

A review by our Civil Legal Services has been completed and an opinion was provided to the program to guide it in its decision-making process. The issues revolve around ensuring that the decision process meets the requirements of fairness and reasonableness while maintaining appropriate procedural safeguards to help ensure the program is on a sound footing. The program has strengthened its information release and information change policies in its recent program changes. This will ensure that the program will be fair and reasonable to applicants in the new single step process.

The program has committed, in response to a recommendation dealing with program efficiency, to move to a one-step application process. This will alleviate the concerns raised in the prior recommendations since the applicant will submit all information only once. The program has formally introduced the new and enhanced program to the public in early August.

The last year—the last area that was focused on dealt with the monitoring of landed applicants, both

before and after they make their initial business investment in Manitoba. The issue of monitoring is one that has been discussed between all provinces, territories and Citizenship and Immigration Canada on a regular basis for many years. Through Manitoba's participation as a consortium member and a contributor to the longitudinal immigrant database, retention data pertaining to Manitoba provincial nominees has been available for a number of years. However, the data is not specific to any one stream of the Provincial Nominee Program. The IMDB is a unique source of information on immigrants, economic integration by immigration class. Also it allows for the measurement and analysis of immigrants' inter and interprovincial mobility as well as onward migration.

Canada and the provinces and territories have been in discussions about a PNP performance measurement framework which identifies key indicators specific to PNPB, such as the number of businesses established and jobs created. As a consequence, the program will be developing methodologies to monitor applicants both prior to business start and after to address three recommendations outlined in the audit. The complexity of the task is universally recognized by all provinces and territories as none to date have a fully operational monitoring program in place to the level of detail that is required.

Going forward, the program has a solid foundation for ensuring that our province will continue to attract quality entrepreneurs with the strongest commitment to Manitoba and the highest potential to contribute to the economic growth of the province.

Mr. Chairperson: Thank you, Mr. Deputy Minister, and welcome to the staff from both the department and the Auditor General this evening.

And before we get into questions, I would like to remind members that questions of an administrative nature are to be placed to the deputy minister and that policy questions will not be entertained on and are better left for another forum. However, if there is a question that borders on policy and the minister would like to answer that question or the deputy minister wants to defer it to the minister to respond to, then that is something that we would consider.

The floor is now open for questions.

Mr. Cliff Graydon (Emerson): As the report pointed out, contrary to the Canada-Manitoba

agreement on immigration, the program does not track nominees and cannot measure the performance in retaining nominees or any financial benefits to Manitoba.

Who's responsible for complying to the Canada-Manitoba agreement on immigration? Who's responsible for that?

Mr. Eliasson: Both parties to the agreement are responsible, Canada and Manitoba.

Mr. Graydon: Why didn't the business—or, no. Who does the program director answer to?

Mr. Eliasson: At the time of the audit, the Provincial Nominee Program for Business was in the Department of Entrepreneurship, Training and Trade. With the budget last April 1st, it was transferred into the Department of Immigration and Multiculturalism, so it reports to the deputy of the Immigration and Multiculturalism and to the minister.

Mr. Graydon: Is the deputy the same for both Entrepreneurship and Multiculturalism?

Mr. Eliasson: Yes.

Mr. Graydon: So who does the Business Settlement Office manager answer to?

Mr. Eliasson: As part of the reorganization that occurred with the budget of 2013, the Business Settlement Office was established within a new special operating agency called Entrepreneurship Manitoba that is in the Department of Entrepreneurship, Training and Trade. And so in that group that joins the Companies Office, which is the primary business registry in the province and it joins the Small Business Development programming, so there's a very complete array of consulting and business support services that are available to immigrants that are establishing businesses in the province. So it's a much more fulsome array of services and programs that are available to them than it had been with the Business Settlement Office standing alone.

Mr. Graydon: But, ultimately, who does the—that particular manager report to? Who's he responsible to? Is there any one individual?

Mr. Eliasson: There's an assistant deputy minister in Entrepreneurship, Training and Trade that is responsible for enterprise—Entrepreneurship Manitoba and that assistant deputy minister reports to the deputy minister of ETT.

Mr. Graydon: There was a pilot project to track landed nominees and it was cancelled. Can you explain why?

Mr. Chairperson: Mr. Deputy Minister, or we'll wait for your—

Mr. Eliasson: Just to add some context, in my opening remarks I mentioned the longitudinal immigrant database that is a joint undertaking between Canada—or Citizenship and Immigration Canada and each of the provinces, and under that program, utilizing Stats Canada and the Canada Revenue Agency, all provincial nominees in—across the country, including all provincial nominees in Manitoba are tracked on a three-year and a five-year basis. So—and they—it—the information is derived from the Canada Revenue Agency, and so the residency, what income levels, et cetera, immigrants have are derived from that and through that we're able to track the number of PNP immigrants to Manitoba that continue to reside in Manitoba at a three- and five-year interval.

The difficulty with that database, it's very accurate in tracking the whereabouts of individuals, but about 95, 96 per cent of the provincial nominees are in the skilled-worker category and 3, 4 per cent are in the business nominee category and it doesn't break out the business nominees from the overall universe of provincial nominees. And so while the retention rate of—overall for immigrants under the Provincial Nominee Program is about 82 per cent, it varies by a percentage point depending on the year, but a very high level of retention rate for provincial nominees in general.

It's—we're not able to say exactly how many of the Provincial Nominee Program immigrants continue to reside in Manitoba. So that's a gap and we're—we've tried a number of different things to track those individuals. I think the pilot project that you referred to was a pilot that occurred with Manitoba Health where they used their health database to track individuals, and it was successful in terms of being—but only in terms of being able to track small numbers. And it was a pilot project that said, you know, here's 20 individuals, can you tell us their whereabouts? And it was successful in doing that, but it's not capable of being rolled out from an administrative perspective into a much broader program.

So we're continuing to work with Civil Legal Services, our lawyers, to try and find ways that provincial entities that track individuals can provide

us with the information that will assist us in tracking the whereabouts of provincial immigrants under the business program on a long-term basis. But we've yet to put together the model that works—that provides the information that we need and respects the privacy obligations that other provincial entities have in terms of the data that they gather and the purposes for which they gather it. So it's not an easy thing to do and, in fact, no province has come up with a comprehensive and effective way of doing it, but we continue to work at it.

* (19:20)

There are some discussions that are currently occurring with the federal government that may allow some of the data that has been protected from a privacy perspective in its individual form. The aggregate numbers are available but information on individuals has not been available, and there may be some potential in that area that will allow for a more effective system of tracking but we're not there yet.

Mr. Graydon: Well, it was—I think it was very clear in the auditor's report that the tracking would be quite beneficial and was necessary. It was also part of the Canada-Manitoba agreement on immigration.

So the pilot project was put out there to work and it—the obligations then were clear—what the obligations were from—for the province of Manitoba to be a partner in a program, but it was cancelled. And just because it's hard to do, if it was hard to do today, it was just as hard to do then.

So by whom was the cancellation of project authorized?

Mr. Eliasson: The pilot project was successful in dealing with a small number of cases. It wasn't capable of being rolled out into an ongoing tracking system for the volume of provincial nominees for business, and it created privacy issues for the Health Department and an administrative challenge that we have yet to find a way to overcome.

Mr. Graydon: Who authorized the cancellation of the pilot project?

Mr. Eliasson: It was cancelled at—it came to a conclusion is what it did. It wasn't cancelled. It came to a conclusion and it was not per—a broader rollout wasn't proceeded with by mutual agreement between program staff and staff in the Department of Health.

Mr. Graydon: So the program staff of ET and T and the Department of Health came to a conclusion that they couldn't find a solution to this.

Mr. Eliasson: They came to a conclusion that the solution that was tested in the pilot project would not be capable of being rolled out to provide ongoing information that would be a valuable—value in evaluating the program.

Mr. Graydon: During a ET and T investigation, an employee was found in conflict. Who was this employee?

Mr. Eliasson: He was an employee in our Business Settlement Office.

Mr. Graydon: What position did this employee hold?

Mr. Eliasson: He had a management position in the office.

Mr. Graydon: What—can you explain what the conflict was?

Mr. Eliasson: The conflict revolved around some business activities that his spouse was involved in.

Mr. Graydon: As a result of the same investigation, how many other employees resigned?

Mr. Eliasson: No other employees resigned.

Mr. Graydon: When were you first made aware of the concerns over this conflict of interest?

Mr. Eliasson: I don't have the exact date at hand, but I do know the circumstance and staff had uncovered an Internet site that was actually in Mandarin, I think, and it identified the activities of an individual whom they knew to be a spouse of the individual that worked along with them. And as soon as they discovered that—in fact that day—they brought it to my attention, and that day I communicated with the Labour Relations division and the Treasury Board who commenced an investigation. And, based upon the results of that investigation, the employee made the decision to resign.

Mr. Graydon: How long was that investigation?

Mr. Eliasson: I don't have a specific—I could get you the time frame. It was—it occurred over several weeks or months, I don't recall.

Mr. Graydon: So over several weeks or several months?

Floor Comment: Several months—

Mr. Chairperson: Mr. Deputy Minister.

Mr. Eliasson: Well, weeks, I don't—honestly, I don't have that information with me, and I could get it if

it's of interest to you. But they conducted a thorough investigation and allocated the time necessary to do that.

Mr. Graydon: Yes, I would ask you if you could get that information for you—or for me from you.

Madam Auditor, did you have any advance notice of a conflict of interest by any of the staff that you were doing at the time of your audit?

Ms. Bellringer: The only thing we've mentioned in this report is that we were made aware of it and we—at the—before we issued this report we knew that the investigation had taken place and the employee had resigned and that was the extent of information we felt comfortable bringing forward.

We most certainly during the course of the audit would be provided with all kinds of things, and it is—my recollection is yes, we were aware of it through the course of the audit and I don't recall at exactly what spot. But by not bringing it into here we chose not to include more information about it. It was something the department we felt had dealt with appropriately in terms of its conclusion.

Mr. Graydon: So you felt then, or your auditors felt that it had been handled in an appropriate length of time from the time that the department was notified?

Ms. Bellringer: We didn't audit that. We didn't look at that. All I mentioned was that its conclusion in that the—with the employee resigning we chose not to look at it any further than that.

Mr. Graydon: So in your estimation, what would be an appropriate length of time from notification to action?

Ms. Bellringer: I don't know enough about the—this particular situation. All I would say, in a general sense, is if anything was brought forward to any manager, I would expect that the—it would be looked at immediately and how long it takes is very much dependent on the nature of the situation, and we've seen things that do take a long time and things that are done quickly. In this case, I don't know enough about it and we didn't verify it so I can't give you an assessment of how long it should've taken.

Mr. Graydon: Mr. Deputy Minister, was—did the individual just resign or were they put on management leave?

Mr. Eliasson: The labour relations people dealt with it, and I believe that the individual resigned immediately when confronted with the evidence.

Mr. Graydon: So in your investigation were there—in your mind, were there any other members of staff high and low?

Mr. Eliasson: There was nothing came—that came to light would—that would lead to any indication that other than this one individual were involved.

Mr. Graydon: So you reached a conclusion that there was only one individual that was involved in a conflict or possibly a fraud situation?

Mr. Eliasson: I reached the conclusion that there was one individual that was involved in that conflict of interest.

Mr. Graydon: And so how did you reach that conclusion?

Mr. Eliasson: It was based upon the investigation conducted by experienced personnel, investigators in the labour relations division of Treasury Board.

Mr. Graydon: How many change of businesses did this former manager of the Business Settlement Office approve?

* (19:30)

Mr. Eliasson: I'm not sure it will help me to answer the question, but can you clarify what you mean by change of business?

Mr. Graydon: Many nominees have a proposed business.

Floor Comment: So, if they originally proposed a gas station and ended up opening a grocery store, is that—

Mr. Chairperson: Mr. Deputy Minister, do you have further clarification, just for the record?

Mr. Eliasson: I understand the—I understand your question. I don't have an answer at hand.

Mr. Graydon: Can you get that information for me?

Mr. Eliasson: Yes.

Mr. Graydon: At the same time, if you don't have the number of businesses that were changed or proposed changes—and I would also ask that at the same time you get me that number that I would like to the number of the proposed businesses or what they were changed to—they were proposed for one business and changed to another, and a number of those were, as you are well aware. I'd like to know what they changed to.

Mr. Eliasson: We'll endeavour to get that information.

Mr. Graydon: In your investigation—and you did state on record who undertook the investigation—did you have any input into that personally?

Mr. Eliasson: The extent of my personal involvement was engaging the proper professionals to conduct the investigation.

Mr. Graydon: Will they giving a—given a specific mandate?

Mr. Eliasson: Their mandate was to determine whether or not there were activities or actions on the part of the employer or his spouse that were in violation of the conflict-of-interest guidelines that exist for all civil servants and the additional conflict-of-interest guidelines that exist within this particular branch.

And so that was the investigation that they undertook and they came up with evidence that led them to the conclusion that there indeed was a conflict of interest.

Mr. Graydon: Did it—when this first came to your attention and you were engaging someone to do the investigation because you felt pretty strongly about the situation and that it wasn't right, did you at any time then say to the investigators will you also please check to see if there's been any fraud involved? Would that have been something that would have been a logical assumption?

Mr. Eliasson: I brought to the attention of the investigators the information that had been provided to me by employees in the branch and I didn't direct or tell them to limit or expand their investigation. They're professional investigators, they've done this before. They're experienced; they work throughout government in looking at difficult personnel situations, and I trust their abilities to conduct a full investigation and I'm confident that that's what they did. I didn't suggest that they look for anything. I didn't ask them to limit their investigation in any way.

Mr. Graydon: I certainly don't doubt the ability of the investigators, but in a former question I asked you if they gave them a mandate and you said yes, it was a conflict of interest. The question I pose to you then was—that's limitations that they were set to look at—was there anything else that they found in the investigation?

Mr. Eliasson: There was nothing else that was reported to me that was uncovered in their investigation.

Mr. Graydon: Is it a possibility that there could have been fraudulent activities?

Mr. Eliasson: I have no reason to believe that.

Mr. Graydon: Madam Auditor, your opinion on that question.

Ms. Bellringer: Is it—could you please repeat it? I—sorry, I just—I couldn't hear you.

Mr. Graydon: Excuse me, Mr. Chairman. Is there a possibility that there could have been fraudulent activities transpiring at the same time there was a conflict of interest?

Ms. Bellringer: I'm sorry, I don't know enough about it to have any clue if that's the case or not. I just—I don't know.

Mr. Graydon: Is that—Madam, is that something that perhaps a further investigation would reveal?

Ms. Bellringer: It's pretty speculative. I mean, it could or it could not. I just—I don't—I really don't know enough about the circumstances to know if it would be worth looking into or not and I don't know the extent to which the investigation that took place, you know, how it—what it looked at. We didn't look at the investigation at all.

Mr. Graydon: Well, just to maybe help you out a little bit, and I'm certainly not an expert, but the Business Settlement Office manager apparently has been responsible for some of the proposed business changes and is also responsible, it seems in the report, seems that he is responsible also for any of the defaults on the 75 thousand. And it seems that the conflict of interest—I'm certain that if he was in a management position, understood what conflict of interest was and it didn't seem to have any bearing on how he conducted himself in that particular position, and so it leads one to wonder if, in fact, there has been some fraudulent activity and I feel fairly strongly that I would like to see that investigated.

Mr. Chairperson: Is there a question there, Mr. Graydon?

Mr. Graydon: Yes. Has the matter been referred to the police for investigation?

Mr. Eliasson: Not to my knowledge.

Mr. Graydon: Is that something that you would consider?

Mr. Eliasson: If there was something that came to light that would cause me to believe that there was a possibility of some fraudulent activity, then that would be something I would consider. But to date nothing of that nature has come to my attention.

Mr. Graydon: Mr. Deputy Minister, have you investigated the deposits released by the former Business Settlement Office manager to determine if there was fraudulent activity by a current or former staff applicant or any third parties?

Mr. Eliasson: The only investigation that I'm aware of is the one that was conducted by the labour relations division of Treasury Board and there was nothing out of that investigation that was brought to my attention that would suggest fraud.

Mr. Graydon: Have you investigated a deposit released by the former Business Settlement Office manager to determine if there was fraudulent activity?

Mr. Eliasson: I haven't caused that to happen. No.

Mr. Graydon: Are you interested in investigating the deposits released by the former Business Settlement Office manager for such activity?

Mr. Eliasson: If there was a reason brought to my attention that would suggest that that kind of investigation was warranted, then I would undertake to have that kind of investigation occur.

Mr. Graydon: How did it come about that the manager of the settlement office was delegated the authority to amend approved business proposals?

Mr. Eliasson: You know, I don't have the specifics of his job responsibilities with me here, but I understand that that was just part of his job responsibilities.

Mr. Graydon: So perhaps, then, by communication with the program manager we could decide then whether the delegation of authority given to him was at the time he was hired? Would that be reasonable?

Mr. Eliasson: Yes. I could determine if there was changes to the job description from one incumbent to the next.

* (19:40)

Mr. Graydon: At the same time—and I know that the deputy is very thorough—but at the same time, I want to also ask if the authority was subsequently given to him in a change of policy so that we know how the authority got there.

Mr. Eliasson: Yes, we can do that.

Mr. Graydon: And while we're on that topic, would it be possible to know that the delegation of this authority was properly documented?

Mr. Eliasson: Yes.

Mr. Graydon: And also, the delegation of this authority approved by the appropriate level within government?

Mr. Eliasson: Yes, we can do that.

Mr. Graydon: Could you tell me who the appropriate level within government is?

Mr. Eliasson: You know, I would have to look at the details of what authorities existed in the job—in the individual's job description and what authorities were necessary for that delegation. I can't answer that off the top of my head.

Mr. Graydon: Can you get that information for me?

Mr. Eliasson: Yes.

Mr. Graydon: Concerning the 13 taxi businesses, were they simply single cars and licences in the city of Winnipeg?

Mr. Eliasson: I'm advised that we have approved taxi licences to individuals.

Mr. Graydon: I have no doubt that you have approved the taxi licences. I—the question was, were they simply single cars?

Mr. Eliasson: I'm advised that yes, they were single cars.

Mr. Graydon: Then, Deputy Minister, did you investigate if the 13 taxi businesses in the chart of investments complied with the requirement for an active investment?

Mr. Eliasson: Yes, I'm advised that they do comply.

Mr. Graydon: And so can you outline for me what the requirements for that active investment is?

Mr. Eliasson: The individual has to be actively involved in the day-to-day management of the business and, in the case of a taxi driver, be licensed to conduct that business.

Mr. Graydon: Has there been any follow up to how long that business is owned by that individual?

Mr. Eliasson: Once the business is established and the deposit is returned, then the contractual obligation between the applicant and the government

has come to a conclusion, and that sort of gets into the discussion we were having earlier on how you track individual businesses and immigrants over time. And that's an area that we're working to improve our ability to conduct that kind of tracking.

Mr. Graydon: So what are—so some of these 13 taxis, or all of them, for that matter, were they—have they been used in the past as a business investment for an applicant?

Mr. Eliasson: There's—taxis have always been an eligible business for immigrants to invest into, and I don't know beyond that what.

Mr. Graydon: Of the 13 taxis that were invested in, were those all brand new licences?

Mr. Eliasson: I—no, they weren't new licences. I don't know that—how many new licences get issued, but I don't think it's a very large number.

Mr. Graydon: So if they're not new licences, then it wouldn't be that difficult in my mind to know if that taxi has sold before. If they're a single licence—that's what we've ascertained, they are single licences—that doesn't mean they aren't affiliated with another business, but they're—that is a single entity. It's not that difficult to track then, if it's been flipped. So how would the program do that or why wouldn't the program know if that taxi has been sold once before?

Mr. Eliasson: We would know that they were buying an existing taxi licence, but then we don't have the ability to track what happens to that business over time.

Mr. Graydon: Do you have an ability to know who they'd buy from?

Mr. Eliasson: We would know that in each individual circumstance, yes.

Mr. Graydon: Would that be under the auspices of the Business Settlement Office manager?

Mr. Eliasson: It would be part of the Business Settlement Office activities, whether the manager was directly involved in that or not I don't know.

Mr. Graydon: The business manager of the settlement office is responsible for changes of proposed businesses, am I incorrect or am I correct?

Mr. Eliasson: For changes in the business plans of immigrants, yes.

Mr. Graydon: We wish to point out that there are postings on a local Winnipeg Chinese website as

recent as this past September 20th, are you aware of this particular website?

Mr. Eliasson: I'm not aware of it, no.

Mr. Graydon: Sorry, Mr. Chairman, I will not pretend to be able to read Chinese, so I actually have the quote in English thanks to Google. There's an investment project, \$450,000. You don't need to invest a penny, but as long as you pay fees of \$35,000 we can help you to get your \$75,000 deposit back. And you're not aware of that, your departments not aware of that?

Mr. Eliasson: I would have to make specific inquiries to determine if anyone in the department was aware of that, but I personally was not aware of that.

Mr. Graydon: Are you aware of any websites and schemes similar to this?

Mr. Eliasson: I don't know. I'm not aware of any schemes associated with taxis. There are a number of people who propose schemes to circumvent the intent of immigration programs.

* (19:50)

Mr. Graydon: I didn't specifically mention taxis in this instance. What I did was quoted what was on the Chinese website. So I'm not particularly pointing my fingers at taxis or any other business. It doesn't—in fact, it's pretty clear that you don't need to have a business. So what schemes then, Mr. Deputy, are you aware of that are circumventing the system?

Mr. Eliasson: I couldn't outline for you any particular scheme. I am aware that there are schemes that people promote.

Mr. Graydon: How did you become aware of these schemes?

Mr. Eliasson: It's fairly general knowledge in the immigration business out—throughout the world that people who have a strong desire to emigrate from their home to another country that is more a desirable location for them to be in may fall victim to all kinds of schemes that they believe will help them achieve their goal.

Mr. Graydon: Has your department identified any of these schemes?

Mr. Eliasson: We have heard of reference to a variety of schemes or rumours of different kinds of schemes.

Mr. Graydon: Have you identified any of those schemes in Manitoba?

Mr. Eliasson: We focus our attention on the approval of the immigrant. And we—there's no way on earth that we can police every scheme that could be promoted in any country throughout the world for 'emi'—immigrants destined for Canada.

Mr. Graydon: Madam Auditor, in a situation like this, where the deputy has admitted there is a number of schemes out there, hasn't been able to identify them, did you or your staff identify any schemes in your audit? After all, this here is public knowledge, it's in the public domain, it's on a website here in Winnipeg and it's been up there as late as September 20th. I can't believe that the community some place or the audit hasn't been able to pick this up.

Ms. Bellringer: So I wouldn't say we identified any schemes. I'd say that when we were doing the audit, a number of people told us that there were arrangements that people might be making, that there were consultants involved that were less than scrupulous. We did not audit it. We did not follow it up. It's not included in the scope of this audit.

Mr. Graydon: Then would this be something that a new audit should be initiated for? Because this is a—this is taxpayers' money. We're talking about—in this situation, we're talking about \$40,000 in one whack, and if it's fraudulent to begin with, then there's—then there are criminal charges to go along with this. But this is taxpayer money. This is money that's been entrusted to the government of Manitoba and to the rest of Manitoba, the constituents in Manitoba. I feel strongly that, well, I'd—I want your opinion, if you think that there should be an audit to deal with this situation.

Ms. Bellringer: So, I'm not entirely—I can talk to you later about the specifics because I'm not entirely sure how the 40 that you—the \$40,000 that you mentioned is taxpayers' money.

What I would say is what we did look at as to whether or not the department had processes in place to ensure that for the individuals who were applying under the program, that the documentation that they were providing was legitimate, that they were meeting the criteria that's been set out for the program, and that was the focus we took. We did not look at any—anyone who—I mean, for the most part we were hearing, and like I said, we did not check in—look into this, what we were hearing was that it

was the immigrants who had—who were paying individuals to, in effect, fill forms out for them. And that's where it was—that isn't taxpayers' money. The—it's the individuals themselves who are making those payments.

So what you're referring to is something else that I can't quite see the connection, so I'll have to hear more about it.

Mr. Graydon: I'll just try to explain it in a nutshell, that there's a deposit of \$75,000 for an investment.

So we're looking at a passive investment in this situation. The individual can receive his money back by paying \$35,000, so it's—and he has no business here. They're entered the country illegally, they've entered Manitoba illegally, they have not fulfilled any of the obligations of this program. That's where taxpayers' money becomes involved. If they have failed to meet the criteria, they would have forfeited the 'fer—the full \$75,000. But in this case they've walked away with 40 and they were happy to pay 35.

Mr. Chairperson: If I could intervene here a bit, Mr. Graydon, this website is advertising that. We don't—I don't know, unless you have some proof that this has actually happened, that we can say it did indeed occur.

Mr. Graydon: I appreciate that comment, Mr. Chairman, and that's why I asked the auditor if it was worth doing an investigation and an audit on this for that particular reason. That's the only way that, I believe, Mr. Chairman, we're going to get to the bottom of it.

Ms. Bellringer: My—the first thing that I would be asking the department is do they have the procedures in place to make sure that the—that they've—they are looking at a valid document to support the—that the investment has been made so that the deposit can legitimately be paid back to the individuals. I would be wanting to look at the process that they follow to make sure that that's the case because one-offs we see as less critical from the work that we're doing to make sure that the system is strong enough to prevent it on an ongoing basis.

If there's a one-off situation that is highly probable then we would be wanting the department to go and do that work and we wouldn't feel that it's necessary for our office to go and do a forensic audit of that. What you've described sounds plausible but we did not directly see anything that would—that—

like, anything that we highlighted as being a document that appeared to be fraudulent, we had a reason to bring it forward. The particular circumstance that you've described didn't come to our attention. Doesn't mean it isn't there, I don't know if it is or not. Is it worth the department doing something to assure themselves that they're—they weren't—they didn't make payments for the deposit that they should not have? Yes, I would say they should go and check and see if anything like that looks like it could have happened, and they would have to go through the process of figuring out whether or not there's any legal recourse in the event that they have made it inappropriately.

I don't know if that helps at all. It's a—it sounds like a pretty define—I mean, there—I believe there were a handful, 20 or so taxi licences, which is—sounds like something that would be within the dollar value that you're talking about. It may apply to some other situation; I'm not aware of anything.

Mr. Graydon: Well, thank you for that. The deputy minister's aware of the schemes, and it's clear that the Auditor General feels that there should be safeguards in place, but as we've determined earlier in the questioning, it's very hard to follow these. What safeguards would the deputy say he would like to see put in place that if you're aware of schemes, and I just made you aware of one that you weren't aware of that's being advertised in the city, what safeguards would you put in place? What safeguards would the program manager put in place to safeguard against this type of manipulation of the program, because it is a great program and Manitoba stands to benefit from it, but at the same time there's—what kind of safeguards would you put there?

* (20:00)

Mr. Eliasson: First of all, if you give me the website then we can look at the specific case that you're talking about, and if we can shed any light on that or if it leads us to question anything that's happened, then we'll undertake to do that.

We focus our attention on the activities of the individual immigrants and their individual investment, and there's a very rigorous process including site visits and examination of documentation to ensure that the business transaction has taken place and that it's an appropriate business that is being operated. And it's a physical examination of what's happened and it has to be supported by all of the documentation that is required to lead our staff to the conclusion that they have made an investment

that complies with the program prior to the release of their deposit.

Mr. Chairperson: Mr. Allum, did you have a question? Sorry, I—

Mr. James Allum (Fort Garry-Riverview): I did, Mr. Chair. Thank you very much.

I guess, just to—following on the member's questions, one of the recommendations of the Auditor General which you have since accepted, and it seems to me, judging by your opening remarks here, you're working on and developing is the development of a risk matrix and an associated database that, I think, would involve the kind of procedures that would help to deal with the kind of questions that the member is raising for you. Could you help us to understand what's involved in the risk matrix and how it provides assurances to the people of Manitoba that the program's working appropriately?

Mr. Eliasson: The risk matrix really comes into play in the evaluation of applications and the legitimacy of the supporting documentation to demonstrate that the applicant is meeting the criteria required of the program, and that can range from the establishment of their net worth and the source of their net worth and to ensure that it was derived from legitimate sources, their experience in business in their country of origin, their ownership of a business in their country of origin. So the risk matrix is a tool—it's actually in place now—that allows us to focus our attention on those applications that present the highest level of risk, so focus our resources to ensure that the due diligence process is as fulsome as possible where the risk is the highest, and that risk matrix is in place now. We also have a database. What the risk matrix actually does is formalizes and lays out what people know by experience, and the people who evaluate applications have experience in doing that. They've been trained in how to detect misrepresentations, what to look for in different kinds of documents, and so it puts that in place and it allows us to continuously update that as experience changes. And so it's been an important step forward in improving the due diligence process in application review.

Mr. Graydon: And going back to the answer that you gave me, Mr. Deputy, the auditor alluded to—in her report she alluded to the fact that in one case the follow-up was all done with a lawyer. They never talked to the individual, never seen the business. It was all filed by a lawyer. And so after the eloquent

answer that you gave me, I have to say that it doesn't bear to what the auditor found.

Also, I would point out that the auditor found two fraudulent cases in 21 samples—that this—somehow the staff has missed. So there are schemes out there.

Now, are you satisfied that there's no more conflict of interest and that you have stopped the passive schemes?

Mr. Eliasson: Could you assist me by directing me to where in the auditor's report she dealt with the question of the lawyer?

Mr. Chairperson: Madam Minister had a response?

Hon. Christine Melnick (Minister of Immigration and Multiculturalism): Well, I can wait until this exchange is finished and then I'll—yes.

Mr. Chairperson: Okay. All right.

Mr. Graydon: I can see if I can assist you. I'm not sure that I can, but—no, that's not the one. There is one that it—it was specifically referred to the lawyer doing it and I—I'm sorry that I don't have that particular document with me. I don't believe—unless I do.

Mr. Eliasson: In the meantime, I could address the second part of your question. I—you know, I think it's important to separate out stages in the process. And a lot of the misrepresentation and false documents are included in the application, and there is absolutely no doubt that there are efforts to fraudulently produce documentations that suggest that applicants have met certain criteria when they in fact haven't.

And so the—when the member was referencing the two cases that the auditor pointed out, there were lots of—there are lots of cases of misrepresentation in applications, and that's where we really have stepped up our game in terms of due diligence to be able to detect those. And we've made some very significant strides in that regard, and that that's different, that's in the application process and that's different from sort of the verification of investment process once people have been approved, landed and have actually made their investment.

Mr. Chairperson: Minister, did you have a—something you wanted to add or do you want to wait? [*interjection*]

The minister had a comment, I believe.

Ms. Melnick: Yes, I just wanted to say to the member from Emerson that if you have evidence of a particular scheme at any time—I think you talked about seeing this on the 20th of September, so we're not into almost mid-October—you didn't have to wait for a PAC meeting to bring it forward. If you have evidence of something that is concerning, you can always contact my office and we can look into it. You know, we're all responsible for making sure that the rules are followed. So if you had brought this forward when you first became aware of it, that would have been just fine. And if you become aware of other schemes, again, you can contact my office and we can look into it.

Mr. Chairperson: Mr. Graydon, do you have a response?

Mr. Graydon: Thank you for the advice, Madam Minister, and I will take you up on that. I do realize that we all have a responsibility and you have a department that has a responsibility. And I'm sure after listening to the deputy minister saying that they're aware of many schemes out there and at this point he can't name them and isn't prepared to tell me how he's stopping them, so I appreciate your faith in me being able to do that for you. Thank you.

Mr. Ted Marcelino (Tyndall Park): Yes, during the answer that you—

Mr. Chairperson: Sorry, Mr. Marcelino, I believe the minister had a response.

Ms. Melnick: I don't think that's what the deputy said. I think he welcomed any information. And certainly if the department becomes aware of anything such as you've brought up this evening, we should be looking into it right away.

So, again, let us know if anything—and any member, you know, we all want to make sure the rules are followed. We all want to make sure that this is a—as the member from Emerson said, this is a great program and it benefits the province economically and we want to make sure that it remains a very good program.

* (20:10)

And a lot of work has been done around the risk matrix and looking into fraudulent documents. So, again, I invite the member to—or any member, to come forward with any concerns they have at any time.

Mr. Chairperson: Thank you, Minister.

I would like to caution members and witnesses that we don't want to personalize the conversation here. I wouldn't call it a debate but we are here to discuss this particular report of the Auditor General, and sometimes we are perhaps straying off from this a little bit.

Mr. Marcelino, you had a question?

Mr. Marcelino: Yes. I just wanted to clarify a harsh word.

To the deputy minister, when he said misrepresentation on the initial application stage, could it be better worded not to be misrepresentation, but exaggeration on their applications?

Mr. Eliasson: With any particular application, there would be an appropriate word to describe, and sometimes they are exaggerations and in some cases they actually are fraudulent documents.

Mr. Graydon: Going back to the—to the nominee or the applicant, you outlined a process that you go through to guarantee that their business background is accurate.

How do you do that? Do you—do you allow them to come to Canada to do that, or do you do that in—because we have an example of a Chinese ad—I'm going to say in China, but I know that they come from all countries in the world. How do you check their background in these countries?

Mr. Chairperson: Before we get into the answer here, I guess the point I was trying to make is it's the department that's determining this, not the deputy minister. If we could address comments such as that to how the department rules on this, as opposed to this particular deputy minister, perhaps we could make sure we don't personalize the debate at all here.

Mr. Eliasson: It's fair to say that we saw a tremendous increase in the volume of applications that was coincident with programs in Atlantic Canada that suspended their activity for a period of time and the federal government putting a pause on their federal investor program, which limited the opportunities for immigrants who were interested in coming to Canada under the business stream and resulted in a significant increase of applications to the program in Manitoba.

And in processing that increased volume of applications, it became evident to staff that there was an increasing likelihood of certain applications

containing misrepresentations, exaggerations and, in certain cases, outright fraudulent documentation. And as soon as staff became alert to that trend, we began educating staff in third—in countries of origin, in working with the integrity units of Citizenship and Immigration Canada.

So if you take China, for example, we sent staff to work with that unit in China so that they could become proficient in identifying the sort of tells associated with fraudulent documentation and we stepped up our due diligence process dramatically. And at the outset we tried to do it from here, and it was very, very difficult to do it from a remote location from where the applicants were—applications were originating from. It's complicated by language, it's complicated by time zones, the ability to contact banks to verify banking documentation, et cetera, was very difficult to do under that process.

So we contracted with independent third parties that were resident in those countries, and the highest volume of applications that we were experiencing at the time were coming from China. So that's where we commenced our efforts and we began performing due diligence utilizing third-party contractors. These are agencies that are specialized in examining the authenticity of documentation and are familiar with the practices and government entities in those countries. We began performing due diligence on 100 per cent of the applications emanating from that country.

And I think a good part of the auditor's report deals with that whole process and recommended strengthening the formality of our risk assessment, where we've now put in place a risk matrix. It—we've strengthened the authorization that applicants give us to conduct those kinds of reviews with their information in their country of origin. We've expanded the coverage of our third-party contractors to include two other countries now. So we're expanding that network.

And we have seen, and I think too early to say that it's firmly established as a trend, but the quality and the integrity of applications is beginning to improve. And I think that that comes from experience with the program where people become aware that false documentation and misrepresentation will be detected. And I impart sometimes, that I guess those applicants might go elsewhere or ensure that the information or documentation that's being submitted by them or on their behalf by a party that they've contracted with is,

in fact, an accurate account of what they're proclaiming it to be.

Mr. Graydon: I apologize to the deputy minister if he felt that I was being personal, but I look at him as the head of the department. And so if I'm coming across as being personal, I don't mean it to be that way, but I do assume that you are the boss.

Mr. Eliasson: I have a pretty thick skin.

Mr. Graydon: You spoke of the agents that you use, third-party agents—always scares me when the farther away from the truth or the—I shouldn't say truth, but the farther you are away from the issues and project, the more opportunity there is for manipulation. And so if these particular agents that you have contacted, and they've—certainly, they're past the language barrier. They know the systems and the government in that particular country, whichever country that is, and knowing full well that there are other countries besides Canada that people do want to go to and one of those countries is our big neighbour to the south, do you believe that some of these agents are double agents, that they work for a fee and whoever the highest bidder is, also, that they will manipulate to get the money from, first of all, from the applicant and, secondly, from whoever will pay them the most, whether that's you or Uncle Sam?

Mr. Eliasson: The third parties are like auditors, and so they look at the quality of the documentation and they advise us as to the authenticity of the documentation and that's what we rely on them to do.

Mr. Chairperson: Mr. Jha, you had a question?

Mr. Bidhu Jha (Radisson): Yes, I—firstly, I thank the deputy minister for tolerating so many questions from us. But let me ask one question here which is quantitative, and I'd like to know if you have the answer.

* (20:20)

On your presentation you said, to date, over 593 businesses have been started. How many have stayed or are still in function, and how many are out? Is any possibility of getting that information now, or I would like to see if we can get that.

Mr. Eliasson: Five hundred and ninety-three businesses have been established in the province. I've—earlier I talked about the difficulty that we're having in tracking them on a go-forward basis, but we do know that at the outset, when the original investment was made to either acquire or start a business, that the total of that initial investment has

been \$214 million. And that's a very, very, very conservative estimate of the impact of this program because that only accounts for the initial investment and it doesn't include any expansion or follow-on investment that's made in the business and it doesn't account for individuals establishing themselves in Manitoba, acquiring homes in Manitoba, buying a car in Manitoba, buying furniture in Manitoba. So that's strictly the numbers associated with the establishment of businesses and the initial investment in those businesses.

And I also talked about, at the outset, that some \$98 million—in fact, it's over that now—has been invested in the acquisition of farms in Manitoba. And as part of the changes that were announced to the program in August of this year, we introduced a new stream that gives farm—those interested in acquiring farms in Manitoba sort of a priority lane to come through, because the issue of succession in—for farms in rural Manitoba is a real issue. Oftentimes, people don't have family members or others that are interested in carrying on with the farm and to ensure that there is the greatest number of potential buyers that a farmer has the opportunity to sell to, we really want to accelerate that stream. And there's been very good experience with people who have acquired farming expertise in—particularly in western Europe, where some of the changes in terms of European Union practices are causing them to question the viability of some of their operations; where urban sprawl has dramatically increased the value of farmland; where they can liquidate their farming operations in western Europe, come to Manitoba, acquire a farm, have enough money to support further investment in that activity and provide a suitable retirement option for a Manitoba farmer who may have been having difficulty finding a retirement exit.

And so, based upon the strength of what's occurred to date, that's an area that—of change in the program that we are really focusing on to try and encourage more activity in that area.

Mr. Jha: You have already partially answered my second question I was going to ask. In the farming investment, I understood, at one time, because there are some people who wanted to buy a farm but not be a resident. But, as I understand, that the regulation of law was that you cannot be a non-resident farmer; you have to live here to own a farm. And is that effectively in this \$98 million, which is a very impressive number, to get the foreign investment into buy farms? And what is the residency

requirement in terms of the investor or their family has to—anything that is specific, I would be personally interested to know.

Mr. Eliasson: Under this program, you have to be a farmer and you have to have relevant farming experience, and when you come to Manitoba and settle in Manitoba, you have to play an active role in the operation of that farm. So this isn't a foreign investment in farm property; you have to be a farmer and establish yourself as a Canadian citizen to conduct that operation.

Mr. Graydon: I want to go back to these passive investments. The size of the fees associated with these type of advertisements cost a large amount of money for the nominee. Have you any idea how much money was lost to the province through the schemes?

Mr. Eliasson: Through what schemes?

Mr. Graydon: Schemes the same as what I outlined in the Chinese advertisement.

Mr. Eliasson: There's a very big gap between what is advertised on the Internet and what actually occurs. And I think I outlined for you the due diligence process that we go through to help ensure ourselves that applicants who have—immigrants who have arrived, have been approved under the program, have utilized the time period that they're allowed to establish a business in Manitoba. Once they've established that business, the process that we go through to verify that it is an eligible business, that they have made the required minimum level of investment before their deposit is returned, is where the proof is in the pudding, and we're not aware of passive investments. We wouldn't release their deposit if it was a passive investment.

Mr. Graydon: Other than the member of staff that was referred to in the report, have you identified any other members of the public or government officials in or outside of ET and T who may be involved in fraudulent activities?

Mr. Eliasson: If I was aware of someone and I had a reason to believe that they were engaged in fraudulent activities, then I would take the appropriate action. And I haven't uncovered that situation and so I'm not aware of that occurring.

Mr. Graydon: Since the commercial conflict was identified, how many taxi licences were approved by the branch in regards to the release of deposits?

Mr. Eliasson: Once again, I don't have that figure here. I can undertake to get that information for you.

Mr. Graydon: I would appreciate that.

How many deposits were released where a conflict was found?

Mr. Eliasson: The situation that led—the situation where the conflict of interest was investigated had to do with business activities of the individual's spouse, and it wasn't related to any one particular file or case or business.

Mr. Graydon: How many files or cases were there?

Mr. Eliasson: How—I—files or cases of what?

Mr. Graydon: Of conflict.

Mr. Eliasson: There was one person's spouse who was engaged in activities where she was dealing with clients of the program, and that, under the program's own conflict of interest guidelines, was a conflict.

Mr. Graydon: How many clients was she dealing with that were in the program?

Mr. Eliasson: I don't have that number here.

Mr. Graydon: Did the investigation reveal how many clients were involved with the individual?

Mr. Eliasson: I don't recall the investigation documenting a number of clients. What was clear was that her business activities were with clients, and that is a conflict under any circumstance, no matter the number.

Mr. Graydon: I'm not questioning that it was a conflict, if there's one or if there's a hundred. But because this is within your department—within the department of PNP—you would want to know how long this has been going on and how many individuals were involved with this and if there were—was any fraudulent activity going on at the same time then. That, to me, would be a logical thing. But perhaps you can explain why you wouldn't have investigated that.

* (20:30)

Mr. Eliasson: What came to my attention was advertisements on the Internet in Mandarin of a real estate enterprise that was being operated by the spouse of an individual that was employed within the branch.

The investigators in the Labour Relations Division of Treasury Board conducted the

investigation. They determined that a conflict of interest existed and the individual resigned.

Mr. Graydon: So it's not important to the program how long that this particular conflict went on?

Mr. Eliasson: The experienced personnel investigators from the Labour Relations Division of Treasury Board conducted an investigation that, in their opinion, was sufficient to lead them to the conclusion that there was a conflict of interest and they employee resigned as a consequence of that.

Mr. Graydon: How did you become aware of the advertisement in Mandarin?

Mr. Eliasson: Individuals within the branch discovered the advertising on the Internet and they brought it to my attention.

Mr. Chairperson: Mr. Graydon—

Floor Comment: They may have been searching the same site you were.

Mr. Chairperson: Sorry, Mr. Deputy Minister—

An Honourable Member: Could you repeat that please?

Mr. Eliasson: They may have been searching the same site that—

Mr. Chairperson: Mr. Graydon.

Mr. Graydon: And how did they go about alerting you to the situation?

Mr. Eliasson: They met with me.

Mr. Graydon: And then the process from them meeting with you to talking to the investigators, what is that process, like, do you—how do you go about that? Do you have your program manager, does he then speak to the individual or how do you go about this? Like, I don't understand the process of investigation, and so it's for—I guess it's for my personal benefit, but.

Mr. Chairperson: We're a little off topic here, but, Mr. Deputy Minister.

Mr. Eliasson: In this particular instance, I contacted the assistant deputy minister that's responsible for the Labour Relations Division in Treasury Board, and they are the entity in government that conducts investigations into personnel matters. And so they commenced their investigation as a consequence of my call.

Mr. Graydon: I'd like to ask the Auditor General if she has any idea how many deposits were released after the conflict.

Ms. Bellringer: No, that's not something we looked at.

Mr. Graydon: And again to the Madam Auditor, we understand that the deputy minister was made aware of concerns over the commercial conflict well before your audit began, yet the employee only resigned in February 2012. In your investigation, do you believe that the deputy minister acted appropriately to these earlier concerns?

Mr. Chairperson: I'm not sure that it's really the role of the Auditor General to make a judgment in that regard, but, Madam Auditor General.

Ms. Bellringer: So I'm not aware of those dates or what you outlined. I did—just one thing I did want to add, in the sample that we did do, we did audit the refunds of the deposits and we did not find anything that gave us any indication that there was something that we should have been concerned about. If there had been we would have reported it. And I appreciate that was only a sample but that was why we didn't think that was an area we needed to look at.

Hon. Jon Gerrard (River Heights): Maybe I can start by just asking how many staff are in the—involved in managing this program?

Mr. Eliasson: There are 12 individuals involved on the immigration side of the operation and they're employed in the Department of Immigration and Multiculturalism. And there are four people employed by the Business Settlement Office, which is a part of Entrepreneurship Manitoba and ETT.

Mr. Gerrard: So there's 16 people in total. Would they all be involved with the assessment of business nominees?

Mr. Eliasson: The 12 people involved in immigration would be a mixture of immigration officers—six of the 12 deal directly with the assessment of files, and then the staff in the Business Settlement Office provide an ongoing contact to immigrants once they are successful in their nomination and have arrived in Manitoba. They have a period of two years to establish their business, and for many of them, they're encountering a brand new culture, a new environment of business practice, and so it takes some time for them to acclimatize themselves and develop their business if it's not a direct acquisition. And the Business Settlement Office provides them

services to—consulting services to help them through that process, to let them know what sources of support are available to them from other government programs, other advisors, et cetera.

Mr. Gerrard: Can you give us an idea of the number of applicants by year for the last two years?

Mr. Eliasson: I have that someplace. In the year 2012, there were 395 applications received. In 2013, to the end of July, there have been 164 applications, so that those are the most recent statistics. I don't have prior to 2012 here.

Mr. Gerrard: Can you tell me what the waiting times would be for an applicant? Is there—is this processed quickly, or do people have to wait a considerable length of time?

Mr. Eliasson: I can tell you—tell you what our recent experience has been. I mentioned before the suspension of the programs in Atlantic Canada and a pause in the federal business immigrant—or in business—federal investor program, and that caused a real spike in applications to the program. I think it increased by almost a hundred per cent, and at that point that was coincident with the determination that there was an increasing prevalence of misrepresentation in applications, so the time to ensure that applications were complete and legitimate and, in fact, contain factually accurate information increased, and our processing times decreased considerably at that point. That's not an acceptable way to go forward.

The Auditor General's report pointed out some inefficiencies in the process where the documentation required to support an application for an initial visit was almost identical to the information that would come in an actual application. So there were two sets of largely—hopefully, similar documents that were being reviewed. And so, along with the Auditor General's recommendations, we accelerated some work that we had been doing to introduce a new system of processing applications, of applying and processing applications and we announced that change in August of this year.

* (20:40)

So from the conclusion of the Auditor General's report or the tabling in the Auditor General's report in January to August—not bad. And we're moving to an expression-of-interest system where there's an online document that applicants will fill out that describes their background, their—I mean, there's

questions that they provide responses to and then they'll be invited to apply based upon sort of the number of spots we have. And then I guess it'll be on a quarterly basis, they'll be—the best out of there, the highest-ranking expressions of interest will be invited to complete an application process. So we're in the—right in the middle of implementing that.

We are grandfathering those people who have completed their exploratory visits and submitted applications. Those applications will continue to be processed in the manner that was—the system that was there when they made applications so we're not penalizing those people for being in line at the time a new system was introduced. We will have our expression-of-interest system online by the end of this month, so we're very, very close to having that available. And the people who have had exploratory—have made application for an exploratory visit but it hasn't occurred yet will receive first opportunity to get involved in the expression of interest as a way to sort of transition the program so that there's not an abrupt halt and then start for people who have been waiting.

And then it's very difficult to tell how long it'll take to work through that backlog, but we anticipate that by early 2014—February, March, I don't know—that the full expression-of-interest model will be up and running, which will simplify the application process both from the applicant's perspective—it'll be a paperless application, capable to do the whole thing online and people won't be wasting their time filling out applications that are going to sit in a long queue to take forever to get processed. So it'll be a more responsive system and it'll be much more efficient for us to operate. And we're realizing some of those efficiencies now, and that gives us the ability to employ more staff time in making sure that there—the integrity of applications is there because it's in nobody's interest to spend a lot of time processing applications that don't contain accurate information.

Mr. Gerrard: You describe the existing system as a system where there are long queues where people wait forever to get responses. How long would people wait?

Mr. Eliasson: I can—this is more a qualitative than a quantitative answer, but it's been a heck of a lot longer in the last couple of years than it was prior to that. And now it depends on—it's a lot longer now regardless of where you're applying from. And the length of time under the current system is really determined by the country of origin, and in some

countries, that 'ca'—that wait period can be up to three years.

Mr. Gerrard: I mean, there's been concern expressed that the system was not, you know, either staffed sufficiently or was not efficiently run so that there was a lot of opportunity for investment here that was missed. Would you comment?

Mr. Eliasson: I think that there is absolutely no doubt that the process slowed down substantially when the volume of applications increased dramatically and the prevalence of misrepresentation in those applications began to increase. And so we have adjusted for that through strengthening our due diligence process and introducing a new and streamlined system. And, you know, I guess, you know, I don't know if it could have been done faster or not, but we've corrected that problem and we're quite confident that, going forward, we're going to have a very competitive system where legitimate applications from people who are serious about establishing themselves in Manitoba get processed quickly, and ones from those that don't have those aspirations don't.

Mr. Gerrard: So, tell me, from a sort of up to three years wait for somebody, what kind of—from an expression of interest to—what kind of timeline are you now anticipating that you'll be able to proceed?

Mr. Eliasson: It's—so this is conjecture at this point, because the system isn't fully operational now, but our target for our processing time is six months, once the system is fully operational. And then again it depends, because the Government of Canada has the final approval, based upon medical history and security clearance in that role that the Government of Canada plays. And it depends on the country of origin, and sometimes there's a larger backlog in those countries—in some countries than others.

Mr. Gerrard: So, the six months would be from when you've got somebody filling out the form online saying an expression of interest.

Mr. Eliasson: The six months would be from when someone was invited to apply, following their expression of interest.

Mr. Chairperson: Do you have further information, deputy minister, or no?

Mr. Gerrard: Yes, so you have somebody have an expression of interest. How long would it be from that point 'til when you make an invitation to apply?

Mr. Eliasson: I don't mean to be imprecise in—it—but it does depend. We will have an established number of spots. Overall, there's right now 5,000 provincial nominee spots, and the vast majority of those are in the skilled worker category. And there's no exact science to the balance, but sort of somewhere between 400 sort of business nominees and 4,600 skilled worker nominees is probably close to the balance that we're trying—we'll try to get at.

So, each quarter, there'll be an opportunity for a hundred people, you know, once the system's all up and running, to be selected from the expression of interest list, and those can be a carry-over from a prior quarter's expression of interest. And just because you don't get selected—invited doesn't mean your expression of interest disappears. I think it's valid for a year. And so the top hundred out of whatever unprocessed expressions of interest existed from prior quarters and that quarter—the top 100 would be invited to apply. So, if you applied in the quarter and you happen to, you know, be right at the top, it could be like that or it could be that you've sort of been—had your expression of interest there for a—you know, three months or something before you receive an invitation. Or it could be that you're way down here and you're never going to get invited.

Mr. Gerrard: Just help me understand a little bit how you pick or how you will pick somebody who's expressed interest to give them an invite, because, I mean, you won't have a full application, so you won't—you'll have a lot less detail than you would now in order to make a judgment. How—can you convince me that your judgment is going to be better with less detail?

Mr. Eliasson: The online—there's a adaptability matrix that's part—it's a questionnaire. And there are numbers assigned—a weighted scoring to responses to—within that. And there's a large number of factors that are considered. And so those are just whether something exists or doesn't exist. It's a yes or no kind of question. You've been in—you know, how many years' business experience do you have? And, you know, if it's five years, it's X points; if it's 10 years, it's X points; if it's 15 years it's some other value.

* (20:50)

And so it's a whole series of questions like that and it's on that quantitative scoring that determines sort of the ranking amongst all expressions of interest, and that's where the detailed application will come from that requires then the documentation to verify not only what you presented in terms of the

matrix, but also other factors that aren't considered before our final decision is made.

Mr. Gerrard: Yes, I've noticed that Manitoba is one of—if not the only one, of a small number of provinces who don't have any processing fee, right? Why is that?

Mr. Eliasson: In the changes that we announced in August, we also introduced a processing fee of \$2,500 because we were feeling lonely as being the only ones that didn't have it.

Mr. Chairperson: Any further questions?

Mr. Cliff Cullen (Spruce Woods): I appreciate the deputy minister's responses tonight. I want to go back to your—some of your comments regarding the implementation team. Can you give the committee a bit of a sense in terms of who the implementation team is? In terms of the recommendations going forward from the auditor's report, can you give us a bit of sense on who the implementation team is and in terms of what their mandate is?

Mr. Eliasson: The staff that I introduced at the beginning of the evening are the core of the implementation team, and then they draw on other staff members depending on what recommendation that they're dealing with. And so that was Rick Zebinski, Radu Pirlog and Aaron Mehzenta.

Mr. Cullen: So the implementation team then consists exclusively of existing staff within the department?

Mr. Eliasson: Yes.

Mr. Cullen: So there was no other people brought in for other expertise in terms of the—in this regard?

Mr. Eliasson: No. We're quite confident that we have the capability and the capacity within the department to implement the recommendations from the auditor's report, and we're probably more than halfway there now.

Mr. Cullen: I wonder what kind of ongoing discussions you have with the Auditor General's report. You know, the report came out in January of this year. I wonder what kind of discussions you have back and forth so you're comfortable with where you're at in terms of the individual recommendations.

Mr. Eliasson: We are very fortunate to have a very good relationship with the Auditor General and her office, and there's fair bit of discussion during the course of the audit. There's a meeting prior to the

audit commencing where the scope of the audit, the intent and purpose of the audit is discussed, and those are productive meetings.

During the course of the audit there's frequent contact between the Auditor General's staff and staff in the area that's being audited, there's a good healthy back and forth in terms of requests for information and testing understandings to make sure that there's accurate information and an accurate understanding of the different processes, et cetera, that are in place.

And when the report is finally drafted there's opportunities to discuss the content of the report with the Auditor General to ensure that if there are any ambiguities or inaccuracies there's an opportunity to offer suggestions for clarification. And then following the audit, you know, it's the department's responsibility to pursue the recommendations in the manner that the—is appropriate.

The department has an opportunity within the audit report to comment on the recommendations, and, in some cases, they—departments may take issue with a recommendation. As wise as the Auditor General is, it doesn't mean that at times there can't be an alternate view, and there's an opportunity for departments to express that on those very few occasions where that situation exists.

And then I think it's probably about a three-year period where the Auditor General—[interjection]—one-year period, where it used to be three years—she's getting far more demanding—one-year period where the Auditor General checks back and the 're'—department's report on the status of their implementation of the recommendations. And the Auditor General is a curious person and wants to be—have her curiosity satisfied that things are actually done, and so there's a fairly good test to make sure that when recommendations are implemented that they are implemented well.

Mrs. Myrna Driedger (Charleswood): I wonder if the deputy minister could indicate how much government funding is put forward for the funding of this program.

Mr. Eliasson: The Provincial Nominee Program for Business is funded by the interest earned on the deposits that are held, and so it is a self-financing program.

Mrs. Driedger: Can the minister tell—or the deputy minister indicate what the \$300,000 went for in June of 2011? There was a funding request to Treasury Board for the third parties. Was that a one-time

source of funding for these third parties who verify information and documents in source countries, or is that something that's ongoing?

Mr. Eliasson: Earlier, I talked about sort of the spike in applications, noticing the prevalence of inaccurate information, and so in 2012—was that the spring of 2012, 2011; 2011 we received approval from Treasury Board to retain three firms based in China to provide—do tests of the authenticity of documentation emanating from applications there. We've since reduced that to one—two firms in China, and we've retained a firm in India and are in the process of retaining a firm in Vietnam.

Mrs. Driedger: So the \$300,000 that went towards this in 2011 from Treasury Board, was that one-time funding, and is that—is there funding still coming from Treasury Board, or are these positions then—or these firms paid out of the interest that the deputy was talking about?

Mr. Eliasson: The funding for the program—the funds that operate the program are generated from interest on the deposits, but those funds are spent in accordance with the General Manual of Administration, and so they're—we pursue exactly the same approval process that we would if—as though they were coming from consolidated revenue. And so regardless of the source of funds, they still have to go through the same approval process. So at that time, those were three new consulting contracts, and it was in response to a situation that developed in the—within the year; they weren't funds that were part of our regular operating budget. And now it's part of our regular operating budget, and that's approved by Treasury Board on an annual basis.

Mr. Chairperson: Before we go on, it is approaching 9 o'clock, which was the agreed time that the committee would sit. What is the will of the committee?

Mr. Cullen: Well, Mr. Chair, I just wanted to seek some direction from the Chair, I guess, and maybe the committee. The member for Emerson (Mr. Graydon) outlined quite a number of questions today, and there is a lot of outstanding questions that we—we're—like to hear the answers to. And I think we would like to hear those answers back from the department as soon as possible. And I don't know if the committee has ever established a timeline when we can expect answers back. I reflect back on some of the other Crown corporations, and it's taken considerable time to get responses back, and

sometimes the responses don't come back until the next committee is called.

You know, we clearly would like to have some response to these questions that have been raised tonight in fairly due course. I'm wondering if there's a time frame that has been set by the committee for any of those responses.

Mr. Chairperson: We often—the research staff do ask for a timeline, when responses are going to be made available. Now, deputy has agreed to respond to a number of questions, and I'm sure after he reads Hansard, he'll discover how many. So I don't know if he can give us a time tonight. Perhaps he can give us a little bit of guidance on how long it might take, but we are rapidly approaching 9 o'clock.

What is the will of committee?

* (21:00)

Mr. Gerrard: I think there are some more questions here. Could we go 'til 10 o'clock and then revisit?

Mr. Chairperson: What is the will of committee? Ten o'clock?

Mr. Cullen: Well, I think it's our will to get the answers back and then reconvene committee after that time, Mr. Chair. That's what we like, especially if we could, you know, have the answers back in a timely fashion, I'm suggesting within the next four weeks.

Mr. Chairperson: Well, can I suggest that we sit 'til 9:15 and discuss this? Is that agreed? *[Agreed]*

Okay. So, Mr. Cullen, you suggested we get some answers back before we pass this report, I guess, and, Deputy Minister, can you give us some idea on how long it might take to give us a response to some of these questions?

Mr. Eliasson: I honestly don't know. I mean, I don't know how quickly we'll—we'll undertake to do it as quickly as we possibly can. I don't know if four weeks is sufficient, but we'll endeavour to—

Mr. Chairperson: I'm sorry, Mr. Deputy Minister. We're discussing up here, but—

Mr. Eliasson: I really don't know what is involved in getting answers to all of the questions, and we'll try and do it within four weeks but I beg for some latitude if it proves to take longer.

Mr. Chairperson: Okay. Well, does the committee have any further questions this evening?

Mr. Gerrard: Yes—

An Honourable Member: Well, order. Point of order.

Point of Order

Mr. Gregory Dewar (Selkirk): Yes, did we then agree upon extending the length of tonight's committee, because I didn't think we did.

Mr. Chairperson: To 9:15, we agreed.

Mr. Dewar: 9:15?

Mr. Chairperson: Yes.

Mr. Dewar: Okay, fine.

* * *

Mr. Gerrard: Just to ask a couple more questions in terms of—to get a better understanding of what sort of would be the number at the beginning of this year of 2013 of the applications that were outstanding at that point?

Mr. Eliasson: I can give you an approximate number that's probably fairly close. There's about 2,500 applications for exploratory visits, which is the first stage of the existing process is being changed now, but—and there's about 300 applications that have been submitted following an exploratory visit that are not yet processed.

Mr. Gerrard: Is that as of the beginning of the year, approximately, or as of now, or just to—

Mr. Chairperson: Deputy Minister.

Mr. Eliasson: That's approximately at the beginning of the year.

Mr. Gerrard: Yes. Now, it—my understanding that you were telling us earlier on that there'd be about 400, you know, potential people who could be accepted within a year. I mean, if that was the target, sort of how often have you been able to reach that target in the last few years?

Mr. Eliasson: I don't know if we have the numbers here, but I can give you a flavour. We were closer to that number up until about two years ago, and we're probably half that number or perhaps even less now.

Mr. Gerrard: So when you're saying about half that number, is that the last couple of years?

Mr. Eliasson: Last couple of years the actual approvals have dropped from prior years.

Mr. Gerrard: The actual approvals have gone down from close to 400 to close to 200. Is that what you're saying?

Mr. Eliasson: Yes.

Mr. Gerrard: And at the same time, then, you've got an accumulation of people in the system, up to 2,500 applications and 300, right, which were being processed after the full application had been put forward?

Mr. Eliasson: Yes, that's correct.

Mr. Gerrard: So that's quite a considerable shortfall, right, in terms of what the quota or what the hope would be, I presume, and can you just give us a little more detail as to why that happened?

Mr. Eliasson: Well, first of all, just to be clear, the Province utilizes every provincial nominee space that is allocated to it by the federal government. So the 5,000 nomination spots have—as long as that 5,000's been there, have been fully utilized. So it's a question of the balance between the number that are utilized for skilled workers versus the number for business nominees. And there's no magic to that balance. I mean, there's, you know, the target or sort of guideline is like 400 and 4,600, but if there's 300, then it's 4,700 on the skilled-worker side. And sort of the dynamic that has occurred is the rapid ramp-up in the number of applications coincident with a rapid decrease in the quality of applications and just far more time required to process those applications to ensure ourselves that they contain accurate information and documentation.

Mr. Gerrard: Now, I think you said you didn't actually have the actual numbers for the last several years in terms of the numbers that have been processed, or do you have those now?

Mr. Eliasson: We've got more numbers than you can—we do have those numbers. I don't have them here.

Mr. Gerrard: I wonder if—when you collect the other numbers, if you can collect those numbers for the last—or five or six years, something.

Mr. Eliasson: Yes.

Mr. Gerrard: The number this year, which was like 2,500 and 300, you know, in the last couple of years, was that building up slowly or how would that compare to January 2012, January 2011?

Mr. Eliasson: Sort of that level built up in 2010. So it was there in 2010, 2011, 2012. And leading up to 2010, it was probably a doubling in the volume of applications from years prior to that.

Mr. Gerrard: So it was 2010 where you really had the changeover from a system which had been working where you were getting close to 400 a year, and then by 2011 and 2012 the numbers were sort of escalated, and you had poorer quality and it was taking longer and you were not processing as many?

Mr. Eliasson: Yes, that's correct. *[interjection]*

Mr. Chairperson: Dr. Gerrard.

Mr. Gerrard: –a reasonable picture. If there's others who would like to ask questions?

Mrs. Driedger: Just to finish off on the couple questions I had related to government funding of the program, I believe the deputy had indicated that there is ongoing government support for the program—was it \$300,000—and there is no more government funding?

Mr. Eliasson: Well, just to be clear, the deposits that are provided under the program are held by the Manitoba Development Corporation. And those deposits earn interest. And the interest from those deposits finance the Provincial Nominee Program for Business and a portion of the growing immigration strategy overall. And so, you know, their money's held within a provincial Crown corporation, so they are—so it's earnings under the summary budget, but they don't come from the consolidated revenue account of government. So it's a—it's just a slightly different accounting. But the program is self-financing in terms of its administrative cost. There's no cost to the Manitoba taxpayer for the administration of the program.

* (21:10)

Mrs. Driedger: Just, if he could help me understand it, why would funding requests in a couple of instances have gone to Treasury Board?

Mr. Eliasson: Because although the source of the funds are the interest earned within the Manitoba Development Corporation, the funds are subject to exactly the same scrutiny and administrative practices as though they were funds raised from the taxpayer of Manitoba. And so all of the delegated approval levels are exactly the same as any other program. The requirement to go to Treasury Board for contracts of over X—whatever the number is in the general manual of administration—that is all there,

and so that's why they—that submission went to Treasury Board. And that particular one that's referenced in the auditor's report was something that was brand new and unforeseen when the program's budget was prepared, and so it was an in-year increase in expenditure that required specific Treasury Board approval.

Mrs. Driedger: And just a final question. There's some mention in here about creating an integrity and quality assurance unit, and a framework was developed but nothing has been—well, the unit's functions are in place, but it hasn't been formally established. Can the deputy give us some indication of where that as—is at in terms of progress in moving forward?

Mr. Eliasson: The unit is established and staffed. And as the change occurs in the processing of applications for the program, more staff time will be freed up to devote to other activities, including strengthening the integrity and quality assurance unit.

Mr. Cullen: You know, clearly this program—there's an interaction with the federal government on this particular program. Could you explain the relationship your department has with the—I guess it's the Department of Citizenship and Immigration of Canada?

Mr. Eliasson: Yes, the—in 1997, I believe—predates my involvement with Immigration, but not by much—the provinces like Manitoba would receive, you know, maybe 2,000 immigrants per year. And at, you know, 3.8 or whatever per cent of the national population, it was well below the percentage of any kind of pro rata share of immigrants coming to Canada. And cities like Toronto, Vancouver and Montréal were sort of magnets for immigrants and people knew those—knew Canada by those cities, and smaller provinces—even Alberta—really weren't participating in the benefits of the skills and abilities that immigrants were bringing to Canada.

And so at that time the federal government and Manitoba—was one of the first—was the first province to take advantage of it—entered into an agreement where the province could nominate a set number of immigrants. And after a province nominated an immigrant—and the province would do that based upon the requirements that existed within its jurisdiction, you know, the strength of the labour market, what kind of skills and abilities were required in the labour market—then that application would be fast-tracked by the federal government.

And so it provided smaller jurisdictions like Manitoba with an opportunity to really promote themselves, promote the benefits of emigrating from whatever country of origin to Manitoba to establish themselves.

And it's been an unbelievably successful program that's been emanated by jurisdictions across the country, and Saskatchewan and Alberta enjoy great success with the same approach now. BC has always sort of been a very strong magnet for immigration. The Atlantic provinces have a version of—they have the provincial nominee program. Are not quite as successful with it, but it has—

Mr. Chairperson: Excuse me, Mr. Deputy Minister. The hour being 9:15, what is the will of committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise. All right, thank you.

Before we rise, thank you to the—Minister Melnick and Deputy Minister Eliasson—I'm sure we'll see you again with your staff and the Auditor General and staff—of course, our Clerk and staff and our page and to the committee members for your patience tonight.

Being 9:15, committee rise. Please leave the documents that were on the tables. Thank you.

COMMITTEE ROSE AT: 9:15 p.m.

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