

Fourth Session - Thirty-Ninth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Leonard Derkach
Constituency of Russell

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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

Wednesday, March 3, 2010

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Leonard Derkach (Russell)

VICE-CHAIRPERSON – Mr. Gregory Dewar (Selkirk)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Ms. Wowchuk

Mr. Borotsik, Ms. Brick, Messrs. Derkach, Dewar, Mrs. Driedger, Messrs. Jha, Lamoureux, Martindale, Pedersen, Ms. Selby

APPEARING:

Hon. Peter Bjornson, Minister of Entrepreneurship, Training and Trade

Hon. Rosann Wowchuk, Minister of Finance

Ms. Carol Bellringer, Auditor General of Manitoba

Mr. Hugh Eliasson, Deputy Minister of Entrepreneurship, Training and Trade, and Deputy Minister of Finance

Ms. Maria Capozzi, Audit Principal

MATTERS UNDER CONSIDERATION:

Auditor General's Report – Examination of the Crocus Investment Fund – May 2005

Auditor General's Report – Study of Board Governance in Crown Organizations – September 2009

* * *

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

This meeting has been called to consider the following Auditor General's reports: Examination of the Crocus Investment Fund, dated May 2005; and the Study of the Board Governance in Crown Corporations, dated September 2009.

Before we proceed any further, I've had some questions regarding the camera in the room. I'd just like to advise members of the committee that this is a camera from media services for a video that is being produced for the standing committees of the House that will be shared with schools and other organizations that may want to view it for educational purposes.

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

Mr. Rick Borotsik (Brandon West): I would suggest, Mr. Chairperson, that we sit until 9 o'clock at which time we can review the necessity for sitting longer. But 9 o'clock?

Mr. Doug Martindale (Burrows): I think we should sit until we pass some reports or 9 o'clock, whichever comes first.

Mr. Chairperson: My experience has been that after two hours of sitting in this committee, the committee conduct begins to deteriorate. So I will go with the suggestion that we sit till 9 o'clock this evening. Thank you so much. *[Agreed]* Thank you.

Are there any suggestions as to which report we should consider first?

Mr. Martindale: I think we should consider reports in the order on the printed agenda beginning with the Examination of the Crocus Investment Fund.

Mr. Chairperson: Thank you very much. Is that agreed? *[Agreed]*

So now it is time to welcome our witnesses for this evening and I would like to welcome the honourable minister of—the departments have changed in name so this is the Department of Entrepreneurship, Training and Trade, along with his deputy minister, Mr. Eliasson.

Now, we're going to start with some opening statements. I don't know that we need any more introductions around the table. I think everybody's pretty much familiar with everyone else around this table. So I would now call on the Auditor General if she would like to make an opening statement.

Ms. Carol Bellringer (Auditor General of Manitoba): Not on this report. Thank you.

Mr. Chairperson: Thank you. Now I will ask the deputy minister, Mr. Eliasson, whether he would like to make an opening statement.

Mr. Hugh Eliasson (Deputy Minister of Entrepreneurship, Training and Trade, and Deputy Minister of Finance): I could give a brief recap of the opening statement I made last time I was here or we could go directly to questions, whatever the will of the committee is.

Mr. Chairperson: What's the will of the committee?

An Honourable Member: Give a brief recap.

Mr. Chairperson: Proceed, please.

Mr. Eliasson: As mentioned, the report was dated May 2005. It contained a total of 142 recommendations; 128 of those recommendations were issued to Crocus. Of the remaining 22 recommendations, 15 have been fully implemented and seven are no longer relevant due to changes in circumstance.

The lead or primary recommendation to the Province acts as the starting point for all the other recommendations.

The first recommendation to the Province is that, in light of the current challenges facing the fund and the observations contained in this report, the Province establish a review process to consider: (1) the impact of this situation on the Province's monitoring role, and (2) whether there are any beneficial changes to The Crocus Investment Fund Act and The Labour-Sponsored Investment Funds Act that may be required.

The Province acted expeditiously to implement the points in this recommendation. First, on June 1st, 2005, the Province tabled Bill 51, The Labour-Sponsored Investment Funds Act (Various Acts Amended), which addressed recommendations regarding board governance, accountability of senior management and the board, and the completeness of information provided to shareholders and prospective shareholders.

Second, the Province appointed a Crocus Investment Fund implementation team that was co-chaired by John MacDonald, a former senior partner in a major firm of chartered accountants and Winston Hodgins, the current CEO of Manitoba Lotteries Corporation. The implementation team

report was tabled by the minister at the December 8th, 2005, Public Accounts Committee meeting.

The implementation team's report recommended a number of legislative amendments to implement the recommendations of the office of the Auditor General report. These amendments were tabled and passed in Bill 37, The Labour-Sponsored Investment Funds Act, 2006 (Various Acts Amended), which received royal assent on June 13, 2006.

Bill 51, 2005, and Bill 37, 2006, in total contain at least 115 provisions to either amend, repeal or add new legislation to The Income Tax Act, The Labour-Sponsored Venture Capital Corporations Act, and most of The Crocus Investment Fund Act has been repealed. Through these amendments, the office of the Auditor General's recommendations that remain relevant have been expeditiously, diligently and prudently implemented or resolved.

Thank you for the opportunity to outline the steps taken.

Mr. Chairperson: I'd like to thank the deputy minister for those opening remarks.

Now, I think we will move to questions from the floor. The floor is now open for questions.

Mr. Borotsik: Mr. Eliasson, the—thank you for being here once again, and I know we're carrying over from the last time you appeared before this committee, and I do appreciate your attendance here on the Crocus.

The Crocus file has been—or the Crocus report has been before this committee a number of times. Unfortunately, I have not been—or fortunately, I have not been involved in the other previous hearings on the Crocus report, so I'm going to ask some questions and perhaps some of the questions have been answered previously, so I apologize ahead—in advance if there's any duplication.

On the Crocus changes, you had indicated Bill 37 has implemented the majority of the legislative requirements that were necessary for the recommendations out of the Auditor General's report.

Outside of legislation, I wonder if you or your department has any other information with respect to the risks associated with other valuation investments in other Crown organizations that are controlled by your department. Are there any other risk valuations that have been put into place?

Mr. Chairperson: Mr. Eliasson.

An Honourable Member: Eliasson.

Mr. Chairperson: Maybe we'll let the deputy minister tell us how—

An Honourable Member: Eliasson.

Floor Comment: No, Eliasson.

Mr. Chairperson: Is it Eliasson?

Mr. Eliasson: Yes.

Mr. Chairperson: Thank you. Now we have it straight.

Mr. Eliasson: I'm not quite sure of your question. The Province of Manitoba is involved in a variety of financial transactions as part of its normal course of business, and some areas of those transactions have an element of risk inherent in them and, around those functional areas, there are risk-management frameworks that the Province operates within.

Mr. Borotsik: Yes, and that's exactly where I was heading. You do have responsibility for pension funds, for example, through the government, and they do have or should have a risk associated with those investments. Do you have anything in place that would—that you have a risk valuation to those particular types of investments that are placed in those organizations?

Mr. Eliasson: Pension funds are separate organizations with their separate board, and the boards have employee representation on those boards, and within those organizations they certainly have very sophisticated risk-management systems in place.

Mr. Borotsik: Are there any other organizations within government's purview that would or could require some sort of risk valuation on the investment portfolios?

Mr. Eliasson: There are a variety of government entities that engage in financial transactions that have an element of risk to them, and each of those organizations, in their own right, would have their own risk-management systems in place. The Manitoba Public Insurance Corporation has an investment fund. The Workers Compensation Board has an investment fund, just to name two.

* (19:20)

Mr. Borotsik: And is there any government—I won't say control, but is there any government knowledge with respect to the valuations of those particular

funds? Is there any red flags that sometimes go up that would trigger your department's or government's intervention?

Mr. Eliasson: The nature of their—and this investment activity, by and large, is through public markets where the market places a value either on the bonds or individual equities that those funds may hold.

Mr. Borotsik: Are there any guidelines as to the percentage of those equities or those different types of investments that they held in those different organizations? And the reason—from the municipal side of it, the municipalities do have funds that they can invest, but there's very strict risk management levels that they can put in. Now, are those strict management levels also in place for these other organizations?

Mr. Eliasson: Absolutely. Each fund has made a determination through their investment committees and their board as to the risk profile and the duration of investments that match their needs, and so each one is different depending on the organization and why they are holding investments. Pension funds are obviously holding investments for a different purpose than Manitoba Public Insurance Corporation, for example.

Mr. Borotsik: Again, does government have any influence as to what type of investments and what value or what percentage of those investments can be held in any of those organizations, MPI, WCB, any of those? Do you have any control or do you have any process by which you can identify evaluations that those departments do have?

Mr. Eliasson: Well, if I get back to the question of valuations, those organizations, by and large, participate in investments that are traded on public markets or are on our own bond markets, and so the valuations are dictated by the market on any particular—at any particular point in time.

Mr. Borotsik: Are there no other investments that are outside of the public markets? I think of WCB, for example. I think that they've done some other types of investments that are off the public market. They've done some private investment where—and I won't get into details, but I do know of some investments that are totally outside the equity markets. Do you have any—does government have any red flags for those types of investments or do they have any understanding of valuations for those types of investments?

Mr. Eliasson: Some of those organizations participate in investments that aren't publicly traded. The fact of the matter is, by and large, most of them are. Some do participate in a limited amount of private equity investment or real estate investment, for example.

Entities like the Workers Compensation Board have their own board of directors. It was responsible for the operation of the board and it's responsible for the investment policy in performance.

Entities like the Manitoba Public Insurance Corporation utilize the Treasury Branch of the Department of Finance to manage their investment activities in concert with an investment committee of their board.

Mr. Borotsik: Thank you, Mr. Eliasson. I do appreciate that, and I do know that there are different areas of investment for different Crown corporations. I just was curious myself as to how that was looked at by government.

The Crocus report, you, as the deputy minister, did sit on that board, if memory serves me correctly. You sat on the Crocus board at one point in time?

Mr. Eliasson: I sat on the Crocus board from April of 2000 to April 2001.

Mr. Borotsik: When you left, you were replaced with another deputy minister at that time?

Mr. Eliasson: When I left, I was replaced by an individual that subsequently became a deputy minister in another department in government, but, at the time of his appointment to the board, he was an assistant deputy minister of science and technology in the—hard to say what this department was called back then, but in this department in one of its previous iterations.

Mr. Chairperson: Okay.

Mr. Borotsik: When you had left, I recall in the last meeting that we had you had indicated that you had left on your own accord because you felt that there was a conflict at that time, that you felt that there was a conflict with your duties as a deputy minister in the department and a conflict of your duties sitting on the Crocus board. Would've that same conflict been there for your replacement, the—at that time, ADM?

Mr. Eliasson: The practice had been from the time that both Crocus was formed and ENSIS was formed, that a senior member of the Economic

Development department would be appointed to the board in the government's—in the—seat that the government had to appoint someone to the board. In Crocus's case, it had traditionally been either the deputy minister or an assistant deputy minister in the department or the secretary of the Economic Development board at the time. And I was appointed following the change of government, and then the gentleman that replaced me on the board was an assistant deputy minister in the department, but his area of the department didn't have any responsibility for any policy or monitoring with Crocus. And so there was a separation within the department that was made when that person was appointed.

Mr. Borotsik: He, as I understand it, the ADM, didn't have any responsibility within the department for monitoring within the department. I'm a little confused about that. What was the ADM's mandate, then, sitting on the Crocus board at that point? Was it—well, perhaps you can answer the question. What would his mandate be at that point in time sitting on the Crocus board?

Mr. Eliasson: His responsibility as any director that sat on the Crocus board or any other board is to the shareholders of that corporation.

Mr. Borotsik: Are there any other boards or directorships that have provincial government officials and MLAs appointed to them to your knowledge?

Mr. Eliasson: Yes, there are.

Mr. Borotsik: Can you expand on that a little bit and perhaps give me some of those boards?

Mr. Eliasson: When we get to the next report. I mean, there are, I think, 700, roughly, people appointed to agencies, boards and commissions, and some of those are government officials and in a few instances they're MLAs. So there are—I mean, there's just a wide range of boards. Generally, the nature of boards that government officials sit on, not exclusively, but generally, there are agencies that are directly responsible to government and are part of government administration.

Mr. Borotsik: Actually, that's a very good segue, Mr. Eliasson—Eliasson—I'll get used to that—Eliasson—because the follow-up, the next report does deal with governance and with members, appointees and DMs as well as ADMs. I'm not going to ask you for this request, but I'll ask you the question: Would it be difficult for your department to put together—by the way, just for your information, there are only 50

agencies that were surveyed in the next report that we're going to deal with; you just told me that there were some 750.

Floor Comment: No, 700 individuals.

Mr. Borotsik: Seven hundred individuals. I'm sorry. Would it be difficult for your department to put together a list of those deputy ministers or MLAs that are appointed to other boards? Would it be that difficult to accomplish or to comply that—to compile that list?

Mr. Eliasson: No, it wouldn't be difficult.

Mr. Borotsik: Thank you, and I won't ask you for that. At some point in time, hopefully, the committee will set some recommendations and ask for those types of—those pieces of information. But I did like it—your answer that, in fact, it wouldn't be difficult to compile that list, however, if I asked you for it, I know that, perhaps, it wouldn't be accepted by committee just yet, but it may eventually, Mr. Eliasson.

I'll stop there—

Mr. Chairperson: I think maybe we need a—excuse me, Mr. Borotsik. Perhaps we should offer—

An Honourable Member: A little explanation? Yeah, perhaps.

Mr. Chairperson: —an explanation to Mr. Eliasson for that.

The committee has been attempting to get into a mode where we might make recommendations to a department as a PAC committee, but the rules of the Public Accounts Committee are such that there's some ambiguity as to whether or not we should be allowed to do that. And we have agreed with House leaders that that's an area that we need to explore down the road and then set some clear guidelines with respect to that. So that is why we would not entertain a recommendation from the Public Accounts Committee at this point in time. Okay? Thank you.

* (19:30)

Ms. Marilyn Brick (St. Norbert): I wonder if you could address for me, Mr. Eliasson—Eliasson—the difference between labour-sponsored venture capital and other kinds of investments.

Mr. Eliasson: Labour-sponsored venture capital funds are a unique asset class that in—exists, I believe, in every province in Canada. There is

federal legislation that allows for a 15 percent federal tax credit for investments in those funds and, in most provinces that level of tax credit is matched by a provincial government. It's not the case in Alberta. In some provinces it may be a little bit higher, and so they are a distinct entity. They have to have a labour sponsor as part of the fund and they have to—there's a range of obligations that surround them because of the tax credit that goes in. They exist to serve a public policy purpose, and so the nature of the investments they make are broadly defined within legislation and regulations.

Ms. Brick: I just have one follow-up question. Could you tell me how risk was established within those entities that were being funded through them?

Floor Comment: How risk was established?

Ms. Brick: What was considered? What kind of diligence was done in terms of establishing the kinds of venture capital that people were able to access through this fund?

Mr. Eliasson: Why, I guess the starting point from a risk perspective is that they are labour-sponsored venture capital funds and venture capital investments on a risk spectrum. If guaranteed investment certificates are at this end, venture capital investments are at this end, and so the risk is much greater than some other areas of investment. But the opportunity for returns is also greater, and one of the public policy reasons that labour-sponsored venture capital funds were put in place is that Canada, like other countries, has a paucity of venture capital funds available. Professionally managed, accessible pools of venture capital are not common in this country, and so that was one of the policy responses of governments, to encourage the formation of those pools of professionally managed capital. Each venture capital company has its own professional management that's responsible to a board of directors and, hopefully, they are skilled at analyzing the—both the risks in any particular investment in an individual company and the potential returns, and they do their due diligence, to assess both certain market opportunities and the strength of management, et cetera, before they make investments.

Mr. Martindale: My question is probably best answered by the minister. At the last meeting of Public Accounts committee, the member for Inkster (Mr. Lamoureux) said that the province had been putting promotional material in the envelopes—in the pay stubs of civil servants. Could the minister

comment on this practice and also tell us when that ended?

Hon. Peter Bjornson (Minister of Entrepreneurship, Training and Trade): Yes, thanks for the question. That had been past practice, but when the Securities Commission alerted the Province to that practice, that it was indeed in violation of The Securities Act, that ceased in 2001.

Mrs. Myrna Driedger (Charleswood): Mr. Eliasson, could you tell us how many government employees were on the Crocus board at the time that you were on the board?

Mr. Eliasson: One. At any one time there was one.

Mrs. Driedger: You indicated, I understand and, again, I, like the member from Brandon West, I have to apologize to being new to this process. I don't want to go over old ground so I apologize if some of this has already been put on the table, but I understand and I guess, correct me if I'm understanding correctly, that you were on the Crocus board for about a year, and you left because you felt that you were in a conflict of interest. Is that correct?

Mr. Eliasson: I wouldn't characterize it as a conflict of interest. The way I characterized it was conflicting duties. As a director of a corporation, and Crocus was a private corporation, the directors have a duty to the shareholders of that corporation. As a deputy minister in government, you have a duty to the Government of Manitoba and their—as I—as my experience in both those roles grew, I developed a discomfort in dealing with some issues because it wasn't clear to me how I could perform duty responsibly to both parties at the same time.

And it's—you know, I think it's fair to say that there's been an evolution in terms of governance practices in North America and the world over time, and I came to the conclusion that my service on the board was not of best governance practice, and so we made a decision to change that.

Mrs. Driedger: You indicated that you had some discomfort with some issues. Are you able to share what that discomfort was with us?

Mr. Eliasson: Well, I think I did. I think—you know, you can get in a situation where your duty to one party and your duty to another party can't be balanced off and that's—there wasn't any one particular instance. It was a general sense of discomfort with that role, or those two roles. And the government pays better.

Mr. Chairperson: Mr. Lamoureux, or, pardon me, Mrs. Driedger, you still—you're still continuing?

Mrs. Driedger: Oh, yeah. Mr. Eliasson, could you tell us, when you agreed to sit on the board were these issues not apparent from the beginning? You know, going onto a board like that and being deputy minister, were some of these issues something that you could have predicted would just naturally occur?

Mr. Eliasson: No. As I stated earlier, from the formation of Crocus in 1993, it had been the deputy minister of the Economic Development Department or the secretary of the former government's Economic Development Board that served on the board of Crocus, and that was just the natural progression. And, going into it, I didn't foresee that, but as I gained experience on the board, I began to sense that and—

Mrs. Driedger: Did—as a board member, were you expected to report back to the minister what you were discussing at board meetings?

Mr. Eliasson: No.

Mrs. Driedger: Did the minister ever ask you for information about what was being discussed?

Mr. Eliasson: What was being discussed at a board meeting? No.

Mrs. Driedger: The—hang on one second here. At that period in time was the board actually discussing some of the problems that later came to light while you were there as a member of that board?

Mr. Eliasson: I'm not quite sure what you mean by problems that later came to light.

Mrs. Driedger: Well, the areas that are largely covered in, you know, the Auditor's examination about the prospectus and about valuation. Were those some of the issues that you felt some degree of discomfort with being discussed at that—during the time you were on the board?

Mr. Eliasson: No.

Mrs. Driedger: While you were on the board—and some of the comments made in the Auditor's report indicated that the board lacked appropriate oversight and governance—were you, during your period of time as a board member, were you able to discern that those were issues, and some of the problems there, that there was a lack of oversight and some governance issues? Were you feeling that those issues were there at the time you were on the board,

and did they have any bearing on your decision to move on?

* (19:40)

Mr. Eliasson: No, and I—just to sort of put things in perspective, during the time that I served as a director, in that one calendar year, there were, I think, 11 meetings of the board that were scheduled. Two of them were cancelled. I was out of town for two of them. So I actually attended about seven meetings, so, you know, it wasn't sort of a lengthy experience on the board. But, in direct answer to your question, no, I didn't at that time have concerns about governance issues.

Mrs. Driedger: Can the minister tell us, as a deputy at the time, were there discussions going on within government about Crocus, and was—were you, Mr. Eliasson, in a bit of a dilemma in terms of knowing what you, you know, might have had issues about with Crocus. Were you ever feeling in a dilemma or feeling some discomfort, as a deputy minister, having to address some of the questions that government might have or some of the discussions that government might have been having about Crocus at the time?

Mr. Chairperson: Mrs. Driedger, I want to know more specifically where you're going with this. You're asking—your question was—it was referred to the minister. It—you're asking for—it's not an administrative question. It's more a question of a sense of feeling. I would like us to stick to administrative questions. If I could ask you to rephrase your question, please.

Mrs. Driedger: I'll withdraw it for the moment, and perhaps—

Mr. Chairperson: Okay. If you want to rephrase it and come back to it, of course, you'll have that option.

Mrs. Driedger: Yeah, I'll just withdraw it for the moment.

Mr. Chairperson: Okay, thank you.

Mrs. Driedger: And I have no further questions.

Mr. Kevin Lamoureux (Inkster): I'll stick to saying to the deputy minister—this way I don't mispronounce the name—there is a—you know, prior to coming to the formal Public Accounts meeting, there was a great discussion about governance. And one of the perspectives that I think that you have to provide and

possibly share with us is that of being a deputy minister, and I'd even go further in terms of like, say, an assistant deputy minister, and the roles that they could potentially play on a board and agency.

What would be—you know, in your experience—what would be the advantages of having a deputy minister or an assistant deputy minister on a board or an agency versus some of the disadvantages of having—and I'm using, you know, the Crocus can be used as an example, but I would suggest that different boards, different—you know, there's obviously significant difference between all the boards—but I'd just be interested in hearing your perspective in terms of what would be an advantage, what would be a disadvantage. Ultimately, with Crocus, you felt, at the end of the day, it was a disadvantage, and then I applaud you on that. But could you provide an insight on that?

Mr. Eliasson: I think I might have mentioned earlier that I think a lot of it depends on the nature and the function of the board. There are some agencies or corporations that are a direct instrument the government uses to deliver its programming or services, and it's—and they're really just an alternate form of delivering government services to a traditional government department. And so something like the Public Schools Finance Board, for instance, the board is composed entirely of civil servants, and I think that that's very appropriate because the government is directly accountable for the operations of that board. In other areas, I think—and this doesn't apply at all to me—but civil servants, senior civil servants often possess a particular technical skill or ability that is of value to a board, and as they govern an organization, and I think that that's a very legitimate role.

And as I also mentioned earlier, governance and governance best practice evolves over time, and I think that we've come to realize it. And, in this instance, it was realized in 2001 that where government has a responsibility for monitoring an organization from—that has a policy link to its department, that a senior government official is probably not very well placed on that board because it does present conflicting duties. I think in some quasi-judicial areas that agencies operate their—it may not be appropriate. You know, I can only speak from my own personal experience, but I think that there's obviously a dividing line depending on the nature of the organization and the nature of the board that somebody would serve on.

Mr. Lamoureux: Appreciate your comments. In going back to the Crocus as a labour venture capital fund, Manitoba wasn't alone. There were other provinces that moved forward on this. Does Manitoba—I think it's just ENSIS now that we have, as a labour venture capital fund? Or, what does Manitoba currently have?

Mr. Eliasson: There are two labour-sponsored venture capital funds currently registered in Manitoba. One is GrowthWorks, which actually acquired the management company of ENSIS and is operating that fund. And the other is Golden Opportunities.

Mr. Lamoureux: Both of those would be arm's length way from government currently?

Mr. Eliasson: Yes, they're private organizations that are arm's length from government, and in the legislative changes that I referred to earlier, the government no longer appoints a representative to any of those boards.

Mr. Bidhu Jha (Radisson): The Auditor's report suggested that—to our recommendations, we have suggested that a more in-depth review of certain issues and transactions may be warranted. I'd like to know if the government has followed those recommendations and what issues have been appropriately reviewed.

Mr. Eliasson: I'm not exactly sure what you're referencing, but the—each of the recommendations, each of the specific recommendations from the Auditor General's report—and there were 22 of them that applied to government; seven of them are no longer relevant—and each of the other 20—other 15 were fully implemented.

Mrs. Driedger: Mr. Eliasson, when the government put a deputy minister on the Crocus board, was that person a voting member or ex-officio?

Mr. Eliasson: They were a voting member of the board.

Mr. Borotsik: As I understand now, Mr. Eliasson, that there are no other provincially sponsored venture capital funds in the province currently.

Mr. Eliasson: There are two—

Mr. Borotsik: Provincially sponsored.

Mr. Eliasson: There are two labour-sponsored venture capital funds that are registered under the provincial labour-sponsored venture capital act, as well as the federal legislation.

Mr. Borotsik: But again, just to confirm, there's no involvement from the Province at all in those particular funds?

Mr. Eliasson: Well, the Province's role is—with those funds is there's a tax credit provided and, as a consequence of that tax credit, there are public policy objectives that the funds have to serve, and so there is a reporting responsibility to the Province. And there's a—they have a responsibility to the Manitoba Securities Commission to file a prospectus, et cetera, et cetera. They'd have had all the normal responsibilities that any company that offered securities to the public would have. And the—one of the fundamental changes that occurred as a consequence of the recommendations in the Auditor's report was a separation of the monitoring responsibility for labour-sponsored venture capital funds from the department that was—had at the policy interest and the mandate to promote the availability of venture capital.

Mr. Borotsik: Is there a responsibility of government to review the valuations of those particular funds and the valuations of their investments?

Mr. Eliasson: The government isn't. The board of those funds and their management is responsible for the valuations that are put on those funds. They have the accountability to the shareholders for those valuations.

Mr. Borotsik: So the government has no review of those valuations whatsoever?

* (19:50)

Mr. Eliasson: They—there's a valuation process that is prescribed in legislation and the Manitoba Securities Commission has the responsibility of monitoring compliance with that process, and so they would have the same obligations under securities legislation that any other public—any other entity that offered securities to the public would have.

Mr. Borotsik: To the Auditor General. You had made some recommendations to different departments of government which they will comply with or not comply with and they will provide that information. You also made some recommendations to the Manitoba Securities Commission. In your report, there were some recommendations and one of them was is that the Manitoba Securities Commission enhance its prospectus review documentation standards to include the risk assessment and review procedures performed and

results thereof. Have they complied with that particular recommendation in the report?

Ms. Bellringer: Excuse me. In the context of our follow-up report that will be covered later on in the year, we do ask those organizations where they stand with respect to those recommendations and they've indicated to us that those changes have been made.

Mr. Borotsik: And I do thank you for that comment, and I do realize that there's a follow-up report, but it's not on the agenda tonight so we can't deal with that, but, certainly, out of your report it did flow, and, certainly, your answer is most appreciated that they have, in fact, complied with the recommendations of your report.

I don't have any further questions, Mr. Chairman.

Mr. Chairperson: Auditor General's report, Examination of the Crocus Investment Fund, May 2005–pass.

Almost requires a celebration.

Thank you very much, Mr. Eliasson, and thank you, Mr. Minister.

We will now move to consider item 2 on our agenda, Study of Board Governance in Crown Organizations, dated September 2009.

I'm going to ask Madam Auditor General whether she has an opening statement.

Ms. Bellringer: I'm joined here tonight—they're actually at the back of the room at the moment—by Maria Capozzi. Maria was the principal author of this report and Norm Ricard, who's the executive director of Strategic Initiatives in our office and he's responsible for the governance practice in our office.

Mr. Chairperson: Welcome.

Ms. Bellringer: This report provides an updated study of current board governance practices in Manitoba's provincial public sector for those boards having policy setting or decision making capacity. It's issued a decade after an initial study by the office.

We surveyed the board members and senior management of 50 Crown organizations within the government reporting entity. We had a 68 response—a 68 percent response rate to our survey. We certainly appreciate the time that was taken by the 470 individuals who not only completed the survey but who also provided us with a great number of

thoughtful and candid opinions on public sector governance issues.

The report was not an audit nor was it an evaluation of boards or their practices. Rather, the purpose of the study was to assist the public sector boards and to assist the Legislature with information to help move practice forward in an informed way.

We found a great deal of existing literature available to boards, both dealing in the private sector as well as not-for-profit boards, but very little was available in the public sector, and so we did hope that this would contribute to that information for all public sector boards. Not only do those boards have to understand the relationship between the board of directors and management but they also have to understand how government fits into that formula.

In addition to providing the boards and the legislature with the summary of the survey findings, it was evident from a number of matters that were brought to our attention that we should highlight some of those for government's consideration. We drew attention to the following matters. We have some around board appointments; around board orientation and training being provided to those boards; conflict of interest and how those are dealt with by the boards; information provided to ministers and the relationship with government.

While we didn't make any recommendations in the report, we do hope that action will be taken by government to address those matters and to strengthen the governance practices.

Mr. Chairperson: Thank you, Madam Auditor General.

And, before we ask the deputy minister to make an opening statement, I want to say welcome to the Minister of Finance (Ms. Wowchuk) as a witness, but I also want to point out for this committee the position we now find ourselves in, and it's what we are trying to avoid in the future. We now have a member of our PAC committee who now becomes a witness of the PAC committee as well, and that, in most jurisdictions, is inappropriate, and is something that we are trying to correct. We certainly don't fault the deputy minister for that. It just happens that in Manitoba's practices this is the way it is and it's a practice that we are all, I think, collectively, attempting to correct down the road. But, nevertheless, that is the practice we have in the province today, and we will proceed. And I want to

welcome the Minister of Finance as the minister witness, and I also would like to welcome Mr. Eliasson back to the table.

We're one for one so far this evening, Mr. Eliasson. We'll let you make an opening statement.

Mr. Eliasson: To begin with, I'd like to introduce Alan Goddard, who is with the Crown Corporations Council, and the Crown Corporations Council has been—has played a key role in the government's response to the Auditor General's report.

I'd also like to begin by thanking the Auditor General for her comprehensive report. All organizations are going to be able to draw on its suggestions for improvement in—and the report suggestions for good practices. The Auditor's report offers many suggestions on how board governance can be improved, and I am pleased to advise that government has taken steps to enhance the process and to provide additional resources to board members in support of their efforts.

To ensure appointments are filled promptly a system is now in place to notify ministers' offices four months prior to a scheduled vacancy date to ensure there's a long lead time to facilitate the appointment of a replacement.

The findings of the office of the Auditor General's study are being shared with ministers' offices and other key areas that will benefit from the comprehensive research effort and suggested best practices.

In the past, boards have each trained members to the best of their abilities. It was felt that more benefit could be gained from a co-ordinated made-in-Manitoba approach. A strategy has now been developed to address director training and board development for Manitoba agencies, boards and commissions in a manner which takes into consideration their specific functions and relative levels of experience. This strategy recognizes that there is no one-size-fits-all approach to governance training, and it will enable board members to clearly understand expectations regarding public sector governance and accountability while providing them with training opportunities that are appropriate to their board and their role.

This past year, the Crown Corporations Council, under direction from government, has worked with consultants from Myers Norris Penny to leverage existing council resources, research exemplary

practices and governance training, and engage provincial stakeholders to finalize a director competency role profile and to develop a comprehensive made-in-Manitoba board training and director development model. The stakeholders engaged came from a wide cross section of the Manitoba boards and commissions. Vetted by these stakeholders the completed director profile will help agency board and commission members to better understand their responsibilities and to assist in the identification of their training needs. The completed training model identified six core subject modules for director development, including: corporate governance, financial literacy, risk management, strategic planning and performance, performance management and board evaluation.

Currently the Crown Corporations Council is working with various provincial stakeholders and subject matter experts to develop and help deliver three distinct training workshop series which will assist all Manitoba boards and commissions in the further development of their directors.

This past fall council delivered a director orientation program on a pilot basis for 15 newly appointed directors. Following the pilot program, council worked with Myers Norris Penny to enhance the quality and refine the focus of the program.

* (20:00)

This spring and summer, council, in concert with the Asper School of Business at the University of Manitoba, will develop an advanced director training program. I am pleased to advise that the full suite of orientation and training programs will be ready for full rollout in the fall of 2010. The programs and workshops will be available to Manitoba agency, board and commission members on a highest to lowest needs priority. Thank you.

Mr. Chairperson: Thank you, Mr. Eliasson, for your opening statement. The floor is now open for questions.

Mrs. Driedger: Mr. Eliasson, earlier in the previous meeting, you had indicated that there were 700 appointees to boards and commissions. Can I ask how those board members are chosen? Could you describe the process for that?

Mr. Chairperson: Mr. Eliasson. *[interjection]* No, I'm sorry, the question was asked of Mr. Eliasson.

An Honourable Member: No, this is a—if it's the process, it's—

Mr. Chairperson: I'm sorry, Madam Minister, the question was asked. It's an administrative question asked of the deputy minister. I have asked that the deputy minister be allowed to answer that question.

An Honourable Member: I have a point of order.

Point of Order

Mr. Chairperson: Yes, point of order, Mr. Martindale.

Mr. Martindale: Yes, Mr. Chairperson. I've been on this committee for quite a while and my recollection is that, in the past, it was up to the minister to decide whether he or she chose to answer the question or not. Sometimes the deputy answers or the witness answers, but sometimes ministers have chosen to answer, and I think we should continue that practice until such time as the committee decides otherwise or until such time as we change our rules, which could only be done by the House leaders and by another committee. However, I would stand to be corrected, but I'm fairly certain that, in the past, we have allowed ministers to answer questions if they so chose.

Mr. Chairperson: On that matter, Mr. Martindale, over the course of the last year and a half, the practice of this committee has changed. The practice of this committee before that was such that ministers could and would answer questions. In the last year and a half, that practice has changed with the consent of the House leaders as well, and that was No. 1, the deputy ministers would be called to answer administrative questions and, No. 2, the questions that are directed to a deputy minister would be answered by a deputy minister, and that is why the practice has changed. That is precisely why we are trying to conform with practices that are being carried out in other jurisdictions. And I have ruled, over the course of the last year at least, that when a question is asked of a deputy minister, unless it is a question of policy, then either that question is ruled out of order—and I have ruled several questions out of order that are of a policy nature, but questions that are ruled in order and are asked of the deputy minister, I would request the deputy minister to either answer the question, and if the deputy minister chooses not to answer the question, that does not mean that the minister takes over and answers that question.

We move on to other questions then.

Mr. Martindale: Since you've made a ruling, I'm not really able to challenge that ruling, but I would

like you to take it under advisement and do some research and see if that is actually our practice and report back at the next meeting. In fact, we have a researcher that works for the Public Accounts Committee and he might look through *Hansard*, or the clerk might look through *Hansard* and verify that that's been the practice for the last year, as you allege, and report back to us at the next meeting, because I don't accept that this has been the practice.

Mr. Chairperson: We're getting into issues here that perhaps we need to discuss at a private meeting, but one member of a committee cannot direct a researcher to do specific research. But, just in trying to be co-operative in—with committee as a whole, I'll undertake to ask the clerk to review our practices over the course of the last year or more, and then I will be happy to report those findings to our meeting when we sit next.

But again, the ruling of the Chair is not to be debated, so I will now end that particular matter and we will move on. But, indeed, I assure you that I will in fact undertake your request, and so that we can move forward, I will be happy to report that will be researched by the clerk. So, thank you so much for that.

* * *

Mr. Eliasson: The vast majority of appointments to agency boards and commissions are either by the Lieutenant-Governor-in-Council on recommendation of Executive Council or are appointed by the minister responsible for the agency, board and commission. And so the administration's role in that process is, upon request, to identify individuals that possess the required skills and experience to serve on that board for consideration by ministers or Executive Council.

Mr. Chairperson: Thank you.

Mrs. Driedger: One of the concerns that was raised in this report, and it came from those people that were being surveyed, that—in fact, I think it was 50 percent of the senior management say that some board members are not qualified.

Is there a list of qualifications for each board position so that when, you know, a certain position comes up and a board lacks, for instance, financial expertise, you know, is that something that is looked at when board positions are made? Because that certainly—I think some fairly significant concerns were raised about the lack of qualifications of a number of board members—not all, but a number of

board members not being qualified. So, you know, within that process, is there actually, you know, a list of qualifications that are specific to each board?

Mr. Eliasson: You know, I think each board, depending on its function, is going to have a different mix of skill requirements for an effective board.

What I—what we've put in place, and that I referenced in my opening statement, is work that's been done by the Crown Corporations Council to identify the six core competencies that are generic to directors serving on a board. And they've put together a training program to address the individual board members' overall understanding of corporate governance, to—put training programs in place to ensure a level of financial literacy, particularly for those boards that have a responsibility for managing resources, an understanding of risk management in their role as a director, an understanding of strategic planning in their role as a director, and an understanding of performance management and board evaluation.

And the Crown Corporations Council has done—has worked with the larger public-sector boards in Manitoba and has garnered a great deal of experience in best practices in board governance. And the key component of the Province's response to this very, very good study was to leverage that capacity within the Crown Corporations Council beyond the limited number of corporations that they have a direct responsibility for, but to make that high level of expertise available to members of all boards and commissions, and to put in place a program of orientation for new board members to ensure that they have a full understanding of the responsibilities that they're taking on and the skill areas that they'll need to develop to perform an effective role on a board.

* (20:10)

Mr. Chairperson: Mrs. Wowchuk—Madam Minister, I want to step back a little bit, because I put your name down here as next on the list; however, again, we need to, I guess, align our own practices properly, because, as a member of the committee, I put you down as next for asking questions. But I'm assuming that you didn't want to ask a question, you—

An Honourable Member: I was.

Mr. Chairperson: Oh, you're wanting to ask a question as a member of the committee now?

An Honourable Member: No, as a—

Mr. Chairperson: I don't know, because if you wanted to elaborate on the answer—that's fine as well—that Mr. Eliasson had answered—but I—again, I put you down as the next in line as a member of the committee, but perhaps you wanted to elaborate on Mr. Eliasson's answer, which is quite appropriate as well. So—

An Honourable Member: I was—my point for—

Mr. Chairperson: Madam Minister.

Hon. Rosann Wowchuk (Minister of Finance): My point for raising my hand was after Mr. Martindale had spoken, where you said that I wasn't able to speak here as a witness, that the deputy had to answer the question, and I wanted to clarify that both of us had been invited to this committee as—to be witnesses—

Mr. Chairperson: That's right.

Ms. Wowchuk: —and you had ruled that I couldn't answer a question, and I was objecting to that ruling because I think we are both invited as witnesses and I should be able to answer questions as well.

Mr. Chairperson: No, no, that's not an issue, Mrs. Wowchuk—Madam Minister. Of course, you may elaborate on an answer if a question is asked of the deputy minister, and, after his answer, if you want to add to that answer, and if I didn't recognize you, I would have erred, but I took the other approach. I put you down as a member of the committee to ask the next question, and I thought it was a little odd that you wanted to ask a question, but then I talked to the clerk, and I thought, well, perhaps you were wanting to elaborate on that answer, which is quite appropriate.

Okay, thank you very much. So we'll move on to Mr.—Mrs. Driedger, were you finished?

Mrs. Driedger: No, I've got lots of questions, but I'm prepared to allow some, you know, other colleagues to ask questions and I can come back to mine.

Mr. Blaine Pedersen (Carman): I have a question to the deputy minister, and I was certainly glad to hear about the training programs. In a previous life, I did spend a fair number of time on boards and did a lot of training and it was very helpful in board governance, in understanding financials, et cetera, et cetera. So, but I—just one of the comments that you

made, you're bringing out a made-in-Manitoba policy for training, which is understandable; we're in Manitoba, made-in-Manitoba, but is there board training governance models across Canada that you looked at too, or that you've been able to copy, or—

Mr. Eliasson: The training programs were developed by the Crown Corporations Council and their very capable staff, and surveyed best practices in board governance and training from well beyond Manitoba's borders.

Mr. Pedersen: So this is a—it's has—in your investigations of other provinces, it's been a long-standing practice in other provinces and now we're just bringing it on board here in Manitoba?

Mr. Eliasson: I'm not an expert in this area, but my understanding is, with the regime that's currently put in—been in—put in place in Manitoba, that Manitoba will be amongst the best jurisdictions in Canada in this regard.

Mr. Pedersen: And in that training and from the Auditor General's comments earlier tonight, when a deputy minister or senior official is appointed onto a board, which does happen here in Manitoba, her recommendation, and I'm reading it here, is clear guidelines as to role in how to deal with conflict of interest, and also about how the rest of the board would defer to a deputy minister being on there. There can be—and I don't have exact examples, but because of the role of the deputy minister coming on there, there might be some deference to the—of—looking to the deputy minister for decisions and that—is part of the training module going to, indeed, address that issue?

Mr. Eliasson: I think, fundamental to good governance practices is an understanding by every board member of their individual responsibilities for their role on that board, and so anybody who felt in deference of any other board member and didn't act with their own best judgment in what they thought was right, would have an issue, whether that person was a deputy minister or anybody else.

Mr. Pedersen: I'd certainly hope so because they're not doing their due diligence as a board member if they're not. But what happens though—I guess I'm interested to know when a deputy minister has appointed a chair of a board, what is the procedure then for reporting back to the minister? Does—obviously, as chair, it is—at least it's my understanding that the chair of the board would be in conversation with the minister, and this in turn

happens to be the deputy minister also. Is there no conflict of interest in there as to what the board's actions are?

Mr. Eliasson: I think I outlined that in our consideration of the previous report, and I think was in response to the member from Inkster, the kind of boards that deputy ministers and senior government officials sit on, and described the nature of agencies, boards and commissions that were an integral part of the delivery of government programming, and where government had a direct responsibility for the delivery of those services through the board, and went on to say that in the instances where a deputy minister or senior government official also had a responsibility in terms of their department, in terms of monitoring, to what went on on a board or in an organization, that that would constitute an inappropriate appointment. And steps have been taken in Manitoba to ensure that that doesn't happen, which I think removes some of the potential conflict that you describe.

Everybody on a board has a responsibility to abide by the conflict of interest guidelines that pertain to that individual organization, and that would apply to a deputy minister as well as any other board appointment.

Mr. Pedersen: Well, I guess the example that I was thinking of is the Manitoba Cattle Enhancement Council. The Deputy Minister of Agriculture is the board chair. It's collecting fees from cattle producers across the province, as well as the Province is also topping up some of those funds and then it's dispersing funds to private companies. I guess I'm a little confused as to how this can be totally impartial.

You have government money coming in. You have private money coming in. You have a deputy minister, ultimately, as board chair. Obviously—hopefully—the board is doing due diligence, but it seems to be just a little bit too close in this particular instance to have a deputy minister as chair in this.

And I guess I'm looking for how it can—I guess I'm looking for you for an explanation to how there is no conflict of interest in here, how the government does not have any influence in here as deputy minister.

Mr. Chairperson: I'm having a little trouble with this one, but it's almost a policy question and so, therefore, I can't expect the deputy minister to answer the policy question. But I will then go to the minister, who is more responsible for the policy

question area, and ask the questioner to direct his question, which I think is more of a policy nature, to the minister.

Mr. Pedersen: Then I'll refer it to the minister, Mr. Speaker.

Mr. Chairperson: I'm sorry?

Mr. Pedersen: Mr. Chairman, I would defer the question then to the minister.

Mr. Chairperson: Okay. Thank you.

* (20:20)

Ms. Wowchuk: Mr. Chairman, when this report came out and the recommendations came for—the discussion on the role of deputy ministers was—come into question—there was a directive sent to departments to look very carefully at which—in which positions there was an appointment of a deputy minister. And there was steps that were taken to—so that they would ensure that there wasn't a conflict, that they weren't operating in a conflict manner, and that directive was sent out from the Clerk of Cabinet to the various departments and they operate under the directions that were given in that letter.

Mr. Pedersen: Mr. Chairman, then, to the minister, if she could just refresh me on the time lines. This report came out in September '09, and when was the deputy minister appointed to the—as chair of the Cattle Enhancement Council?

Ms. Wowchuk: I would have to clarify—I do not recall when he was appointed. I would have to get back with it. *[interjection]* No. He was appointed—did you say in December? No. He was appointed—he had to be appointed—he went on to that board in about June or July. I'd have to get the exact time of it because the—and I was the minister at the time, and the existing chair had tendered his resignation. And we put—and then the deputy minister went in, but I believe it was in June or July. I would have to verify that, for sure, for you.

Mr. Pedersen: Just then, if you would, either in correspondence or something, just clarify when he was actually appointed as chairman of the—the deputy minister was appointed chairman of the Manitoba Cattle Enhancement Council.

Ms. Wowchuk: I could verify that for you. I know he stepped in to fill in when the person who was chair resigned, and I believe that was during the summer months, but I will verify that—the date for you.

Mr. Lamoureux: I do have a couple of questions that I would like to ask the provincial Auditor, and I do applaud the effort in terms of conducting this particular review. And I think what it will do is stimulate a lot of discussion and dialogue, whether it's between the civil service or politicians and many others, because it does lead to a lot of policy questions and other, I think, questions internally that do need to be asked.

The reason why I raise that is that there's reference in terms of numbers of boards, agencies and so forth that are there. Is there a place, a document, that actually lists all of the agencies and boards that are there that receive any sort of public direction? Does that document exist and, if so, where would we find that?

Ms. Bellringer: It's probably a question for government, but I will tell you the parts of it that I can answer.

Any of the organizations that are part of the government reporting entity, which was actually what we concentrated on, which means that the government controls the financial and operating policies of those organizations. Those are listed in the back of the public accounts and those are, when you look at volume 4 of Public Accounts, the rather large volume that is produced within an accumulation of all the financial statements of all those organizations, those include all of the government reporting entities, all of the entities included in the government reporting entity.

We actually—and this is a totally different report that I'm referring to. We looked at something on public sector compensation disclosure, and what we wanted to—there's a—I know, I'm going to get to your answer in a second; you're going to wonder why I'm starting with that one. But one of the reporting requirements in that particular piece of legislation is that any organization who is receiving a certain amount of funding from government has to have available the—a list of any compensation over \$50,000. And when we went to do that audit, we had the difficulty of finding out the list of what all of those organizations were, because it is saying that you had—you—if you received funding from government from any source—so it wasn't just from any one organization; you can have—you can get money from a Crown corporation as well as something from central government, and when you add it all together, it's going to be a certain amount. So it's—there is a self-reporting onus on the

organization to have that information available, but it's virtually impossible to have a list of who all of those organizations are.

So now there's another sort of list in between those two extremes that I would suggest that government may have an answer as to where you can find—in one place—a list of all boards, commissions, organizations that are, in some way, connected to government.

Mr. Lamoureux: Maybe, then, I can go to the deputy minister and pose the question in terms of boards, agencies, and commissions. Is there, you know, a central bank that says, here are—here is that list? And if so, where?

Mr. Eliasson: I don't—I can't tell you exactly where that is right now, but that it's—well, I can get that information for you.

Mr. Lamoureux: Yes, I would appreciate that information.

The, and I guess I would still go to the provincial Auditor, I believe, on this. The deputy minister made reference to some core skill sets, if I can put it that way, in terms of identifying the skill sets. Where do you see departments going with this report ultimately? Like, we know that there's a huge difference in the different types of boards and commissions that are out there. You know, you stimulated the discussion. Where would you like to see the departments take the report?

We heard comment in regards to the development of core skills that should be there for whatever type of a board appointment it might be. Do you have anything else that could be suggested that would make these boards better?

Ms. Bellringer: There's—you've identified a number of—there's a number of dimensions to the question you've asked. The simpler aspect of it is what would we like to see government doing. So, you know, from the central government perspective those are the things that I identified for government's consideration, and those are identified within the report, and there's about six of them, and they are really well highlighted, and that's—those—that's the extent to which we would see government's involvement as a result of this particular report.

From the perspective of boards themselves right throughout the public sector we found one of the reasons is because people, because they were given the survey and they actually took the time to answer

that survey—and it took a significant amount of time for them to do so—as boards they got together and they actually had discussions as a group as to how they would answer the survey. They got together and they answered it, and so they are reading the survey and they're actually—they're reading the results of the survey through the report and they're using the report in different ways. They've invited us in to do presentations. They've invited us in to assist on a certain workshop, you know, just in the discussion as to what was it that we found, and then they're carrying it on themselves and they're just ongoing board development activities.

So we're, you know, that's something that we had hoped to see happen, and we're pleased to see that happening, but it's—there is absolutely no question that board—effective governance of boards is not a one-time static evaluation. It's something that changes day to day. The dynamics of the board can change with the change of one individual sitting around the table, and so it is something that they're going to have to pay attention to on an ongoing basis.

And that's where I think the relationship between government, the board and the management of those organizations also has to be given some really strategic and active focus, the kind of information that we would suggest that government be given by the organizations and then any kind of—that the boards be well aware of what government direction is on key areas that do influence public policy. Those things are something we would expect to see on an ongoing basis, and you can't say it's ever done.

Mr. Lamoureux: The last question, I guess, would go to the deputy minister in regards to in the development of that training seminar. I just wanted to offer my name in terms of someone that would be interested in listening in on one of those seminars, and if the opportunity is there I'd welcome it. Thank you very much, Mr. Chair.

Mr. Chairperson: Thank you, Mr. Lamoureux.

Ms. Erin Selby (Southdale): My question is for the Auditor.

It's encouraging to see in the report that Manitoba is doing better than the country as a whole in terms of appointing women to the boards and notes that ministers confirm that ensuring that gender was balanced was something that they were emphasizing. Also, that the boards agreed that diversity of age, gender and culture were also important.

* (20:30)

So I'm just wondering, keeping in mind that qualified board members was noted by everybody as being important, if the Auditor has any comments on recruitment measures that government could take during the appointment to ensure greater diversity in terms of, particularly, minority representation and age diversity?

Ms. Bellringer: It's a very interesting question.

Floor Comment: It's a policy question.

Ms. Bellringer: It's probably a policy question. There's some aspects of it that I'd suggest are not. One area just—it's more general than just looking for—well, one of the elements that you might suggest would be observed by the board itself is—if you look at something called the skills matrix, I mean, it's the term used for where a board sits down and says: What are the various things that we should have on this board? What do we currently have and, therefore, what are we missing? And each board can easily be putting that information together for you and, rather than just leaving it with skills, you could choose to have other characteristics that you wish to identify. And one of those could be some way of your defining what diversity you're looking for on the—for board participation, and then they can tell you what they already have and what they're missing. And when you're making your appointments, it will give you some information that would be useful to you in making sure that you've met those goals as well.

Ms. Wowchuk: I just want to follow up on that and I want to say that that is a real challenge, when boards are being put together, to look at ways that you can improve. Boards have to look at the role, what they're addressing, look for diversity, look for representation across the province and it is a challenge to have a large enough pool of names of people who are interested in serving on boards, and we often would depend on the chairman of the board to then talk about maybe what skills are—you're short of. What are you—what kind of extra skills do you need on that board or regional representation?

But it is a challenge to try to find regional representation, diversity as well as skills, and people who are interested in a particular type of board. There's a broad range of boards and it is one of the challenges that we face, whether it's health boards or any other kind of board, is trying to find people who are interested and we're always—the commission is

always looking for names that might be—of people who might be interested.

Mr. Borotsik: I'm encouraged actually with the training program that's been identified and Myers Norris Penny being brought in as an outside consultant who, in fact, encourage existing board members to become more effective in the jobs that they're put into. I, as I said, I'm very encouraged, certainly, in identifying the six core competencies.

A little concerned about, I guess, the current process. There's some very, very sophisticated boards that we have here as Crown corporations: Manitoba Hydro being one, MPI, Manitoba Liquor, lotteries commissions. I mean, we're talking some fairly substantial boards.

How would your department go about, or the Crowns commission go about identifying individuals who may well be suited with those core competencies to sit on those boards? How does that happen now? Do they write letters to your department and ask to sit on a board, or do you identify those individuals based on their skill sets?

Mr. Eliasson: The part of this, what I call the made-in-Manitoba solution, is Crown Corporations Council has oversight responsibility for Manitoba Hydro, Manitoba Lotteries, Manitoba Public Insurance, liquor, et cetera. And those with the council and those boards, they have access to very sophisticated training and support programs to develop skills with those directors.

And what this program has done is to leverage those—access to those training resources and then deliver it at a level that's appropriate to the responsibilities of the whole range of agencies, boards and commissions, and so it really gives—like, even the smallest agency, will—its directors will have access to a training program that has been developed through the efforts of the Crown Corporations Council. And, obviously, if it's a more sophisticated organization with—encountering more complex and more significant financial issues, then that's where the advanced sort of training activity will occur.

If it's, you know, at the other end of the spectrum, a board that might be offering advice rather than having direct responsibility for significant responsibilities, then it would be tailored to that level as well.

So it really capitalizes on the resources that are available within the major Crowns and the

Crown Corporations Council and extends the benefit of those resources to other board members.

Mr. Borotsik: And I appreciate that, but I guess my question would be is how do you identify that individual board member initially. You're looking for a replacement for Manitoba Hydro board, for example. How do you identify that individual prior to going through the training process? The training process follows the employment of that individual.

You talk about the six core competencies. Do you have a structure in place to identify those individuals with the core competencies that are required for that particular organization?

Mr. Eliasson: Maybe I'll go back to, sort of, the answer I gave to the first question that was posed along a similar line, and that's that the administration can provide recommendations of individuals that possess appropriate qualifications, but the board appointments are made either directly by the minister or by the Lieutenant-Governor-in-Council on recommendation from Executive Council, and then maybe the minister.

Mr. Borotsik: Mr. Eliasson, I—actually, I wrote that down: administration responsible to identify the individuals. You had mentioned that earlier and I—the administration you are referring to is your department, I assume, or are you talking administration of the board itself?

Mr. Eliasson: Suggestions and recommendations for board members come from a wide variety of sources. The administrative arm of government is one of those. The boards—agencies, boards and commissions fall into a broad range of areas, and there is a department and a minister responsible for those, so it's not one central—it's not the Department of Finance that makes all of the recommendations.

Mr. Borotsik: I appreciate that. You said the suggested members for those boards come from a wide range of different areas. Can you expand on that and tell me which wide range of areas that those people are identified from?

Mr. Eliasson: That may be a more appropriate question for the minister to answer.

Mr. Chairperson: I can accept that because that's more of a policy question.

Ms. Wowchuk: There is, as the deputy said, a Cabinet committee of agencies, boards and commissions, and they provide support to Cabinet, but this—when they're—and this is the committee that

looks after all the boards. Departments are—when departments have vacancies, they go through a process, and the agencies, boards and commissions has names.

People recommend names. It might be a board that recommends a name. An individual might identify themselves to a minister. Somebody might say, I'm really interested in Hydro. I'm really interested in MPI. I have an interest in these kinds of things.

And then when the time comes when there is an opening, those people who have expressed an interest or have been identified would be—they would go through the process of—people would review their qualifications and see whether they meet the qualifications to fill that position. And then it's the minister makes that recommendation to Cabinet, and then it goes from there. And then if they are then put onto a board, that's when they would take the training. It's the same process that's been in place for many, many years.

Mr. Borotsik: Thank you for that explanation, and I was serious in the question because I don't know how you identify these individuals that come forward for the different boards and agencies.

And there are some boards, obviously, that have a much more higher skill set requirement just because of the responsibilities that the deputy minister has identified in those boards and—those particular Crown corporations and boards.

* (20:40)

The Crown Corporations Council who's here right now, can you just explain, Mr. Deputy Minister, exactly what the Crown Corporations Council is and who's the makeup of that Crown Corporations Council?

Mr. Eliasson: The Crown Corporations Council has its own board and then a small staff, and it has oversight responsibility for the six major commercial Crowns.

Mr. Borotsik: Can you tell me who sits on that board?

Mr. Eliasson: Not right now, I can't.

Mr. Borotsik: I can find out the information. Certainly, it will be on the Internet. I can do that. I thought perhaps maybe you could identify some of those board members right now. How—and the reason I ask is how are the board members for

Crown Corporations Council appointed and how did those names come forward? Obviously, Crown Corporations Council has a very serious responsibility in identifying the governance of the boards of six major Crown corporations. How were those individuals chosen and picked to sit on Crown corporation's council?

Mr. Eliasson: Through the same process that the minister just described.

Mr. Borotsik: Thank you. I will refer to Ms. Brick, but just one other question. You'd mentioned that you had an orientation pilot program for 15 new board members. I assume that those 15 new board members were for Crown corporations. Am I correct in that assumption?

Mr. Eliasson: I think that they're from a variety of agency, boards and commissions. It just happened to be 15 that were being newly appointed, and so it served as a pilot project. And, based on the experience with that pilot project, refinements have been made to the program to get it right, and now it's ready to roll out more extensively this fall.

Mr. Borotsik: So I assume from that comment that you will continue with the program itself, with the orientation program. As board members are brought on to different agencies, then those board members will fall into a certain time line, to fall into a training program.

The six core competencies—and I really appreciate that because there are special skill sets needed and you can't necessarily be an expert in all of those skill sets. How do the boards identify the need for certain competency or skill set? How does that make it—how is that presented, and how do you fill that particular competency, skill-set requirement to that board?

Mr. Eliasson: You know, that depends on the individual board. The core competencies get towards a general skill set that contribute to a person's ability to be an effective director, but, then, depending on the specific organization, there may be others—other skills and abilities and perspectives that need to be brought to bear. And some boards have a legislated makeup. They have to have representation from certain defined sectors within their group.

So, you know, the apprenticeship trades qualification board requires, and I'm going from memory, but, you know, five employee representatives, five employer representatives, two representatives of the citizens' groups, citizenry at

large, et cetera. So there are different skills, specific skill sets that are required by some boards and the—obviously, that becomes a factor in selecting qualified people to fill particular positions, but, from a training perspective, the training program is addressed at a set of more general competencies that contribute to the effectiveness of a director.

Mr. Borotsik: My last question. One of the—actually, I have a question of the Auditor General after, but my question to the deputy minister: One of the observations that was pointed out in this report was the need for clear conflict of interest policies. In throughout the report, there were certain board members who didn't realize that, in fact, they had a conflict of interest policy or, in some cases, they didn't have a conflict of interest policy.

What procedures have you put into place or has been put into place by government to, in fact, ensure that there are conflict of interest policies for all board members and that they recognize that they have a responsibility to comply with those conflict of interest policies?

Mr. Chairperson: Mr. Eliasson. Proceed

Mr. Eliasson: The conflict of interest policies and the individual board members' understanding of those conflict of interest policies is a fundamental part of the orientation session and the work that the Crown Corporations Council is doing across the broad spectrum of agencies, boards and commissions. I'm assured that it's being hammered in.

Mr. Borotsik: Yeah. When I sat on certain boards, conflict of interest was very important, but equally important was the responsibility or the liability for the individual board members. As part of that orientation, is it the government's intentions to make sure that board members recognize the liability of a board member—that the liability that a board member has when sitting on a particular board of directors?

Mr. Eliasson: Yes.

Mr. Borotsik: Well, that was a very succinct answer and I do appreciate it. Obviously the board members recognize that they do have certain liabilities when sitting on a board.

A question to the Auditor General—it was a very good report, a very thorough report. I guess my question is, is normally when I look at Auditor General's reports there are recommendations that go to government and to other agencies, in this

particular course it was simply suggestions. Can you tell me why the differentiation and why suggestions as opposed to recommendations?

Ms. Bellringer: When we issue recommendations it's because we've done an audit, and in this case we did a study, and as a result of having received survey results we summarized them and provided that information to you. One of the things we don't do is verify whether it's, indeed, fact. It's perceptions of those members who've provided the information to you.

But—and it was as I, you know, I mentioned earlier, having brought a number of things to our attention, we thought we were wasting the opportunity by not summarizing those and bringing them to the government's attention so that they could take some action on it because it seemed to us to be a critical part of strengthening the overall governance of all these organizations. We didn't set out to look to determine whether or not those things were, indeed, missing or not, but they were brought to us. So that was—that's the reasoning behind it.

Certainly, I don't think there's all that much difference between whether or not we use the term recommendation or use the other term, because, certainly, we've seen a great deal of action being taken as a result of having communicated them publicly.

Ms. Brick: First of all, I just wanted to say that I also think this is a very good report, and I think it's great to see the Auditor study what I would call soft skills. So this is not a money related issue. This is an issue related more to people, and so I wanted to congratulate you on looking at something beyond what I think is normally the scope I consider an Auditor General looks at, which is related more to finances. So, congratulations on that.

And I also wanted to say I thought it was great that you asked the people who were on the boards what they thought so they were involved, because you had a great opportunity to get their input and you took advantage of that. So I really commend you on that.

I wanted to ask the Auditor, one of the things that was talked about was the need for a full participation at meetings by all board members and that that could be something that could be raised up higher. I have a background in human resources, and one of the things that is—happens sometimes is the—is mentorship, and I'm wondering if mentorship is

something that you looked at in your study and whether it was something that you could put forward in terms of being an opportunity for board members to get training from other people.

Ms. Bellringer: First, I'd like to share the compliment with Maria Capozzi, who actually is a non-accountant and one of the few non-accountants in our office, and it's probably quite difficult for her and not—[*interjection*]-and quite difficult for her to survive amongst us. But she's taught us a great deal about those soft skills so we're grateful to have her around, and also to Jon Singleton, my predecessor, for doing the study 10 years ago because that certainly set the stage for doing the update.

The—we didn't look specifically at mentorship, but, most certainly, we did look at a number of aspects of how to get all of the board members involved, the leadership of the chair and the importance of that in making sure that the quiet folks are actually, in the very proactive way, asked for their opinions and so on. So there were other ways we looked at it, but not—and that's—I mean, there's many other ways that it could be accomplished, and mentorship would certainly be one of them.

Mr. Gregory Dewar (Selkirk): My question is to the Minister of Finance (Ms. Wowchuk), and one of the considerations is that the minister should meet, should attempt to meet with the full board, which falls within her department, annually.

* (20:50)

I just wanted to ask your thoughts on that. You've been a minister for a decade now, and we've—just you or your colleague—what do you think of the pros and cons of meeting with a board under your—with—that falls within your department on an annual basis?

Ms. Wowchuk: Thank you for the question, and I think that's a good recommendation, and I think that's one that ministers should follow.

I tried to follow it during my—when I was the Minister of Agriculture, to meet with the various boards on an annual basis and if I wasn't able to meet with the whole board I was—meet with the—at least with the chairs of the board but if—but I think that that's very important, and I still follow the same practice.

I think it's important to get to share your views with the board and the direction you see them going in and also to know the people and to hear how they

are feeling about how the board operates and learn what they might—so I think it's a very good recommendation. And I think that it's one that ministers follow to the best of their ability, and I think the majority of ministers—and I think all ministers should. You've put these boards in place. You should meet with them and give them your views.

Mr. Chairperson: Thank you.

Mrs. Driedger: I have a question for the Auditor.

On page 10 of the report, I don't want to misinterpret the chart that she has there, could she go through it and explain what that chart represents?

Ms. Bellringer: This chart is asking about the ranking of—as a board member, whose interests are you primarily representing. And that's where—in fact, this was something that came as quite of a surprise to us when we put the information together, because we actually went into it with a bit of a preconceived notion that most board members saw their primary duty to the minister who appointed them, or to the government—and that came in as only 16 percent—that the political party and or minister, only 16 percent of board members indicated that that was where their duty primarily lied—was lying.

The clients or users of the organization services, 70 percent—hang on just one sec. When we—just to put some more clarification to why there's some—like, it's not like a list that adds up to 100 percent, and what it is is they were ranking them one, two, three, four, five. And so then we weighted the percentages of the various answers that they gave for all of the different interests that were identified as options for them to identify. It was also given to them as a list as opposed to a blank page.

Mr. Martindale: I remember being asked to sit on three boards and I said no, and then, finally, a fourth one I said yes, and that was the Manitoba Municipal Board of the 1980s, and it was quite an interesting experience.

It seems to me that these boards that were analyzed are different than the Manitoba Municipal Board and others. For example, the Residential Tenancies Commission and the Social Services Appeal Board, which are really quasi-judicial, so they sit and they have hearings and they hear appeals and make decisions. So there was no attempt to analyze those kinds of organizations. Is that correct?

Ms. Bellringer: That's correct. We did not include those in the survey and nor were they included in the previous survey.

Mr. Chairperson: Mrs. Driedger—or Mr. Martindale, are you finished?

Mr. Martindale: I'm finished.

Mrs. Driedger: Mr. Chair, going back to that chart, when it indicates—and I don't know if you had broken this down any further in the survey itself—or particular special interest or stakeholder group—was the statement just specifically that? Did you give any examples?

Ms. Bellringer: It was just the same wording that you see in the chart, and usually—I mean there's a number of stakeholder groups which are actually responsible for appointing particular board members to a board, and we were interested to see if they saw their loyalty in effect to that group or then to the organization as a whole or to the community.

Mrs. Driedger: Can the Auditor General give us an example of who some of those stakeholder groups are that appoint?

Ms. Bellringer: Perhaps the deputy minister and minister can think of some off the top of their heads as well, but the one that just came to mind is the Workers Compensation Board.

Mrs. Driedger: So would I be interpreting this correctly that, just going right to the bottom of that list, that 16 percent of board members feel that they should be there representing the interests of—in this case, because it's the NDP in power, are we—does this say that 16 percent of board members feel that they are there and should be representing the political party that put them there?

Ms. Bellringer: Not quite.

Floor Comment: It's weighted.

Ms. Bellringer: Yes, it's weighted, and of all of the options chosen—I'm not even sure if I can—can you explain it? *[interjection]* Can I let someone speak? I'm going to have somebody who's—

Mr. Chairperson: I'm not even going to ask the committee. Of course.

Ms. Bellringer: This is going to give you a far more accurate, technical answer to that question as to how one describes the weighted average.

Mr. Chairperson: Would you please introduce yourself.

Ms. Maria Capozzi (Audit Principal): Thank you. I'm Maria Capozzi, I'm an audit principal with the Auditor General's office—

Floor Comment: And a non-accountant.

Ms. Capozzi: —and a non-accountant. In reference to the question, on page 138, if you look to the actual data table it might give you a more fulsome representation of that response. When participants were asked to rank order whose interest they most feel that they need to represent on the board, as a primary interest, those are the percentages that ranked primary, secondary and third interest. What you're seeing in the sort of aggregated table on page 10 is a weighted percentage and how they rank out when you look at it one by one, and so really all we're saying is that the political party under the minister ranked lowest. What was most important for board members who are appointed is the clients and users as well as the citizen taxpayers, and another result just above it is that most people feel that they are there to represent the community; 76 percent feel that that's their most important accountability, their primary accountability. So I hope that helps.

Mrs. Driedger: A question to the minister. She indicated earlier that there is a Cabinet committee, and I'm sorry, I forgot the exact name that she put to the committee, but could she reiterate what this Cabinet committee does, who's on it, and their role in determining who goes on to boards?

Ms. Wowchuk: It's a Cabinet committee of agencies, boards and commissions is the name of the committee, and it is a committee that is being restructured right now; it hasn't met, but it is—and there are being—some new members being put on it right now.

* (21:00)

There—I would be able to give—I can't give you the full membership because there is—it's being restructured right now, and the role of that committee is when a board has a vacancy on it, the director of the boards and commissions works—notifies the

department that one of the terms have expired, comes to the minister, the minister makes—looks at a list of people that are in the pool or there might be new people who have expressed an interest. If there's someone there that has the skills or there are other recommendations and then minister makes a recommendation to boards and commissions on the name that he or she is recommending. That name then goes to Cabinet for approval. Then the person is appointed.

But it is through boards and commissions that there is a review of the skills that people have and whether they meet the requirements or whether address some of the things like diversity, regional representation, ethnic groups, depending on what the board is. You try to find a balance and it is through boards and commissions that the recommendations are made.

Mr. Chairperson: The hour being 9 o'clock, what is the will of the committee?

Some Honourable Members: Pass.

Mr. Chairperson: Auditor General's report, Study of Board Governance in Crown Organizations, September 2009—pass.

The hour being 9 o'clock, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

Before we rise, I'd appreciate it—before we rise, I would just like to thank the committee this evening for your full participation. I noted that there were questions from both sides of the table. As a matter of fact, we were talking about participation in boards and commissions, I think tonight exemplified how members of a committee could become engaged, or a board. So thank you very much for that and I look forward to the next meeting.

Committee rise.

COMMITTEE ROSE AT: 9:02 p.m.

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