

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

Chairperson
Mr. Larry Maguire
Constituency of Arthur-Virden

Vol. LXIV No. 1 - 2:30 p.m., Friday, December 16, 2011

MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

Member	Constituency	Political Affiliation
ALLAN, Nancy, Hon.	St. Vital	NDP
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
ASHTON, Steve, Hon.	Thompson	NDP
BJORNSON, Peter, Hon.	Gimli	NDP
BLADY, Sharon	Kirkfield Park	NDP
BRAUN, Erna	Rossmere	NDP
BRIESE, Stuart	Agassiz	PC
CALDWELL, Drew	Brandon East	NDP
CHIEF, Kevin	Point Douglas	NDP
CHOMIAK, Dave, Hon.	Kildonan	NDP
CROTHERS, Deanne	St. James	NDP
CULLEN, Cliff	Spruce Woods	PC
DEWAR, Gregory	Selkirk	NDP
DRIEDGER, Myrna	Charleswood	PC
EICHLER, Ralph	Lakeside	PC
EWASKO, Wayne	Lac du Bonnet	PC
FRIESEN, Cameron	Morden-Winkler	PC
GAUDREAU, Dave	St. Norbert	NDP
GERRARD, Jon, Hon.	River Heights	Liberal
GOERTZEN, Kelvin	Steinbach	PC
GRAYDON, Cliff	Emerson	PC
HELWER, Reg	Brandon West	PC
HOWARD, Jennifer, Hon.	Fort Rouge	NDP
IRVIN-ROSS, Kerri, Hon.	Fort Richmond	NDP
JHA, Bidhu	Radisson	NDP
KOSTYSHYN, Ron	Swan River	NDP
LEMIEUX, Ron, Hon.	Dawson Trail	NDP
MACKINTOSH, Gord, Hon.	St. Johns	NDP
MAGUIRE, Larry	Arthur-Virden	PC
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Flor, Hon.	Logan	NDP
MARCELINO, Ted	Tyndall Park	NDP
McFADYEN, Hugh	Fort Whyte	PC
MELNICK, Christine, Hon.	Riel	NDP
MITCHELSON, Bonnie	River East	PC
NEVAKSHONOFF, Tom	Interlake	NDP
OSWALD, Theresa, Hon.	Seine River	NDP
PEDERSEN, Blaine	Midland	PC
PETTERSEN, Clarence	Flin Flon	NDP
REID, Daryl, Hon.	Transcona	NDP
ROBINSON, Eric, Hon.	Kewatinook	NDP
RONDEAU, Jim, Hon.	Assiniboia	NDP
ROWAT, Leanne	Riding Mountain	PC
SARAN, Mohinder	The Maples	NDP
SCHULER, Ron	St. Paul	PC
SELBY, Erin, Hon.	Southdale	NDP
SELINGER, Greg, Hon.	St. Boniface	NDP
SMOOK, Dennis	La Verendrye	PC
STEFANSON, Heather	Tuxedo	PC
STRUTHERS, Stan, Hon.	Dauphin	NDP
SWAN, Andrew, Hon.	Minto	NDP
TAILLIEU, Mavis	Morris	PC
WHITEHEAD, Frank	The Pas	NDP
WIEBE, Matt	Concordia	NDP
WIGHT, Melanie	Burrows	NDP
WISHART, Ian	Portage la Prairie	PC

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

Friday, December 16, 2011

TIME – 2:30 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Larry Maguire
(Arthur-Virden)**

**VICE-CHAIRPERSON – Mr. Gregory Dewar
(Selkirk)**

ATTENDANCE – 10 QUORUM – 6

Members of the Committee present:

Hon. Mr. Struthers

*Mr. Allum, Ms. Braun, Messrs. Dewar, Helwer,
Jha, Maguire, Pedersen, Mrs. Stefanson, Mr.
Whitehead*

APPEARING:

Ms. Carol Bellringer, Auditor General

MATTERS UNDER CONSIDERATION:

*Election of the Chairperson and Vice-
Chairperson*

*Auditor General's Report – Operations of the
Office for the year ended March 31, 2010*

*Auditor General's Report – Operations of the
Office for the year ended March 31, 2011*

* * *

Clerk Assistant (Ms. Monique Grenier): Good afternoon. Will the Standing Committee on Public Accounts please come to order.

Your first item of business is the election of a Chairperson. Are there any nominations for this position?

Mr. Blaine Pedersen (Midland): I nominate Larry Maguire.

Clerk Assistant: Mr. Maguire has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Maguire, will you please take the Chair.

Mr. Chairperson: First of all, I'd like to say that was the fastest railroad I've ever seen, Monique. It was—thank you.

So it's my pleasure to be here and serve as your Chair for the next while, and so I will move on to the next order of business, which is the election of the Vice-Chair.

And are there any nominations for this position?

Ms. Erna Braun (Rossmere): I would like to nominate Mr. Dewar.

Mr. Chairperson: Mr. Dewar has been nominated. Are there any other nominations?

Hearing none, Mr. Dewar is elected the Vice-Chair.

So the meeting has been called to consider the following Auditor General's reports: the operations of the office of the fiscal—for the fiscal year ending March 31st, 2010, and the operations of the office for the fiscal year ending March 31st, 2011.

And, before we get started, are there any suggestions from the committee as to how long we should sit this evening, or this afternoon?

Mrs. Heather Stefanson (Tuxedo): I would just recommend that we review after an hour.

Mr. Chairperson: Is that all right with the committee?

Mrs. Stefanson: Unless—

Mr. Chairperson: Okay, we'll proceed for the next hour and review at 3:30 if required. And is there any suggestion as to the order at which we should consider these reports?

Mrs. Stefanson: Wondering if the committee would consider dealing with both reports at the same time?

Mr. Chairperson: Is that all right with the committee to deal with both reports at the same time? *[Agreed]*

Okay. And so we've agreed to that, and I guess I'll turn to the Auditor General to see if she would

like to make any kind of an opening statement on these reports.

Ms. Carol Bellringer (Auditor General): I guess I'd like to start by welcoming the new members to the committee, welcome past—welcome back the past members, congratulate the Chair and Vice-Chair for what they've taken on. The committee's seen a great deal of progress over the last few years and that progress, I'd say, is nothing short of remarkable. I'd urge the new members to maintain this commitment to continual progress. In the past our office assisted financially and administratively with the orientation session, which is something we had in the past delivered by Geoff Dubrow. He's currently an associate with a not-for-profit organization out of Ottawa called the CCAF, and I'd encourage you to take advantage of such an orientation session.

At the end of the last series of Public Accounts Committee meetings, the committee did a self-review and it would be useful for you to visit the committee's findings about suggested future improvements. I'd also encourage you to set a schedule for future meetings with agendas. Having that in advance has been very helpful in the past. And you also have a backlog starting again. We have a public report that will be issued on January 11th with eight new chapters which will add to the backlog.

So, the two reports that you're examining today focus on the operations of my office. This is the only internal report that we issue. The Auditor General Act requires me to report to the Assembly on the operations of the office by August 1st each year and that has to include information on the performance of the office, and the report on the annual audit of our office. By the way, we've raised an issue about the audit. The Legislative Assembly Management committee appoints the auditors and by The Auditor General Act they're required to, and this is a quote: examine the accounts of the office. I just want to turn to—it's on page 33 of the 2011 report and we speak to the fact—it historically has encompassed a financial statement audit prepared in accordance with generally accepted accounting principles. And we're not a separate corporate entity, we're just one of the appropriations within the Public Accounts. So there's no actual requirement for a set of GAAP financial statements.

In 1997 they decided to use not-for-profit financial statements to disclose the financial results and operations of the office that makes the

statements quite complex. We're concerned that the detailed nature of the information may not be needed by yourselves or by the public. So we've urged the Legislative Assembly Management committee to discuss their information needs prior to reappointing the auditor and that's coming up in '11-12, and we've—actually it's currently in progress of the appointment. So they're trying to look to something a little bit more scaled back that will still examine the accounts without being overly expensive.

So all of the reports of my office are tabled in the Assembly and the act includes a section which says that a report to the Assembly under the act stands referred to this committee, to the Standing Committee on Public Accounts. All of the other reports that we issue during the year refer to the operations of a government department or a Crown agency or a recipient of public monies, and, normally, your witnesses, as defined in the House rules, would be the minister or the deputy minister or the CEO of a Crown corporation. One of the issues that's been raised in the past for this committee is that that wouldn't normally include the CEO of another Crown organization or a recipient of public funds, so you've—or public monies, so you—even though we may report on their operations, you're unable to call them to the committee.

So it's silent as to how I would appear before the committee on a report such as the operations of the office. So, normally, I'm an adviser to you but I'm most happy to answer any questions you might have today.

* (14:40)

Mr. Chairperson: Thank you very much for your opening remarks, Madam Auditor General, and I would open the meeting to any discussion on the statements.

Mrs. Stefanson: Just questions now, Mr. Chair, is that—

Mr. Chairperson: Or do you have statements? Would you like to make a statement on it? Well, anyone? Yes, we'll open to questions.

Mrs. Stefanson: I thank the auditor for her report and for her opening statement today.

And one of the things that she has touched on, which, I think, is a very appropriate way to maybe begin the discussions with this committee is the process moving forward, and what we might be able to expect as a committee, and how we can continue

that progress of what we have seen in the past, and making sure that we're being brought forward in the sense of being more accountable and transparent for the public, and, bringing us up to where other provinces are and, indeed, the federal government, as well.

And I know we have been through—and I've had the opportunity to sit on the committee for some time now, where I've sat through part of this process. And I have felt that it has been very productive moving in the direction that we have, although I would like to see us move much further than where we are today.

And, I think, it doesn't matter whether or not you sit on the governments' side of the House or the oppositions' side. I think it's very important that we are—that this particular committee is there for the transparency and accountability of government and government operations and how that runs. And, I think, in terms of our ability to do our jobs here as a Public Accounts Committee, it's very important, in my opinion, that we expand—we move to expand the potential list of witnesses to come before this committee. And I was just wondering if the Auditor General could maybe comment on that and maybe some of the other ideas that she would like to see, you know, us all work towards, in terms of the changes that we want to see in PAC.

Ms. Bellringer: Yes, you know, when we did—when you did the self-evaluation, now this—it was—actually it was a tool that the CCAF had developed and we actually—I think, we all had a little bit of a smile on our face. It was actually developed for developing countries and they ended up asking us if we would pilot it. It was not—there's no reflection whatsoever on the workings of this committee when that was decided. But, it did focus on all of the various administrative practices within the committee. And I think it's a very good inventory of where the committee is now and where it could go.

There—I don't think there was much disagreement when you really—when you looked at the results of that survey. I think it—you know, what I may draw out isn't—first of all, it's also reflected in some guide books that the CCAF have put out about good practices in Canada and it's also what the committee reflected on in. There were some folks that don't necessarily—you're not going to get 100 per cent agreement, but I think there was general agreement that there were some administrative practices that could change.

The witnesses is one area. The House rules currently only permit the minister, deputy minister and the CEO of a Crown corporation that's permanently referred to the Crown corporation committee. So anything that's not on that permanent referral to the Crown corporation committee is not included. So the minister and the deputy need to answer to those operations even though they may fall within the ministry. They don't have the detailed knowledge of the operations to answer to some pretty detailed things that we end up covering in our reports. So we would urge the committee to look to expand the witness list.

The inclusion of ministers is not common across the country for the reason being that, again, to try to keep as non-partisan as is possible. And, as soon as ministers are present, that changes the dynamic of the committee and that seemed to be the case from research in—you know, it changes the dynamic, both from the government as well as from the opposition side. So it is an improvement to the committee to have as non-partisan an operation as you can possibly design, and that's one way to achieve it.

I have to say, though, and I—you know, this isn't to sort of—to limit the possibility, but the committee's functioned relatively well considering the fact that there's been political representation at the table. It—the non-partisan change from previous years really has been something constructive. So I think a step forward would be to go even further and not have ministers here, but I don't believe that it's, you know, such a serious issue that you have to put it at the top of the list. And that would be all ministers.

The—so we covered the witnesses and that. You know, I didn't bring the list with me of everything that got covered in that self-evaluation, but those two do stand out. I'm looking to the Clerk of the committee in case some—I'm getting some prompts.

I mentioned the schedule. It's not something that really comes up elsewhere. It was actually seen in Manitoba as being ahead of the pack. When you—when—sorry, that's wasn't—no pun intended—but the other jurisdictions were looking to—we actually did a presentation at the last national conference of Public Accounts committees and told the Manitoba story, and some of the things that had happened here that were actually better than other jurisdictions, and one was putting together a schedule that covered the whole year. And that—I mean, deputy ministers and, I confess, myself, and I'm sure the members as well, we all have busy schedules and trying to pull

everybody's schedule together at the last minute is quite an impossible task, and knowing in advance what's going to be covered really has been a great benefit, and others are looking to us and saying if you've done it, we may do it as well.

Ms. Braun: Getting back to reports, and because we do have a number of new members sitting at our table, I wonder if we could ask you to give us an outline of how you determine which areas are going to be audited and how those audits are dealt with.

Ms. Bellringer: About half of the work of our office is because legislation somewhere has identified us as the financial statement auditors of an organization. We—the Financial Administration Act appoints us as auditors of the Public Accounts and any other—it's—there's the Public Accounts, and everything controlled by government is referred to as the government reporting entity, so any other organization included in the government reporting entity where there isn't another piece of legislation that I—says they may use an outside auditor, we're automatically the auditor. So about half of our work is that kind of thing. It's—we follow generally accepted auditing standards and we audit the financial statements. The result of that is a one-page opinion that is at the front of the financial statement saying that those statements are presented—they're complete and they're fairly presented.

The other half of our work we select independently, so we're able to look at broader issues. We look at, in effect—they used to call it the three e's—I mean, there's four e's thrown in sometimes—but economy, efficiency, effectiveness. We don't actually look at effectiveness; we look at whether or not there are systems in place to measure effectiveness. And we can do that for any government operation. It can be a department, it can be a Crown organization and it can also be a recipient of public monies which goes into any agency that's receiving grant money from the Province. And there's a few other more refined ways of defining that in the act, but that's basically it.

And so we sit down each year and do our planning, and we take into account we cannot audit everything, as you can imagine. That broader piece is so broad we can look at human resource management, we can look at procurement, we can look at any way the money has been spent, not just whether or not the invoice is correct. And so we select them based on risk, significance, whether there's an interest by members of the Assembly,

whether there's been public attention paid to it, and how we believe we can make a difference. We also have to take staff availability into account. So some folks are better at some type of work than others, and so we also use that in the scheduling to figure out what we're going to do.

* (14:50)

Mr. Chairperson: Mrs. Stefanson.

Mrs. Stefanson: Thank you very much, Mr. Chair.

Mr. Chairperson: Mrs. Stefanson, I'll get my mike on first.

Mrs. Stefanson: Thank you, Mr. Chair. On page 16 of the 2011 report, right at the very bottom, there's a bullet there that says, while Manitoba's management of climate change is evolving, the 2008 action plan in place at the time of our audit is not expected to achieve the target level of emissions for 2012 of 17.5 megatonnes or 6 per cent below the 1990 level.

And I just wanted to ask the Auditor General if she—this is a target that has been set by the government but there doesn't—I don't believe that there are any penalties if target—if a target is not achieved, and I'm wondering if the Auditor General believes that penalties should be put in place in the event that—maybe I'll ask specifically about this, but, maybe even more in general, when targets are set by the government, should there not be penalties put in place in order to sort of hold the government account?

Ms. Bellringer: The report that you're referring to, we actually for the first time in the 2011 report chose to bring the extracts that were the summary parts of the reports from everything that we had issued during the year, and what you read from was one of those extracts.

We did bring them into this report, in the context of demonstrating the outcomes/outputs of our office during the year, so it's interesting that we're getting into a discussion now of the audit itself which, of course, will come to this committee separately and be discussed then.

That particular report does not make a recommendation and we don't explore the penalties for not complying. We point out that the—and that was based—what we looked at was whether or not, based on the information that was currently available, the targets were likely to be met and we made it. We did form a conclusion on that, but we

did not explore the nature of the legislation and whether or not that should be put in place.

Mrs. Stefanson: And just, in terms of how you decide, because I know in some of the other reports you have made recommendations and, in particular, I'm looking at the—under the MIOP loan, one of the recommendations there was that the—that ET and T needs to develop guidelines for setting interest rates and penalties for failing to meet agreed upon job targets.

So, in some cases, you explore the idea of penalties and putting penalties in place for some areas but not in others, and I'm wondering, did you just feel that that wasn't necessarily in the scope of this report on climate change or how do you decide whether or not you go that extra distance in terms of asking for penalties, because, to me, that's all about accountability and we should be, you know, maybe moving in that direction. I'm just wondering if you could expand on that.

Ms. Bellringer: The—how we select the areas we're going to audit is—it's a fairly lengthy process. We start with a blank page. We do what we call a risk assessment, and with the risk assessment we do quite a bit of background research into whatever area it is we're looking at. From that, we determine where the greatest areas—what are the—is most significant in terms of administering the program and which areas have the greatest risk, should it fall off the rails, in effect.

At the end of that risk assessment, we come up with audit objectives. And so we don't have, like, a common set of audit objectives that we then say, okay, which ones of these are we using for this audit versus another, and tick the boxes. We actually create them. They're one-offs for each audit. So whether we land in an area of looking at penalties is really very much dependant on where we've chosen to go within that particular audit.

I hear the point being made. You know, is it something we should consider all the time? We hadn't been. We most certainly could. We did not look at it in the context of managing climate change; not because we considered it and dismissed it, we just never got there. Within—the slight difference within MIOP is we're talking about the administration to an outside organization, and the loans or investments are dependent on certain conditions, that that was the condition that was

expected for that to take place, and if it were not to take place, one would think that the monies being forwarded—there should be some implication or repercussion to not meeting the conditions of an original loan.

Ms. Braun: Following up to a response that you had from our earlier questioning—you were talking about internal auditors—how do you interact with internal auditors for different entities?

Ms. Bellringer: The references before were to what I would call external auditors, so the firms of chartered accountants in the city that might be appointed to do a financial statement audit by an entity directly, so they're reporting to the—usually the boards of directors of those individual organizations.

Internal audit for government departments, there's an internal audit function within the Department of Finance that does work across the various departments of government. Most of the Crown corporations have an internal audit department as well. Those internal auditors in the Crowns report to their board of directors, and they're not reporting to the Legislature or to the minister responsible for any of those Crowns. So the difference in our roles is that they're there to assist management and the boards, and we're there to assist the Legislature.

We do have regular correspondence with them. There are times we can rely on some of their work in the context of auditing the Public Accounts. Sometimes when we're asked to do a special audit or if we're doing a value-for-money audit and if they've already done some work, we'll review their work to see—we don't want to duplicate what they've already done. And we'll actually discuss our entire audit plan with them periodically to make sure we're not all doing the same thing.

Mr. Bidhu Jha (Radisson): I just would like to make a comment to the member from Tuxedo that we had decided last few meetings that the—this committee's main function is to ask information related to the reports and not tailor the questions to policies. So I would say—caution the members to make sure that we don't deviate from the mandate of this committee. Whether the penalty should be or should not be that, I think I would say that will be the policy rather than the information.

Mr. Chairperson: Okay, is that a point of order, Mr. Jha, or just an observation? Yes, okay, and—

Mr. Jha: Thank you.

Mr. Chairperson: So we'll proceed with the next questions, then.

Mr. Pedersen: I was part of that evaluation evening that we had last spring. Did we ever get a report back, or—maybe I've buried it in a piles of paperwork that came along, but I'm not—I don't really remember ever seeing results of that evaluation come back to us.

Ms. Bellringer: So you're probably asking the wrong person because I wasn't—I was just the participant, as you were. Come to think of it, I'm not really sure whose night it was, other than everybody. And I don't—I have seen it, so I'm not sure how I got it and whether the member's got it and so on, and perhaps that's something you might suggest the Chair take to the steering committee and we can make sure everybody has it or gets it, if there is a steering committee.

Mr. Chairperson: Yes, if I could just intervene. There is a result or a package here that is—we can make available to everybody here right now at the table, if that's okay with everyone, in regards to some of that survey—summary, which I am informed was made available before, but we'll make it available again. So, thank you.

And, Mr. Pedersen, to follow up?

* (15:00)

Mr. Pedersen: I'm not denying I got it. I've just—I'm just saying there could be a bit of an issue about finding it, but if you have a fresh one, I will put it to the top of the pile.

But the other question, and perhaps this—the Auditor General can clarify this for myself and for the new members of the committee. In terms of the schedule, the process in which the schedule for future meetings, and this will obviously be into 2012 now, how is that done? And then also, how do we go about—and I'm assuming that the House leaders are involved in this—but about getting expansion of witnesses to deal with some of these past reports that are sitting there outstanding. And I think back to the La Broquerie report where we didn't pass the report because we couldn't bring in outside witnesses.

How do we solve this problem and what is the process for getting on so we can go back and solve some of these—or pass some of these past reports?

Point of Order

Mr. Chairperson: Yes, Mr. Vice-Chair, on a point of order.

Mr. Gregory Dewar (Selkirk): Well, I just want to remind the member we did, in fact, pass the La Broquerie report.

Mr. Chairperson: Okay

* * *

Mr. Chairperson: Mr. Pedersen, pardon me.

Mr. Pedersen: So, okay. The question is still there. What is the process for setting up new meetings or setting a schedule for next—2012? And how do we go about for getting an expansion of witnesses so we can bring in the proper witnesses to, in the future, pass future reports where we are not able to right now, given the scope of the witnesses?

Mr. Chairperson: Before you—before I ask the Auditor General to reply, I wasn't insinuating you didn't have the report. We'll make the new one available and thank you for the information, Mr. Vice-Chair.

Ms. Bellringer: The process is—it's a legislative process, so it would be up to your Chair and Vice-Chair to work with the House leaders to sort all of those things through. What I will say is, in the past, what has worked rather well is the existence of a steering committee, and I participated with that with the Chair and Vice-Chair and the Clerk of the Committee.

We had the researcher there from time to time, and what we did administratively was make sure that we had a complete list of what was to be discussed, even proposed some dates and some scheduling that way to ease the process. But it was entirely up to—the Government House Leader is the individual who has to call the meetings.

But it has been a collaborative process to date. And we have the list in our report on page 10, just again for ease of reference, so that you can see exactly which reports remain to be discussed. And that takes it up to—when we—and we haven't issued anything since that was released. And as I mentioned, there's another eight chapters coming out in January. So that list, plus the eight, if you look at a calendar, it's kind of handy to just sort of try to list it out and see where it goes.

The—who gets called as witnesses, did snag a few of the reports last year. And that, too, needs to

be discussed by the Chair and Vice-Chair and figure out how we're going to deal with those.

Mr. Chairperson: Okay. Thank you, Madam Auditor General, and it's my understanding as well that there be a—that the rules committee deals with the establishment of the agenda at that point as well, part of it at least—*[interjection]* Yes, changes to the rules, I'm informed.

Mr. Reg Helwer (Brandon West): To the Auditor General: Just going back to the financial statements, and if you can give me, in your opinion, the differences that we would see between what the GAAP financial statements and the ones that we're currently using. Is it detail in the notes or is there something else that would be changed from those two? What would we see different in those types of statements?

Ms. Bellringer: Are you referring to my financial statements or in general when we're discussing Public Accounts—

An Honourable Member: Yes, the financial—where you started with the financial accountability there—

Mr. Chairperson: Whoa, one at a time.

Ms. Bellringer: I'm sorry. So on the financial statements for my office?

An Honourable Member: Right.

Mr. Helwer: Yes.

Ms. Bellringer: Okay, thank you. The statements currently are GAAP statements and because it—if you were to look at the detail for any government department, you won't see them in that kind of format with notes to the statements.

So, looking at just the accounts, I would suggest would eliminate most of the notes. If there's information included in the notes that LAMC, or the members through LAMC, would like to see, they could certainly be included within the examination of the accounts. In fact, the act permits LAMC to ask the auditor to look at any area of our operation. It's just happened as a fairly mechanical process. We just go and do these detailed financial statements.

So the main thing is yes, the notes. We also set up some accruals and we have records of all our fixed assets and so they bring those numbers in there and yet that—again, those are all just combined within the Public Accounts as we're just one organization within the total. I don't know if you need that separately. We—they could certainly verify the fact

that we had a register. I don't know whether you need to have all of that detail. So it's entirely up to the members. We would just suggest that it be shorter. There's a note on—it's a really lengthy note on the—in the summary of significant accounting policies, there's one on financial instruments.

When you have to—when you follow GAAP, you have to have this very lengthy description of risk. In our case, you know, we're—the risk is whether or not we have cash in the—a bank account, and so it's quite limited and yet the disclosure is significant and then they have to audit all of that information.

Mr. Helwer: It's a cost factor as well, then, in this.

Ms. Bellringer: Without getting into something that's in progress, we did—the Department of Finance assists LAMC in appointing the auditors for us, and they did recently send out a request for proposal to some firms. And the range in the proposals was fairly significant, so we're probably talking about a \$15,000 savings to reduce the disclosure.

Mrs. Stefanson: The Auditor General made some comments on balanced budget legislation in this—in the—certainly in the 2011 report, and in the report it stated, after the year end, the government passed legislation removing the requirement for a positive balance for the next four years. Our observation was that the introduction of balanced budget legislation altered spending behaviour and contributed to strong financial management. While we did not comment on the policy decision to remove the requirement, we urged the government to continue to ensure spending is within voted budgets.

And so, while encouraging the government to spend within voted budgets, we now have the second-quarterly financials that were released today, where we've got an almost billion-dollar deficit that we're now dealing with. And specifically, if you just look at—if you take the flooding part out of that and if you look at what was budgeted for and what they're anticipating, based on second-quarter results, it's now 200—there's a variance of \$211 million, which is significantly more than was discussed or that was dealt with before the election. I'm wondering if the auditor could comment on this, as she has said prior to this and in this report and, specifically, that you urge the government to continue to ensure spending is within voted budgets. Are you concerned about these financials that are out today?

Mr. Chairperson: I guess the concern I have is just a caution and I'm allowing that as an example you

were using as an example. There may have been other examples. But we—the second-quarter report isn't in the statement but as an example. Okay?

Mrs. Stefanson: Yes. It was just an example and it was sort of an example that I just wouldn't mind her commenting, based on her comments in the report.

* (15:10)

Mr. Chairperson: Yes. I'm being reminded that we can't ask questions in regards to what has been used as a report that's just come out, but for particularly with the second-quarter financial report, but I took your question as relevance to the reference of balanced budget legislation in the report. Is that correct?

An Honourable Member: Yes, I mean—

Mr. Chairperson: Can you rephrase that, or—

Mrs. Stefanson: —based on the comments in the report which stated we urge the government to continue to ensure spending is within voted budgets. Given that there is an example that has recently come out as of today, would she indicate whether or not the government has heeded her advice and accepted her advice to ensure that spending is within voted budgets?

Ms. Bellringer: Okay, Mr. Chair, I'm really sorry, but I can't answer that question—a couple of reasons: The report that that's included in, of course, is referring to the—something we did back in, I guess that was the 2011, or no, that may—no, the—sorry, the 2010 financial statements. We haven't done a follow-up of that. We've, you know we're—we haven't done an audit to make sure there's been spending within voted budgets. Really, it has nothing to do with the operations of my office. That would be another reason.

I'm going to leave it at that, but if the Chair would like me to try to figure out an answer I'll do so.

Mr. Chairperson: Yes, if you want to proceed on a different question, Mrs. Stefanson.

Mrs. Stefanson: Okay, well I just—because it was something that was actually in this specific report, I thought it would be within the scope of being able to ask here today. But if, I mean, if it's up to the Auditor General to whether or not she wants to comment on it or not, I guess, so we'll leave it at that.

With respect to—there was—there were several new projects that she identified in the report, performance audits in correctional services and child care, and there was also—she mentioned an audit on the government's involvement in the new football stadium.

I'm wondering if the auditor could indicate how she came about, or how her office came about taking on this project. Was it someone from the outside that brought forward some allegations, or was it something that her office came across, or if she could indicate where that came from?

Ms. Bellringer: The football stadium audit, no. There were no allegations brought to us that triggered that.

We do look at all of the various projects that would flow into the Public Accounts, and so there was a certain degree of where the football stadium is included within. You'll see a note to the financial statements that have already been publicly issued talking in brief about the stadium. But we didn't think it really explained the very complex financial transaction and decided to look at the underlying agreement so that we could better understand the detail behind it. And because it's also a more complex accountability relationship, because you do have the private sector and the public sector working together on different levels of public sector, we also wanted to be sure that the Province's interests were protected.

Also, accountability sometimes gets lost in relationships where there is more than one level of government involved and things like compensation disclosure and FIPPA no longer apply, and so we thought it was a worthy project just from that—from the public interest and the significance perspective.

Mrs. Stefanson: There were also three audits listed in last year's report that are no longer included in the audit plans: the estimates process, grants, accountability and management of consulting services.

Can you just indicate why those would no longer be included in the audit plans?

Ms. Bellringer: They—all three—they were on our list when we were doing the—putting the plan together for the year, and it really became a 'priorization' between, or amongst all of them, and between those and any three others, so we did opt for others. We felt that the work that we were already doing in the audit of the Public Accounts—and each year we do a

separate chapter, it will be a chapter this year as opposed to a separate report, but we do make comments on the Public Accounts itself.

We also have, for the last two years now, been comparing the third-quarter projection, the final actuals against the budget and looking to the detail to figure out whether—why there is a difference between those numbers and explaining that within the context of the Public Accounts. And we actually felt that that was enough for now. We'll still communicate with those that are responsible for the estimates process to see if there's a possibility of—or a need to put that back onto the list in future years, but at the moment it was just a choice.

And the second, the grant accountability, we didn't—we're not doing an audit of grant accountability, but we incorporate that into any audit we do that involves a grant. So we're looking at it more specific, to a specific grant as to an umbrella kind of review, yes.

And the third one is the consulting services, and we ended up—I just want to make sure it's on the list. Actually, I don't think it is, but I don't mind to mention that we're doing some work currently, and it'll be on the next list, of some expenses within various Crown corporations and we just—we were looking at those expense categories as opposed to consulting services, but it was for no particular reason.

Mrs. Stefanson: So, on the latter one, is there a specific report that would come out on that with the outcome, and is there timing on that?

Ms. Bellringer: That would likely come—the one on the review of expenses would be coming out in our next report, so about a year from now.

Mrs. Stefanson: Fair enough. Just another question just on the allegations that your office receives. I understand that in the 2010-11 year, you received about 41 allegations, various government departments, I assume, or various things about what's going on. I'm wondering if you might be able to indicate, do you break that down by specific departments, if there—are there more allegations coming in with respect to a certain area of government than other areas, and if there are, what are those areas?

Ms. Bellringer: No, we don't. We considered putting that into this last report and chose not to. One reason is that we guarantee anonymity when somebody comes to us. We will look at every

concern that's brought to our attention, and what we do with it may differ, but we will look at everything. And we do that so that people are comfortable to come and bring things forward to us. Often it's not something that even has anything to do with the work of our office, and so we will forward it to the right place. Very often it's something a department will deal with directly or already has dealt with directly, and as long as we're comfortable that the process that they are following is appropriate we won't do any further work. And we didn't want to even identify the ministries because it—just feeding into the protection of the anonymity, it started to—you know, someone would say, well, who's asking about that, and so on. We just decided it wasn't relevant.

Mrs. Stefanson: Yes, just one more question with that. I mean, I would think that for our purposes, it would be good to know if there's a trend or something. I mean, I'm not talking about specific sort of—even departments or whatever, but if there's some sort of a trend that is—you know, if 90 per cent of them are coming from a specific area, it would be helpful for us to know, and if that's an area that the government and the department needs to focus on, I think it would be helpful.

Am I to understand, then, that of those 41 allegations, do you deal with them all or you investigate and pass them off to the government department or whatever that's responsible, so of those 41 allegations, that you make sure that they're all kind of dealt with in some sort of a way or another?

* (15:20)

Ms. Bellringer: Yes. And the—just to go further in the nondisclosure of the ministries. We think, as it relates to the allegation, it's not significant. As it relates to the results of the work that we do with respect to those concerns brought to us, it's very important.

And so we made a commitment two years ago that—we were getting more of these than we had in the past, and they were starting to bother me that we were—you know, they don't fit into a bigger audit, then we weren't really doing much with them, and we would make sure that somebody was taking care of them, but we didn't put the time in to make sure. We thought it was, but we weren't absolutely certain. And so we've now put two people, one full time and one part time, in an area who are only looking at these things for the very purpose of being able to report back to the Legislature in a more specific way

about exactly what we looked at and how it was resolved.

So until we've—we—that's only been through this year that we've had that in place, and in—next year—we tried to do it for this year's report, but we didn't have anything so complete that we were comfortable to release it publicly. And so I think next year will be the first year that you'll see the results of that, and in that way we would probably—we still would be protecting the anonymity. So it might be of—a bit of more of a general comment, but we would, indeed, give you an idea of the ones we received, as they were resolved, which ministry they related to.

Mr. Pedersen: Page 2, 3 of 2010 report, at the bottom of page 2 and top of page 3, it's in dealing with the risk management audit of Manitoba Hydro and some questions about yourself that was—led to a deferral of that risk management. So what is the current status regarding the risk management audit of Manitoba Hydro?

Ms. Bellringer: To date, we are aware of what has been transpiring with both Public Accounts Committee and the Ombudsman. However, our office has not specifically conducted anything to do with the audit yet. I actually would like some comfort from the committee or the Legislature that should I proceed with that, that you will be comfortable with my doing so.

Mr. Pedersen: So, again, what would be the process for this committee deciding to—for the Auditor General to go ahead with this risk management audit of Manitoba Hydro? Is this an in camera session or is this the special committee of—how does this happen? How do we give direction to the Auditor General, Mr. Chairman?

Mr. Chairperson: Thank you, Mr. Pedersen. My first on-the-spot, hey?

I'm assuming that there'd be an amalgamation of ideas around this table, but I don't know the official rules of—I mean, like, the House, we can do a lot of things by consensus, but I'm not sure if that is where we're at, and I'll get back to you in two seconds.

Yes, and just like the House, as well, we can take things under notice and get back to you. But I think that this is worthy of a discussion, and so we may look at being able to do that unless there are other suggestions, and Ms. Bellringer, you may have—

Ms. Bellringer: I just—I'll just bring up—and there's—the comment I made was an informal understanding that it would not be problematic. You certainly have the mechanism through The Auditor General Act of requesting a section 16 special audit. That is something where the Minister of Finance or Lieutenant-Governor-in-Council or the Public Accounts Committee may request a special audit. I wasn't suggesting that. I mean, that certainly is something this committee could then put a motion on the table and request it, and so on. That wasn't—what wasn't—I was just asking, you know, what I was suggesting would be something I would do informally to have discussions to make sure that the direction of the audit was something that all members were comfortable with and so that I was, again, comfortable going forward. And you may, indeed, want to take it first to an in camera session before you close that one off.

Mr. Jha: Again, I would like to comment. You're also the new Chair. We have some new members here. So what we should try to really understand, maybe we should take time to understand the role of this particular committee. As I understood from the last few years participating here, we need to really talk about reports which are submitted and talk about the contents of that report.

Now, we have Crown corporations, a standing committee that has Hydro and other Crown corporations. They give the auditor—and you can ask questions in that committee. But, no, no, I'm not denying the fact that we—you cannot ask questions. The question here is already set—defined about the rule of this committee. And if we need to define, we need to discuss that, we should set aside some time to see what are the things that we want to do.

Mr. Chairperson: Yes, thank you for that advice. I think in regards to the questioning on this issue, we can take that under advisement, and we can look at it, take the Auditor General's advice as well in regards to using the abilities we have under section 16 and those areas to look at what we would do with developing a platform or a policy around that process. And, if you have other questions, Mr. Pedersen, I'll let you proceed, but we would move forward.

Mr. Pedersen: Just clarification then, it will be discussed at the next in camera session. Is that what—how it would come to the floor then, to suggest that this audit proceed, this risk management audit of Manitoba Hydro proceed?

And, I don't think we're doing any motions here, as I understand. So if I can—I just have a suggestion at our next in camera session that the discussion be brought forward to proceed with this special risk management audit of Manitoba Hydro to give the Auditor General the direction then to do it.

And I somewhat disagree. There's a total difference between committee work and Public Accounts Committee because we—in Public Accounts we're only dealing with what the Auditor General recommends, and the Auditor General does an audit. We ask questions about the audit. Committees are totally different, and you know that too.

Mr. Chairperson: Okay, that's what we were looking at, I believe, is we would take this under advisement and look at it in the next in camera meeting. And so the next question I have is from Ms. Braun, unless—

Ms. Braun: Thank you, Mr. Chair, I guess I was wondering if this is not something that the steering committee would be discussing in advance of our committee meetings.

Mr. Chairperson: I'll defer to my Vice-Chair.

Mr. Dewar: Well, just on a—thank you, Mr. Chair. There has been no decision yet as to whether there will be a steering committee. There has been no decision yet as to whether there will be in camera sessions. That has yet to be decided.

Mr. Chairperson: Okay, I mean, I guess, that's some of the proceedings that we've had in the past, and so we'll take that under advisement as well.

Point of Order

Mrs. Stefanson: Perhaps on a point of order then, Mr. Chair, and I'm wondering if we could—I don't know if I have to move in the way of motion, or not to carry on debate about this, but it has been the practice to have a steering committee in the past, and it has been the practice to have in camera meetings, and perhaps we could just have a vote of the committee whether or not we choose to move forward with that.

Could we do that at this stage?

Mr. Chairperson: Yes, and good suggestion from our Vice-Chair. I just take that under advisement here as well. And so what I'd like to do is ask the committee for leave to decide whether—how we would deal with in camera meetings and the steering committee meetings prior to the regular meetings of

the Public Accounts Committee meeting that we've been having. If we could—if I could ask for leave and get that, we could proceed with that.

Do we have leave?

Mrs. Stefanson: Just for clarification, are you saying that we'll leave it up to the steering committee to decide whether or not there'll be in camera meetings, or is it—are we saying that there will be in camera meetings and steering committee meetings and there will be a steering committee?

* (15:30)

Mr. Chairperson: Yes, no, I was just asking leave for us to discuss and decide that now.

An Honourable Member: Oh, yes, of course. Sorry.

Mr. Chairperson: Is it agreed, then, that this PAC committee will continue with the steering committee? And, yes, I guess as it was as consisting of the Chair, the Vice-Chair, the Auditor General and the committee Clerk, and to include a research assistant from the Clerk's office as well? For the steering committee? *[Agreed]*

Okay. And also then, we could move forward and—with the in camera meetings as well? *[Agreed]*

Okay. So called, so agreed.

So, now, we'll move forward with the reports that we have before us again. Thank you, Mr. Vice-Chair, as well, for advising us on that.

Mrs. Stefanson: So can we then revisit how this came up in the first place which was the—with respect to the current status regarding the risk management audit of Manitoba Hydro? Could we then put that on—I believe my colleague was asking if that could be put on the agenda for the next in camera meeting in the next meeting of Public Accounts?

Mr. Chairperson: And I believe that there was agreement that we would do that and move forward, but I leave that to the committee and I want to remind you that we're getting close to the hour that we'd looked at for reviewing. Do you want to proceed with further extension here of time on that as well? I'll ask the committee for that first. Well, there's two things there. I guess I better do one first.

Shall we—is there agreement that we would move forward with the discussion in camera—or in the steering committee to make a decision and get back to the committee on? In regards to the risk issue that

came forward with—Mr. Pedersen had outlined with Manitoba Hydro?

An Honourable Member: So that will go to the steering committee?

Mr. Chairperson: Yes.

An Honourable Member: And not necessarily come to the next Public Accounts meeting? Was that—

Mr. Chairperson: Well, that was the question, wasn't it? To—can you clarify that, Mr. Pedersen?

Mr. Pedersen: Just for clarification then: now that we have a steering committee, now that we've agreed there'll be in camera meetings, do I understand it correctly that the steering committee will look at this audit—that's current status of risk management audit of Manitoba Hydro, bring back a recommendation or bring back their idea to the in camera and then the committee as a whole then decides to—whether to agree to what the steering committee has recommended? Am I clear?

Mr. Chairperson: I'm advised that that's clear, Mr. Pedersen, as well. And so I ask the committee's permission to move forward with that if that's agreed. *[Agreed]*

Okay, agreement, thank you.

Now, we haven't got to the passing of the reports yet so I would ask, the hour being close to 3:30, would we look at extending to deal with them somewhat longer if you wish to?

A few more questions?

No more questions? Seeing none, shall the operation—I'll ask the questions, then, in regards to the reports.

Operations of the Office for the fiscal year ending March 31st, 2010—pass.

Operations of the Office for the fiscal year ending March 31st, 2011—pass.

The hour being 3:30, what is the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: Okay. As I have heard in past committees, before we rise, if anyone doesn't have any need to take the fiscal—or the reports that you have before you, if you could leave them on the table, I guess. Thanks for reminding me of that. You can take them if you wish, but we can reuse them, recycle them or something. So, thank you very much.

Shall the committee rise?

Some Honourable Members: Rise.

COMMITTEE ROSE AT: 3:34 p.m.

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