

**Release of the Report**  
***Report to the Legislative Assembly - Performance Audits***

**WINNIPEG** – Auditor General, Carol Bellringer, today has released her report, *Report to the Legislative Assembly – Performance Audits*, to the Speaker of the House for distribution to the Members of Manitoba’s Legislative Assembly.

The report combines the results of four audits, being:

- Chapter 1: Managing Climate Change
- Chapter 2: Economic Development: Loans and Investments under the Development Corporation Act
- Chapter 3: Special Audit: Society for Manitobans with Disabilities
- Chapter 4: Special Audit: Rural Municipality of St. Laurent

The Auditor General provides the following Chapter summaries:

**Chapter 1: Managing Climate Change**

Our audit examined management of Manitoba’s climate change initiative, including the systems and practices for planning, project management, selecting and funding individual climate change projects, and reporting. Several different departments are involved in climate change issues. The Department of Conservation (the Department) is the lead.

Manitoba accounts for about 3% of Canada’s total greenhouse gas emissions. Manitoba has responded positively to climate change by consulting stakeholders, creating a climate change action plan, and setting a short-term target for reducing emissions that is consistent with Canada’s Kyoto commitment of reducing its greenhouse gases to 6% below the 1990 level. It has put in place over 70 different climate change initiatives. Most of the individual project selection and funding decisions we examined were adequately supported with sound data and analysis. There is a system to track government-wide expected and actual emission reductions for approved projects. And the Department has been working to improve its monitoring and status reporting.

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 (6% below the 1990 level). In April 2010, the Department forecast a gap of 2.7 megatonnes in meeting the target. It has subsequently been re-evaluating the plan, seeking options to narrow the gap, and now needs to formally update the 2008 plan. Working with partner departments, the Department also needs to further refine planning, project management, and reporting processes. In particular, it requires:

- comprehensive analysis of the benefits, risks and costs of alternative approaches and tools;
- “business as usual” forecasting of greenhouse gas emissions;

- alignment of climate change action plans with the budget process;
- clarification of roles and responsibilities of lead and partner departments, as well as Cabinet sub-committees;
- better identification and management of risks related to reducing both emissions and adverse climate change impacts;
- a method of calculating emissions for public reporting purposes; and
- a system to track climate change spending and the economic and social outcomes associated with climate change projects.

## **Chapter 2: Economic Development: Loans and Investments under the Development Corporation Act**

The Department of Entrepreneurship, Training and Trade (ETT) administers loans and equity investments made under Part II of *The Development Corporation Act* (the Act), two economic development programs in Manitoba's broader economic development strategy. Most Part II loans are Manitoba Industrial Opportunities Program (MIOP) business loans. Equity investments are in venture capital funds.

We examined the due diligence used in approving, disbursing and monitoring loans and investments, as well as related performance measurement and public reporting.

The two programs have stimulated economic development in Manitoba and most systems and practices were adequate. There remains room for improvement in planning, analyzing investment requests, monitoring, and ensuring that performance reporting is accurate and focused on actual economic benefits to Manitoba.

## **Chapter 3: Special Audit: Society for Manitobans with Disabilities**

In 2005, our Office received a letter (also sent to the Province) from a citizen alleging that the Society for Manitobans with Disabilities (SMD):

- had excessive administration costs.
- lacked accountability for public funds (and did not use them for intended purposes).
- had poor governance.

We asked the Department of Family Services and Housing, now the Department of Family Services and Corporate Affairs (Department) how it was following up the allegations. It had asked government's Internal Audit Services to review SMD in early 2005 and they issued a report in May 2005. We decided to give the Department and SMD more time to resolve the issues and the report recommendations before conducting an audit to ensure that all the concerns had been resolved.

Although there were a number of administrative problems, there were no concerns expressed by the Department about the quality of services SMD provides.

During the 1999/2000 fiscal year, SMD underwent a significant corporate reorganization. This new structure created a parent company known as “SMD Alliance Inc.” (Alliance) and four subsidiary companies, one being the Society for Manitobans with Disabilities Inc. (Services). Our audit focused on the funds that Services received from the Department. The funding is set out in a Service Purchase Agreement (SPA) between the Department and Services.

Services had not been promptly providing required financial reports to the Province but we found that throughout the period of our audit some improvements had been made. The SPA provides the Province with access to records for all areas it funds. Between 2006 and March 31, 2010 Services had accumulated more than \$1.5M in deferred contributions, which represents about 19% of the 2009 provincial funding. The use of these funds has now been resolved.

Complaints about how a transaction was handled in 2004 and confusion around a significant corporate reorganization were directly related to the allegations we received in 2005.

Our audit found that some administrative problems remain and there was a noticeable lack of trust between SMD and the Province that hampers progress. We also found that the three areas within the Department that are involved in the monitoring of SMD’s compliance with the SPAs did not coordinate their efforts efficiently. Our report identifies the following issues that still need to be resolved:

- In our view the current overhead level charged to Services by Alliance, combined with overhead costs incurred directly by Services, totals about 21%. The Province has not specified the level of overhead it will fund, or any restrictions on the use of the overhead.
- Our review of 3 schedules in the SPA related to specific program areas found that not all of the Province’s program outcome requirements were being met.
- The Chief Executive Officer (CEO) of Alliance can, in accordance with board approved policy, move up to \$300,000 among companies if the borrowing entity is able to repay within 120 days.

We accept the Department’s decision to work with SMD to resolve issues, instead of applying sanctions. If the working relationship between the Department and SMD deteriorates, and the issues we have identified in our report are not resolved, then sanctions may be needed.

#### **Chapter 4: Special Audit: Rural Municipality of St. Laurent**

In September 2009, various allegations were made to the Office of the Auditor General of Manitoba (OAG) including conflicts of interest involving Councillors of the Rural Municipality of St. Laurent (RM), that the RM was not following its tendering policy, and that there was a lack of accountability and reporting to the RM by some of the organizations that the RM provides grants to.

We found that certain administrative practices require strengthening. The RM did not formally tender for certain significant expenditures, including the purchase of gravel and some maintenance projects. In one case, the RM advertised for a tender but did not follow the established process. Because the RM did not keep adequate documentation, we could not assess if it had tendered a number of other maintenance projects appropriately.

Our audit of Council’s procedures around two major projects - the Artificial Ice Project and the lease agreement with the Recreation Centre for RM office space - found that not all Council members had been provided with adequate or timely information when they voted on these projects.

Our audit also included issues of non-compliance with *The Municipal Council Conflict of Interest Act*. Certain of our findings related to a Councillor who was also participating on community boards. We found that the Councillor did vote on certain resolutions while he was a community board member. We noted that the Act does not distinguish between participation on a corporate board from a board which supports the community.

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Copies of this report available in: **ROOM 29 – LEGISLATIVE BUILDING**