



January 2013

The Honourable Daryl Reid
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

It is an honour to provide you with my report titled, *Follow-up of Previously Issued Recommendations*, to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of *The Auditor General Act*.

Respectfully submitted,

**Original document signed by
Carol Bellringer**

Carol Bellringer, FCA, MBA
Auditor General

Table of Contents

Follow-up process	1
Summary of follow-up reviews	5
Aboriginal and Northern Affairs	9
1.0 Meeting Manitoba’s Obligations Under the 1997 Treaty Land Entitlement Framework Agreement.....	11
Conservation and Water Stewardship	15
2.0 Audit of the Department of Conservation’s Management of the Environmental Livestock Program	17
3.0 Managing Climate Change	20
Conservation and Water Stewardship; Local Government	23
4.0 Audit of the Province’s Management of Contaminated Sites and Landfills.....	25
Entrepreneurship, Training and Trade	33
5.0 Economic Development: Loans and Investments under The Development Corporation Act	35
6.0 Employment and Income Assistance Program	38
Family Services and Labour	41
7.0 Special Audit: Society for Manitobans with Disabilities	43
Finance	47
8.0 Audit of Mandatory Legislative Reviews	49
9.0 Public Sector Compensation Disclosure Reporting	50
Health	53
10.0 Pharmacare Program – Part 2	55
11.0 Personal Care Homes Program.....	58
12.0 Winnipeg Regional Health Authority – Administration of the Value-Added Policy.....	60
Innovation, Energy and Mines	63
13.0 Compliance with Oil and Gas Legislation	65
Local Government	67
14.0 Special Audit: Rural Municipality of La Broquerie	69
15.0 Special Audit: Rural Municipality of St. Laurent	81
16.0 Assessment Services Branch	83
17.0 Manitoba’s Participation in Canada’s Economic Action Plan	85



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Follow-up process

Follow-up process

For the last several years, we have issued an annual follow-up report of previously issued recommendations. We request a status update from management, and then conduct review procedures to assess the plausibility of the statuses provided. While we do not reperform audit procedures, we obtain supporting documentation to verify that our concerns have been addressed before agreeing that a recommendation has been “implemented/resolved”.

This year, our follow-up report covers 6 reports which had not previously been followed up by our Office and 11 reports which we initially followed up last year. In all cases, we have concurred with the status updates included in this report. Of the 290 total recommendations, 92 were completed previously, 70 have been implemented/resolved this year, 7 no longer require the recommended action, there is no intention to implement 1 recommendation and 120 remain in progress. We consider this to be satisfactory progress towards implementing our recommendations.

As part of the follow-up process, we ask management to provide us with a progress report on the status of each of the recommendations addressed to them. As well, we request that the progress report include details of the actions taken and planned to address the recommendation. We review managements’ comments and perform procedures to ensure progress was fairly stated. Each of the recommendations in our report has been classified into 1 of the 5 following categories to reflect the status as at June 30, 2012:

Follow-up Previously Completed

The recommendation was cleared in a previous year. A recommendation is considered cleared if it is classified as Implemented/Resolved, Action No Longer Required, or Do Not Intend to Implement.

Implemented/Resolved

The recommendation has been implemented as issued or an alternate solution has been implemented that fully addresses the risk identified in the initial recommendation.

Action No Longer Required

The recommendation is no longer relevant due to changes in circumstances.

Do Not Intend to Implement

Management does not intend to implement our recommendation as issued or fully address the risk identified in our initial recommendation.

Work In Progress

Management is in the process of taking steps to implement our recommendation.

The nature of a review

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term “high level of assurance” refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgment, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

Review comments

Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by management.

A review does not constitute an audit and consequently we do not express an opinion on these matters.

Based on our review, nothing has come to our attention to cause us to believe that the representations do not present fairly, in all significant respects, the progress made in implementing the recommendations contained in the respective reports.

Format

Each section includes a summary of the original audit report lifted directly from that report with no updates to reflect changes since the date it was issued. Each section also includes a chart indicating the current status of our recommendations as of June 30, 2012, and a listing of each of the recommendations we followed up this year. The recommendations that we considered cleared last year are not updated in this report.



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Summary of follow-up reviews

Summary of follow-up reviews

Summary of follow-up reviews (Status of recommendations as at June 30, 2012)							
Audit report	Date issued	Total recommendations	Recommendations considered cleared				Work in progress
			Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
ABORIGINAL AND NORTHERN AFFAIRS							
1.0 Meeting Manitoba's Obligation Under the 1997 Treaty Land Entitlement Framework Agreement	November 2009	7	4			3	
CONSERVATION AND WATER STEWARDSHIP							
2.0 Audit of the Department of Conservation's Management of the Environmental Livestock Program	October 2007	40	5			28	7
3.0 Managing Climate Change	December 2010	15	1				14
CONSERVATION AND WATER STEWARDSHIP; LOCAL GOVERNMENT							
4.0 Audit of the Province's Management of Contaminated Sites and Landfills	October 2007	77	11			18	48
ENTREPRENEURSHIP, TRAINING AND TRADE							
5.0 Economic Development: Loans and Investments under <i>The Development Corporation Act</i>	December 2010	14	6				8
6.0 Employment and Income Assistance Program	December 2008	14	7			3	4
FAMILY SERVICES AND LABOUR							
7.0 Special Audit: Society for Manitobans with Disabilities	December 2010	13	6		1		6
FINANCE							
8.0 Audit of Mandatory Legislative Reviews	December 2007	3				1	2
9.0 Public Sector Compensation Disclosure Reporting	December 2009	3					3
HEALTH							
10.0 Pharmacare Program – Part 2	December 2008	12				4	8
11.0 Personal Care Homes Program	November 2009	16				9	7
12.0 Winnipeg Regional Health Authority – Administration of the Value-Added Policy	June 2010	8				5	3
INNOVATION, ENERGY AND MINES							
13.0 Compliance with Oil and Gas Legislation	December 2008	8	2			4	2
LOCAL GOVERNMENT							
14.0 Special Audit: Rural Municipality of La Broquerie	March 2008	35	14	5		14	2
15.0 Special Audit: Rural Municipality of St. Laurent	December 2010	9	4				5
16.0 Assessment Services Branch	November 2009	9	5			3	1
17.0 Manitoba's Participation in Canada's Economic Action Plan	May 2011	7	5	2			
Total recommendations followed-up by status		290	70	7	1	92	120



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Aboriginal and Northern Affairs

1.0 Meeting Manitoba's Obligations Under the 1997 Treaty Land Entitlement Framework Agreement

Summary from November 2009 audit report

The Government of Manitoba (Manitoba) is a signatory to the Treaty Land Entitlement (TLE) Framework Agreement, which sets out the principles for the selection and acquisition of over one million acres of land in Manitoba to be set apart as reserve for First Nations in order to satisfy outstanding treaty land obligations. Successful implementation of the Agreement, measured by the transfer of land to Canada to be set apart as reserve for First Nations, is highly dependent upon the working relationships established amongst the parties to the Agreement (the Treaty Land Entitlement Committee of Manitoba Inc. representing 21 First Nations, the Governments of Canada and Manitoba) and requires the ongoing commitment and cooperation of all parties to succeed.

Our audit was limited to the systems and practices developed by Manitoba to fulfill its obligations under the Framework Agreement. While it was difficult to separate the various administrative activities for each of the individual parties, we focused on Manitoba's identification of issues to be resolved on land selections and the resolution of these issues. In support of this, we reviewed Manitoba's data collection and file management, as well as internal coordination amongst the Provincial departments and agencies involved. We also reviewed Manitoba's role in communicating progress externally – to other parties to the Agreement and publicly.

We found that some significant progress had been made in meeting TLE commitments. As at August 20, 2008, Manitoba had transferred land to Canada or issued Crown land use permits for 61% (472,598 acres) of the 770,805 acres of Crown land that had been selected under the Framework Agreement by First Nations. This was comprised of:

- 203,249 acres that had been transferred to Canada and set apart as reserve;
- 133,507 acres that had been transferred to Canada and subsequently found to have issues relating to unauthorized structures requiring resolution before conversion to reserve status could occur; and
- 135,842 acres that required surveying by Canada and review of the survey results by the Manitoba Director of Surveys before transfer to Canada could occur.

The Crown land use permits provide the First Nations with exclusive use of the land, subject to the agreed upon accommodation of third party and other interests, although they do not allow for the fuller use of the land that may occur once it has been set apart as reserve by Canada.

Although the issuance of a Crown land use permit for selected Crown land is an important milestone, the final desired outcome is the setting apart of the land as reserve. As at August 20, 2008, a total of 18.5% of the total 1,100,626 acres set out in the 1997 Framework Agreement had been converted to reserve status. This reflected 18% (68 parcels) of the 380 parcels that had been selected by First Nations as of this date.

A federal commitment to transfer 150,000 acres per year to reserve status (under all Manitoba TLE agreements, including but not limited to the 1997 Framework Agreement) was made in August 2006 and supported by Manitoba.

This commitment was met for the year ended August 20, 2007, although it was not met for the year ended August 20, 2008. While Manitoba had transferred sufficient acres to Canada for that time period (i.e., 162,285 acres), several of these parcels of land were not set apart as reserve by Canada because issues related to unauthorized structures on the land had not been successfully resolved by the parties to the Agreement.

In reviewing the progress made to date, it was noted that:

- Manitoba was identifying most issues to be resolved on land selections on a timely basis.
- the Department of Conservation had developed a comprehensive database (known as TRELES) to track individual parcel selections, the issues related to each parcel selection, and the dates these issues were identified and resolved.
- ANA had communicated Framework Agreement goals and responsibilities to Provincial departments and was coordinating Manitoba's implementation efforts.
- there was periodic communication with First Nations regarding the status of parcel selections (e.g., correspondence relating to parcel review meetings).
- in concert with the other parties to the Framework Agreement, Manitoba was working towards the development of a documented long term action plan for completing the Framework Agreement.
- progress in terms of the number of acres of land transferred to Canada by Manitoba and the number of acres of land set apart as reserve was tracked and periodically publicly reported.

At the same time, some considerable challenges remain. Several of the parcels selected to date have significant outstanding issues still requiring resolution. In addition, many parts of the Framework Agreement set out general principles, as opposed to specific rules, leading to sometimes conflicting views between the parties to the Agreement that require on-going discussions in order to reach resolution.

The pace of on-going discussions concerning identified issues is affected by the strength of the management frameworks supporting the parties to the Agreement, as well as a variety of other factors. These other factors include elections and staffing changes at the federal, provincial and First Nations levels, as well as the changing economic, political and legal environments in which discussions are conducted. Some issues remain unresolved even after several years of on-going discussion and attempts to find solutions that will satisfy the concerns of all parties to the Agreement.

Although there are individual roles assigned to each party to the Framework Agreement, they are all interdependent. Therefore, implementation of the Agreement is highly dependent upon the working relationships established amongst the parties and requires the on-going commitment and cooperation of all parties to succeed.

Manitoba could build upon its accomplishments to date and further enhance its future ability to meet its Framework Agreement obligations and related commitments if it were to:

- work with the other parties to the Agreement to develop processes to identify and facilitate a resolution to unauthorized structures in a more timely manner.
- increase ANA's on-going communication and coordination with other Provincial government departments.
- further enhance communication with First Nations by communicating on a more regular basis regarding the current status of all parcel selections, including the status of outstanding issues requiring resolution.
- enhance file management and documentation so as to provide a more easily accessible and complete record of activities conducted to identify and resolve Framework Agreement issues and concerns on individual land selections.
- further develop and document action plans for completing the Agreement.
- communicate to departments a clear process for considering options and developing the views to be adopted during the course of on-going discussions concerning implementation of the Framework Agreement.
- supplement progress reporting on implementing the Agreement to include information on the number of parcel selections transferred and the significant issues resolved, in addition to the current reporting on the number of acres for which Crown land use permits have been issued, acres transferred to Canada, and acres set apart as reserve.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
7	4		3	

Implemented/Resolved

We recommended that:

4. ANA improve its file management and documentation for the 1997 TLE Framework Agreement. File documentation should be easily accessible for all parcel selections and departments should forward to a central registry a complete record of the meetings and discussions held to identify issues and concerns, examine alternatives, and facilitate resolution of identified issues and concerns.
5. In conjunction with the other parties to the Framework Agreement, ANA develop and document annual and multi-year action plans to guide implementation of the 1997 Framework Agreement.
6. ANA, in conjunction with other departments, implement a clear process for considering options and developing Manitoba's view on major issues requiring on-going discussion.
7. ANA further develop its internal and public reporting of progress in implementing the 1997 Framework Agreement.



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Conservation and Water Stewardship

2.0 Audit of the Department of Conservation's Management of the Environmental Livestock Program

Summary from October 2007 audit report

Livestock farms raise thousands of animals and generate enormous quantities of manure. Livestock manure must be managed properly to protect Manitoba's rivers, lakes, streams, and groundwater.

One of the methods that the Province uses to reduce the risk of environmental damage from livestock manure is through the *Livestock Manure and Mortalities Management Regulation* (42/98) (Regulation) under *The Environment Act*. Responsibility for administration of the Regulation is assigned to the Department of Conservation (Conservation).

The purpose of our audit was to evaluate Conservation's operational efforts to protect surface and groundwater from potential contamination caused by livestock operations.

Specifically, our objectives were:

1. to determine whether the Regulation was generally comparable to legislation in other Canadian jurisdictions.
2. to determine whether Conservation had adequate processes in place to ensure operators of livestock operations (operators) comply with the key provisions of the Regulation.
3. to determine whether Conservation used information available to further its efforts to protect surface and groundwater from contamination.
4. to determine whether Conservation was sufficiently consulting with the Departments of Agriculture, Food and Rural Initiatives, Health, Intergovernmental Affairs, and Water Stewardship, as well as municipalities, on common issues related to water quality.

Section 3.0 of our report concluded that legislation in the Province of Manitoba to ensure the protection of the environment from the potential harmful effects of livestock manure and mortalities was more comprehensive and proactive than in some other provinces. There were some areas that were not addressed in Manitoba's Regulation and some that were addressed more stringently in other jurisdictions. These areas included:

- controls related to the application of manure by operations with multiple species.
- minimum acceptable storage capacity for manure storage facility constructions.
- controls to address the effects of chemical fertilizers combined with manure application.
- the submission of contingency plans to deal with potential emergencies related to livestock manure.
- controls related to the application of manure on frozen or snow-covered ground.

Section 4.0 of our report concluded that a number of processes were in place to address provisions of the Regulation. However, we found several processes requiring attention:

- issuing permits for construction, modification and expansion of manure storage facilities.
- monitoring of construction of manure storage facilities.
- post-construction monitoring.
- identification, assessment and approval of non-permitted manure storage facilities.
- monitoring of manure application to land.
- utilization of the Department's information system.

Section 5.0 concluded that significant data was available from various elements of the Environmental Livestock Program. Conservation did not use this information to the extent they should have to further efforts in protecting surface and groundwater from contamination.

Section 6.0 concluded that Conservation had limited consultation with other government departments and municipalities on common issues related to water quality.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/Resolved	Action no longer required	Do not intend to implement	
40	5		28	7

Implemented/Resolved

We recommended that:

11. There be a more cooperative and coordinated approach in dealing with manure storage facility constructions, taking into consideration the conditions imposed by municipalities on operations and incorporating those conditions in permits where possible. If Conservation considers the conditions of a municipality to be ineffective or inappropriate, discussions should be initiated with the municipality to ensure that reasonable conditions are included in Conditional Use Orders.

Implemented/Resolved (cont'd)

We recommended that:

18. The inspection process, where it is practical to do so, be expanded to monitor compliance with all aspects of the Regulation and with municipal conditions and that non-compliance with municipal conditions be reported to the respective rural municipality.
21. Conservation establish a process to identify operations with non-permitted manure storage facilities.
22. A strategy and action plan be developed and implemented to address amendments to the Regulation related to the assessment and approval of non-permitted manure storage facilities. This strategy should take into consideration the deadline imposed by the Regulation for the registration of all manure storage facilities.
32. Conservation interact with the Department of Water Stewardship in its manure management audit process to ensure that the effect of manure application on nearby water sources is monitored.

Work in progress

We recommended that:

33. Conservation communicate the results of all audits of manure application to the operations it has audited. Conservation should clearly indicate whether the operations were found to be in compliance with the Regulation or not. Any operations identified as having nitrate levels in excess of what the Regulation allows should result in appropriate enforcement action.
35. Conservation track all pertinent data related to the Regulation in its official tracking system, EMS.
36. Conservation modify the EMS program to properly track the follow-up of enforcement actions.
37. Conservation modify the EMS program to incorporate animal unit numbers for operations.
38. Conservation develop and use a consistent method to identify all operations.
39. Conservation conduct a comprehensive analysis of the livestock program's data to aid in the development of a strategic direction for the program.
40. Conservation consult with other departments and municipalities to identify issues of common interest in sustaining the agricultural economy while at the same time protecting the environment.

3.0 Managing Climate Change

Summary from December 2010 audit report

Manitoba accounted for about 3% of Canada's total greenhouse gas emissions. Manitoba had 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 had 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 was a system to track government-wide expected and actual emission reductions for approved projects. And the Department had been working to improve its monitoring and status reporting.

While Manitoba's management of climate change was evolving, the 2008 action plan in place at the time of our audit was 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 had subsequently been re-evaluating the plan, seeking options to narrow the gap, and needed to formally update the 2008 plan. Working with partner departments, the Department also needed to further refine planning, project management, and reporting processes. In particular, it required:

- 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.
- a system to track climate change spending and the economic and social outcomes associated with climate change projects.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
15	1				14

Implemented/Resolved

We recommended that:

12. Treasury Board Secretariat work with climate change partner departments to continue improving the data and analysis used in selecting and funding climate change projects through allocations from the federal eco-trust.

Work in progress

We recommended that:

1. The Department of Conservation support development of updated climate change action plans with documented, coordinated and comprehensive analysis of the benefits, risks, and costs of alternative approaches and tools.
2. The Department of Conservation set longer-term climate change targets when developing updated climate change action plans.
3. The Department of Conservation calculate the estimated total cost of updated climate change action plans and integrate climate change planning with the budget process.
4. The Department of Conservation develop and periodically revise “business as usual” greenhouse gas emissions forecasts for Manitoba. These forecasts should be prepared on a basis consistent with best practices in greenhouse gas emissions forecasting and be used to periodically update climate change plans.
5. The Department of Conservation, together with partner departments, assess and document the likely impacts of climate change on government services, programs, and resources.
6. The Department of Conservation, together with partner departments, complete the updating of Manitoba’s Climate Change Action Plan.
7. The Province more clearly define the role of the lead department and other partners.

Work in progress (cont'd)

We recommended that:

8. The Department of Conservation, together with partner departments, implement a formal risk management process for the climate change project. This process should identify risks, assess each risk's likelihood and impact (including the greenhouse gas reduction impact), and develop risk mitigation strategies.
9. The Department of Conservation work with climate change partner departments to establish regular progress reporting on whether the climate change project is on time, on budget, and going to achieve its stated goals.
10. The Department of Conservation work with climate change partner departments to ensure all greenhouse gas reduction estimates are based on sound data and reviewed for consistency with National Inventory accounting standards and practices.
11. The Department of Conservation develop best-case, most-likely-case, and worst-case forecasts when monitoring and reporting progress in reducing greenhouse gas emissions.
13. The Minister of Conservation determine the method that will be used to calculate greenhouse gas emissions for reporting purposes under *The Climate Change and Emissions Reductions Act*.
14. The Department of Conservation develop the capacity and systems required to model and report on the emission reductions likely to be achieved for 2020 and 2025, as required by *The Climate Change and Emissions Reductions Act*.
15. The Department of Conservation, together with partner departments, track and publicly report government-wide climate change spending and secondary climate change outcomes (such as economic and social benefits), in addition to the reduction in greenhouse gas emissions achieved.



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Conservation and Water Stewardship; Local Government

4.0 Audit of the Province's Management of Contaminated Sites and Landfills

Summary from October 2007 audit report

In November of 2005 the Office of the Auditor General (OAG) released a report entitled, *Review of the Province of Manitoba's Management of Contaminated Sites*. That review was initiated in response to evolving changes to government financial reporting standards. By March 31, 2006, all provinces and Canada were required under the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) to report and/or disclose in its financial statements (the Public Accounts) its environmental liabilities. The review focused on the processes in place for the Province to accurately identify and, where required, estimate the cost of environmental remediation for provincially owned contaminated sites under their responsibility, that is sites owned by provincial departments and Special Operating Agencies (SOAs). Our initial review excluded the management of contaminated sites owned and operated by Crown organizations, Government business enterprises, school divisions and municipalities.

In this report, we conducted an in-depth audit of the management of contaminated sites for those entities in the Government Reporting Entity (GRE) and in municipalities. Although municipalities are not included in the GRE, *The Municipal Act* of the Province of Manitoba requires them to comply with Public Sector Accounting (PSA) standards. Appendix C of the report includes a listing of entities included in the GRE.

The objectives of our audit were as follows:

1. To determine whether the processes of agencies, boards, crown organizations, school divisions, universities, colleges and hospitals (entities) , and municipalities for the identification of contaminated land sites and for the estimation of costs associated with remediation of these sites were sufficient to ensure appropriate accounting information was available to account for and report environmental liabilities in their financial statements.
2. To determine whether the Department of Conservation (Conservation) had adequate monitoring procedures to ensure compliance by government entities, municipalities and industry with:
 - *The Contaminated Sites Remediation Act (CSRA)*; and
 - *The Storage and Handling of Petroleum Products and Allied Products Regulation (Petroleum Products Regulation)* of *The Dangerous Goods Handling and Transportation Act (DGHTA)*.

3. To determine whether the Department of Conservation was adequately licensing, permitting and monitoring landfills to ensure compliance by landfill owners and operators with:
 - *The Environment Act*, and
 - The *Waste Disposal Grounds Regulation* (WDG Regulation) of *The Environment Act*.
4. To determine whether Department of Finance (Finance) processes for the compilation of costs associated with remediation of contaminated sites owned by entities were adequate to ensure completeness of estimates of the Province's potential liability for appropriate reporting in the Public Accounts.
5. To determine whether the Province and the municipalities were reporting their potential environmental liabilities associated with landfills.

Some of the key conclusions of our audit were:

- Policies and procedures for the management of contaminated sites among government entities and municipalities, especially those with properties that had been exposed to contaminants, were not sufficient.
 - For the majority of entities and municipalities that had contaminated sites, policies and procedures were not in place to guide the management of those sites.
 - The majority of entities and municipalities with contaminated sites were not preparing financial statements in accordance with PSA standards.
- Conservation's monitoring procedures to ensure compliance by entities, municipalities and industry were not sufficient.
 - Conservation did not classify and summarize contaminated sites according to risk.
 - Conservation did not adequately monitor all identified contaminated sites.
- Conservation's procedures for the management of landfills did not ensure compliance by landfill owners and operators with legislation.
 - Legislation did not adequately address the risks, liabilities and due diligence associated with landfills.
 - Policy and procedures to guide the management of landfills were not sufficient to ensure protection of the environment.
 - The requirement to license landfills was not consistent for landfills of similar risk. Specifically, the Brady Road landfill operated by the City of Winnipeg, by far the largest landfill in the Province, was operating under a permit dated October 1993. Other landfills serving a population of over 5,000 operated under the authority of more stringent environmental licenses.
 - Conservation's monitoring of landfills was inadequate.

- Department of Finance processes for the compilation of costs associated with remediation of contaminated sites owned by government entities were sufficient to ensure completeness of estimates of the Province’s potential liability for appropriate reflection in the Public Accounts.
- The Province had developed an environmental liabilities accounting policy prior to our audit. Although we found that this policy had not been communicated to Government departments and to the remainder of the GRE in a timely manner, procedures to work toward the complete and accurate reporting and disclosure of environmental liabilities in the 2005/2006 fiscal year and beyond were in place at the time we completed our fieldwork in June of 2006.
- While *The Municipal Act* required municipalities to comply with PSA standards, municipalities were not consistently reporting potential environmental liabilities associated with landfills in their financial statements. The majority of municipalities did not report and or disclose liabilities for landfill closure and post-closure costs.

Additional information

The March 2008 report included 77 recommendations. Of those, 17 were directed to those directly responsible for the site. These included municipalities or other government entities. No Provincial department had monitored the implementation of these recommendations. Because the municipalities and other government entities are created under Provincial legislation, it was our position that the Province should have a complete understanding of the progress that had been made. Therefore, in the January 2012 Follow-up report, we recommended that the Province assign responsibility for monitoring the implementation of those recommendations.

Government has indicated that the Departments of Conservation and Water Stewardship, Local Government and Finance will assess the situation and determine what can be done to assist municipalities in implementing these recommendations. They have reconstituted the Interdepartmental Committee for Tracked Sites and created a municipal subcommittee, comprised of government and municipal representatives.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
77	11			18	48

Implemented/Resolved

We recommended that:

19. Conservation improve communication with regional program staff to ensure all understand the procedures to be followed.
20. Conservation require that environmental assessments for all contaminated sites specify the classification of those sites based on the NCS or a similar specified classification system.
23. Policy related to database management be established to ensure that effective tracking of contaminated sites is possible.
24. Conservation update its website to ensure current and meaningful information on contaminated sites is available to the public. The site should provide clear direction for the public regarding their obligations in the event that they are responsible for a contaminated site, including Conservation's requirements before, during and after remediation.
31. Conservation ensure that all information requested is obtained in a timely manner.
33. Conservation follow-up on information not received as requested.
34. Conservation ensure that its central database of contaminated sites, EMS, is current.
35. Conservation use the EMS database as its primary source to track data.
39. Conservation ensure that the database is structured in a way that will ensure effective and efficient tracking of remediation plans.
75. All municipalities with landfills quantify liabilities for landfill closure and post-closure costs according to PSA standards.
76. All municipalities report and disclose liabilities for landfill closure and post-closure costs.

Work in progress

We recommended that:

1. All entities and municipalities with contaminated sites assign personnel to be responsible for addressing contaminated sites issues.
2. The following responsibilities be assigned within entities and municipalities:
 - Identification and risk assessment of contaminated sites.
 - Development of remediation plans.
 - Monitoring of contaminated sites.
 - Database management.
 - Quantification of environmental liabilities for financial reporting.

Work in progress (cont'd)

We recommended that:

3. Government entities and municipalities that have had experience with property contamination develop and implement a documented strategy for the management of contaminated sites.
4. All entities and municipalities develop and implement a documented environmental liabilities accounting policy.
5. All entities and municipalities with properties that have been exposed to contaminants maintain a complete list of these sites.
6. Environmental Site Assessments be conducted by qualified professionals on all properties that have been exposed to contaminants.
7. Priorities for remediation be established based on Environmental Site Assessments.
8. All entities and municipalities develop a protocol that will ensure that all sites that have been exposed to contaminants be reported to Conservation as they are identified.
9. Remediation plans be developed for all sites that meet the NCS criteria for Class 1 or Class 2 sites.
10. Entities and municipalities establish a remediation strategy that focuses on remediating sites based on risk.
11. All Class 1 and Class 2 sites be remediated as funding permits.
12. Entities and municipalities inform Conservation of new developments related to contaminated sites and that all ESAs and RAPs for these sites be submitted to Conservation for review. Remediation plans should be approved by Conservation prior to implementation.
13. All properties be assessed on a regular basis for changes in status.
14. All entities and municipalities with properties that have been exposed to contaminants maintain a database of their properties to track those sites. The database could include:
 - site classification.
 - remediation plan data.
 - remediation cost estimates.
 - remediation related activities.
 - site monitoring activities.
15. The database be updated as changes to sites occur.
16. ESAs and RAPs be used as a basis for determining cost estimates for environmental liabilities.
17. All entities and municipalities follow PSA standards for reporting and disclosing contaminated sites in their financial statements.

Work in progress (cont'd)

We recommended that:

43. The Waste Disposal Grounds Regulation be reviewed and that consideration be given to including requirements for:
 - licenses and permits for the operation of landfills expire after a stated period of time.
 - renewal of licenses and permits for the operation of landfills require a formal application on the part of the permit holder.
 - monitoring and reporting requirements during operation.
 - periodic review and amendment to the Regulation as needed.
 - when the Regulation is amended, a phase-in process to ensure that all operators in each class of landfills are subjected to the same regulatory authority.
 - specific requirements for monitoring of closed landfills.
44. The Land Titles Office be notified of all properties that have been or are being used as landfills.
45. Conservation review and update existing policy documents for the licensing of landfills in Manitoba.
46. Conservation develop and formally approve policy and procedures for the permitting of landfills in Manitoba. The Draft document entitled, Guidelines for the Siting of a Class 2 and Class 3 Waste Disposal Ground in Manitoba, should be used as a starting point for the establishment of policy.
47. Conservation require consistent application of policy for the permitting of landfills in Manitoba throughout the Province.
48. Conservation establish policy to rank landfills based on thorough risk assessments.
49. Conservation policy require the submission of preliminary closure and post-closure plans for all landfills, both permitted and licensed. These plans should be submitted within a specific timeframe following the issuance of the permit or licence.
50. Monitoring procedures or standards be established provincially.
51. Policy be developed and approved to require the input of all landfills in EMS including both active and inactive sites.
52. Policy be developed and approved to require the input of:
 - all reports received.
 - an indication as to whether or not those reports have been approved.
 - all monitoring data, including inspection reports and complaints.
 - all related correspondence.
53. Conservation develop a communication strategy to enable consistent delivery of the landfills program and consistent application of the Regulation. All policy should be documented and communicated in writing.

Work in progress (cont'd)

We recommended that:

54. Policy documents intended to guide owners and operators or potential owners and operators of landfills be made accessible on the government website.
55. Conservation follow up on the submission of preliminary closure and post-closure plans required for permitted landfills to ensure that they are received within the timeframe required.
56. Conservation review and seek amendments to closure and post-closure plans for permitted landfills as necessary until they can be approved.
57. All permits issued and renewed for landfills be processed based on established procedures. The review of each application should be documented in the file.
58. All operators of landfills meet the requirements of the Regulation and of previous permits before permits are issued or renewed.
59. All pertinent matters related to the issuance and renewal of permits be properly documented in the file.
60. Copies of current permits be retained in all of Conservation's files for landfills.
61. Conservation include conditions in each landfill permit to address the environmental risks associated with each landfill.
62. Consideration be given to amending the Waste Disposal Grounds Regulation to require all Class 1 landfills to operate under similar conditions and restrictions, including licensing requirements. These conditions and restrictions should be determined based on specific risks associated with each landfill.
63. Conservation follow up on the submission of preliminary closure and post-closure plans for licensed landfills and ensure that they are received within the timeframe required.
64. Conservation review and seek amendments to closure and post-closure plans for licensed landfills until approval can be granted.
65. Landfills be identified in such a way as to address the associated risks.
66. Priorities for monitoring and remediation of landfills be established.
67. Landfills that pose a high risk to the environment be identified and flagged for early attention.
68. Conservation takes steps to ensure that landfills operators comply with the Regulation by submitting closure notices prior to closure. To accomplish this, Conservation may need to develop an awareness program to ensure that landfill operators understand their obligations.
69. Conservation follow-up on missing documentation to ensure operators are in compliance with the Regulation and with operational conditions.

Work in progress (cont'd)

We recommended that:

70. Conservation review all documentation submitted by operators with regard to landfills to ensure that the environment is being adequately protected. Any concerns noted during the review process should be addressed with the operators and followed up until such time that the concern no longer exists.
71. Conservation monitor landfills to ensure compliance with legislation and with permit and licence conditions.
72. Conservation inspect and monitor closed landfills until such time as they no longer pose a threat to the environment.
77. Conservation conduct a review of the CSRA with a view to ensuring that the management of all contaminated sites is addressed in the Act.



OFFICE OF THE
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MANITOBA

Entrepreneurship, Training and Trade

5.0 Economic Development: Loans and Investments under *The Development Corporation Act*

Summary from December 2010 audit report

The two programs had stimulated economic development in Manitoba and most systems and practices were adequate. There remained room for improvement in planning, analyzing investment requests, monitoring, and ensuring that performance reporting was accurate and focused on actual economic benefits to Manitoba. Our summary of key findings follows.

MIOP loans

Planning: Senior officials described the loan portfolio as response-oriented, designed to selectively respond to economic risks and opportunities as they arose, with risk tolerance dependent on the expected economic benefits. ETT had developed lending criteria which it applied flexibly in making lending decisions. ETT needed to more clearly communicate this flexibility in publicly available information.

Analysis of requests: ETT analyzed loan requests by reviewing applicants' business plans and financial information, loan security, and management expertise. However, ETT needed to obtain more complete business plan information and scrutinize financial projections and economic benefits to Manitoba more thoroughly when analyzing loan applications. Before disbursing loans, ETT ensured all loan terms and conditions had been met.

Monitoring: ETT monitored loans adequately through receipt and review of audited and other financial information, site visits, security confirmations, and audits to verify the number of jobs created or maintained. In some cases it needed to receive more timely information from borrowers. It also needed to improve its documentation of monitoring activities.

Loan pricing: ETT needed to develop guidelines for setting interest rates, penalties for failing to meet agreed upon job targets, and administration fees. At the time of our audit, ETT set these on a case-by-case basis using professional judgement, without documenting a supporting rationale.

Venture capital fund investments

Planning: ETT considered requests for Provincial investment in venture capital funds as they arose. ETT had negotiated a variety of different agreement terms encouraging, but not requiring, funds to invest a portion of their capital in Manitoba-based businesses. ETT

had not recently formally assessed how successfully its venture capital fund strategy was contributing to the Province's economic development goals.

Analysis of requests: When analyzing a request to invest in a venture capital fund, ETT considered each fund's expected rate of return and the fund manager's expertise and experience. It should have also considered the capital likely to be invested in Manitoba, the number of Manitoba businesses likely to benefit, and the number of jobs likely to be created or maintained in Manitoba. As well, ETT needed to more consistently review and document fund managers' past returns and specific knowledge of Manitoba businesses and target industry sectors.

Monitoring: ETT appropriately monitored individual fund performance. It also was generally aware that it had multiple exposures to some individual companies through its various fund investments, but should have calculated and monitored its total exposure to any one company on a more regular basis. And ETT needed to ensure that conflicts-of-interest, both in placing investments and operating the funds, were identified and responded to.

Performance measurement and reporting

Performance measurement and reporting were in place, but improvements were required to ensure that results reported were accurate and focused on actual economic benefits to Manitoba.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
14	6				8

Implemented/Resolved

We recommended that:

1. ETT clearly communicate the flexibility of the Manitoba Industrial Opportunities Program (MIOP) lending criteria in all publicly available information explaining the program.
2. ETT obtain documented, current and complete business plan information to support its analysis of MIOP loan requests.

Implemented/Resolved (cont'd)

We recommended that:

3. ETT's analysis of MIOP loan requests include documented review, challenge, and sensitivity analysis of key assumptions supporting financial projections.
4. To the maximum extent possible, ETT's analysis of a loan's anticipated economic benefits include the loan's multiplier effects.
6. ETT either obtain Treasury Board approval for all waived MIOP loan fees and penalties or request that Treasury Board formally delegate this authority to ETT.
13. ETT post the Manitoba Development Corporation's annual report on its website and that the report include performance measures, management discussion and analysis, and a list of all loan recipients and funds with Provincial investment.

Work in progress

We recommended that:

5. ETT develop internal guidelines for setting MIOP interest rates, penalties for failing to meet agreed upon job targets and administration fees, and document use of the guidelines in loan files.
7. ETT ensure all loan monitoring information is timely and document all monitoring activities.
8. ETT assess the results achieved by the differing venture capital fund approaches that have been used in Manitoba, as well as the related costs and risks, on a more regular basis.
9. ETT strengthen its analysis of potential economic benefits to Manitoba when considering investment in a venture capital fund.
10. ETT more consistently review and document fund managers' past returns, knowledge of Manitoba businesses and target industry sectors, and ability to stimulate economic development in Manitoba.
11. ETT ensure that conflicts-of-interest, both in placing investments and operating the funds, are identified and responded to.
12. ETT calculate and monitor its total exposure to any one portfolio company through its multiple venture capital fund investments.
14. ETT ensure the accuracy and consistency of performance measures for the MIOP loan and venture capital fund programs and measure results for these programs that are focused on actual economic benefits to Manitoba.

6.0 Employment and Income Assistance Program

Summary from December 2008 audit report

The Department of Family Services and Housing is responsible for administering the Employment and Income Assistance (EIA) Program. The EIA Program provides funding for the basic needs of individuals and families who have exhausted other means of financial support, as well as a variety of other supports to assist individuals in entering, re-entering or remaining in the work force. We examined the Department's processes for ensuring that only eligible applicants receive income assistance and that eligible individuals are paid the correct amounts. We also examined employment enhancement referral and monitoring processes and the income assistance rate setting process.

We found that:

- The Department assessed eligibility in accordance with the EIA Act and Regulation. However, we found that the Department did not regularly select a sample of EIA files to verify in greater detail the financial and other information obtained from applicants in order to ensure initial and on-going eligibility. Verification of this nature was only done in those circumstances where the information obtained appeared questionable. For example, requesting information from the Canada Revenue Agency in order to assess on-going eligibility was relatively rare. In addition, home visits to verify on-going eligibility were not always conducted every two years as required by departmental policy and the rationale for waiving these home visits was not always properly documented.
- In some cases, file documentation concerning proof of identify was incomplete.
- In most cases, an EIA Assessment Panel (Medical Panel) provided recommendations concerning eligibility for the persons with disabilities category. However, some decisions concerning eligibility for the persons with disabilities category were being made without first seeking recommendations from a Medical Panel, which may lead to inconsistent decision-making.
- Required annual review forms, monthly income declarations, and job search activity reports were generally being received from applicants and reviewed by EIA Program staff. However, if annual review forms were not received, we found that follow-up actions, and the rationale for those actions, were not always documented.
- The Department had dedicated Investigations staff to follow up concerns with respect to potential program abuse.
- There were several agreements in place with a variety of jurisdictions and agencies that enabled regular information sharing in order to detect potential overpayments; however, there is room for further expansion in this area.

- Overpayments on open EIA cases were recovered through deductions from on-going benefits. Overpayments on closed cases were primarily managed through an agreement between the Department and the Canada Revenue Agency which allows the Agency to send applicable tax refunds (e.g., GST refunds) directly to the Department to be applied to outstanding overpayments, as well as through individual garnishee orders and voluntary payment arrangements.
- Benefit payments were accurately calculated in accordance with prescribed rates in most cases, although a small number of errors related to the accuracy and/or timeliness of data entry were noted.
- File documentation concerning participant work history and educational background, participant action plans, the authorization and rationale for training referral decisions, and attendance and progress in training programs was sometimes incomplete.
- The Department reviewed income assistance rates on an annual basis and the rates, as well as income and asset exemption levels, were periodically adjusted. The review considered several different factors: inter-provincial comparisons of the basic and shelter rate amounts, other benefits available to EIA participants, and various available low income threshold measures. However, there was no structured or documented process to ensure rates were determined in an equitable and defensible manner.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
14	7			3	4

Implemented/Resolved

We recommended that:

3. The Department obtain copies of two pieces of identification as proof of identity from all applicants seeking or currently receiving assistance. In cases where it is impossible to obtain copies of proof of identity documents, the Department should ensure that identification documents are viewed by the caseworker and that this is documented in the case file.
5. The Department ensure the consistent documentation of follow-up actions, including the rationale for those actions, in those circumstances where annual review forms have not been completed and returned by participants in a timely manner.

Implemented/Resolved (cont'd)

We recommended that:

6. The Department ensure that home visits are performed on all EIA files at least once every two years, as required by the EIA Administrative Manual. Where the Department feels that a home visit is not warranted, a documented reason should be provided.
9. The Department ensure that participant work and education history is properly collected and entered into SAMIN.
11. The Department ensure that participant action plans are properly signed and updated.
12. The Department ensure that all referrals to training programs are properly approved by caseworkers and supervisors, and accompanied by an appropriate explanation as to the reason for the training program.
13. The Department ensure that participant attendance and progress in training programs is monitored and that this information, as well as participant work and education history, is recorded into SAMIN.

Work in progress

We recommended that:

2. The Department re-emphasize the importance of file reviews to supervisors in all offices and develop specific procedures and documentation standards to ensure that 10% of all new or re-opened files are reviewed each month, as required by the EIA Administrative Manual.
7. The Department analyze the costs and benefits associated with expanding its current information exchange arrangements.
10. The Department review the Training and Employment Links System in order to assess how best to increase use of this application.
14. The Department institute a formal documented process for reviewing and making recommendations for periodically updating basic and shelter rates, income and asset exemptions, and other income assistance allowances in a logical and equitable manner.



OFFICE OF THE
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Family Services and Labour

7.0 Special Audit: Society for Manitobans with Disabilities

Summary from December 2010 audit report

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 Consumer 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.

On July 28, 2008, we informed the Minister of the Department and SMD that we would do an audit. The audit covered the period April 1999 to June 2010 and took place between September 2008 and July 2010. We reviewed available Department and SMD documentation and interviewed many current and former board members, senior management, and staff of SMD. We also interviewed Department staff and other people with pertinent information.

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

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 provided 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 represented about 19% of the 2009 provincial funding. The use of these funds was then resolved.

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 Services. Alliance set the overall strategic direction and provided corporate administration support to Services and the other subsidiaries, charging overhead based on a percentage of their total spending. The corporate reorganization was useful in separating non-profit operations from for-profit activities, but the reorganization resulted in a complex web of interrelationships amongst the entities

that were created. Their roles and responsibilities had not been adequately clarified for the Boards of Directors or staff. Further, SMD did not adequately clarify its structure to external funders. The Province raised concerns about the complexity of the structure and resulting governance and transparency issues with SMD.

In 2004, almost \$500,000 was transferred from Services to supply needed cash flow to one of the other subsidiaries. The transaction put public funds at risk and was done without the full knowledge of Services Board of Directors, or the Province. Alliance has since repaid the funds to Services.

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

Our audit found that some administrative problems remained and there was a noticeable lack of trust between SMD and the Province that hampered 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 identified the following issues that still needed to be resolved:

- In our view the current overhead level charged to Services by Alliance, combined with overhead costs incurred directly by Services, totaled about 21%. The Province had not specified the level of overhead it would 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 could, in accordance with board approved policy, move up to \$300,000 among companies if the borrowing entity was 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.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
13	6		1	6

Implemented/Resolved

We recommended that:

5. Alliance ensure that the AGM minutes are recorded and kept on file.
6. Alliance and its subsidiaries make training available to its board members in key governance skills such as strategic planning, risk management and financial literacy.
9. Alliance annually review the performance of its CEO.
10. The Alliance CEO and subsidiaries' COOs regularly evaluate their management and senior staff against performance criteria in their job descriptions.
11. The evaluations be documented and retained in personnel files.
12. Alliance ensure that all subsidiary management receive ongoing training and information on preparing the annual budget.

Do not intend to implement

We recommended that:

7. The Services Board of Directors be given full control over its operations, including decisions over agency agreements.

Work in progress

We recommended that:

1. The Department improve coordination between the 3 areas that monitor compliance and, specifically, clearly identify who is responsible to follow up on concerns.
2. The Department clearly specify which overhead costs it will fund.
3. The Department decide whether to assume the risk of intercompany transactions and reflect the decision in the SPA.
4. The Alliance Board regularly review its by-laws to ensure that they are current and reflect Alliance's current needs and practices.
8. The Alliance Board ensure that strategic plans are regularly documented and updated.
13. Alliance review its current policy manual to ensure that it is complete and current.



OFFICE OF THE
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Finance

8.0 Audit of Mandatory Legislative Reviews

Summary from December 2007 audit report

Legislation affects all aspects of society and civic life. Legislation influences all sectors from health and the environment to culture and recreation. Given the pervasive impact of legislation, it is important that legislation maintain its relevance and necessity.

Over the past decade a number of statutes and regulations incorporated a clause for a mandatory review of the statute or regulation within 5 years of its enactment. Five out of 471 acts and 58 out of 940 regulations within the Continuing Consolidated Statutes of Manitoba contain such a requirement. Although a relatively small amount of legislation requires a review, the impact is widespread in terms of the diversity of legislation to be reviewed and the fact that 11 out of 16 departments have legislation with a mandatory review provision.

We found that those statutes with a mandatory review clause did undergo the required review. However, in the case of regulations, only 56 % of mandatory reviews of regulations were undertaken. In all cases where a review was completed, the review incorporated stakeholder consultations pursuant to the legislation. Among those reviews that were conducted, there was a variety of interpretations by departments as to the breadth and depth of the work that was to be undertaken to fulfill the requirements for a legislative review.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
3				1	2

Work in progress

We recommended that:

1. A plan be developed to address the non-compliance with mandatory regulatory reviews.
3. Legal advice and ministerial approval be sought when a department is considering not undertaking a mandatory legislative review within the prescribed time period.

9.0 Public Sector Compensation Disclosure Reporting

Summary from December 2009 audit report

We examined how Manitoba reports compensation it pays to senior employees. Our goal was to assess whether government can improve compensation reporting. Compensation is defined broadly in *The Public Sector Compensation Disclosure Act* (the Act) to include the total value of all cash and non-cash salary or payments, allowances, bonuses, commissions and perquisites.

We found that:

- disclosure practices are consistent with those of most other provinces but Manitoba's reports are not readily accessible to the Legislative Assembly and the public.
- disclosure lacks details such as job title and job function that would help readers compare compensation between employees in the same entity and between entities.
- most public sector organizations comply with the Act.
- there is no requirement for government to monitor compliance with the Act by public sector organizations.
- many not-for-profit organizations who receive government funding are not aware of their responsibilities under the Act. Public requests for this information are infrequent.
- the threshold for compensation reporting has not been updated since 1996, and results in the reporting capturing more than just senior employees.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
3					3

Work in progress

We recommended that:

1. The threshold for reporting compensation should be increased.
2. The public sector compensation disclosure reports for all organizations within the Government Reporting Entity should be accessible on a provincial government website.
3. Not-for-profit entities who receive government funding should not be required to provide audited compensation disclosure reports, but the compensation information should still be available, if requested.



OFFICE OF THE
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MANITOBA

Health

10.0 Pharmacare Program – Part 2

Summary from December 2008 audit report

The overall purpose of the audit was to assess whether the Province of Manitoba (Province) has a cost effective program for managing Pharmacare.

Pharmacare is a universal, comprehensive, prescription drug benefit program for any Manitoban, regardless of age, who meets the deductible cost criteria for prescription drug costs. Manitoba is the only province in Canada which provides universal prescription drug cost coverage. The other provinces and territories limit coverage based on such criteria as age and income, or have a combination of private and public coverage.

In Manitoba, the objective of Pharmacare is to fund pharmaceutical benefits as provided for in *The Prescription Drugs Cost Assistance Act* and related regulations (Act). The Pharmacare Program protects residents of Manitoba from financial hardship resulting from expenses for prescription drugs.

Manitoba has had some form of prescription drug benefit program since 1971. Since 1996, the provincial drug program's eligibility and benefits have been determined by a person's family income and prescription costs incurred. The utilization and cost of Pharmacare has increased significantly over the last number of years, with program costs increasing at a rate of 15-20% a year. Since 1998, the number of Manitoba families benefiting from Pharmacare has increased by more than 50% from 56,375 to over 87,600 in 2006. Seniors constitute the single largest group utilizing the Pharmacare program. In the same period, from 1998 to 2006, Pharmacare's budget has more than tripled - going from \$62 million in 1998 to \$207 million in 2006.

We found that:

- The Provincial Drug Program (PDP), of the Department of Health and Healthy Living, had developed adequate processes to communicate the program terms and eligibility requirements to the public. However, there were opportunities identified to improve the communication process.
- PDP had adequate processes in place to ensure eligibility of the individual when they were initially registered with the Pharmacare program.
- PDP had adequate processes in place to verify ongoing eligibility of the insured person with the Pharmacare program, with the exception of changes to the person's third party insurance status.
- Manitoba Health had a process in place to ensure that regulatory changes were reflected in the deductible calculation.
- Manitoba Health had adequate processes and procedures in place to ensure that the calculation of the family unit's Pharmacare deductible was accurate.

- PDP had an adequate process in place to ensure that pharmacies were being paid the proper amount for the cost of the drug claim.
- There was no monitoring performed of professional fees claimed. Consequently, there was no process to assess whether professional fees were in compliance with the Act and Regulations.
- Manitoba Health had adequate processes in place to ensure that only accurate and valid claims were paid. However, the Pharmacare program was not in compliance with the requirements of the Act and regulations in regard to accounting for the recovery of drug costs by Pharmacare beneficiaries from third party insurance providers.
- Prior to June 2005, there was a lack of effective investigation and audit of the Pharmacare Program. Manitoba Health was in the process of developing this capability.
- PDP had a process to ensure that drugs used in contravention of *The Food and Drug Act*, *The Narcotics Control Act*, and *The Pharmaceutical Act* were excluded from the calculation of the deductible accumulator.
- All pharmacies used the Drug Program Information Network (DPIN) system. Controls within the DPIN system ensured that claims were accurate.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
12				4	8

Work in progress

We recommended that:

1. There should be a documented communication strategy.
2. The communication strategy appropriately address the needs of all client groups.
6. A formal process be implemented to ensure policy and procedures are updated on a regular basis.
7. A process be implemented to assess professional fee compliance with the Act.
8. A process to monitor professional fees be put in place.
10. Manitoba Health complete the process to analyze claims for audit.
11. Manitoba Health complete the process of prioritizing pharmacies for audit.
12. Manitoba Health develop an audit process to review the accuracy and validity of claims submitted by pharmacies.

11.0 Personal Care Homes Program

Summary from November 2009 audit report

Personal Care Homes (PCHs) provide 24-hour, 7 days-a-week supervised care, including health care services, to seniors who can no longer manage safely at home, even with family support and community services. The Department of Health and Healthy Living (the Department) oversees and regulates PCHs, with certain responsibilities delegated to the Regional Health Authorities (RHAs).

Demographic projections provided by the department show Manitoba's population of seniors aged 75 and older growing by 91% between 2006 and 2036. Many are vulnerable to potential harm because of their age, as well as physical and cognitive impairments.

We examined the Department's processes for ensuring the quality of PCH care; assessment and placement procedures for PCH admission, including management of PCH wait lists; long-term capital planning for meeting future PCH bed needs; and processes for ensuring PCH financial and operational accountability, including funding mechanisms and public performance reporting.

Our findings included:

- **Standards visits:** Regulated PCH standards were in place and consistent with other jurisdictions. Teams with appropriate skills and training visited each PCH once every two years to assess compliance with standards. However, visits were always scheduled in advance and during weekdays. In addition, the Department did not use potential risk factors (such as trends in critical incident reports) to determine visit frequency or the standards to be assessed. The Department followed-up on required improvements, but did not meet its goal of performing follow-up visits to 30% of the PCHs with completed action plans, relying instead on RHA oversight. The Department also did not summarize Province-wide standards results to determine any action required to respond to trends and improve outcomes. We compiled these results as at December 31, 2008 and found more than half the PCHs had not met 4 of 5 core standards. This reflected both the level of compliance and the assessment methodology used.
- **Licensing:** The Department had established a license review process for renewing PCH licenses. However, it had not developed formal criteria for licensing and a review was not always conducted to ensure processes were in place to meet PCH standards when issuing a license to a new PCH.
- **Wait lists:** RHAs monitored and managed PCH wait lists, but some did not have systems to track how long each senior had been waiting or the average wait time.
- **PCH facility long term planning:** The Department gathered data for PCH facility long term planning, but had not reassessed capital funding requirements to reflect the current status of the Aging in Place strategy and current PCH capital needs identified by the RHAs.

- Financial and operational accountability:** Different PCH funding formulas had evolved over the years that were not logically supported by current data and analysis, although a new funding initiative will partially address some of the issues. Service Purchase Agreements held the PCHs accountable to the RHAs for financial and operating performance, but for-profit PCHs were not required to provide audited financial information. There was limited public reporting of PCH performance, such as results of standards visits and information on wait lists.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
16			9	7

Work in progress

We recommended that:

4. The Department extend PCH standard visits to facilities with interim PCH beds.
7. The Department verify the corrective actions reported by PCHs in their action plans and progress reports, using a combination of risk-based follow-up visits and signed declarations of verification from the RHAs.
8. The Department periodically summarize and review Province-wide results on the level of compliance with PCH standards to identify actions required to respond to trends and to improve results.
12. The Department and the RHAs track and monitor wait times to first and preferred PCH placement offers, as well as the number of seniors waiting for PCH admission.
13. The Department develop a PCH facility long term capital plan consistent with demographic and population trends, the current status of the Aging in Place Strategy, and current PCH capital needs identified by the RHAs. The plan should include total capital funding requirements and the Department should determine how these are to be prioritized and managed.
14. The Department and the RHAs work together to develop PCH funding options that can logically support any differences in PCH funding levels with updated financial information and assumptions.
16. The Department enhance publicly available information concerning PCHs to include information on compliance with PCH standards.

12.0 Winnipeg Regional Health Authority – Administration of the Value-Added Policy

Summary from June 2010 audit report

On January 31, 2009, a Winnipeg newspaper published an article titled “*What’s in the Envelope?*” It said that, since 2000, the Winnipeg Regional Health Authority (WRHA) “*accepted more than \$20 million in money, equipment and other gifts from medical suppliers*”. The article also said the funds were part of WRHA’s “Value-Added” policy – which allowed WRHA to “*accept cash and other bonuses given out by medical suppliers awarded contracts*”.

On February 5, 2009, we informed both the Minister of Health and the Chair of the WRHA Board that we would audit WRHA’s purchasing process, specifically, the administration of the Value-Added policy. Our audit goals were to:

1. determine the total dollar value of Value-Adds received from December 1, 1999 to May 31, 2009.
2. determine the nature of each Value-Add item WRHA accepted.
3. assess if the Value-Added policy was being followed.
4. assess the competitive bid process and verify prices paid for goods and services.
5. evaluate the selection process for major construction projects.
6. assess the adequacy of public reporting for items procured.
7. determine if WRHA Board or Committee members, senior management, or other employees benefitted personally from Value-Adds.

We found that the Value-Adds that WRHA received took the form of cheques as well as product, equipment and education. We found no evidence that anyone benefitted personally from Value-Adds. The cheques were received in the form of unrestricted or restricted funding. Our audit confirmed that all such funding was properly recorded by WRHA. There was no indication that there was ever any “cash” in “brown envelopes”. Controls around the Value-Adds for product, equipment and education were weak, but this control weakness was isolated to these items. Tendering for goods and services and construction contracts was well controlled and included a competitive bidding process, except for the project consultants for construction contracts, which were not tendered.

Our findings with respect to the seven audit goals are as follows:

1. **The total dollar value of Value-Adds:** The original estimate of \$20 million in Value-Adds included \$8,478,959 in supplier rebates, incentives, and other items. The actual amount of Value-Adds received from December 1, 1999 through May 2009 was \$11,246,809. At May 31, 2009, WRHA had accepted an additional \$2,335,940 of

Value-Adds to be received in future years. A list of Value-Adds received from specific suppliers is in Appendix A.

2. **The nature of items WRHA accepted:** Of the amounts received, \$9,543,648 was cash in the form of cheques payable to WRHA. We verified that WRHA properly recorded these amounts. The remaining \$1,703,161 was received in the form of product, equipment or education. We were able to verify 100% of education, 95.4% of product, and 87.3% of equipment. But we also found that WRHA had weak controls over these items and did not record them.
3. **WRHA's Value-Added policy:** Value-Adds must be separated from supplier bids during the bid-evaluation process. WRHA followed this policy. The intention of the Value-Added policy is to ensure impartial bid selection. In theory, this is good practice, but in reality, there could be an influence from Value-Adds on vendor selection over time. Suppliers to WRHA also donate to Manitoba's hospitals and universities, which may also influence decisions. In our view, including all unsolicited offers in bid evaluations, combined with public disclosure of vendor payments and Value-Adds, would reduce the possibility of influence.
4. **The bidding process:** For those items we audited, the price paid matched the contract price and a competitive bid process was used. Control sheets that summarized bid submissions had two signatures. Evaluation committees typically consisted of several individuals. These internal controls cannot eliminate the possibility of fraud through collusion or prevent suppliers from providing personal benefits outside the system. But we did not receive -nor did we find- any evidence to suggest that was happening.
5. **The selection process:** We did not find any Value-Adds in construction contracts that we audited. But WRHA did not use a competitive bid process to select project consultants.
6. **Public Reporting:** Unlike vendor payments made by core government, WRHA's vendor payments are not publicly reported. Greater transparency would reduce the perception of bias and strengthen WRHA's accountability to the Legislature and the public.
7. **Personal benefits:** We found no evidence that anyone benefitted personally from Value-Adds. The wording in the Value-Add policy that "... *may also benefit Board Members, WRHA Logistics Services employees, Facility/Program employees, WRHA employees or Physicians*" should be amended.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
8			5	3

Work in progress

We recommended that:

6. WRHA develop a coding protocol to be implemented at all sites in order to enable the matching of contracts and related payments.
7. WRHA develop a formal documented policy for capital project tendering.
8. WRHA select project consultants using a competitive tendering process.



OFFICE OF THE
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Innovation, Energy and Mines

13.0 Compliance with Oil and Gas Legislation

Summary from December 2008 audit report

The purpose of our audit was to evaluate the efforts of the Department of Science, Technology, Energy and Mines to ensure compliance with *The Oil and Gas Act* and related regulations in managing Manitoba's oil and gas resources. The Department manages these resources through the administration of several Acts and regulations.

We found that the Department was appropriately administering the provisions of the Act and related regulations as they related to permits and licenses. We determined that the appropriate amount of taxes and royalties were being assessed and paid on oil and gas production in Manitoba with one exception. In that situation, royalties and taxes were not determined in accordance with the regulation resulting in an under-payment of the royalties and taxes otherwise payable. We also identified the need to improve follow-up procedures where information on royalties and taxes was not being submitted on time; to recalculate taxes and royalties payable on a timelier basis; and to verify submitted information.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
8	2		4	2

Implemented/Resolved

We recommended that:

5. The Branch complete the implementation of their new tax and royalty system in order to perform tax and royalty recalculations automatically and on a more timely basis.
6. Prior to final implementation of the new system, the branch perform a review of the new system to ensure it is operating effectively and doing the recalculations correctly in accordance with the regulations.

Work in progress

We recommended that:

7. The Department ensure that oil producing companies calculate, and pay, their royalties and production taxes in accordance with the regulation.
8. The Petroleum Branch audit the production records of individual wells and the price production companies receive for their oil on a rotating sample basis to ensure correct production and prices are reported and thereby ensure the correct amount of royalties or taxes are paid.



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Local Government

14.0 Special Audit: Rural Municipality of La Broquerie

Summary from March 2008 audit report

Between 1989 and 2002, the Rural Municipality of La Broquerie (RM) had been governed to a large extent by the same Councillors and Reeve. The RM's Chief Administrative Officer (CAO) had been in place since 1975, at which time the RM's population was one-third of what it is today and local development was minimal. This Council and Administration worked to enhance the community by building a new arena, installation of natural gas to the RM and provided office space for the newly formed regional health authority (South Eastman Health). In the municipal elections of 2002 the RM elected a new Reeve and one new Councillor.

After about a year in his position, the new Reeve began to question certain expenditures, the lack of tendering and the rationale for providing free snow clearing of hotel parking lots. In February and March 2005, the Reeve became involved in a confrontation with the Council over a number of issues including his inability to obtain information from the Council and CAO. This culminated in the Reeve writing a letter to the Department of Intergovernmental Affairs (Department) in early March 2005 in which he expressed his concerns and requested that the Department conduct an audit of the RM.

Around this time, certain citizens of the RM were also questioning the operations of the RM and subsequently organized themselves into a group known as The Coalition for Responsible Municipal Government in the Rural Municipality of La Broquerie (Coalition). The Coalition expressed concerns relating to the RM's budgeting and approval process for the financing of three major capital projects and conflict of interest issues involving the CAO, the former Reeve, and some Councillors. Throughout 2005, the Coalition made several requests to the Reeve, Council, and the CAO for publicly accessible information relating to these issues; submitted requests for RM documentation under Part 2 of the Freedom of Information and Protection of Privacy Act; made a complaint to the Ombudsman; and made a formal complaint to the Municipal Board.

Subsequently, the Coalition came to the Office of the Auditor General (OAG) and brought forward allegations concerning the RM related to non-compliance with municipal legislation, inadequate policies and procedures, unsupported and inappropriate payments from municipal funds, and potential conflict of interest situations. They also raised concerns with the OAG about a lack of response by the Department to their allegations.

In the October 2006 municipal elections, the RM elected a new Reeve and three new Councillors. The new Reeve and two of the new Councillors were members of the Coalition. The complaint previously filed with the Municipal Board was withdrawn by the Coalition in March 2007. The Municipal Board closed its file on this matter on April 10, 2007.

Based on an assessment of the allegations, on December 12, 2006, the OAG advised the Deputy Minister of the Department and the Reeve of the RM, that the OAG would be conducting an audit in respect of the operations of the RM. The Deputy Minister was also advised that the OAG would be reviewing the complaint handling process of the Department.

Objectives	Conclusions
<p>To determine whether the RM had appropriate internal controls for its day-to-day operations</p>	<p>The RM did not have appropriate internal controls for its day-to-day operations and therefore the RM was exposed to the risk that inappropriate transactions had occurred and had not been detected.</p> <p>In a small organization such as the RM, it is difficult to achieve an adequate level of segregation of duties and therefore it is imperative that compensating controls are in place. These controls would include formal oversight of the Assistant CAO's functions by the CAO or a designate of Council in the CAO's absence. However, as indicated above, these compensating controls were not in place at the RM during the period of our audit.</p> <p>The process of having all Council members review payments during Council meetings is not efficient.</p>
<p>To determine whether the RM had formal policies and procedures in place for significant areas of their operations.</p>	<p>The RM operated without the benefit of any formal policies and procedures for significant areas of their operations. We have highlighted a number of instances in this report where citizens' concerns and lack of public trust in the RM administration may have been avoided if policies and procedures had been in place and followed.</p>

Objectives	Conclusions
<p>To determine if the amounts owing to the RM from local companies relating to paving agreements had been paid.</p>	<p>Not all of the amounts owing to the RM from local companies relating to the paving agreements had been paid. Some of the local companies did not comply with the repayment terms of the agreements. The argument for non-payment was not relevant as it related to a separate issue and had nothing to do with their obligations under the paving agreements. By not taking any action on the overdue accounts, the RM did not treat all companies on a consistent basis.</p> <p>By not actively following up on the amounts owing to the RM and by not providing Council with complete information on the status of these outstanding amounts, senior staff of the RM did not act in a prudent business manner.</p> <p>The CAO and Council members who entered into contracts with the RM still had a fiduciary responsibility to act in the best interests of the RM. Council should have been made aware of this conflict of interest situation and should have enforced collection of the receivables.</p>
<p>To determine if the CDC had procedures and processes in place for the monitoring of its Community Works Loan Program (CWLP) and other loan programs.</p>	<p>The CDC did not have adequate procedures and processes in place for the monitoring of its loan programs. Documentation was inadequate.</p> <p>Due to the lack of adequate documentation maintained by the CDC we were not able to quantify the extent to which the CDC administered loans were from the CWLP or their own loan program.</p> <p>It appeared that loans were being collected except for the three interest free loans to Camp Bel-Air, the Golf Course and the Hotel La Broquerie.</p> <p>The CDC Board of Directors did not act in compliance with its By-Law by approving the loan and then subsequently acting as a guarantor to Illico Manitoba Inc. These two transactions individually and in total significantly exceeded the stated maximum in the CDC By-Law.</p> <p>The CDC “Conflict of Interest Policy and Guidelines” provide board members with rigorous standards for ethical behaviour. The CDC did not have appropriate documentation in place to demonstrate whether they removed themselves from all discussions and did not vote in situations where they had a conflict.</p>

Objectives	Conclusions
<p>To determine if the RM provided free snow clearing to a local hotel in which the CAO and two Councillors had a financial interest.</p>	<p>The RM provided free snow clearing to a local hotel in which the CAO and two Councillors had a financial interest as well as to a hotel in the Steinbach area.</p> <p>We found no evidence that the CAO and the two Councillors who had a financial interest in the local hotel had influenced the decision to provide free snow clearing to the hotel in La Broquerie.</p>
<p>To determine whether the RM had Ministerial approval for budgeted deficits as required by <i>The Municipal Act</i>.</p> <p>To determine whether the RM advised the Minister in writing on a timely basis when a deficit was likely to occur in the year.</p>	<p>The RM's financial plans for 2002 to 2006 projected a balanced budget; therefore the RM was not required to obtain Ministerial approval for the budget.</p> <p>The RM did advise the Minister of its deficits each year. However, this was not done on a timely basis as required under <i>The Municipal Act</i>.</p> <p>Without an increase in the mill rate it was likely that the RM would incur an operating deficit each year and as a result, the annual financial plans approved by Council were not realistic.</p> <p>Despite the lateness of advising the Minister of its expected operating deficits and the frequency and extent of these deficits, no formal action was taken by the Department to address this.</p>
<p>To determine whether the RM provided proper public notice for the public hearings to discuss its financial plans in accordance with <i>The Municipal Act</i>.</p>	<p>The RM complied with <i>The Municipal Act</i> from 2002 through 2005 with regard to providing proper public notice for public hearings for discussion of its financial plans except for the requirements to include in the public notice a description of the purpose of the hearing and that the information would be available for review at the RM office. The RM was in compliance in 2006.</p>
<p>To determine whether the RM minutes recorded Councillor votes on the third reading of by-laws as required by <i>The Municipal Act</i>.</p>	<p>The RM was in compliance with <i>The Municipal Act</i> after January 11, 2006.</p>
<p>To determine whether the Local Urban District (LUD) of La Broquerie prepared an annual service plan in compliance with <i>The Municipal Act</i>.</p>	<p>The RM and the LUD were not in compliance with <i>The Municipal Act</i> when they failed to have an LUD service plan prepared and adopted for the years 2002 to 2006.</p>

Objectives	Conclusions
<p>To determine whether the RM had established an organizational by-law and a procedures by-law in compliance with <i>The Municipal Act</i>.</p>	<p>By not establishing an organizational by-law and a procedures by-law until July 2005, the RM was not in compliance with <i>The Municipal Act</i> from July 1997 until July 2005.</p> <p>In 2005, the RM engaged a lawyer to prepare the by-laws at a cost of \$33,700, which in our view was excessive. The RM could have utilized the samples in <i>The Municipal Act Procedures Manual</i> to produce the by-laws at minimal cost.</p>
<p>To determine whether the RM was allowing taxpayers sufficient time to pay supplementary taxes in accordance with <i>The Municipal Act</i>.</p>	<p>By not allowing 90 days before imposing penalties for the non-payment of supplementary taxes, the RM was not in compliance with <i>The Municipal Act</i> from 2003 to 2006.</p>
<p>To determine whether the Reeve and Councillors filed with the municipality a Statement of Assets and Interests on an annual basis as required by <i>The Municipal Council Conflict of Interest Act</i>.</p>	<p>The Reeve and Councillors provided Statements of Assets and Interests in the years of their election. However, by not filing these statements annually they were not in compliance with <i>The Municipal Council Conflict of Interest Act</i>.</p> <p>By not notifying the Reeve and Councillors of their failure to submit their Statements of Assets and Interests on an annual basis, as required by <i>The Municipal Council Conflict of Interest Act</i>, the CAO was not in compliance with the Act.</p> <p>There is no requirement in <i>The Municipal Council Conflict of Interest Act</i> for the Statements of Assets and Interests filed by Council members to be independently assessed for accuracy and completeness. Additionally, there is no requirement in the Act for the CAO, who receives the filed Statements, to advise Council members when they may be in a potential conflict of interest position. The Act does provide a mechanism for “any person” to allege a member of Council has violated a provision of the Act. Accurate and complete Statements of Assets and Interests are integral to the scheme; without these documents there is limited ability to allege a violation.</p>

Objectives	Conclusions
<p>To determine whether senior RM staff remuneration was paid in accordance with approved wage agreements and properly reported for income tax purposes.</p>	<p>Remuneration to senior staff was paid in accordance with approved wage agreements for the period 2002 to 2006 except for the payments to the Assistant CAO in 2002 and 2003 for attendance at evening municipal meetings.</p> <p>The RM did not include all remuneration paid to senior staff on T4 information slips for the years 2002 through 2006.</p> <p>The RM did not include all remuneration paid to senior staff in their calculation for <i>The Public Sector Compensation Disclosure Act</i> for the years 2002 through 2006.</p>
<p>To determine whether the contract for cleaning services was awarded on a competitive basis and that amounts paid for these services were reasonable.</p>	<p>As a result of not seeking competitive bids for cleaning services prior to 2007, and lacking sufficient documentation to demonstrate that the level of payments supported the services provided, the RM overpaid for cleaning services during the period of our review.</p>
<p>To determine whether the payments by the RM of senior staff expense accounts and local meal and entertainment expenses were appropriate, supported, and in accordance with approved RM policies and/or procedures.</p>	<p>The RM did not have formal policies and procedures for claiming expense accounts and local meal and entertainment expenses. The RM did not ensure that these transactions were adequately supported and subjected to a formal review and approval process. Therefore, the RM was exposed to the risk that inappropriate expenditures had occurred and had not been detected. In addition, given the operating deficit situation the RM faced each year, Council did not appropriately control public money in their trust.</p> <p>In our opinion, it was not appropriate for the CAO and the Assistant CAO to claim a full day per diem on those occasions where meals were included in registration fees, or where they were not required to be out of town for a full day.</p>
<p>To determine whether RM Councillor remuneration and expenses were paid in accordance with indemnity by-laws, and were supported and properly reported.</p>	<p>While payments to the Reeve and Councillors for remuneration and expenses were supported by a standard claim form and supporting documentation, the RM did not operate in compliance with its indemnity by-laws when it paid Councillors the special meeting amount to attend regular meetings.</p> <p>The RM's by-laws were incomplete because they did not address the portion of their compensation that was non-taxable. The T4 information slips were therefore incorrect.</p>

Objectives	Conclusions
<p>To determine whether the RM's approval process for their major capital projects was open, transparent, and in compliance with <i>The Municipal Act</i>.</p>	<p>The RM's approval process for the capital projects related to the expansion of the sewage lagoon, the construction of the new municipal office building, and the expansion of the municipal park was open, transparent and in compliance with <i>The Municipal Act</i>.</p> <p>The RM's administration did not maintain complete and accurate records for its capital projects. As a result, the actual cost for each capital project was not readily available and transparent to Council and the citizens of the RM.</p> <p>Transactions were not initially recorded to the appropriate general ledger account and resulted in additional external audit time and costs to the RM to correct the errors.</p> <p>The RM's administration did not prepare complete capital project reports for Council information and review. As a result, Council was not provided with the information needed in order for them to fulfill their capital project monitoring responsibilities.</p> <p>Had a complete analysis been prepared for the new and old office leases, Council would have seen that the lease income was insufficient to cover debenture payments each year. Additionally, there were no other funds available to cover other renovation costs, as well as the excess of new office capital costs over borrowing.</p>

Objectives	Conclusions
<p>To determine whether the CAO was in a conflict of interest position when he and his brothers jointly purchased a parcel of land and subsequently sold a portion of the land to the RM for the purpose of expanding the sewage lagoon.</p>	<p>The Council did not act in a timely manner to purchase the additional land for the future expansion of the sewage lagoon that would eventually be required based on the report, <i>La Broquerie: CDC Vision Development Proposal</i>.</p> <p>The CAO had a fiduciary responsibility to act in the best interests of the RM. By being part of the group that purchased land adjacent to the existing lagoon, and given that expansion of the lagoon could include a portion of this purchased land, the CAO immediately placed himself in a perceived conflict of interest position.</p> <p>Had the RM developed and implemented a conflict of interest policy for its employees, they and the CAO would have had appropriate guidance as to the implications of the CAO's land purchase. Full disclosure and knowledge of the transactions would have provided Council with necessary information to make appropriate decisions. Public transparency might have avoided speculation that resulted in the allegations that were made.</p> <p>Council's options were limited at the time that they purchased the 14 acre parcel of land to expand the sewage lagoon. The CAO was not in a position to provide them with independent advice as to their options, such as expropriation. The market value of the land was determined by negotiation because there were no other viable land options.</p>
<p>To determine whether the CAO was in a conflict of interest position when the RM constructed and paid for a road into a landlocked property owned by the CAO and his brothers.</p>	<p>The CAO and his brothers followed all procedures necessary to obtain and register a plan of subdivision within the RM and fully complied with all the conditions of the development agreement with the RM.</p> <p>The CAO was in a perceived conflict of interest position and should have removed himself from the Council meeting at which the application for the subdivision was approved and should not have been a signatory to the development agreement.</p> <p>Full disclosure and knowledge of the transactions would have provided the public with the necessary information about the terms of the agreement.</p>

Objectives	Conclusions
<p>To determine whether the RM had expended municipal funds to provide culverts and roadways at no cost to individual property owners and/or developers.</p>	<p>The RM expended municipal funds to provide culverts and roadways at no cost to some property owners and/or developers. There were no formal policies and procedures relating to these services, and as a result, the perception of conflict of interest existed and citizens could be treated inequitably.</p>
<p>To determine whether the Department has adequate processes in place to review and assess citizen complaints concerning the operations of municipalities.</p>	<p>When the Department receives a citizen complaint they provide advice as to what options are available to the citizen to resolve their concerns, including those available in legislation such as contacting the Ombudsman. The Department may also work with the municipality to address the complaint. While this approach may resolve many matters, in situations where serious concerns remain unresolved it is not sufficient, and additional involvement by the Department is necessary.</p> <p>The Department has no formal, comprehensive process in place to monitor compliance with all provisions of <i>The Municipal Act</i>. Although the Department does have a formal monitoring process in place for those provisions of <i>The Municipal Act</i> dealing with financial matters for which they have a stated role, there are other mandatory provisions of the Act that are not monitored and the Department relies solely on the supplementary audit reports provided by external auditors.</p> <p>The Department relied on the Supplementary Audit Reports to provide them with assurance that the RM was operating appropriately. The external auditors indicated to us that they did not undertake additional audit procedures to prepare the Supplementary Audit Reports, but rather they designed their audit engagements to express an opinion on the financial statements and only reported other matters which came to their attention. This approach would not be sufficient to support the level of reliance that the Department placed on the Supplementary Audit Reports.</p> <p>The RM had the authority to appoint the external auditors directly. The external auditors provided an engagement letter to the RM that clearly described the work that they would perform to express an opinion on the financial statements and the letter did not refer to the Supplementary Audit Report. Because the Department was not a part of this process, they did not have an opportunity to identify the gap between what they were expecting and what the auditors would provide. The</p>

Objectives	Conclusions
	<p>requirements of the Supplementary Audit Report as described in <i>The Municipal Act</i> would, in our opinion, require significant audit work with a related increase in fees over and above the financial statement audit.</p> <p>In our opinion, certain of our audit findings such as weaknesses in the internal control environment would have warranted disclosure in the external auditor's Supplementary Audit Report.</p>

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/Resolved	Action no longer required	Do not intend to implement	
35	14	5	14	2

Implemented/Resolved

We recommended that:

2. Council establish a Finance/Audit Committee. Responsibilities of this Committee should include the following:
 - Formal review and recommendation for approval of RM cheques and supporting documentation.
 - Formal review of the CAO's expense account claims, credit card transactions, and local entertainment charges.
 - Regular meetings with the CAO during the year to review financial statements, significant variances from budget to date, and projections to year end.
 - Meeting with external auditors at the commencement of the annual audit to discuss audit plans and at the completion of the audit to discuss audit results.
3. The RM develop formal policies and procedures to provide guidance for the significant areas of the RM's operations as recommended throughout this report, including policies for tendering, human resources, conflict of interest, and travel and entertainment.

Implemented/Resolved (cont'd)**We recommended that:**

4. The RM collect the amounts outstanding related to the paving agreements. If payments are not received in a reasonable period of time the RM should take further action as authorized under the terms of the paving agreements.
5. The development of the conflict of interest policy as recommended in Section 5.1 include the requirement that individual Council members and staff who enter into transactions with the RM inform Council.
9. The CDC Board collect the amounts outstanding as a result of the three interest free loans and formally assign responsibility for monitoring outstanding loans.
13. The RM review its annual budgeting procedures in order to produce a budget that better reflects the actual annual costs of the RM.
14. In the event the RM anticipates an operating deficit, the Minister be advised as soon as possible in accordance with *The Municipal Act*.
16. The RM ensure that an LUD service plan is prepared by the LUD Committee and approved by Council each year to facilitate delivery of efficient and effective service to the citizens of the LUD.
22. The RM develop policies for travel and local meal and entertainment expenses that provide guidelines describing “allowable expenses” such as a meal per diem with amounts for breakfast, lunch and dinner, and when or/if alcohol and other entertainment expenses are acceptable.
25. The RM revise their indemnity by-law to appropriately reflect their intended policies on what constitutes a special meeting and what portion of their compensation should be non-taxable.
26. The RM ensure that its records are maintained in an appropriate manner.
27. The RM prepare capital project reports that include all project costs and budgets on an ongoing basis and present the information to Council throughout the term of the project.
28. The RM develop and implement a formal conflict of interest policy for their senior administration and other employees.
34. The Department implement appropriate processes to monitor serious citizen complaints and to follow up compliance with *The Municipal Act* by municipalities.

Action no longer required

We recommended that:

6. The CDC Board ensure that all loan application files and loan documentation clearly indicate whether each loan is under the CWLP or the CDC's own loan program.
7. The CDC Board formally approve all loans.
8. The CDC Board add procedures to its loan application and approval process to ensure that all loan applications meet the terms and conditions of the CWLP and the CDC By-Laws.
10. The CDC Board Chairman ensure that each member of the Board receives a copy of the CWLP terms and conditions and a copy of the CDC By-Laws, including the "Conflict of Interest Policy and Guidelines."
11. The CDC Board Chairman request the Department to provide training to the CDC Board and RM staff concerning their roles and responsibilities over the CWLP.

Work in progress

We recommended that:

15. The Department implement procedures to better review and analyze the financial information provided to them by municipalities, to clearly identify reasons for the deficits and the appropriate corrective action to be taken by the municipality.
35. The Department, in consultation with municipalities and external auditors, review the supplementary audit report requirements to ensure that appropriate information and assurances about the administration and operations of municipalities are provided.

15.0 Special Audit: Rural Municipality of St. Laurent

Summary from December 2010 audit report

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.

On October 30, 2009 we informed the Departments of Finance and Local Government and the Reeve of the RM that we would be conducting an audit to assess the validity of the allegations.

We found that certain administrative practices required 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.

Status of recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
9	4			5

Implemented/Resolved

We recommended that:

2. The RM advertise for tenders in an open and transparent manner. If the RM intends to use only local contractors, or that preference will be given to local contractors, this information should be disclosed in the tender advertisement.
5. Gravel-hauling invoices be supported with weigh tickets, and include more detailed delivery information.
7. Claims be processed only when there are specific details provided on the activity being claimed.
8. The purpose of a credit card expense be documented and approved by authorized RM staff.

Work in progress

We recommended that:

1. The RM develop and implement a tendering policy, which includes:
 - a specific dollar value where a tender is required.
 - information to be included on tender advertisements.
 - procedures for tender advertisements.
 - a checklist of documentation to be retained for each tender.
 - a requirement to document reasons for not accepting the lowest quotation.
 - a formal process to be followed to call contractors and assign work when equipment rental rates are being used.
3. The RM tender for all gravel purchases and maintenance projects above the dollar value in the proposed tendering policy and that if hourly rates are used for a project, a maximum dollar amount be set for each project.
4. Contractor invoices be signed by the Council or staff member who initiated the transaction, as evidence of the goods and services being received. The applicable tender, quotation and/or Resolution of Council should be documented on the invoice.
6. Payment calculations be checked for mathematical accuracy and completeness.
9. The RM require grant recipients of more than a specific amount to provide the RM with audited financial statements promptly or stop requiring it.

16.0 Assessment Services Branch

Summary from November 2009 audit report

Property tax revenues are the largest source of funding for local governments in Manitoba. In the Department of Intergovernmental Affairs, *2004 Statistical Information for Municipalities in the Province of Manitoba*, it was reported that property tax revenues for the 198 municipalities excluding Winnipeg totalled \$256 million from properties with an assessed value of \$10.6 billion. Fair assessments play a key role in ensuring the equitable distribution of the property taxes within each municipality, school division and the Province.

Our audit examined assessments conducted in four municipalities as part of the 2006 general reassessment. Our audit focused on whether there were well defined assessment processes, whether they were consistently followed and necessary information was available to make reasonable assessments or judgements of residential, farm and commercial property values.

We concluded the following:

- The property assessments we examined were conducted in a manner consistent with Branch methodology.
- For income generating commercial properties, there is a need for the Branch to increase its efforts to obtain business income and expense information from a greater proportion of property owners.
- The Branch should strengthen its risk based field inspection process to ensure all properties are inspected within a reasonable cycle. Inspections are important because they help ensure that property assessments are based on an accurate and complete inventory of existing property characteristics.
- Conclusions on the validity of a sale and on the property characteristics at time of sale are frequently based on assessor judgment only. As such, in many cases, the vendor or purchaser are not contacted, nor is the interior of the property inspected or the interior characteristics otherwise confirmed.
- The Branch needs to ensure that values recorded in its construction cost system reasonably reflect actual construction costs for the reference year.
- In 2005 a quality control review function was introduced but only with respect to the sales verification process. The risk conditions faced by the Branch support the need for a comprehensive quality control review function.
- The Branch needs to demonstrate that its assessment services are effective. To this end, the Branch has recently begun to explore the use of ratio studies.

Status of Recommendations as at June 30, 2012

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
9	5		3	1

Implemented/Resolved

We recommended that:

1. The Branch strengthen its information request practices in order to obtain a greater proportion of requested annual income and expense statements. Strengthened Branch practices could include the use of available fines.
4. The Branch define the circumstances under which assessor judgment alone is sufficient to assess the validity of a sale and require documentation of the rationale in MAVAS.
5. The Branch establish guidelines as to which procedures should be used to verify residential property characteristics at the time of sale.
6. The Branch develop, document and implement a systematic approach for researching and updating component costs and that this be conducted in time for the next general reassessment.

OAG comment: However, due to its simplicity, they have decided not to document the process.
9. The Branch develop and implement a plan on how best to maximize the use of ratio studies to evaluate assessment performance.

Work in progress

We recommended that:

2. The Branch strengthen its risk based inspection approach by developing reasonable inspection cycles for each type of property.

17.0 Manitoba's Participation in Canada's Economic Action Plan

Summary from May 2011 audit report

On January 27, 2009 the federal government introduced “Canada’s Economic Action Plan” (Action Plan) in response to the global economic crisis. The Action Plan included several infrastructure programs that were cost shared with provinces and municipalities. The Canada-Manitoba Infrastructure Secretariat (CMIS) administered 6 of the 8 Action Plan infrastructure programs for Canada and Manitoba. Our audit examined how well CMIS administered the Infrastructure Stimulus Fund (ISF) and the Knowledge Infrastructure Program (KIP).

We concluded that CMIS had established an appropriate administrative framework over ISF and KIP projects but that it should have comprehensively assessed project risks and strengthened its processes for determining recipient compliance with their funding agreements and for determining project progress. We based this conclusion on the findings discussed in our report and summarized below.

Funding agreements properly in place: For the 15 projects we examined, agreements between Manitoba and recipients were signed before any payment of claims. The agreements had the ISF or KIP terms and conditions and were vetted with legal counsel.

Stronger interim compliance review practices would minimize efforts required at final claim: CMIS officials frequently spoke of the challenges in balancing their need for accountability and management information with the need to let recipients focus their limited resources on delivering their projects. In our view, understanding project risks and focusing review efforts on higher risk projects and areas were key to effectively balancing these conflicting needs. Project managers had a reasonable knowledge of their assigned recipients, and certain risks. But CMIS had not developed a consistent approach to comprehensively understand project risks.

CMIS was diligent in ensuring claims were eligible, properly supported, and accurately calculated: But they had not developed a risk-based approach to obtain assurance that recipients were meeting their funding agreement obligations. Detailed review procedures were not conducted in conjunction with any of the claims we audited even though 7 of the 9 projects in our sample with claims had enough risk to warrant some detailed review procedures. Rather, CMIS efforts focused on gathering basic information from all the projects regarding the competitive procurement process that was followed and the need for environmental assessments, licences, and permits. But there was gaps in this information.

Construction progress monitored but additional independent information would reduce the risk of misstated progress: CMIS relied heavily on information prepared by recipients to assess construction progress. Its progress report form did not require supporting site photographs, nor did it require actual progress be compared to planned milestones. In addition, CMIS did not require any form of progress certification by project architects or engineers prior to the federal government extending the funding deadline. As part of the extension conditions, the federal government required that detailed construction schedules certified by a professional engineer be submitted by January 2011.

Information related to the risk of not completing a project by March 31, 2011 was gathered as part of the project approval process and through CMIS project monitoring efforts. But these processes were not always well documented. In the fall of 2010, CMIS prepared a report to provincial and federal officials that identified projects “at risk” of not being completed by the March 31, 2011 deadline. The “at risk” factors that CMIS officials said they considered were reasonable. For the 15 projects we examined, we agreed with all but one of the assessments.

Reporting to the federal government met requirements: CMIS appropriately reported the required information quarterly to the federal government.

Status of recommendations as at June 30, 2012

Individual ISF and KIP projects were either completed by March 31, 2011 or, if recipients met certain conditions, were granted extensions by the federal government to October 31, 2011. We looked to see if our recommendations had been implemented on ISF and KIP projects during the remaining timeframe of the program.

We urge CMIS to consider our recommendations for applicability to all programs it administers.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
7	5	2	Follow-up previously completed	

Implemented/Resolved

We recommended that:

3. CMIS request Tender/Quote information documents early in the project life cycle and that recipients be asked to provide updates as contracts are awarded.
4. CMIS require recipients to:
 - submit photographs with each project progress report.
 - report project progress in relation to the project's scheduled milestones.
 - obtain periodic progress certification from the project architect or engineer.
5. CMIS project managers document in the project files their actions in analyzing and following up on progress reports from recipients.
6. CMIS amend its Site Visit Report form to require:
 - a comparison between construction progress observed at the time of the site visit and project completion schedules.
 - photographs to support the report.
7. CMIS develop file documentation standards with guidance on retaining key records in either electronic or paper formats.

Action no longer required

We recommended that:

1. CMIS assess, for every project, the risk of a recipient not complying with the terms and conditions of their funding agreement, and that it document and periodically review these assessments.

OAG comment: CMIS has introduced a risk assessment form and related guidance but does not apply them to all projects. The risk assessment form does not consider recipient compliance with the terms and conditions of the entire funding agreement.
2. CMIS conduct detailed follow-up procedures when processing claims from each recipient and base the nature and extent of the procedures on the risks associated with each recipient and project.

OAG comment: CMIS' detailed follow-up procedures do not cover all areas of compliance with the funding agreement.

