



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Web Version

Operations of the Office for the year ended March 31, 2014

August 2014

Our vision

The Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.

Our values

- Respect
- Honesty
- Integrity
- Openness

Our priorities

- Strengthen the management systems and practices of government organizations
- Provide Members of the Legislative Assembly with relevant information
- Manage our internal business effectively

Our critical success factors

- Independence from government
- Reliable audit opinions and conclusions
- Relevance of audit work performed
- Knowledge, skills and abilities of our staff



August 2014

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

Dear Sir:

I am pleased to present my report titled, *Operations of the Office for the year ended March 31, 2014*, to be laid before the Legislative Assembly in accordance with Sections 26(2) and 28 of *The Auditor General Act*.

Respectfully submitted,

Original document signed by:
Norm Ricard

Norm Ricard, CA
Auditor General (acting)

Web Version

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Message from the Auditor General (acting)

I am pleased to provide the Legislature with our annual *Operations of the Office* report for the year ended March 31, 2014.

The work completed in 2013/14 was directed by the former Auditor General, Carol Bellringer, who resigned effective March 31, 2014. Carol worked tirelessly over her eight years with the Office to ensure the Legislative Assembly, the Public Accounts Committee and the citizens of Manitoba were well served by their investment and trust in our Office. She also worked diligently to ensure the Office was appropriately resourced so that we could attract and retain skilled auditors. This meant investing in information technology, office space and professional development. I served proudly under Carol's leadership and wish her well in her new endeavours.

In March 2014 we issued our *Annual Report to the Legislature*. The report includes 10 chapters with a total of 120 recommendations and 7 considerations for government. Also included in the March report are Carol's final remarks as Auditor General of Manitoba. In these remarks Carol discusses her eight years with the Office and shares insights gained from her experiences. I have reprinted her final remarks in this volume, immediately following this message.

Our March 2014 report:

- Explains what some of the numbers in the public accounts actually mean (chapter 1), and provides much needed information for making or critiquing policy decisions regarding the Province's deficit and debt levels (chapter 3).
- Explains what an effective ethics program should look like, provides information on the corporate culture within government departments and aspects that need attention (chapter 7) and describes actual occurrences and consequences of unethical behavior (chapters 2 and 9).
- Provides answers to the "So what?" question when policies are implemented without the benefit of effective monitoring and oversight (chapters 4, 6, 7, 9 and 10).
- Reveals the lessons that government should have learnt when it hurriedly implemented a program (chapters 4 and 5).
- Reinforces the need for identifying, assessing and mitigating risks and the value of longer-term thinking (chapters 6, 7 and 8).
- Sheds light on the operating reality that an open and transparent decision-making process is essential to ensure a proper balance is struck between the sometimes conflicting goals of economy, efficiency and effectiveness (chapters 4, 5, 6, 8 and 10).

Annually we follow-up on outstanding recommendations. In **section 4** we summarize the implementation status of all recommendations issued between August 2007 and June 2012. Of the 429 recommendations issued in that timeframe, 136 (32%) remain in progress. We will no longer be following up on 66 of the recommendations still in progress because we have already followed-up on these recommendations three times. We encourage the Public Accounts Committee to assess whether the implementation rate achieved by the various public sector organizations subject to a project audit is acceptable and to require appropriately detailed action plans for all or select outstanding recommendations. Many factors must be considered

when assessing whether the implementation rate is satisfactory including: complexity of the recommendations, the operating priorities of the entity, the significance of the underlying issues, resourcing implications and capacity of the entity.

Operationally, we are continuing to focus on our critical success factors: independence from government, reliable audit opinions and conclusions, relevance of audit work performed and the knowledge, skills and abilities of our staff. **Above all else, we must be independent from government and the government organizations we audit.** As noted in **section 3**, a long unresolved matter impacting our actual and perceived independence from government is our relationship with the Civil Service Commission and the Labour Relations Division of the Treasury Board Secretariat. Our Act states that “Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*”. This means that we must follow Civil Service Commission and Treasury Board Secretariat policies and procedures (and related decisions) on hiring, compensating, and classifying staff positions. It is wrong that we are subject to Civil Service Commission and Treasury Board Secretariat decisions when we are also responsible for auditing their operations. **This is a conflict of interest.** A government organization should not be in a position to make decisions that directly impact the operations of the Office. Only the Legislative Assembly should have that ability. In 2014/15 we will begin the process of determining how best to amend legislation to grant the Auditor General the staffing authority required to manage staff resources independently of the Civil Service Commission and Treasury Board Secretariat, while respecting our position within the Manitoba public sector and the need for accountability to the Legislative Assembly. We ask that the Legislative Assembly Management Commission and the Public Accounts Committee champion the needed legislative changes.

Also in **section 3**, in **Relevance of our audit work performed**, we discuss how the allocation of our limited audit resources between financial statement audits and project audits, and within each of these service lines, can impact whether we are able to maximize the benefit of our Office to the Legislative Assembly. We believe that our goal of allocating 50% of our audit time to financial statement audits and 50% to project audits continues to be appropriate. We have, however, begun an analysis to identify selection factors to help determine which financial statement audits our Office should be conducting to maximize value to the Legislative Assembly.

I would like to take this opportunity to thank each and every staff member for their many contributions to the successful delivery of quality audit products by the Office.

This is a time of transition for our Office as we await the appointment of a new Auditor General. I am honoured and pleased to serve as acting Auditor General for as long as the Legislative Assembly may call upon me to do so.

Original document signed by:
Norm Ricard

Norm Ricard, CA
Auditor General (acting)

The following are the final remarks of the former Auditor General, Carol Bellringer that were previously published in our March 2014 Report to the Legislative Assembly.

Final remarks of the Auditor General

This is my final annual report to the Legislative Assembly before my retirement from this position on March 31, 2014. It has been an honour to serve the Manitoba Legislature as Auditor General since 2006. During that time, we have issued 68 chapters and stand-alone reports. Most of these have been considered and passed by the Public Accounts Committee (PAC) of the Legislature.

The PAC is an all-party Standing Committee of the Legislature. Its primary role is to examine the financial administration of public assets and spending of public funds. All our reports are referred to the PAC. During its meetings, the PAC considers our audit reports; questions witnesses; and, when it has finished deliberating; passes our reports, which means they have no further questions.

I previously reported that the progress made by Manitoba's PAC over the last few years was nothing short of remarkable. I reported that, in my view, the main reason was that members from both sides of the Legislature had shown a commitment to improving it. And support from various other people including the previous and current Committee clerks, the full-time Legislative Assembly researcher, and staff within my office - had contributed to the progress. The Chair, Vice-Chair, clerk, researcher, and I have been meeting as a steering committee to assist the full PAC. And the PAC regularly meets in-camera prior to the public meeting to resolve administrative issues and to receive briefings from my Office on the audit reports.

At the same time, I see the opportunity for the PAC to have an even greater impact on improved government operations. PAC makes a positive contribution by holding frequent meetings, issuing agendas in advance, using the work of the PAC researcher to guide meeting questions, meeting in-camera to better understand audit reports, and remaining constructively non-partisan at its meetings. But PAC's contribution can be even better if it can find a way to reduce partisanship even further. Currently, Ministers appear alongside Deputy Ministers of departments or Chief Executive Officers (CEOs) of crown corporations. Partisanship would be reduced by broadening the invitation list to also include the CEOs of agencies, boards, commissions or grant recipients and allowing invited witnesses to ask other staff members to answer questions, where appropriate. This would allow those responsible for public administration to better explain what went wrong or what needs to be improved to strengthen operations, without the perception of political interference. In addition, the PAC rules do not allow PAC to call witnesses from rural municipalities (RMs), despite audits conducted by our Office in the RMs of La Broquerie (2008), St. Laurent (2010), St. Clements (2012) and Lac du Bonnet (2013). And all witnesses would benefit from coaching or training to better explain PAC's expectations in advance

of public meetings. Further, PAC would be even more effective if government members asked more questions and if PAC regularly asked witnesses for action plans to address areas needing improvement, issued its own recommendations, and provided the Legislature with full reports on PAC activities.

In addition to PAC oversight, boards of directors of crown corporations, agencies, boards, commissions, and grant recipients play a critical monitoring role over the appropriate spending of public funds. This is also true of elected members of government plus managers in all of these organizations and in government departments and special operating agencies. But one recurring theme in our reports is the need for additional monitoring and oversight. Given the size of operations under overall government control, errors will be made and systems will fail. But I often ask myself – do all of the players have a clear understanding of what their role is? And how their role fits in with everyone else's? These are governance questions worth answering. Our Office has taken a keen interest in governance issues, and in September 2009, we issued a Study of Board Governance in Crown Organizations to assist in moving practice forward in that area, and in January 2012, Chapter 2 of our Annual Report to the Legislature covered the Appointment Process to Agencies, Boards, and Commissions.

Other reports we have issued point to improvements needed with other aspects of monitoring, including inspections and quality assurance practices. For example, in 2007, we noted such needed improvements in our audits of Workplace Safety and Health, The Province's Management of Contaminated Sites and Landfills, and The Department of Conservation's Management of the Environmental Livestock Program. Our audits, in 2008 of the Pharmacare Program – Part 2, in 2009 of the Personal Care Homes Program, in 2010 of Economic Development: Loans and Investments under the Development Corporation Act, and in 2011 of Manitoba's Participation in Canada's Economic Action Plan, also all included recommendations for improving certain aspects of monitoring. In addition, in chapters of this report, we include recommendations for improved monitoring within the Helicopter Ambulance Program and in Managing the Province's Adult Offenders. And better oversight and monitoring may have prevented or detected the financial irregularities that we found in the Office of the Fire Commissioner in 2013, and in Northern Airports and Marine Operations this year. Managers, board members, and elected officials should question whether monitoring and oversight is being given adequate ongoing attention in all program areas.

One of the first reports I issued in 2006 was the Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices, which had in essence been completed before I started my term as Auditor General. At the time, I wrote "We recognize that the issues are not only complex, but have existed for many years." In 2012, we followed up the recommendations made in that report so a follow-up report would be available to the Commission of Inquiry into the Circumstances Surrounding the Death of Phoenix Sinclair, which was mandated to consider our 2006 report. Many of our recommendations had been implemented, but unfortunately progress had been slow in a number of other areas. And in 2014, the Commission's report was released with a comprehensive

description of the circumstances surrounding Phoenix Sinclair's death, a thorough analysis of the underlying causes, and systemic issues. Our audit was one of many inputs to the Commission. For me, it highlighted the importance of how our audit findings can properly inform the Legislature in areas of importance.

Informing the Legislature in areas of importance was our motivation for including this year's chapter on Government Deficits and Debt. We emphasize that we are not recommending policy – the Legislature of Manitoba is responsible for policy decisions. Instead, the intention is to provide information and research for better understanding and discussions on these important policy issues. But the information still needs to be used with caution. One limitation to international comparisons is that financial information is not always prepared on the same basis. And in Canada, some of the information is used without considering reservations disclosed in related auditor's opinions. Similarly, in 2006, we issued 3 publications to assist audit committees: Enhancing Audit Committee Practices in the Public Sector, Internal Audit Services: A Self-Assessment Checklist, and A Guide to Leading Edge Internal Audit in the Public Sector. And while we do not recommend policy, there are times when our recommendations lead to changes to legislation – that was the case when *The Municipal Act* was changed, requiring municipalities to table our reports at a council meeting when we make recommendations regarding the operations of a municipality and requiring council to adopt a response to those recommendations.

Other audit areas where common themes have emerged include procurement issues, public reporting and information systems. This report includes a chapter on the Waiving of Competitive Bids, noting the need to improve procurement practices and improve the public information on untendered contracts. Needed improvements to public reporting were also noted in other reports: wait times and compliance with standards for the Personal Care Homes Program and Members' Allowances in 2009. Our audit findings about information systems ranged from negative to positive: our 2012 follow up report noted that the future of the Child and Family Services Information System (CFSIS) or a new case management system had not yet been determined; improvements needed over Information Technology Security Management as reported in Chapter 3 of our 2013 Annual Report to the Legislature; our 2009 report on Treaty Land Entitlements described a comprehensive database used by external parties and available to the Manitoba government.

This 2014 report is the largest single report we have issued. This was possible because of the dedication of the staff of the Office of the Auditor General (OAG). And it required constructive, professional, objective relationships between OAG staff and those we audit. I am extremely proud of the work of the OAG and of the progress made by the PAC since 2006. A hallmark of achievement is not only what we contribute day to day, but also the organizational strength we leave behind. I was fortunate to lead an office that has had a history of strong leadership and that has invested in exceptional staff. I will miss the people in our Office and the dedicated elected members and appointed officials I have had the pleasure to work with as Auditor General.

1.0 What we do

Our mandate

The Auditor General Act (Act) establishes the Office of the Auditor General as an independent office, reporting to the Legislative Assembly. A copy of the Act is in **Appendix A**.

The Act outlines the Auditor General's responsibilities and authorities to conduct and report on:

- Financial statement audits (Section 9).
- Project audits, including special audits on request (Sections 14, 15, 16).

Section 2(2) of the Act indicates that in conducting our financial statement and project audits, "Nothing in this Act is to be interpreted as entitling the Auditor General to question the merits of policy objectives of government."

Financial statement audits

The Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit.

The Auditor General is also responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise. In 2013/14 we conducted financial statement audits for 27 entities within the government reporting entity. For 14 of these entities, we conducted the audit because their Acts specify that the Auditor General is the auditor of the organization. We conducted financial statement audits for 13 entities that are not required to use our Office. All other public sector entities within the government reporting entity are audited by external audit firms.

The **government reporting entity** includes all organizations controlled by the government. These organizations are listed in the Province's Public Accounts, Volume 1.

Although not part of the government reporting entity, we also audit 7 pension plans. The Acts for 3 of these pension plans appoints the Office as their auditor.

See **Appendix B** for a listing of financial statement audits conducted by our Office and **section 4** for a more detailed discussion of the financial statement audit service line.

Project audits

In conducting project audits, the Auditor General can examine and audit the:

- Operations of a government organization (Section 14).
- Use of public money by recipients of public money (Section 15).

We use the term project audit to include the following types of audits: value-for-money, investigations (including special audits), information technology and governance.

Project audits can be designed to determine whether:

- financial and administrative provisions of Acts, regulations, policies and directives have been complied with.
- public money has been spent with proper regard for economy and efficiency.
- the Legislative Assembly has been provided with appropriate accountability information.
- the form and content of financial information documents is adequate and suitable.

To select project audits, we consider a number of factors, including the significance of the subject matter, potential impact of our audit work, public interest, and staff availability.

Section 16 of the Act permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the Public Accounts Committee to request a **Special Audit**. We must accept these requests unless they interfere with our primary responsibilities. This is an important opportunity for the Legislature to use the skills in our Office.

See **section 4** for a more detailed discussion of the project audit service line.

What we strive to achieve

Our vision

Our vision of what we want and need the Office to be is:

The Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.

Our priorities

To support the realization of our vision we adhere to our operating principles (**section 2**), manage 4 critical success factors (**section 3**), and focus on the following operating priorities:

- Strengthen the management systems and practices of government organizations.
- Provide Members of the Legislative Assembly with relevant information.
- Manage our internal business effectively.

Our outputs

Our outputs include audit opinions, audit advice, management letters, and reports to the Legislature. Beyond providing observations and recommendations, our reports identify good management practices and lessons relevant to public sector organizations.

Our desired outcomes

In providing quality services and products to the Legislative Assembly, we believe we are contributing toward the following outcomes:

- Government organizations that focus on results.
- Government organizations that produce meaningful, user-friendly performance reports for the public.
- A Public Accounts Committee that closely monitors the spending of public funds.

2.0 How we carry out our work

To be effective we must be properly organized and manage our affairs in a structured manner. In this section we discuss our:

- Operating principles.
- Organization structure.
- Reporting obligations.
- Budget and expenditure management practices.
- Human resource management practices.
- Information technology.

Operating principles

Our operating principles guide how we conduct our business, both externally and internally.

Independence and objectivity

Being independent and objective means being free of influence, conflict of interest and bias.

See our **critical success factor** discussion on ***Independence from government*** in section 3.

The Office requires annual conflict of interest declarations from all its staff members and manages all audit jobs to ensure assigned staff have no conflicts or that conflicts are appropriately mitigated.

Balanced perspective

Within the context of our audit objectives we report on strengths as well as weaknesses.

Teamwork

We work together cooperatively and in a coordinated manner to achieve a common goal.

Accountability

We are each accountable for the quality and quantity of our individual contributions to the products and services we provide.

Valuable work

We provide the Legislative Assembly with reports on significant programs and promote efficient and accountable government.

See our **critical success factor** discussion on ***Relevance of audit work performed*** in section 3.

Professional excellence

We maintain sound audit methodology and meet the professional standards for the types of audits we conduct.

See our **critical success factor** discussion on ***Reliable audit opinions and conclusions*** and ***Knowledge, skills and abilities of our staff*** in section 3.

Financial stewardship

We make only defensible expenditures and seek to maximize the value obtained from every dollar spent.

Honour our values

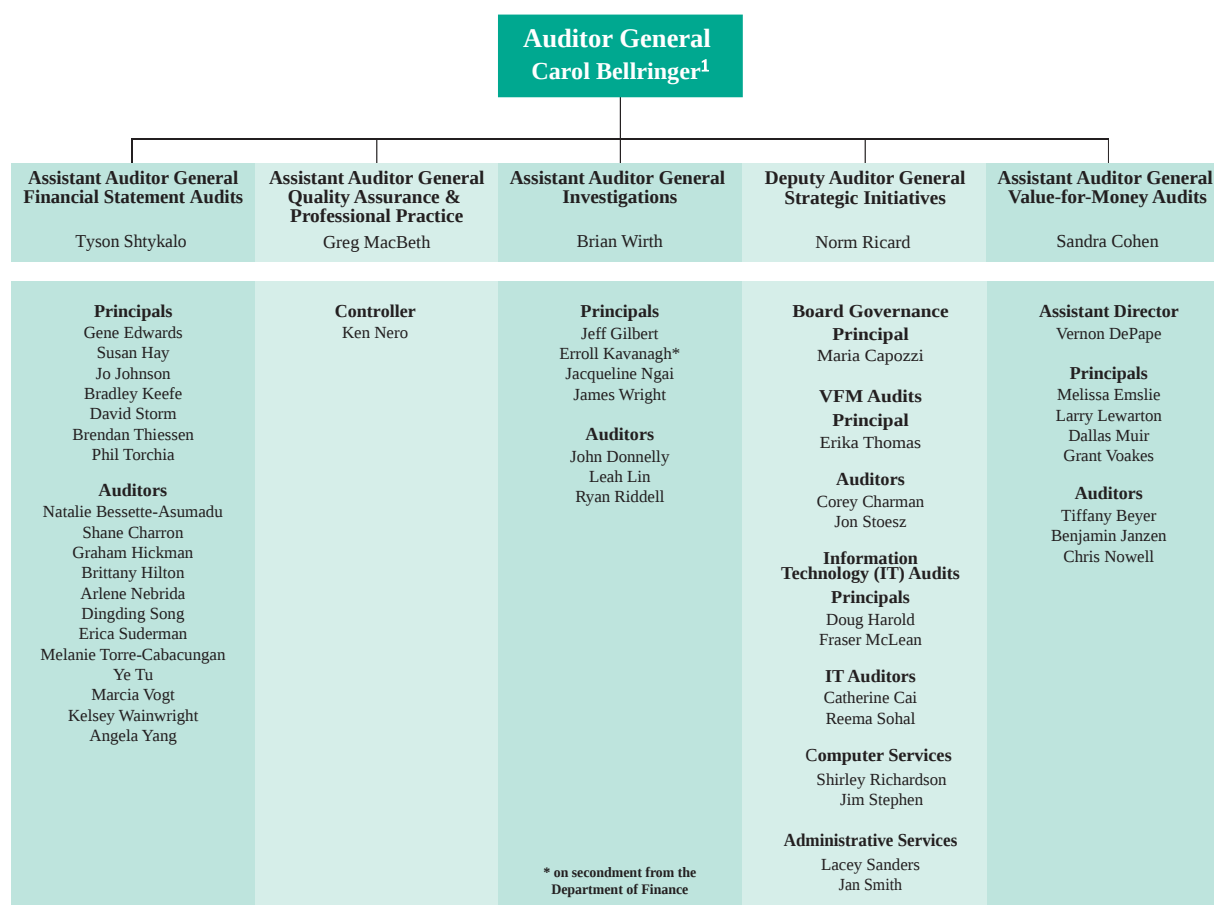
We conduct ourselves in a manner consistent with our values of respect, integrity, honesty, and openness.

Organizational structure

The Office is organized into 5 service groups (see **Figure 1**).

While all staff are assigned to a service group, the cyclical nature of workflows provides opportunities for staff members to participate in audits within other service groups. This integration of skills and knowledge ensures more effective results than could be achieved if each service group operated in isolation.

Figure 1: Organization chart as at March 31, 2014

¹ resigned effective March 31, 2014

Reporting obligations

The most publically visible aspect of how we conduct our work is the release of our reports. Several sections of our Act deal with our reporting obligations:

Audit of Public Accounts and other financial statements

- Section 10(1): “No later than December 31 in each year, the Auditor General **must** report to the Assembly about the examinations and audits conducted under section 9.”

Special report

- Section 11: “The Auditor General **may** make a special report to the Assembly on any matter of pressing importance or urgency that he or she considers should not be deferred until the next annual report under section 10 is presented.”

Project audits

- Section 14(4): “The Auditor General **must** report to the Assembly annually on the work carried out under this section, and may bring to the Assembly’s attention anything he or she considers necessary, including recommendations.”
- N Section 14(2): “At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly.”

Special audits

- Section 16(3): “The Auditor General **may** submit a report of an audit under this section to the Assembly if it is in the public interest to do so, but must allow at least 14 days for the minister responsible for the government organization and the Minister of Finance to review and comment on the report before finalizing it for submission to the Assembly.”

Operations of the Office

- Section 26(2): “Before August 1 each year, the Auditor General **must** report to the Assembly on the operations of his or her office.”

All of our reports are tabled in the Legislative Assembly by the Speaker, and are permanently referred to the Public Accounts Committee, an all-party Standing Committee of the Legislature. During its meetings, the Committee considers our audit reports, questions witnesses, and when it has finished deliberating, passes our reports (meaning that the Committee has no further questions).

In **section 4** we discuss our role in Public Accounts Committee meetings.

Budget and expenditure management practices

The Legislative Assembly Management Commission, an all-party Legislative Commission, reviews and approves our annual budget. Under Section 27(3) of *The Auditor General Act*, we receive funding from the Legislative Assembly appropriations. The Auditor General annually presents to the Commission an estimate of the money we require for the upcoming year.

To maintain an appropriate separation between our financial records and those of the government, we maintain our own accounting system and bank account to record and pay our operating expenses. As needed, we draw advances up to the annual amount approved by the Commission. At the end of the year, any undrawn amount is considered lapsed and returns to the Consolidated Fund.

All staff employed by the Office are paid through the government’s payroll system.

The expenditures of the Office are reflected in the Public Accounts of the Province. On a monthly basis, we provide the Province with a detailed transaction spreadsheet so that Office expenditures can be recorded within the Public Accounts.

In **section 6** we present our financial results.

Human resource management practices

The Legislative Assembly Management Commission approves the number of staff resources assigned to the Office, currently set at 55 full-time equivalent (FTE) positions (2 of which are term positions). Because our staff are hired under the Civil Service Act, the human resource policies and practices of the Civil Service Commission and the classification and compensation rules of Treasury Board Secretariat are imposed on our Office. As such, the Civil Service Commission oversees our hiring efforts, and the Labour Relations division of Treasury Board Secretariat oversees the classification of our positions and related compensation decisions. (See our critical success factor discussion on independence from government in **section 3**.)

All of our managers, senior auditors, auditors and certain corporate support positions are represented by the Manitoba Government Employees Union. Of note is that all of our senior management positions (Principals) who are not Chartered Accountants (CA) are also represented by the Union. All other positions in the Office, including Principals who are CA's, are excluded from Union membership. The provisions of the collective agreement between the Government and the Union define the terms and conditions of employment for staff of the Office who are Union members.

We have developed a competency model for all of our audit professionals. We are currently implementing a revised performance management system that focuses, for each position, on standardized performance objectives and core competencies.

Information technology

The Office operates its own computer network. Two staff members ensure our network operates reliably and securely, our various software tools are regularly updated and supported, and our hardware functions properly and is renewed at appropriate intervals. We continuously review and update our information security practices.

3.0 Critical success factors

We have identified four factors critical to the Office's success. These factors are:

- Independence from government.
- Reliable audit opinions and conclusions.
- Relevance of audit work performed.
- Knowledge, skills and abilities of our staff.

Independence from government

Above all else, the Office must be, and be perceived to be, independent from government and the government organizations we audit.

The Office's independence from government helps ensure we can manage our mandate effectively. It enables us to examine, without interference or conflict, any key issues or areas of concern. It keeps the Office from being influenced by political or other external pressures that may deter us from conducting certain audits. It also makes it possible for us to report what we find and what we believe are fair conclusions even if the government or government organization disagrees with our conclusions or recommendations. This is a great responsibility that is fundamental to our role in helping the Legislative Assembly hold the government accountable.

A long unresolved matter impacting our actual and perceived independence from government is our relationship with the Civil Service Commission and the Labour Relations Division of the Treasury Board Secretariat.

Our Act states that "Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*". This has generally been interpreted to mean that we must follow Civil Service Commission and Treasury Board Secretariat policies and procedures and related decisions on hiring, compensating, and classifying staff positions. It is wrong that we are subject to Civil Service Commission and Treasury Board Secretariat decisions when we are also responsible for auditing their operations. **This is a conflict of interest.** A government organization should not be in a position to impose decisions that directly impact the operations of the Office. Only the Legislative Assembly, through one of its committees, should have that ability.

Under the current structure, despite the best intentions of our Office, the Civil Service Commission and the Treasury Board Secretariat, we are all placed in the position of needing to ensure that events which could impact objectivity do not. **We are not saying that the objectivity of any party has ever been compromised**, only that the opportunity is present; needlessly present.

The Office respects the role played by the Civil Service Commission and Treasury Board Secretariat in ensuring equitable human resource management practices within the Manitoba civil service. However, because of the Office's need to be independent of government, and to

be perceived to be independent, we believe that ensuring the Office employs equitable human resource management practices must be pursued outside of the structures employed by the government and the civil service in general.

Our concern here should not be taken as a criticism of the staff of the Civil Service Commission and the Treasury Board Secretariat. They have always tried to be helpful.

In our 2013 Report on the Operations of the Office, we noted that we had provided the Public Accounts Committee and the Legislative Assembly Management Commission with an analysis of how our Office's relationship with the Civil Service Commission compared to that of other legislative audit offices in Canada and their respective public service commissions. Our analysis indicated that:

- Among Canadian legislative audit offices, the Manitoba Civil Service Commission has the most direct involvement with the Office.
- The participation of the Civil Service Commission in the Manitoba Auditor General's selection boards for hiring staff is unique to Manitoba.
- Most legislation in Canada grants the Auditor General staffing authority – but not in Manitoba.

Enabling the Office to function independently of the Civil Service Commission and Treasury Board Secretariat will require amendments to either our Act or the *Civil Service Act*. Such amendments should:

- Explicitly grant to the Auditor General all necessary authorities to hire, set wages and set the terms and conditions of employment for staff needed to carry out the Auditor General's mandate.
- Require compliance by the Auditor General with a classification system that sets salary levels which are comparable to those in the Manitoba civil service.
- Require annual accountability by the Auditor General to the Legislative Assembly on how authorities related to the management of human resources were exercised.

As part of our 2015/16 budget submission to the Legislative Assembly Management Commission, we will be requesting an additional staff year for a newly created position of human resources/office manager. Such a position is needed to help us proactively manage human resources, ensure we appropriately deal with any human resource issues that may come up, liaise with the Civil Service Commission and Treasury Board Secretariat on staffing related matters, and free up executive time. Ultimately any legislative amendment that provides the Office with authority over its staffing decisions, as noted above, would require such a position.

In 2014/15 we will begin the process of determining how best to amend legislation to grant the Auditor General the staffing authority needed to function independently of the Civil Service Commission and the Treasury Board Secretariat. We ask that the Legislative Assembly Management Commission and Public Accounts Committee champion the needed legislative changes.

Office staff should not be represented by the same union representing most government employees.

As noted in **section 2** about half of our staff are represented by the Manitoba Government Employees Union. While we respect the right of our employees to organize, having our staff represented by the Manitoba Government Employees Union is problematic for two reasons:

- In addition to the Office being directly impacted by Civil Service Commission and Treasury Board Secretariat decisions related to hiring, classification and compensation, the Office must also comply with the provisions of the collective agreement between the government and the Union. In our view, compromising our independence from government.
- Given that the Office is responsible for auditing all government departments, including the Civil Service Commission and Treasury Board Secretariat, this arrangement means that our unionized staff, where required by an audit objective, would have access to confidential documents related to labour relations. This is information that is generally not accessible by union members. This creates a conflict of interest situation for our assigned staff.

Appendix A to the Collective Agreement includes guidelines that are to be considered when negotiating classification exclusions. We have attempted during the last three collective bargaining sessions to have our staff excluded using the guidelines in the Collective Agreement. All three requests were rejected.

In conversations with select staff within the Civil Service Commission, the Treasury Board Secretariat, and long serving members of our Office, we were unable to determine the rationale or logic for the representation of Office staff by the Manitoba Government Employees Union. Knowledge of how it came to be is effectively lost.

Of particular note is that staff employed by Manitoba Internal Audit, a branch within the Department of Finance, are excluded. We agree that Internal Audit staff should not be represented by the Manitoba Government Employees Union because of their access to confidential labour relations information. This is **one** of the reasons why we believe our staff should be excluded.

We are continuing to explore opportunities to resolve this structural issue.

Reliable audit opinions and conclusions

Our opinions and conclusions are reliable when they are based on sufficient appropriate audit evidence and sound professional judgments. We do this by having have a strong quality control program.

Key aspects of our quality control program include:

- Staff that are qualified and that continuously update their professional skills.
- Audit manuals that guide audit staff in conducting audits that comply with Office policies and professional standards.
- Supervision and review throughout the audit process to ensure conclusions are supported by

sufficient appropriate audit evidence, reports are fair and balanced, and Office policies and professional standards are met.

- Obtaining independent quality assurance reviews of files and reports:
 - N The Institute of Chartered Accountants of Manitoba routinely conducts inspections of audit firms involved in the practice of public accounting as defined in the General Provisions of its By-laws. Although we are not an audit firm and as such are not required to undergo an inspection, we voluntarily participate in this process. In April 2012, the Institute conducted an inspection of the Office's financial statement auditing practice and concluded that we are operating in a manner consistent with professional standards. The next inspection is scheduled for 2015.
 - N In addition, we participate in peer reviews facilitated by the Canadian Council of Legislative Auditors (see page 20). While no such reviews were conducted in 2013/14, 2 were conducted in 2012/13 (one financial statement audit and one project audit) and 2 are scheduled in 2014/15 (once again, one financial statement audit and one project audit).

Relevance of audit work performed

For our work to benefit the Manitoba Legislature, we must ensure that our reports are meaningful to the Members and to the public. We do this by ensuring our audits deal with significant public sector issues and by communicating our audit results clearly.

We strive to be aware of areas of strategic importance to the Province and to the public service in general. For instance, we maintain contact with Members of the Legislature and government officials, hold discussions with members of the Public Accounts Committee, monitor Hansard and media reports, and maintain contact with our colleagues in other jurisdictions and various professional associations we belong to.

There are far more programs, issues and financial statements within the government reporting entity than we have the resourcing capacity to audit in a year or even over several years. It is crucial therefore that we use our limited human resources in ways that will maximize our value to the Legislative Assembly. A key decision for the Office is how much of our resources to devote to financial statement audits versus project audits. The allocation of our staff resources between financial statement and project audits is currently affected by the priorities of the Auditor General, the number of special audits we are asked to conduct under Section 16 of our Act, and the Acts of various organizations that appoint our Office as their financial statement auditor.

For the past several years, our goal has been to spend equal time on financial statement audits and on project audits (see **Figure 2** for actual results). This allocation enables us to present the Legislature with a wide array project audits while meeting our statutory obligations to conduct specified financial statement audits. The use of agents to conduct financial statement audits on our behalf helps us move toward a more equal allocation as we are able to redeploy some financial statement audit staff to work on projects (see **section 4**).

Figure 2: Allocation of staff time to audits

	2011/12	2012/13	2013/14
Financial statement audits	52%	53%	57%
Project audits	48%	47%	43%
Total	100%	100%	100%

We believe that a 50/50 split continues to be an appropriate target. We are concerned, however, that our time spent on financial statement audits is not focused on the best mix of entities.

Many of the financial statement audits our office performs are the result of a legislative requirement rather than importance or significance within the government reporting entity. As noted below, this has resulted in our office resources being used to audit entities that may be considered of lower importance relative to other government entities.

Our office performs financial statement audits directly or uses a public accounting firm as our agent. The remaining financial statement audits within the government reporting entity are conducted externally by a public accounting firm hired directly by the organization.

Figure 3 shows by expense level (a measure of importance) the financial statement audits we conduct versus those conducted by external auditors. Of the 7 financial statement audits that we conduct for entities with expenses in excess of \$250 million, 3 are flow-through funding entities. These entities consist of the Manitoba Health Services Insurance Plan, the Public Schools Finance Board and the Council on Post-Secondary Education. The primary purpose of these entities is to fund other government entities. As a result, the usefulness and relative importance of these financial statements is limited.

Figure 3: Financial statement audit responsibility

Expenses (in \$ millions)	Auditor General	External auditor
\$0 to \$5	9	34
\$5 to \$50	6	67
\$51 to \$250	2	25
Greater than \$250		
• Flow through entities	3	0
• Government business enterprises (ie. Hydro, MPI)	0	6
• Other	4	2
Total	24	134

We are required to conduct the audits of 3 pension plans (the Civil Service Superannuation Plan, the Teachers' Retirement Allowances Fund and the Legislative Assembly Pension Plan). We audit 4 other pension plans because of their association with an organization within the government reporting entity. Pension plans are not part of the government reporting entity. As such, the time needed to audit these funds may not maximize the Office's benefit to the Legislature (of note, however, is that the Office does bill the pension plans for our services and returns the revenue to the Consolidated Fund, in effect, passing the cost of the audit on to the pension plans).

Figure 4 shows the number of pension plan financial statement audits we conduct versus those conducted by external auditors.

Figure 4: Pension plan audit responsibility

Auditor General	7
External auditor	4
Total	11

We have begun an analysis to identify selection factors to help determine which financial statement audits we should conduct to maximize our value to the Legislative Assembly.

Knowledge, skills and abilities of our staff

The quality of our work depends on the knowledge, skills and abilities of our employees. To succeed, we need to recruit and retain qualified professionals, invest in professional development, and provide a work environment that maximizes opportunities for our staff to exercise and develop their skills while enabling them to maintain a proper work-life balance.

Most audit staff have designations from one of the following organizations: The Institute of Chartered Accountants of Manitoba, Certified General Accountants of Manitoba and the Certified Management Accountants of Manitoba. Other certifications held by some of our staff are: Diploma in Investigative and Forensic Accounting, Certified Fraud Examiner, Masters in Public Administration, Certified Information Systems Security Professional, Certified Information System Auditors, Certified Internal Auditor, and Certified Government Auditing Professional.

At the conclusion of our financial statement audits we survey our clients for their feedback on the services we provided. The results of these surveys are shared with the audit team conducting the audit in order to continually enhance our services. In 2013/14, we obtained a 44% response rate to our survey and found that all respondents (100%) indicated that our Office provides good value for billings and are satisfied with the skills and knowledge of the audit team that worked with them.

We are currently considering how best to get feedback from organizations where we conduct a project audit.

Training future accountants

We support students seeking professional accounting designations and are recognized by the Institute of Chartered Accountants of Manitoba as an audit training office. We provide an environment of continuous learning that reinforces professional skill development. Our Student Recruitment and Development Committee offers motivated, knowledgeable and engaged mentors to assist students as they transition from the academic world into the accounting profession.

Our Office is well positioned to expose students to a wide range of diverse, challenging and rewarding assignments across the provincial public sector. This unparalleled experience creates a unique career opportunity to train professional accountants choosing a career that serves the people of Manitoba.

We take great pride when our students achieve their academic goals. We currently have 3 students, 2 will write the uniform final examination this fall. We had no uniform final examination writers in 2013/14.

Our focus on professional development

Every year our Professional Development Committee prepares a program of in-house training sessions for all our audit staff. This committee is made up of staff from all staff levels and service groups. Their primary focus is to determine and deliver the training opportunities that staff believe would benefit them on-the-job. In addition, the Executive Committee may direct that the Professional Development Committee organize a workshop, typically using external resources, to satisfy an office-wide training need.

Supplementing the role of the Professional Development Committee is the expectation that all staff will manage their own skills development and monitor their progress against the competency model developed by the Office. Training needs identified by a staff member are discussed and reviewed with their executive member. Training requests are approved if they are consistent with Office priorities and our competency model, costs are reasonable and allocated training dollars are available. Every effort is made to ensure that staff assignments also contribute to their professional growth.

Staff frequently attend development activities offered by the following organizations: Institute of Chartered Accountants of Manitoba, Institute of Internal Auditors, Financial Management Institute, Institute of Public Administration of Canada, Institute of Corporate Directors and the Association of Certified Fraud Examiners.

The Canadian Council of Legislative Auditors

The Office is a member of The Canadian Council of Legislative Auditors, which consists of the Auditors General from each jurisdiction across Canada. We meet twice a year to discuss emerging issues and share practices in carrying out our mandate as legislative auditors. The Council has established several working committees and groups (listed below) on which many of our staff participate. Sitting on these committees and groups gives us access to the knowledge, information, and expertise of other jurisdictions.

In 2013/14 we ensured at least one staff member participated on each of the Council's committees and groups.

Committee	Group
Planning and Coordinating	Education
Strategic Matters	Environment, Energy and National Resources
Training Oversight	Governance
Peer Review	Health
	Human Resources
	Information Technology Administration
	Information Technology
	Infrastructure

In 2011, the Auditors General of each province entered into a memorandum of understanding with the Office of the Auditor General of Canada to benefit from the services of a National Professional Practices Group. This Group provides us with accounting and auditing advisory services and training support, on an as-requested basis.

Retaining our work force

We seek to retain our staff by keeping them engaged and professionally challenged and by supporting work-life balance. We formally gauge how well we are doing by monitoring our turnover and by periodically conducting employee satisfaction surveys. An employee satisfaction survey was conducted in June 2013, with 94% of staff members participating. The survey indicated that:

- 76% are satisfied overall to be working with our Office, and 71% would recommend it as a great place to work.
- 80% feel they have positive relationships with their co-workers.
- 83% know what is expected of them, and 82% know how their work contributes to the success of the Office.
- 78% feel the Office allows for good work-life balance.

4.0 What we delivered in 2013/14

Our services are delivered primarily along the following lines:

- Financial statement audits.
- Project audits.
- Attending Public Accounts Committee meetings.
- Following-up on the implementation of our recommendations.

Financial statement audits

Strong financial stewardship by government organizations is critical. One of the central ways we support financial accountability is through the annual audit opinions we provide on the financial statements of government organizations and the Public Accounts of the Province.

Financial statement audit activities include:

- Performing the necessary examinations to provide audit opinions on annual financial statements and other financial information, including claims and public sector compensation disclosures.
- Issuing management letters to the organizations we audit. These letters include recommendations on financial management, internal control, compliance, and general operations.
- Performing external auditor review procedures on government entities included in the Province's Summary Financial Statements. This includes communications with private sector auditors and may encompass file reviews of the work conducted.
- Reviewing compliance with legislation on select Acts or provisions within Acts and regulations.
- Working with private-sector audit firms that we have hired as our agents to conduct some of our financial statement attest audits. We hire agents to conduct audits for us when this helps with scheduling.
- Reporting to the Legislature about the examinations and audits under Section 9 of *The Auditor General Act*, including anything resulting from the work that we consider should be brought to the Assembly's attention.

In 2013/14 we issued the following:

Work product	Conducted by	
	Office	Agent
Financial statement audit opinions - organizations within the government reporting entity (see Appendix B)	10	17
Financial statement audit opinions - pension plans (see Appendix B)	6	1
Audit opinions on other financial information (including public sector compensation disclosures)	20	18
Compliance opinions	2	2
New management letter recommendations	23	18
Follow-up of previous years management letter recommendations	124	41
External auditor communications	130	

We also issued our report on the audit of the Public Accounts for the year ended March 31, 2013. This was Chapter 1 of our *Annual Report to the Legislature* issued March 2014. Our report included the following highlights:

- For 2012/13 we issued an unqualified audit opinion on the Province's Summary Financial Statements. This means that the summary statements present fairly, in all material respects, the financial position and results of operations and cash flow in accordance with Canadian public sector accounting principles.
- At the end of each of our financial statement audits, we communicate possible improvements to senior management of the Province or to senior management and the board of directors of the organization we audited. If action has not been taken after a reasonable time or if we believe the Legislature should be informed about the matter immediately, we include that information in our report. Our March 2014 report included 9 such matters.

Chapter 3 of our *Annual Report to the Legislature* presents the results of our project titled *Government Deficits and Debt*. The objective of this project was to provide Province of Manitoba stakeholders and decision-makers with research, perspectives and fact-based information and materials with respect to the issues and impacts of government debt and budgetary deficits. Our ultimate goal was to help decision-makers better understand the policy issues.

Project audits

Project audits consist of value-for-money audits, investigations (including special audits), information technology audits, and governance reviews.

Value-for-money audits

Value-for-money audits examine programs and services to measure performance and opportunities for improving operations and ultimately results. In carrying out value-for-money audits, we examine management practices, operating systems, processes, and control

mechanisms. Some of our value-for-money audits are cross-government. For example, we may examine a given topic of strategic importance across departments or across other types of government organizations, such as crown corporations.

We issued the following value-for-money audit reports since 2009:

Date	Audit reports
March 2014	Lake Manitoba Financial Assistance Program: Parts C and D Managing the Province's Adult Offenders Waiving of Competitive Bids (cross-government audit)
January 2013	Manitoba Early Learning and Child Care Program Manitoba eHealth Procurement of Contractors Senior Management Expense Policies (cross-government audit)
January 2012	Food Safety MPI – Personal Injury Protection Plan Special Needs Education Taxation Division, Audit Branch
May 2011	Manitoba's Participation in Canada's Economic Action Plan
December 2010	Managing Climate Change Economic Development: Loans and Investments under The Development Corporation Act
November 2009	Meeting Manitoba's Obligations Under the 1997 Treaty Land Entitlement Framework Agreement Personal Care Homes Program Assessment Services Branch

Investigations

The typical reason for an investigation is to confirm or dispel allegations. In addition to investigating the allegations, these projects incorporate value-for-money considerations. Team members are experienced forensic accountants who find out what happened and why, and then recommend how to avoid similar situations.

The investigations team will also conduct any requested Section 16 Special Audits that the Office agrees to conduct. In 2013/14, one special audit was completed.

Matters are brought to our attention throughout the year by concerned members of the public, the legislature or government employees. During 2013/14, 69 such matters came to our attention (2012/13: 76 matters). We conduct preliminary examinations of all such matters to determine which ones are within our mandate and which ones are better investigated by another organization, such as the Office of the Ombudsman.

Concerns received in 2013/14 were handled as follows:

Not within our mandate so no further action taken	8
Referred the concern to another organization	8
Limited scope audit conducted or in progress	4
Full audit conducted or in progress	8 (resulting in 5 audits)
No action considered necessary or waiting for additional information	32
Added to our list of potential audits	9
Total	69

We issued the following investigative reports since 2009:

Date	Investigative reports
March 2014	Citizen Concerns Helicopter Ambulance Program Northern Airports and Marine Operations (Special audit)
August 2013	Rural Municipality of Lac du Bonnet
January 2013	Citizen Concerns Office of the Fire Commissioner (Special Audit) Provincial Nominee Program for Business
January 2012	Animikii Ozoson Child and Family Services Agency
June 2012	Rural Municipality of St. Clements
December 2010	Society for Manitobans with Disabilities Rural Municipality of St. Laurent
May 2010	Winnipeg Regional Health Authority – Administration of the Value-Added Policy
November 2009	Members' Allowances

Information technology (IT) audits

Our information technology audit team conducts IT audit projects in high risk areas such as IT governance, security, project management, systems development and changes, and business continuity. We apply generally accepted frameworks and standards as audit criteria, including the COBIT 5 framework and the ISO standards.

In support of annual financial statement audits, our IT auditors review and test IT general controls. These controls include security, access, change management, and operating controls. In addition, our auditors test application controls and system-generated reports. The primary goal

is to determine if system-generated information used in support of financial statement audits is both complete and accurate. Data analysis services, using computer assisted audit techniques, are provided to all areas of the Office as needed, with a primary focus on assisting financial statement auditors.

We issued the following IT audit reports since 2009:

Date	Audit reports
March 2014	Manitoba Hydro – Managing Cyber Security Risk Related to Industrial Control Systems
January 2013	Information Technology Security Management
January 2012	Wireless Network Security

Governance audits and reviews

Governance audits and reviews serve to enhance and strengthen board governance practices in the public sector. We believe that enhancing the effectiveness of governance practices in public sector organizations contributes to improved organizational performance and stronger accountability processes. We conduct audits and assessments of specific public sector boards, often in conjunction with value-for-money audits and investigations. We also conduct primary research on governance issues of significance to the public sector, as well as provide advice and assistance to public sector boards, as requested.

We issued the following governance project reports since 2009:

Date	Project reports
March 2014	Manitoba's Framework for an Ethical Environment
January 2012	Appointment Process to Agencies, Boards and Commissions
September 2009	Study of Board Governance in Crown Organizations

Attending Public Accounts Committee meetings

The Public Accounts Committee of the Legislature is an all-party Standing Committee of the Legislature. Its primary role is to examine the financial administration of public assets and the spending of public funds. All our reports are referred to the Public Accounts Committee. During its meetings, the Committee considers our audit reports, questions witnesses, and when it has finished deliberating, passes our reports (meaning the Committee has no further questions).

Chapter 10 of the Rule Book – Legislative Assembly of Manitoba, “Procedural Guidelines for the Standing Committee on Public Accounts” references the role and responsibilities of the Auditor General, vis-à-vis the Committee as follows:

- Section 114: “The Auditor General should be in attendance at all Public Accounts Committee meetings to provide advice and opinions and answer questions on matters of accounting,

administration and reports issued by the Auditor General, except where the Committee feels the circumstances do not require such attendance.”

- Section 118: “The Auditor General shall at the discretion of the Committee, attend all meetings of the Committee that are held in camera.”

In addition to attending and preparing for Public Accounts Committee meetings, the Committee can impact Office operations by requesting that the Auditor General conduct specific reviews or tasks:

- Section 120: “The Public Accounts Committee may request the Auditor General to perform specific reviews or tasks.”
- Section 121: “Requests to the Auditor General for reviews or special tasks shall be passed as a motion by the whole Committee and terms of reference should be provided to the Auditor General in writing.”

In 2013/14, the Public Accounts Committee did not make any requests for the conduct of reviews or tasks.

In 2013/14, the Public Accounts Committee met 8 times (see **Figure 5**). The Auditor General and required staff attended all of the Committee meetings. The proceedings of all these meetings are recorded in Hansard (available on the Legislative Assembly website in the Legislative Business tab).

Figure 5: Public Accounts Committee meetings in 2013/14

Meeting dates	Reports listed on the meeting notice
May 8, 2013	Public Accounts for the fiscal years ending March 31, 2011 and March 31, 2012 (Volumes 1,2,3 and 4) Annual Report to the Legislature (January 2013): Chapter 1: Accounts and Financial Statements: Section 10 Annual Report
June 25, 2013	Annual Report to the Legislature (January 2013): Chapter 5: Manitoba eHealth Procurement of Contractors Follow-up of Previously Issued Recommendations (March 2011): Section 1: Audit of the Pharmacare Program Follow-up of Previously Issued Recommendations (January 2013): Section 10: Pharmacare Program – Part 2; and Section 11: Personal Care Homes Program and Section 12: Winnipeg Regional Health Authority – Administration of the Value-Added Policy

Figure 5 (cont'd)

Meeting dates	Reports listed on the meeting notice
August 8, 2013	Follow-up of Previously Issued Recommendations (January 2012) Follow-up of Previously Issued Recommendations (January 2013): Section 9: Public Sector Compensation Disclosure Annual Report to the Legislature (January 2013): Chapter 2 Citizen Concerns “Part 1 – Business Transformation and Technology”; Chapter 3 Information Technology Security Management; Chapter 8 Senior Management Expense Policies
October 9, 2013	Annual Report to the Legislature (January 2013): Chapter 7 Provincial Nominee Program for Business
October 30, 2013	Annual Report to the Legislature (January 2012): Chapter 3 Animikii Ozoson Child and Family Services Agency Annual Report to the Legislature (January 2013): Chapter 4 Manitoba Early Learning and Child Care Program; Chapter 6 Office of the Fire Commissioner Follow-up of Our December 2006 Report: Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices Follow-up of Previously Issued Recommendations (January 2013): Section 7 Special Audit: Society for Manitobans with Disabilities
November 26, 2013	Annual Report to the Legislature (January 2013): Chapter 4 Manitoba Early Learning and Child Care Program Follow-up of Our December 2006 Report: Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices
January 13, 2014	Annual Report to the Legislature (December 2010): Chapter 4 Special Audit: Rural Municipality of St. Laurent Follow-up of Previously Issued Recommendations (January 2013): Section 14 Special Audit: Rural Municipality of La Broquerie; Section 15 Special Audit: Rural Municipality of St. Laurent Report to the Legislature (June 2012) Rural Municipality of St. Clements Report to the Legislature (August 2013) Rural Municipality of Lac du Bonnet
March 19, 2014	Operations of the Office for the fiscal year ending March 31, 2013 Public Accounts March 31, 2011 (Volumes 1, 2, 3 and 4) Public Accounts March 31, 2012 (Volumes 1, 2, 3 and 4) Public Accounts March 31, 2013 (Volumes 1, 2, 3 and 4)

Following up on the implementation of our recommendations

A follow-up review is scheduled approximately 18 months after a project audit report is released, and annually thereafter for 2 more years (for a total of 3 years).

A follow-up review begins in April/May each year when we request a status update from management. The implementation status is to be determined as at the forthcoming June 30. When status updates are received we conduct review procedures to assess the plausibility of the statuses provided. We do not reperform audit procedures from the original report.

We issued the following follow-up reports since 2009:

Date	Number of recommendations followed-up
May 2014	Implementation status as at June 30, 2013 for 244 recommendations from 23 reports
January 2013	Implementation status as at June 30, 2012 for 198 recommendations from 17 reports
September 2012	Follow-up of our December 2006 Report: Audit of the Child and Family Services Division Pre-Devolution Child and in Care Processes and Practices – 29 recommendations (status determined as at May 2012)
January 2012	Implementation status as at June 30, 2011 for 249 recommendations from 17 reports
March 2011	Implementation status as at June 30, 2010 for 140 recommendations from 20 reports
March 2010	Implementation status as at June 30, 2009 for 237 recommendations from 29 reports
March 2009	Implementation status as at June 30, 2008 for 489 recommendations from 35 reports

In **Figure 6** we present the statuses, as at June 30, 2013, for recommendations included in project audit reports issued since August 2007. It is important to note that many of the recommendations reported as implemented/resolved were assessed as such in one of the follow-up reports noted above and not only as at June 30, 2013. In **Figure 7**, we also present the statuses, as at May 2012, of 29 recommendations included in our 2006 Child and Family Services Division report (the results of our final follow-up on this audit).

Between August 2007 and June 2012, 429 recommendations were issued in 29 project audit reports. As at June 30, 2013, 136 (32%) had not yet been fully implemented. Many factors must be considered when assessing whether the implementation rate is satisfactory including: complexity of the recommendations, the operating priorities of the entity, the significance of the underlying issues, resourcing implications, and capacity of the entity.

In conducting our follow-up reviews we do not assess the reasonableness of an entity's decisions regarding the efforts applied to fully implement our recommendations. We believe this is a role best played by the Public Accounts Committee. As such, we continue to encourage the Committee to request appropriately detailed action plans for some or all of the recommendations that remain in progress, particularly in relation to those reports that we have followed up for 3 years and for which we do not intend to continue following-up.

To assist the Committee, we will be providing additional information in our future follow-up reports. For those recommendations that are subject to our third and final review, if the recommendation remains a work in progress, we will include a brief discussion on what has been done and on what is being planned. This information will be useful to the Committee in determining which recommendations they should be requesting more detailed action plans for.

Figure 6: Implementation status, as at June 30, 2014, of recommendations included in project audit reports issued since August 2007

Report	Total recommendations	Recommendations considered resolved			Work in progress
		Implemented/ resolved	Action no longer required	Do not intend to implement	
At least one more follow-up review scheduled					
June 2012					
Report on the Rural Municipality of St. Clements	5	1 (20%)		3	1 (20%)
January 2012					
Appointment Process to Agencies, Boards, and Commissions	9	4			5
Animikii Ozoson Child and Family Services Agency	25	14	2		9
Food Safety	23	10	3	1	9
Personal Injury Protection Plan	23	16			7
Special Needs Education	19	10			9
Taxation Division, Audit Branch	1				1
Wireless Network Security	18	12			6
	118	66 (56%)	5	1	46 (39%)
May 2011					
Manitoba's Participation in Canada's Economic Action Plan	7	5 (71%)	2		
December 2010					
Managing Climate Change	15	1			14
Economic Development: Loans and Investments under <i>The Development Corporation Act</i>	15	10		1	4
Special Audit: Society for Manitobans with Disabilities	13	7		1	5
Special Audit: Rural Municipality of St. Laurent	9	9			
	52	27 (52%)		2	23 (44%)
Sub-total	182	99 (54%)	7	6	70 (38%)

Figure 6 (cont'd)

Report	Total recommendations	Recommendations considered resolved			Work in progress
		Implemented/ resolved	Action no longer required	Do not intend to implement	
No additional follow-up reviews will be scheduled					
May 2010					
Winnipeg Regional Health Authority – Administration of the Value-Added Policy	8	2 (25%)	5		1 (13%)
November/December 2009					
Public Sector Compensation Disclosure Reporting	3				3
Meeting Manitoba’s Obligations Under the 1997 Treaty Land Entitlement Framework	7	7			
Personal Care Homes Program	16	11			5
Assessment Services Branch	9	8			1
Members’ Allowances	3	3			
	38	29 (76%)			9 (24%)
December 2008					
Employment and Income Assistance Program	14	11		1	2
Monitoring Compliance with the Ambulance Services Act	3	3			
Pharmacare Program – Part 2	12	7	2		3
Compliance with Oil and Gas Legislation	8	6			2
	37	27 (73%)	2	1	7 (19%)
March 2008					
Special Audit: Rural Municipality of La Broquerie	35	24 (69%)	9	1	1 (3%)
August/October/December 2007					
Special Audit: Property Transactions in the Seven Oaks School Division	4	4			
The Province’s Management of Contaminated Sites and Landfills	77	34	1		42
Special Audit: Image Campaign for the Province of Manitoba	5	3	2		
Department of Conservation’s Management of the Environmental Livestock Program	40	33	1	2	4
Mandatory Legislative Reviews	3			1	2
	129	74 (57%)	4	3	48 (37%)
Sub-total	247	156 (63%)	20	5	66 (27%)
Grand total	429	255 (59%)	27 (6%)	11 (3%)	136 (32%)

Figure 7: Final follow-up as at May 2012 of our December 2006 report

Report	Total recommendations	Recommendations considered resolved			Work in progress
		Implemented/ resolved	Action no longer required	Do not intend to implement	
Child and Family Services Division Pre-Devolution Child in Care Processes and Practices	29	15			14

5.0 Our planned activities for 2014/15

Financial statement audits

Over the next year, we will provide the Legislature with our annual report on the results of our audits of the accounts and financial statements. We anticipate no changes to the list of financial statements that we will audit in 2014/15.

Project audits

We plan to issue our report on project audits in March 2015. We are continuing our work on the following project audits that were initiated before March 31, 2014 (not all will be completed in time to include in our 2015 report). Because many projects are initiated throughout the year, this listing does not include all the projects that will be worked on in 2014/15.

Value-for-money audits

- Manitoba Home Care Program - Manitoba Health's and Regional Health Authorities' processes for ensuring consistent quality care and financial and operational accountability
- Comptrollership Framework
- Bridge Infrastructure Management - Manitoba Infrastructure and Transportation's processes for planning, maintaining, inspecting, and reporting on bridges and related structures
- Manitoba Apprenticeship Program - Manitoba Jobs and the Economy's processes for supporting and overseeing this Program, as well as other types of employer-based training
- East Side Road Authority – Management of Community Benefit Agreements

Investigations/Citizen concerns

- Manitoba Hydro – Management of Keeyask Process Costs and Adverse Effects Agreements with First Nations
- The Province's Management of the Agreement with Pinaymootang First Nation

Information technology

- eHealth – Management of the Electronic Health Records Initiative

Attending Public Accounts Committee meetings

We will attend all scheduled meetings to which we are invited.

Follow-up of previously issued recommendations

We will conduct a follow-up of outstanding project audit recommendations as at June 2014. The report will be released in early 2015.

6.0 Financial results

Basis of reporting

We prepare our financial statements using a disclosed basis of accounting as described in Note 2 to the financial statements. Our financial statements describe how the money authorized was spent, how it compares to last year's actuals, and how actual revenue compared to estimated revenue.

Overview of 2013/14 financial results

Our bank balance at March 31, 2014 was \$29,335.

We finished the 2013/14 fiscal year \$240k under budget and returned the unspent balance to the Consolidated Fund (as required under Section 27 (4) of *The Auditor General Act*).

Salaries and benefits increased by \$737k due to fewer staff members on maternity leave, fewer vacant positions and general salary and merit increments.

Operating expenses decreased by \$454k primarily due to fewer project audits that required external consultants, a reduced need for the contracting of financial statement auditors to replace staff members on maternity leave, and reduced expenditures on computer equipment.

Management's responsibility for financial statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2014 are the responsibility of management of the Office. Management has prepared the financial statements to comply with *The Auditor General Act*. The financial statements are prepared in accordance with the basis of accounting described in the notes to the financial statements and, where appropriate, reflect management's best estimates and judgements. The financial information presented elsewhere in this report is consistent with that in the financial statements.

The Office maintains appropriate systems of internal control (including policies and procedures) which provide management with reasonable assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of the financial statements.

The financial statements have been audited by the firm of Craig & Ross Chartered Accountants, in accordance with Canadian generally accepted auditing standards. Their report to the Members of the Legislative Assembly expresses their opinion on the financial statements of the Office.



Norm Ricard, CA
Auditor General (acting)
July 11, 2014

Independent Auditors' Report and our financial statements



July 11, 2014

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of Office of the Auditor General of Manitoba, which comprise the statements of revenue and expenditures for the year ended March 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the disclosed basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the revenue and expenditures of the Office of the Auditor General of Manitoba, for the year ended March 31, 2014 in accordance with the basis of accounting described in Note 2.

A handwritten signature in dark ink, appearing to read "Craig & Ross".

Chartered Accountants

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OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Revenue

Year Ended March 31, 2014

	2014	2013
Audit fees - for financial statement audits conducted by the Office		
Audit fees (cash basis)	\$ 398,825	\$ 542,534
Prior year fee revenue received in current year	(10,717)	(28,402)
Current year fee revenue not yet received	11,436	10,717
Audit fees (accrual basis)	399,544	524,849
Contract audit fees revenue - for financial statement audits conducted by our agents (accrual basis)	501,389	412,583
Total revenue (accrual basis)	\$ 900,933	\$ 937,432
 Comparison of actual audit fees (excludes contract audit fees revenue) to voted revenue in the main estimates		
Actual - audit fees (cash basis)	\$ 398,825	\$ 542,534
Main estimate - audit fees	450,000	450,000
Variance	\$ (51,175)	\$ 92,534

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Expenditures

Year Ended March 31, 2014

	2014	2013
Expenditures per appropriation		
Salaries and benefits	\$ 5,335,603	\$ 4,600,466
Operating	<u>1,292,714</u>	<u>1,845,464</u>
Total expenditures per appropriation	6,628,317	6,445,930
Appropriation draws less (more) than recoverable expenditures	<u>16,436</u>	<u>(110,795)</u>
Total (accrual basis)	6,644,753	6,335,135
Professional fees - contract audits	<u>501,389</u>	<u>412,583</u>
Total expenditures (accrual basis)	<u>\$ 7,146,142</u>	<u>\$ 6,747,718</u>

Comparison of actual expenditures per appropriation to voted expenditures in the main estimates

Actual - Expenditures per appropriation	\$ 6,628,317	\$ 6,445,930
Main estimate - Expenditures	<u>6,869,000</u>	<u>6,582,000</u>
Variance	<u>\$ (240,683)</u>	<u>\$ (136,070)</u>

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2014

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Auditor General is appointed under The Auditor General Act (Chapter 39) as an officer of the Legislature. The Act provides for the establishment of the Office of the Auditor General of Manitoba (the "Office") and sets out the authority and powers of the Auditor General, identifies the audit services to be provided and establishes reporting responsibilities.

The Office is economically dependent on the Province of Manitoba. The annual estimates for the operations of the Office are approved by the Legislative Assembly Management Commission and are included in the Government's estimates which are voted through the Appropriation Act by the Legislative Assembly. The expenditures of the Office are reflected in the Public Accounts of the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The Auditor General Act requires an annual audit of the accounts of the Office of the Auditor General. Accordingly, these financial statements report on the accounts of the Office and reflect the following accounting policies:

Revenue

The Statement of Revenue is prepared on an accrual basis. An accrual adjustment of \$502,108 has been recorded to reflect \$10,717 of 2012/2013 audit fees deposited in 2013/2014, \$11,436 of 2013/2014 audit fees not yet deposited and \$501,389 in contract audit fee revenue. Contract audit fees are deposited directly to the Office's bank account and used to pay auditors engaged to conduct audits on behalf of the Office of the Auditor General.

Expenditures

The Statement of Expenditures is prepared on the accrual basis, except for pension, vacation, severance and overtime costs which are prepared on the cash basis. An accrual adjustment of \$517,825 has been recorded to reflect \$16,436 drawn from the appropriation less than the recoverable expenditures and \$501,389 of contract audit costs. The amount of \$501,389 of contract audit costs were incurred and recovered through fees charged to the clients.

Appendices

Appendix A - The Auditor General Act

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C.C.S.M. c. A180

The Auditor General Act

(Assented to July 6, 2001)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

PART 1 DEFINITIONS

Definitions

1 In this Act,

"department" means a department or branch of the government; (« ministère »)

"external auditor" means a professional auditor or firm of professional auditors appointed to audit the financial statements of a government organization; (« vérificateur externe »)

"government organization" means a department, government agency, fund or other organization included in the summary financial statements of the government reporting entity referred to in clause 65(1)(b) of *The Financial Administration Act*; (« organisme gouvernemental »)

"public money" means public money as defined in *The Financial Administration Act*; (« fonds publics »)

"recipient of public money" means

(a) a person, organization or other body

(i) that has received, directly or indirectly, a grant, loan or advance from the government or a government organization,

(ii) to whom the government or a government organization has transferred property for no consideration or consideration substantially less than its fair market value, or

(iii) for whom the government or a government organization has guaranteed the performance of an obligation or given an indemnity,

(b) a business entity or organization that has received a tax credit under a Manitoba law, or

(c) a business entity or organization that has issued a share, debt obligation or other security, if a person is eligible for a tax credit under a Manitoba law in respect of that acquisition or ownership of the security,

but does not include a government organization. (« bénéficiaire de fonds publics »)

S.M. 2007, c. 6, s. 100.

PART 2 AUDITOR GENERAL

Appointing the Auditor General

2(1) On the recommendation of the Standing Committee of the Assembly on Legislative Affairs, the Lieutenant Governor in Council must appoint an Auditor General of Manitoba, as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act.

Appendix A (cont'd)

Role respecting government policy objectives

2(2) Nothing in this Act is to be interpreted as entitling the Auditor General to question the merits of policy objectives of government.

S.M. 2004, c. 42, s. 97.

Appointment process

3(1) The President of the Executive Council must convene a meeting of the Standing Committee on Legislative Affairs if

- (a) the office of Auditor General is vacant;
- (b) the term of the Auditor General in office will expire within 12 months; or
- (c) the Auditor General has resigned and the resignation takes effect within 12 months.

Recommendations of committee

3(2) The Standing Committee on Legislative Affairs must consider candidates for the position of Auditor General and make recommendations to the President of the Executive Council.

Meetings of committee

3(3) To carry out its responsibilities, the Standing Committee on Legislative Affairs may meet during a session of the Legislature or during a recess after prorogation.

No other public office

3(4) The Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

S.M. 2004, c. 42, s. 97.

Term

4 The Auditor General is to hold office during good behaviour for a term of 10 years, and may be reappointed for further terms of 10 years each.

Salary

5(1) The Auditor General must be paid a salary within the range of salaries paid to senior deputy ministers in the civil service, and is entitled to the same privileges of office as a senior deputy minister.

No reduction in salary

5(2) The Auditor General's salary must not be reduced except by a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Civil Service Superannuation Act applies

6(1) The Auditor General is an employee within the meaning of *The Civil Service Superannuation Act*.

Civil Service Act does not apply

6(2) *The Civil Service Act*, except sections 42 and 43, does not apply to the Auditor General.

Suspension or removal

7(1) The Lieutenant Governor in Council may suspend or remove the Auditor General from office on a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Suspension if Assembly not sitting

7(2) When the Assembly is not sitting, the Lieutenant Governor in Council may suspend the Auditor General for cause, if advised to do so in writing by a majority of a committee consisting of the President of the Executive Council and the recognized leaders of the members belonging to the political parties in opposition. But a suspension imposed when the Assembly is not sitting may not continue beyond the end of the next sitting.

Appendix A (cont'd)

Deputy Provincial Auditor General

8(1) On the Auditor General's recommendation, the Lieutenant Governor in Council may appoint a Deputy Auditor General in accordance with *The Civil Service Act*.

Duties

8(2) If the Auditor General is absent or unable to act or if the office is vacant, the Deputy Auditor General has the powers and must carry out the responsibilities of the Auditor General.

Salary in certain cases

8(3) During any period that the Deputy Auditor General must assume the Auditor General's responsibilities for an extended period, the Lieutenant Governor in Council may direct that the Deputy be paid a salary within the same range as the Auditor General.

No other public office

8(4) The Deputy Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

PART 3

RESPONSIBILITIES OF THE AUDITOR GENERAL

AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

Audit of government accounts

9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

Audit of other public money

9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

Audit of the Public Accounts

9(3) The Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit.

Opinion about the Public Accounts

9(4) The Auditor General must express an opinion as to whether the financial statements included in the Public Accounts fairly present information in accordance with the accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year, and must set out any reservations the Auditor General might have.

Report to ministers

9(5) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly under subsection 10(1).

Advice to officials

9(6) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Annual report to Assembly

10(1) No later than December 31 in each year, the Auditor General must report to the Assembly about the examinations and audits conducted under section 9.

Appendix A (cont'd)

Content of the report

10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

- (a) required information was not provided or was not provided within a reasonable time;
- (b) accounts were not properly kept or public money was not fully accounted for;
- (c) essential records were not maintained, or the rules and procedures applied were insufficient, to
 - (i) safeguard and control public property,
 - (ii) secure an effective check on the assessment, collection and proper allocation of revenue, or
 - (iii) ensure that expenditures were made only as authorized;
- (d) public money was expended for purposes other than those for which it was appropriated by the Legislature;
- (e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Report may include recommendations

10(3) The report may include any recommendation the Auditor General wishes to make, and may draw attention to and make recommendations about any audit conducted by an external auditor under section 12.

SPECIAL REPORT TO ASSEMBLY

Special report to Assembly

11 The Auditor General may make a special report to the Assembly on any matter of pressing importance or urgency that he or she considers should not be deferred until the next annual report under section 10 is presented.

AUTHORITY OVER EXTERNAL AUDITORS

Scope of an external audit

12(1) When an external auditor is appointed to audit the financial statements of a government organization, the Auditor General may require the external auditor to give the Auditor General a description of the proposed scope of the audit before the audit is begun. The Auditor General may then require changes to be made in the scope of the audit.

Further directions

12(2) Before an external auditor issues an audit opinion on the financial statements of a government organization, the Auditor General may require the external auditor to

- (a) give the Auditor General a copy of the proposed audit opinion, the financial statements, and any recommendations arising out of the audit of the financial statements; and
- (b) conduct additional examinations relating to the financial statements.

Audit working papers

12(3) The Auditor General may require an external auditor to give the Auditor General a copy of the audit working papers.

Audit opinion

12(4) As soon as an audit is completed, an external auditor must give the Auditor General a copy of the audit opinion on the financial statements of a government organization and any recommendations arising out of the audit of the financial statements.

Reliance on external auditor's report

13 In order to fulfil his or her responsibilities as the auditor of the government's accounts, the Auditor General may rely on the report of an external auditor of a government organization or of a subsidiary of a government organization.

Appendix A (cont'd)

AUDIT OF OPERATIONS

Audit of operations

14(1) In carrying out his or her responsibilities under this Act, the Auditor General may examine and audit the operations of a government organization with regard to any of the following matters:

- (a) whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;
- (b) whether public money has been expended with proper regard for economy and efficiency;
- (c) whether the Assembly has been provided with appropriate accountability information;
- (d) whether the form and content of financial information documents is adequate and suitable.

Report to ministers

14(2) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly.

Report to officials

14(3) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Report to Assembly

14(4) The Auditor General must report to the Assembly annually on the work carried out under this section, and may bring to the Assembly's attention anything he or she considers necessary, including recommendations.

AUDIT OF RECIPIENT OF PUBLIC MONEY

Audit of recipient of public money

15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

No obstruction

15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

Offence

15(3) A person who contravenes subsection (2) is guilty of an offence and is liable on summary conviction to a fine of not more than \$10,000.

Reliance on report of other auditor

15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

SPECIAL AUDIT ON REQUEST

Special audit on request

16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

Appendix A (cont'd)

Report

16(2) The Auditor General must report the findings of an audit under this section to the person or body that requested the audit and to the minister responsible for any government organization concerned.

Report submitted to the Assembly

16(3) The Auditor General may submit a report of an audit under this section to the Assembly if it is in the public interest to do so, but must allow at least 14 days for the minister responsible for the government organization and the Minister of Finance to review and comment on the report before finalizing it for submission to the Assembly.

JOINT AUDIT

Joint audit

17 With respect to public money that is spent jointly, the Auditor General may undertake a joint audit with the Auditor General of Canada, an Auditor General or Provincial Auditor of another province or territory, or an auditor of a municipality.

PART 4

POWERS OF THE AUDITOR GENERAL

Access to records

18(1) Despite any other Act, the Auditor General is entitled to access at all reasonable times to the records of any government organization that are necessary for the purpose of this Act.

Access to information

18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

- (a) any person in the public service or formerly in the public service;
- (b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or
- (c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this Act.

No access to Cabinet confidences

18(3) Despite subsections (1) and (2), the Auditor General shall not have access to information described in subsection 19(1) of *The Freedom of Information and Protection of Privacy Act*, except in the circumstances mentioned in subsection 19(2) of that Act.

Part V of Evidence Act powers

19 The Auditor General or his or her delegate may examine any person on oath on any matter that the Auditor General considers relevant to an examination and audit under this Act, and for that purpose the Auditor General or delegate has the powers of a commissioner appointed under Part V of *The Manitoba Evidence Act*.

Staff in government organizations

20 To carry out responsibilities under this Act more effectively, the Auditor General may place a person or persons employed under the Auditor General in any government organization, and the organization must provide the necessary office accommodation.

Security requirements

21 The Auditor General must ensure that every person employed under the Auditor General who is to examine records of a government organization complies with any security requirements applicable to persons employed in that organization.

Appendix A (cont'd)

**PART 5
GENERAL PROVISIONS**

STAFF AND OFFICE OF THE AUDITOR GENERAL

Staff appointed under Civil Service Act

22(1) Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*.

Civil Service Superannuation Act applies

22(2) Officers and employees of the Auditor General, including the Deputy Auditor General, are employees within the meaning of *The Civil Service Superannuation Act*.

Office of the Auditor General

23 The Auditor General is responsible for the internal operations of his or her office and for the persons employed under the Auditor General. For those purposes, the Auditor General may

- (a) establish office policies and procedures consistent with practices followed by the government;
- (b) charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council;
- (c) delegate to any person employed under the Auditor General any responsibility or power that the Auditor General has under this Act, other than the responsibility to report to the Assembly;
- (d) maintain an independent bank account; and
- (e) contract for professional services.

CONFIDENTIALITY

Confidentiality

24(1) The Auditor General and everyone employed under the Auditor General shall preserve secrecy concerning all matters that come to their knowledge in the course of their work under this Act, and shall not communicate those matters to any person unless required to do so in connection with the proper administration of this Act or a proceeding under this Act, or in a court of law.

Exception

24(2) Nothing in subsection (1) limits the Auditor General's right to report under this Act on the conclusions of an examination or audit.

Working papers confidential

25 The working papers relating to an examination or audit by the Auditor General or a person employed under the Auditor General are confidential and must not be laid before the Assembly or any committee of the Assembly.

ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

Annual audit of Auditor General's office

26(1) Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare a report. The Commission may also direct the auditor to conduct an audit respecting any of the matters listed in subsection 14(1).

Annual report

26(2) Before August 1 each year, the Auditor General must report to the Assembly on the operations of his or her office. The report must include

- (a) information on the performance of the office; and
- (b) the report on the annual audit under subsection (1).

Appendix A (cont'd)

ESTIMATES

Estimates

27(1) The Auditor General shall present annually to the Legislative Assembly Management Commission estimates of the amount of money that will be required for the purpose of this Act.

Special report

27(2) The Auditor General may make a special report to the Assembly if he or she thinks that the amount of money provided in the estimates submitted to the Legislature is inadequate.

Money

27(3) The money required for the purpose of this Act is to be paid out of the Consolidated Fund from money authorized by an Act of the Legislature.

Unexpended money to be paid into Consolidated Fund

27(4) All money which has been authorized by an Act of the Legislature to be paid and applied for the purposes of this Act that remains unexpended at the end of the fiscal year must be paid to the Minister of Finance and becomes part of the Consolidated Fund.

TABLING REPORTS IN THE ASSEMBLY

Tabling reports in the Assembly

28(1) When making a report to the Assembly under this Act, the Auditor General must submit the report to the Speaker. The Speaker must lay a copy of it before the Assembly within 15 days after receiving it if the Assembly is sitting or, if it is not, within 15 days after the beginning of the next sitting.

Distribution to members of the Assembly

28(2) On receiving a report under this Act, the Speaker must direct that copies be sent to the members of the Assembly.

Referral to Public Accounts Committee

28(3) A report to the Assembly under this Act stands referred to the Standing Committee on Public Accounts.

PROTECTION FROM LIABILITY

Protection from liability

29 No proceeding may be instituted against the Auditor General, the Deputy Auditor General, or any person employed under the Auditor General,

(a) for any act done in good faith in the performance or intended performance of a duty or in the exercise or intended exercise of a power under this or any other Act or regulation; or

(b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

Transitional

30 *The Provincial Auditor appointed under **The Provincial Auditor's Act** continues in office as the Auditor General under this Act as if appointed under this Act for a term that expires on the day the appointment under **The Provincial Auditor's Act** would expire.*

31 **NOTE: The Schedule referred to in this section contained consequential amendments to other Acts that are now included in those Acts.**

Appendix A (cont'd)

Repeal

32 *The Provincial Auditor's Act*, R.S.M. 1987, c. P145, is repealed.

C.C.S.M. reference

33 This Act may be referred to as chapter A180 of the *Continuing Consolidation of the Statutes of Manitoba*.

Coming into force

34 This Act comes into force on a day fixed by proclamation.

NOTE: S.M. 2001, c. 39 came into force by proclamation on May 1, 2002.

Appendix B - Listing of financial statement audits

Financial statement audits conducted by the Auditor General's Office

Organizations within the government reporting entity

Summary Financial Statements
The Funeral Board
Cooperative Promotion Board
Manitoba Gaming Control Commission
Manitoba Health Services Insurance Plan
Public Schools Finance Board
Special Operating Agencies Financing Authority
University of Manitoba
University of Winnipeg
University of Winnipeg Collegiate

Organizations outside the government reporting entity

Civil Service Superannuation Fund
Legislative Assembly Pension Plan
Public Service Group Insurance Fund
Teachers' Retirement Allowances Fund
University of Manitoba Pension Plans (2)
Winnipeg Child and Family Services Employee Benefits Retirement Plan

Financial statement audits conducted by the Auditor General's Office under an agency agreement with a private sector accounting firm

Organizations within the government reporting entity

Brandon University
Council on Post-Secondary Education
Economic Innovation and Technology Council
Helen Betty Osborne Memorial Foundation
Leaf Rapids Town Properties Ltd.
Legal Aid Manitoba
Manitoba Agricultural Services Corporation
Manitoba Centennial Centre Corporation
Manitoba Habitat Heritage Corporation
Manitoba Horse Racing Commission
Manitoba Housing and Renewal Corporation
Manitoba Text Book Bureau
Manitoba Water Services Board
Organization and Staff Development

Appendix B (cont'd)

Public Trustee
University College of the North

Organizations outside the government reporting entity

Brandon University Retirement Plan
Northern Affairs Fund

Financial statement audits conducted by private sector accounting firms with overviews performed by the Office of the Auditor General

Crown organizations

Addictions Foundation of Manitoba
Assiniboine Community College
Cancer Care Manitoba
Le Centre culturel franco-manitobain
Collège universitaire de Saint-Boniface
Communities Economic Development Fund
Crown Corporations Council
Diagnostic Services of Manitoba Inc.
First Nations of Northern Manitoba Child & Family Services Authority
First Nations of Southern Manitoba Child & Family Services Authority
General Child and Family Services Authority
Insurance Council of Manitoba
Manitoba Arts Council
Manitoba Combative Sports Commission
Manitoba Cattle Enhancement Council
Manitoba Development Corporation
Manitoba Film and Sound Recording Development Corporation
Manitoba Floodway Authority
Manitoba Hazardous Waste Management Corporation
Manitoba Health Research Council
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation
Métis Child and Family Services Authority
Red River College
5 Regional Health Authorities and 33 other health entities
Rehabilitation Centre for Children Inc.
38 School Divisions
Sport Manitoba Inc.
Taking Charge!
Travel Manitoba
Venture Manitoba Tours Ltd.

Appendix B (cont'd)

Government enterprises

Deposit Guarantee Corporation of Manitoba
Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board of Manitoba

Special operating agencies

Civil Legal Services Agency
Companies Office
Crown Lands and Property Agency
Vehicle and Equipment Management Agency
Green Manitoba Eco Solutions
Food Development Centre
Industrial Technology Centre
Manitoba Education Research and Learning Information Networks (MERLIN)
Manitoba Securities Commission
Materials Distribution Agency
Office of the Fire Commissioner
Pineland Forest Nursery
Property Registry
Vital Statistics Agency

Auditor General

Carol Bellringer (retired March 31, 2014)
Norm Ricard (acting)

Assistant Auditor Generals

Sandra Cohen
Greg MacBeth
Tyson Shtykalo
Brian Wirth

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