

# OPERATIONS OF THE OFFICE

For the year ended March 31, 2018



Auditor General  
MANITOBA





July 2018

The Honourable Myrna Driedger  
Speaker of the House  
Room 244, Legislative Building  
450 Broadway  
Winnipeg, Manitoba R3C 0V8

Honourable Ms. Driedger:

I am pleased to present my report titled: *Operations of the Office for the year ended March 31, 2018*, to be laid before the Legislative Assembly in accordance with Sections 26(2) and 28 of *The Auditor General Act*.

Respectfully submitted,

**Original Signed by Norman Ricard**

Norm Ricard, CPA, CA  
Auditor General



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## Message from the Auditor General

I am pleased to have this opportunity to reflect on the accomplishments of the Office over the past year.

Every year we conduct the audit of the Public Accounts, a significant undertaking involving approximately 12,000 hours of work. We also issued audit opinions on another 26 entities.

Over the past year we also issued 3 project audit reports, and started or continued working on another 13 projects.

In 2017/18 we initiated 2 key functions within the

Office, communications and human resources management. Creating a communications function within the Office reflects the importance we place on ensuring the value of our work and the messages contained in our reports are well understood by those we audit, but also, and perhaps most importantly, by the members of the Legislative Assembly, the media and the public at large. It also reflects my commitment to ensuring all staff members are well-informed of Office-wide initiatives and accomplishments, and have many opportunities and ways to share their perspectives, ideas and concerns with me and my executive team.

Bringing a human resources management function in-house, while part of a key initiative to strengthen the Office's independence from Government and its organizations, is also critical for ensuring a concerted focus is placed on succession planning, performance management, professional development, effective recruitment practices and strong retention practices. All are critical aspects to ensuring a thriving and

well-performing professional services organization. While both functions have only been in place for a few short months, I am already seeing significant benefits to the Office.

Unfortunately, progress in drafting amendments to the Auditor General Act aimed at providing the Office with independence from the Civil Service Commission, as well as other desired enhancements, has not progressed as quickly as I had hoped. I continue to work with Legislative Council in an effort to ensure any concerns with proposed enhancements can be properly resolved in time to make tabling of the proposed amendments possible during the spring 2019 session.

During the year we began a culture initiative. Ensuring our Office culture supports our vision and values is a key enabler in helping us achieve our strategic priorities with the highest quality results. Through this Office-wide initiative, a new vision statement emerged:

**VALUED FOR POSITIVELY INFLUENCING PUBLIC SECTOR PERFORMANCE THROUGH IMPACTFUL AUDIT WORK AND REPORTS.**

Our new vision statement captures our collective dedication to ensuring our audits add value to the Legislative Assembly's efforts at ensuring resources are properly accounted for, and that public monies are spent with due regard to value-for-money. Our vision statement will serve as an aspirational beacon as we update Office plans and develop future initiatives.

I would like to take this opportunity to thank all of my staff for their outstanding work, their dedication to serving the citizens of Manitoba and for their relentless pursuit of opportunities to strengthen Manitoba's public sector.

**Original Signed by Norman Ricard**

## Our Team



### FRONT ROW

Nicole San Juan, Yuki Diaz, Jay Shyiak,  
Norm Ricard, Tyson Shtykalo,  
Greg MacBeth, Adam Muirhead,  
Emelia Grobler

### SECOND ROW

Melissa Emslie, Joana Tubo, Lorna Smith,  
Gene Edwards, Tara MacKay,  
Danielle LeGras, Maria Capozzi,  
Grace Medina, Susan Hay, Arlene Nebrida

### THIRD ROW

Tiffany Locken, James Wright,  
Larry Lewarton, Bryden Boyechko,  
Frank Landry, Jo Johnson, Phil Torchia,  
Natalie Bessette-Asumadu,  
Christina Beyene, Jacqueline Ngai

### FOURTH ROW

Ryan Riddell, Ben Janzen, Ganesh Sharma,  
Wade Bo-Maguire, Omoniyi Fabarebo,  
Dallas Muir, Shane Charron,  
Nanditha Murugesan, Erika Thomas

### BACK ROW

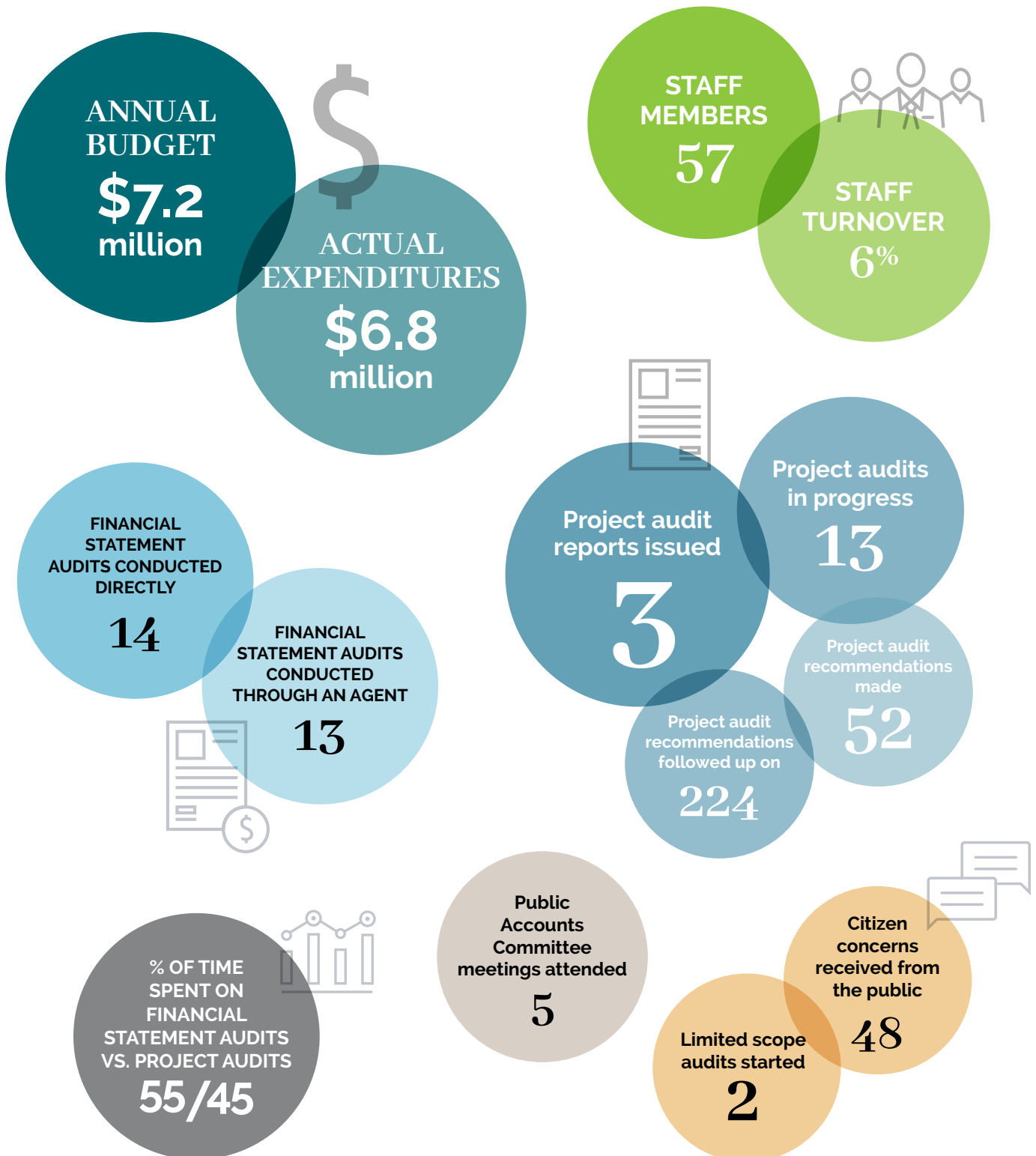
Chris Nowell, Graham Hickman, Dave Storm,  
Jim Stephen, Larry Obelnicki, Jon Stoesz

### MISSING

Sandra Cohen, Jomay Amora,  
Melanie Torre-Cabacungan, Brittany Hilton,  
Kelsey Wainwright, Grant Voakes,  
Reema Sohal, Bohyun Seo,  
Brendan Thiessen, Jeff Gilbert, Ken Nero,  
Bob Ivison

Team and Auditor General photo credit:  
Douglas Little Photography

## The year at a glance





Website Version

# 1. Our mandate

*The Auditor General Act* (Act) establishes the Auditor General "as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act." 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 (see **SECTION 9** of the Act).
- Project audits, including special audits on request (see **SECTIONS 14, 15, 16** of the Act).

Section 2(2) of the Act indicates that, when conducting 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 2017/18 we conducted financial statement audits for 20 entities within the Government Reporting Entity (13 because their Acts specify that the Auditor General is the auditor of the organization). All other public sector entities within the Government Reporting Entity are audited by external audit firms.

Although not part of the Government Reporting Entity, we also audit 5 pension plans and 2 other organizations. The Acts for 3 of these pension plans, and both other organizations, appoint the Office as their auditor.

See **APPENDIX B** for a listing of financial statement audits conducted by us and **SECTION 5** for a more detailed discussion of the financial statement audit service line.

The **Government Reporting Entity** includes all funds, organizations, and business enterprises controlled by the government. These entities are listed in the Province's Public Accounts Volume 1.

## Project audits

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

- Operations of a government organization (see **SECTION 14** of the Act).
- Use of public money by recipients of public money (see **SECTION 15** of the Act).

The term **project audit** includes the following types of audits:

- **Performance**
- **Investigations (including special audits)**
- **Information technology**
- **Governance**

Project audits are designed to examine 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 financial magnitude, impact of the subject matter on Manitobans, and public interest.

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** of 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. Section 16 further states that "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."

See **SECTION 5** for a more detailed discussion of the project audit service line.

## 2. What we strive to achieve

In 2017-18, we undertook an office-wide initiative to update our vision. The Executive Management Team subsequently reviewed and updated the Office mission statement. The updated vision and mission statements are below.

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### Our vision

 Valued for positively influencing public sector performance through impactful audit work and reports.

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### Our mission

 To focus our attention on areas of strategic importance to the Legislative Assembly, and to provide Members of the Legislative Assembly with reliable and efficient audits.

Our mission includes easy-to-understand audit reports that incorporate discussions of good practices within audited entities, and recommendations that, when implemented, will have a significant impact on the performance of government.



## Our outputs



Our outputs include:

- Project audit reports to the Legislative Assembly that identify good practices as well as significant deficiencies, and that include recommendations on improvements needed to administrative practices.
- Audit opinions on financial statements of select entities, including the public accounts of the province.
- Management letters issued to management and those charged with governance (pursuant to our financial statement audits) which contain recommendations to improve internal controls and other management systems.

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## Our outcomes



In providing quality services and products to the Legislative Assembly that are focused on areas of strategic importance, we believe we are contributing toward the following desired outcomes:

1. High-performing government organizations.
2. Performance and accountability reports from government organizations that are meaningful and user-friendly.
3. A well-informed Public Accounts Committee that endorses our recommendations and effectively oversees the implementation status of our recommendations. In doing so, the Committee ensures that administrative and performance issues discussed in our reports are properly resolved.

## Strategic priorities



To support the realization of our vision and mission, we manage risks (see **SECTION 4**), and have the following strategic priorities:

### Ensuring relevance of audit work

1. Focus the Office's project audit resources on projects that are of strategic significance to the Legislative Assembly and that demonstrate a broad coverage of government organizations.
2. Focus the Office's financial statement audit resources on:
  - a. Entities that are of strategic significance to the Legislative Assembly.
  - b. More detailed reviews/audits of select processes/systems within entities we audit, and those that we do not (work in addition to external auditor reliance reviews).
3. Allocate staff resources between financial services audit work and project audit work in a manner that maximizes value provided to the Assembly.

### Supporting the work of the Public Accounts Committee

4. Support the Public Accounts Committee in its efforts to improve the performance of government organizations.

### Strengthening office operations

5. Manage our internal business efficiently, effectively and economically.
6. Ensure staff are engaged and satisfied with their work experience.
7. Ensure the Office is independent from government.

### Ensuring the quality of our audit work

8. Develop and maintain strong quality assurance practices for all products produced by the Office.
9. Develop professional practices that ensure compliance with applicable professional standards and to the extent possible harmonize with the practices of Office of the Auditor General of Canada.

### Providing French language services

10. Ensure we meet the commitments noted in our French Language Services Plan.



### 3. How we carry out our work

To be effective the Office must manage its affairs in an appropriate manner.

In this section we discuss our:

- Values
- Office structure
- Reporting obligations
- Budget and expenditure management practices
- Human resource management practices
- Information technology
- Security (information and physical)
- Professional practices and quality assurance
- Communications
- Public Interest Disclosure Act

#### Values

In 2017-18, we undertook an office-wide initiative to update our vision and values. We are now in the process of developing a plan to ensure our practices and procedures support and encourage the behaviours embedded in our values. The following are our updated values (see **SECTION 2** for our updated vision):

**Accountability** – As an organization and as individuals, we hold ourselves fully responsible for our actions and for meeting our goals and commitments.

**Integrity** – As an organization, we ensure our outputs are objective and unbiased. As individuals, we do what we say we are going to do.

**Trust** – As an organization, we maintain confidentiality and present report findings with proper context and sensitivity. As individuals, we are honest, respectful and caring. We treat everyone fairly. We have a positive outlook and attitude toward each team member's strengths and weaknesses.

**Collaboration** – We are stronger and more productive by working together and sharing knowledge, ideas and solutions.

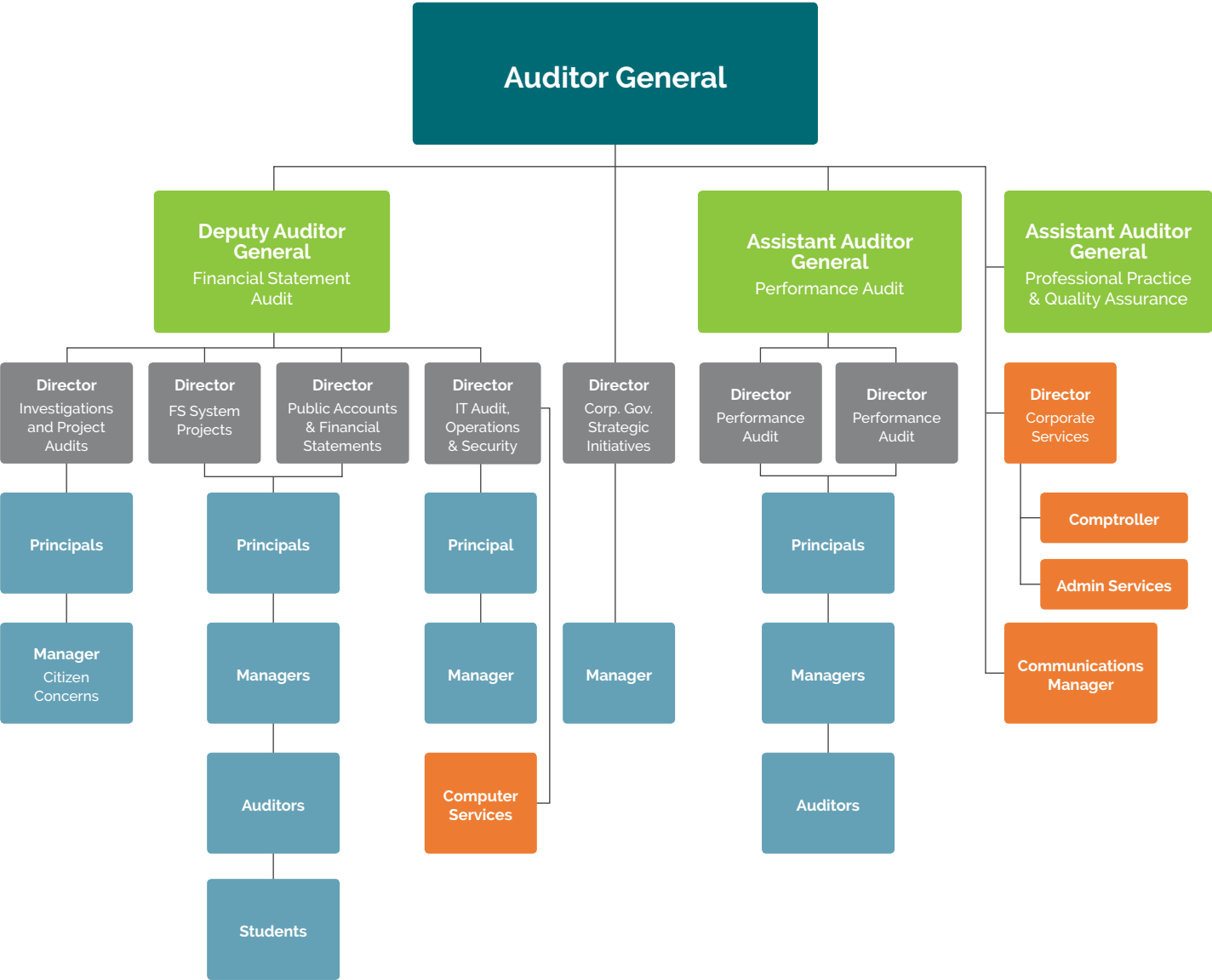
**Innovation** – As an organization, we promote creativity and innovation to drive continuous improvement. As individuals, in order to reach new heights, we strive to be creative and challenge conventional views. We display a positive outlook and attitude in how we approach the various challenges or problems we must deal with.

**Growth** – As an organization, we understand the value of our people and the importance of coaching, professional development, leadership and providing opportunities for career growth. As individuals, we take pride and responsibility to continuously learn and grow new skills, seek out new and improved ways of performing our activities and maintain ownership of our careers.

Office structure

In December 2016 a new organization structure was adopted (see **FIGURE 1**). We continue to work toward full implementation. See **SECTION 6** – strategic priority 5, for more information.

**FIGURE 1: ORGANIZATION CHART AS AT MARCH 31, 2018**



## Reporting obligations

The most publicly visible aspect of how we conduct our work is the release of our reports. Several sections of *The Auditor General 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."

**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(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.

**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 referred to the Public Accounts Committee (the 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).

## 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*, the money required by the Office is paid out of the Consolidated Fund through the appropriation for the Legislative Assembly. Annually, the Auditor General presents to the Commission an estimate of the money required 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 financial information presented in **SECTION 9** of this report and the Public Accounts of the Province.

## Human resource management practices

The Legislative Assembly Management Commission approves the number of staff resources assigned to the Office, currently set at 57 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 as well as their classification and compensation rules are imposed on our Office. As such, the Civil Service Commission oversees our hiring efforts and the classification of our positions and related compensation decisions (see **SECTION 4** for further discussion on independence from government).

In February 2018, we hired the Director of Corporate Services. The Director is the Office's point person for all interactions with the Civil Service Commission and is responsible for implementing appropriate human resource management practices within the Office. See **SECTION 6**, strategic priority 5, for key initiatives related to this position that are underway.

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 our Principals (considered senior management) who are not Chartered Professional Accountants with the legacy designation of Chartered Accountants (i.e. CPA, CMA and CPA, CGA) are also represented by the Union. All other positions in the Office, including Principals who are CPA, CAs, 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 and have implemented a performance management system that focuses, for each position, on standardized performance objectives and core competencies.

## Information technology

The Office operates its own computer network. Three staff members ensure this network operates reliably and securely, that our various software tools are regularly updated and supported, and that our hardware functions properly and is renewed at appropriate intervals.

## Security (information and physical)

We take very seriously the need to properly protect from unauthorized access our audit files and the information we obtain from the organizations we audit. As such, our information and physical security practices are continuously reviewed. Key aspects of our layered security program include:

- **IT policies, standards and guidelines.**
- **Physical security controls such as multi-factor authentication locks and security cameras.**
- **Restricted access to information (based on need-to-know).**
- **Logical access controls (i.e. encryption, passwords).**
- **Remote access authentication mechanisms.**
- **Secure removal of data residing on devices.**
- **Program, data and infrastructure change management.**

## Professional practices and quality assurance

The Office periodically reviews and updates its audit methodologies for financial statement audits, performance audits, and investigations to ensure they are consistent with professional standards. Our staff are provided with audit manuals and electronic file templates to guide them in conducting audits.

The Office's quality control program includes:

- **Recruiting and retaining staff who are qualified and supporting the continuous update of their professional skills.**
- **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.**
- **Peer reviews of audit files conducted, or overseen, by the Assistant Auditor General, Professional Practice and Quality Assurance. In addition we participate in peer reviews available through the Canadian Council of Legislative Auditors (CCOLA) and CPA Manitoba.**

## Communications

Effective, coordinated and strategic communication is important in carrying out the work of the Office. The new position of Communications Manager was filled in June 2017. The Communications Manager's initial priorities included developing external and internal communications plans and updating the Office's visual identity. This Operations Report is the Office's first external publication to feature the new logo and design elements. The Office is expected to launch social media accounts in 2018/19, and begin work developing a new external website. Utilizing social media and updating the website will enhance the Office's ability to strategically communicate key findings, and connect with stakeholders. See **SECTION 6**, strategic priority 5, for other key initiatives related to this position that are underway.

## Public Interest Disclosure Act

*The Public Interest Disclosure (Whistleblower Protection) Act (PIDA)* is one avenue for employees to disclose concerns about significant and serious wrongdoing within the workplace. Our Office has identified a Designated Officer for employee disclosures under PIDA.

In the past fiscal year, the Office received no disclosures under PIDA nor were any disclosures made to the Ombudsman regarding our office. No other types of complaints or allegations were received.



## 4. The risks we must manage

We have identified 4 potential risks that could disrupt our ability to achieve our vision. These risks are:

1. Not being independent from government and its organizations.
2. Audit opinions and conclusions not being reliable.
3. Audit work not being relevant.
4. Staff not having the required knowledge, skills and abilities.

### 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. This was discussed at length in our reports to the Legislative

Assembly on the *Operations of the Office* for the years ending March 31, 2014, 2015, 2016 and 2017.

The Minister of Justice's May 2016 mandate letter included the following objective:

*Allow the Auditor General to hire auditors independently, as requested by the Auditor General.*

As a result, we continue to work with Legislative Council to craft the necessary amendments to *The Auditor General Act*. We have also engaged our own independent legal counsel to review and comment on any proposed amendments to further help ensure the Office and the Legislative Assembly will be well served by the amended Act (see **SECTION 6** – strategic priority 7, and with respect to our hiring of a Director of Corporate Services, see strategic priority 5).

## Reliable audit opinions and conclusions

Our opinions and conclusions are reliable when they are based on sufficient appropriate audit evidence and sound professional judgments. Audit opinions and conclusions that are not reliable (meaning they are incorrect or inaccurate) can result in users making inappropriate decisions. We manage this risk by maintaining up-to-date methodology and by having a strong quality control program (see **SECTION 6** – strategic priorities 6, 8 and 9).

## Relevance of audit work

For our work to benefit the Manitoba Legislature, our reports must be meaningful to the Members of the Legislative Assembly (MLAs) and to the public. We manage this risk by ensuring our audits deal with significant public sector issues and by communicating the results clearly (see **SECTION 6** – strategic priorities 1 and 2).

## Knowledge, skills and abilities of our staff

The quality of our work depends on the knowledge, skills and abilities of our staff. We manage this risk by recruiting and retaining qualified professionals, investing in professional development, and providing 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 are Chartered Professional Accountants (CPAs). Other certifications held by some of our audit staff are: Master in Public Administration, Certified Government Auditing Professional, Certified Internal Auditor, Diploma in Investigative and Forensic Accounting, Certified Fraud Examiner, Certified Information Systems Security Professional, Certified Information System Auditor, Global Security Essentials Certification, Certified Information Security Manager, Associate Business Continuity Professional and Project Management Professional (see **SECTION 6** – strategic priorities 5 and 6).



## 5. The audit work we delivered in 2017/18

The primary services we deliver are financial statement audits and project audits, which are explained below. In this section we also discuss the work we do in relation to our citizen concern line, and when concerns are received from Members of the Legislative Assembly.

### Financial statement audits

Strong financial stewardship by government organizations is critical. We support effective financial accountability through our annual audits of the financial statements and other financial information of government organizations and the Public Accounts of the Province.

Our financial statement audits are conducted either by Office staff or by contracted external audit firms acting as our agents.

In 2017-18, the Office completed the following number of work products:

| Work product                                                                                                | In 2017/18 conducted by |       |       | Total<br>16/17 |
|-------------------------------------------------------------------------------------------------------------|-------------------------|-------|-------|----------------|
|                                                                                                             | Office                  | Agent | Total |                |
| Financial statement audit opinions – organizations within the Government Reporting Entity (see APPENDIX B)  | 9                       | 11    | 20    | 20             |
| Reviews of audits conducted by external audit firms – organizations within the Government Reporting Entity  | 8                       | –     | 8     | 8              |
| External auditor communications                                                                             | 133                     | –     | 133   | 134            |
| Financial statement audit opinions – organizations outside the government reporting entity (see APPENDIX B) | 5                       | 2     | 7     | 7              |
| Compliance opinions                                                                                         | 1                       | 1     | 2     | 2              |
| New management letter recommendations                                                                       | 40                      | 6     | 46    | 23             |
| Follow-up of previous years' management letter recommendations                                              | 72                      | 30    | 102   | 103            |
| Audit opinions on other financial information (including public sector compensation disclosures)            | 9                       | 10    | 19    | 22             |

In September 2017, we issued our audit opinion on the Province's Summary Financial Statements for the year ended March 31, 2017. We stated that the Summary Financial Statements presented fairly, in all material respects, the Province's financial position and results of operations and cash flow in accordance with Canadian public sector accounting standards.

In 2017/18, we issued 20 auditor's reports on financial statements within the Government Reporting Entity, 9 where we performed the work directly, and 11 where we engaged an external audit firm as our agent. Six of the 20 organizations had expenses greater than \$250 million (see **FIGURE 2**).

In conducting our Summary Financial Statements audit we are involved in varying degrees with the audits of every entity in the Government Reporting Entity. When our Office is not the auditor of an entity, we either conduct overviews or limited procedures on the audits performed by an external auditor.

- We performed overviews of 8 audits conducted by external audit firms. The overviews were conducted on the audits of 4 government business entities (Manitoba Hydro, Manitoba Public Insurance, Manitoba Liquor & Lotteries, the Workers Compensation Board of Manitoba), 2 regional health authorities and 2 school divisions. We communicated with each external auditor and informed them that we planned to use their audit work as part of our

audit evidence in forming our opinion on the Summary Financial Statements. We reviewed the external audit firms' risk assessments, audit plans and audit approaches. At the end of the audits, we reviewed the audit files and obtained the financial statements, auditors report, summary of unadjusted errors and the management letter. We also attended audit committee meetings at the planning and finalization stages of the audits.

- We performed limited procedures on audits of 133 entities in the Government Reporting Entity that were performed by external audit firms. We communicated with each external auditor and informed them that we planned to use their audit work as part of our audit evidence in forming our audit opinion on the Summary Financial Statements. For these entities, we obtained the financial statements and audit opinions. As needed, we worked with the external auditors if there were specific issues with the entity or sector.

We also conducted 7 audits of entities that were not directly related to our work on the Summary Financial Statements. These entities are not in the Government Reporting Entity. We conducted 5 of these audits (including 3 pension plans) because an Act or Regulation requires us to perform the audit. The other 2 audits were associated with entities where we are appointed auditors by an Act. As noted in **SECTION 6**,

we are working to identify which financial statement audits we should conduct because of their strategic importance to the Legislative Assembly. One consideration will be whether entities that are not in the Government Reporting Entity are of strategic importance to the Legislative Assembly.

At the end of each of our financial statement audits, we may issue a management letter to senior management and those charged with governance. A management letter contains recommendations to improve internal controls, or other management systems. In 2017/18, we issued 46 new recommendations and followed up on 102 recommendations from prior years. We consider our management letter recommendations when identifying issues that should be brought to the attention of the Assembly.

We issued 19 audit opinions on other financial information such as public sector compensation and schedules supporting claims. This has decreased from the prior year because we have begun the process of declining audits that we do not believe are of strategic importance to the Legislative Assembly. These actions will free up some of our financial statement audit resources for more strategic assignments.

## Project audits

Project audits consist of performance audits, investigations (including special audits), information technology audits, and governance audits and reviews. In 2017/18, we continued with the on-going refinement of the project audit identification and selection process (see **SECTION 6** – strategic priority 1).

## Performance audits

A performance audit is an independent, objective and systematic assessment of how well government is managing its activities, responsibilities and resources. Performance audits contribute to a public service that is effective and a government that is accountable to the Legislative Assembly and Manitobans.

Performance audits do not question the merits of government policies. Rather they examine the government's management practices, controls, and reporting systems based on its own public administration policies and on best practices. Some of our performance 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.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and Office policies. They are conducted by qualified auditors who:

- Establish audit objectives and criteria for the assessment of performance.
- Gather the evidence necessary to assess performance against the criteria.
- Report both positive and negative findings.
- Conclude against the established audit objectives.
- Make recommendations for improvement when there are significant differences between criteria and assessed performance.

## 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. Our experienced forensic accountants find out what happened and why, and then recommend how to avoid similar situations.

Our forensic accountants will typically also conduct any requested Section 16 Special Audits that the Auditor General agrees to conduct as these audits tend to be allegation based.

## 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 Control Objectives for Information and Related Technologies (COBIT) framework and the International Organization for Standardization (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 to support audit effectiveness and efficiency.

In 2017/18 we continued training 3 financial statement auditors to specialize in conducting information technology general control reviews.

## 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 performance 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.

## Project audit reports

The following project audit reports have been issued since 2009:

| Date           | Audit reports                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 2017   | Managing Climate Change                                                                                                                                                                                                                                                                                                                                                                            |
| July 2017      | Management of Manitoba's Apprenticeship Program                                                                                                                                                                                                                                                                                                                                                    |
| April 2017     | Management of MRI Services                                                                                                                                                                                                                                                                                                                                                                         |
| September 2016 | East Side Road Authority – Community Benefits Agreements<br>Public Interest Disclosure Investigation at the Manitoba East Side Road Authority<br>Manitoba Hydro – Keeyask Process Costs and Adverse Effects Agreements with First Nations                                                                                                                                                          |
| July 2016      | Management of Provincial Bridges                                                                                                                                                                                                                                                                                                                                                                   |
| January 2016   | Improving Educational Outcomes for Kindergarten to Grade 12 Aboriginal Students                                                                                                                                                                                                                                                                                                                    |
| July 2015      | Manitoba Home Care Program<br>Winnipeg Regional Health Authority's Management of Risks Associated with End-user Devices                                                                                                                                                                                                                                                                            |
| March 2014     | Helicopter Ambulance Program<br>Lake Manitoba Financial Assistance program: Parts C and D<br>Managing the Province's Adult Offenders<br>Manitoba's Framework for an Ethical Environment<br>Manitoba Hydro – Managing Cyber Security Risks Related to Industrial Control Systems<br>Northern Airports and Marine Operations (special audit)<br>Waiving of Competitive Bids (cross-government audit) |

| Date           | Audit reports                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| August 2013    | Rural Municipality of Lac du Bonnet                                                                                                                                                                                                                                                                                                                                                                                              |
| January 2013   | Information Technology Security Management<br>Manitoba Early Learning and Child Care Program<br>Manitoba eHealth Procurement of Contractors<br>Office of the Fire Commissioner (special audit)<br>Provincial Nominee Program for Business<br>Senior Management Expense Policies (cross-government audit)                                                                                                                         |
| June 2012      | Rural Municipality of St. Clements                                                                                                                                                                                                                                                                                                                                                                                               |
| January 2012   | Appointment Process to Agencies, Boards and Commissions<br>Animikii Ozoson Child and Family Services Agency<br>Food Safety<br>Personal Injury Protection Plan (Manitoba Public Insurance)<br>Special Needs Education (Department of Education)<br>Taxation Division, Audit Branch (Department of Finance)<br>Wireless Network Security (Winnipeg Regional Health Authority and Manitoba eHealth; Manitoba Lotteries Corporation) |
| May 2011       | Manitoba's Participation in Canada's Economic Action Plan                                                                                                                                                                                                                                                                                                                                                                        |
| December 2010  | Managing Climate Change<br>Economic Development: Loans and Investments under The Development Corporation Act<br>Society for Manitobans with Disabilities<br>Rural Municipality of St. Laurent                                                                                                                                                                                                                                    |
| May 2010       | WRHA—Administration of the Value-Added Policy                                                                                                                                                                                                                                                                                                                                                                                    |
| November 2009  | Meeting Manitoba's Obligations Under the 1997 Treaty Land Entitlement Framework Agreement<br>Personal Care Homes Program<br>Assessment Services Branch<br>Members' Allowances                                                                                                                                                                                                                                                    |
| September 2009 | Study of Board Governance in Crown Organizations                                                                                                                                                                                                                                                                                                                                                                                 |

## Collaborative report on climate change

In 2017/18, the Office participated in a national collaborative audit on climate change. This was the first time Canada's auditors general collaborated on a report of this scale.

The findings were summarized in the report, *Perspectives on Climate Change Action in Canada: A Collaborative Report from Auditors General*, which was tabled in the House of Commons in March.

The report provided an overview of audit work released over the previous 18 months by the auditors general of most provinces, including Manitoba, as well as in the 3 northern territories, and at the federal level.

The findings highlighted a number of common shortcomings across governments which are hindering Canada's overall efforts to address and adapt to climate change and which, as a result, are preventing Canadians from preparing themselves to deal with current and future climate impacts.



## Project audits in progress

During 2017/18 we worked on the following audits:

- Commercial Vehicle Safety
- Department of Conservation – Thompson District Office Investigation (special audit)
- eChart Manitoba
- Management of Provincial Tourism
- Managing Foster Care
- Oversight of Post-Secondary Education Institutions
- Teranet Service Provider Agreement
- Pharmacare: Special Audit of Financial Irregularities and Controls
- Provincial Oversight of Drinking Water Safety
- Rural Municipality of De Salaberry
- Student Financial Aid Information System
- Vital Stats – Information Technology Systems
- WRHA – Specialized Contracts



## Citizen concerns

Matters are brought to our attention throughout the year by concerned citizens.

During 2017/18, 48 such matters came to our attention (2016/17: 30 matters). We conduct a preliminary assessment 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 from 2013/14 to March 31, 2018 were handled as follows:

| Outcome                                                             | 2013/14                   | 2014/15                  | 2015/16   | 2016/17   | 2017/18                                 |
|---------------------------------------------------------------------|---------------------------|--------------------------|-----------|-----------|-----------------------------------------|
| Full audit conducted or in progress                                 | 5 (resulting in 2 audits) | 2 (resulting in 1 audit) | –         | –         | –                                       |
| Limited scope audit conducted or in progress                        | 3                         | 1                        | –         | –         | 3 (resulting in 2 limited scope audits) |
| Referred the concern to another organization                        | 8                         | 8                        | 10        | 10        | 15                                      |
| Added to our list of potential audits (limited or full)             | 9                         | 8                        | 8         | 10        | 15                                      |
| No action considered necessary after additional procedure/inquiries | 32                        | 22                       | 20        | 10        | 5                                       |
| Not within our mandate, no further action taken                     | 8                         | 14                       | 10        | –         | 8                                       |
| Waiting for additional information                                  | –                         | –                        | –         | –         | 2                                       |
| <b>Total</b>                                                        | <b>65</b>                 | <b>55</b>                | <b>48</b> | <b>30</b> | <b>48</b>                               |

NOTE: Statistics not available prior to 2013/14

During 2017/18, citizen concerns did not result in the scheduling of any full scope project audits. However, 3 citizen concerns resulted in the following 2 limited scope audits being initiated:

- Shellmouth Dam Artificial Flooding Compensation Program
- Community Development Corporation Compliance with Financial Reporting Requirements.

The following citizen concerns limited scope audit reports have been issued since 2013:

| Date         | Audit reports                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 2014   | <p>Manitoba Property Registry – Department of Tourism, Culture, Heritage, Sport and Consumer Protection</p> <p>Office of the Fire Commissioner – Sale of Vehicles – Department of Labour and Immigration</p> <p>Manitoba Hydro Funding of the Keeyask Centre</p> <p>Thompson Fire and Emergency Services – Untendered Contract – Department of Municipal Government</p> <p>Town of Lac du Bonnet – Bulk Water Sales – Department of Municipal Government</p> |
| January 2013 | <p>Business Transformation and Technology (BTT) – Department of Innovation, Energy and Mines</p> <p>Disaster Financial Assistance – Department of Infrastructure and Transportation (MIT)</p> <p>Employment and Income Assistance Program (EIA) – Department of Entrepreneurship, Training and Trade</p> <p>North Portage Development Corporation (NPDC) – Department of Local Government</p>                                                                |

## Concerns received from Members of the Legislative Assembly

In 2017/18, we received one concern from a Member of the Legislative Assembly (MLA). While we chose not to schedule an audit on this particular concern, we continue to encourage MLAs to advise us of any concerns they may have regarding the administration of a government program or agency.

Concerns received from MLAs from 2013/14 to March 31, 2018 were handled as follows:

| Audit requests/concerns received from Members of the Legislative Assembly (excludes Section 16 requests) | 2013/14  | 2014/15  | 2015/16  | 2016/17  | 2017/18  |
|----------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| Full audit conducted or in progress                                                                      | 3        | –        | –        | –        | –        |
| Referred the concern to another organization                                                             | –        | –        | 1        | –        | –        |
| Added to our list of potential audits                                                                    | 1        | 2        | 1        | –        | –        |
| No action considered necessary                                                                           | –        | 1        | –        | 1        | 1        |
| <b>Total</b>                                                                                             | <b>4</b> | <b>3</b> | <b>2</b> | <b>1</b> | <b>1</b> |



## 6. What we accomplished against our strategic priorities

We have identified 10 strategic priorities, as noted in **SECTION 2**, and developed key strategies (noted later in this section) to support each of these priorities. These strategic priorities are as follows:

### Ensuring relevance of audit work

1. Focus the Office's project audit resources on projects that are of strategic significance to the Assembly and that demonstrate a broad coverage of government organizations.
2. Focus the Office's financial statement audit resources on:
  - a. Entities that are of strategic significance to the Assembly.
  - b. More detailed reviews/audits of select processes/systems within entities we audit, and those that we do not (work in addition to external auditor reliance reviews).
3. Allocate staff resources between financial services audit work and project audit work in a manner that maximizes value provided to the Assembly.

### Supporting the work of the Public Accounts Committee

4. Support the Public Accounts Committee in its efforts to improve the performance of government organizations.

### Strengthening office operations

5. Manage our internal business efficiently, effectively and economically.
6. Ensure staff are engaged and satisfied with their work experience.
7. Ensure the Office is independent from government.

### Ensuring the quality of our audit work

8. Develop and maintain strong quality assurance practices for all products produced by the Office.
9. Develop professional practices that ensure compliance with applicable professional standards and to the extent possible harmonize with the practices of Office of the Auditor General of Canada.

### Providing French language services

10. Ensure we meet the commitments noted in our French Language Services Plan.

Our accomplishments in 2017/18 against these strategic priorities are outlined below.

## Strategic priority 1

Focus the Office's project audit resources on projects that are of strategic significance to the Assembly and that demonstrate a broad coverage of government organizations.

There are far more programs, functions and activities within the Government Reporting Entity than we have the resources to audit in a year, or even over several years. Therefore, it is crucial that we focus our audit work on areas of strategic importance to the Legislative Assembly and Manitobans.

### Key strategies

When selecting projects, our initial goal is to ensure that we conduct audits in all areas of government (what we refer to as audit universe coverage). We have created 6 groups (sometimes referred to as sectors), and assign all government departments and Crown entities to one of these groups.

For each group, we continuously identify potential audit topics and priority projects which we believe are most relevant and of strategic importance to the Legislative Assembly. Project priority assessments are reviewed annually.

Each year, we endeavor to select at least one priority project audit from each of the 6 groups. We also have an ongoing focus on IT and governance topics, with at least one IT and one governance project on the go at all times.

In selecting audit topics we consider a number of significant factors including:

- Financial magnitude.
- Impact of the subject matter on Manitoba (i.e. social, environmental, economic).
- High public interest.

Other factors that may influence selection include:

- A collaborative audit topic proposed by the Canadian Council of Legislative Auditors (CCOLA).
- A high risk of mismanagement.
- The program was not previously subject to audit.
- A lack of in-house capacity or other resources to audit the subject matter.
- A request for a special audit under Section 16 of the *The Auditor General Act*.
- A referral from the Ombudsman under the *Public Interest Disclosure Act* (PIDA).

We are currently in the process of developing an external communications plan that will consider how we should engage stakeholders in the project selection process.

## Strategic priority 2

Focus the Office's financial statement audit resources on:

- a. Entities that are of strategic significance to the Assembly.
- b. More detailed reviews/audits of select processes/systems within entities we audit, and those that we do not (work in addition to external auditor reliance reviews).

We are concerned that our time spent on financial statement audits is not focused on the best mix of entities. Many of the financial statement audits we perform are the result of a legislative requirement, rather than importance or significance within the Government Reporting Entity. As noted below, we believe this has resulted in Office resources being used to audit entities that may be considered of lower importance relative to other government entities.

**FIGURE 2** shows by expense level (a measure of importance) the financial statement audits we conduct versus those conducted by external auditors. Of the 6 financial statement audits we conducted for entities with expenses in excess of \$250 million, 2 were flow-through funding entities (the Manitoba Health Services Insurance Plan and the Public Schools Finance Board). 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. These 2 audits combined required 3,400 hours to complete in 2017/18.



**FIGURE 2: FINANCIAL STATEMENT AUDIT RESPONSIBILITY**  
(Entities within the government reporting entity)

| Expenses (in millions)                              | Auditor General | External auditor |
|-----------------------------------------------------|-----------------|------------------|
| \$0 to \$5                                          | 7               | 30               |
| > \$5 to \$50                                       | 6               | 73               |
| > \$50 to \$250                                     | 1               | 22               |
| Greater than \$250                                  |                 |                  |
| • Flow-through entities                             | 2               | 0                |
| • Government business enterprises (i.e. Hydro, MPI) | 0               | 4                |
| • Other                                             | 4               | 4                |
| <b>Total</b>                                        | <b>20</b>       | <b>133</b>       |

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 2 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 5 pension plans (approximately 4,200 hours in 2017/18) is time we could spend auditing entities within the Government Reporting Entity that are of strategic importance to the Legislative Assembly. Of note, however, is that the Office does bill the pension plans for our services and returns the revenue to the Consolidated Fund, passing the cost of the audit on to the pension plans.

### Key strategies

We are working on an analysis to identify which financial statement audits we should conduct because of their strategic importance to the Legislative Assembly. As part of this strategic planning process, we will develop an action plan to move us toward this more optimal mix of financial statement audits. This will include the necessary communication with entities to advise of our intention to begin coordinating audit engagements. We will also assess whether changes to the *The Auditor General Act* are necessary, or would be advantageous, in order to appoint ourselves as financial statement auditors for selected Government Reporting Entities, and whether amendments to other legislation is needed for the Office to not be the financial statement auditor.

# Strategic priority 3

Allocate staff resources between financial services audit work and project audit work in a manner that maximizes value provided to the Assembly.

A key decision for the Office is the percentage of our resources to devote to financial statement audits versus project audits. The current allocation is affected by the priorities of the Auditor General, the number of Section 16 audits the Auditor General is asked to conduct, and the Acts of various organizations that appoint the Auditor General as their financial statement auditor.

## Key strategies

For the past several years, our goal has been to achieve a 50/50 split between financial statement audits and project audits (see **FIGURE 3** for actual results). This allocation enables us to present the Legislature with a wide array of 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 the goal of equal time allocation, as we are able to redeploy some financial statement audit staff to work on projects. In 2017/18, agent hours spent on field work totaled approximately 3,200 hours. Our new office organizational structure, referenced in Section 3, has been designed to enable us to reach our targeted 50/50 split of our office resources.

**FIGURE 3: TIME ALLOCATION**

|                            | 2012/<br>2013 | 2013/<br>2014 | 2014/<br>2015 | 2015/<br>2016 | 2016/<br>2017 | 2017/<br>2018 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Financial statement audits | 53%           | 57%           | 49%           | 54%           | 55%           | 55%           |
| Project audits             | 47%           | 43%           | 51%           | 46%           | 45%           | 45%           |
| <b>Total</b>               | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   |

## Strategic priority 4

Support the Public Accounts Committee in its efforts to improve the performance of government organizations.

The Public Accounts Committee (the 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 reports issued by the Auditor General are referred to the Committee.

During its meetings, the Committee considers the audit reports, questions witnesses, and when it has finished deliberating, passes the 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 Committee meetings, the Committee can impact Office operations by requesting the Auditor General to 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."

### Key strategies

- Attend all Public Accounts Committee meetings.
- Follow up on the implementation status of our recommendations.
- Provide in-camera presentations for each report.
- Provide orientation sessions facilitated by the Canadian Audit and Accountability Foundation (CAAF).
- Provide workshops on select/ desired topics.
- Provide advice on good practices for the Public Accounts Committee.

### Attend all Public Accounts Committee meetings

In 2017/18, the Committee met 5 times (see **FIGURE 4**). The Auditor General and required staff attended all of the meetings. The proceedings of all Committee meetings (except those held in-camera) are recorded in Hansard, which is available on the Legislative Assembly website in the Legislative Business tab.

**FIGURE 4: PUBLIC ACCOUNTS COMMITTEE MEETINGS IN 2017/18**

| Meeting dates     | Reports listed on the meeting notice                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 19, 2017 | Public Accounts for the fiscal years ending March 31, 2015, 2016 and 2017<br>Volumes 1, 2 and 3<br>Auditor General's Report – Follow-up of Recommendations , March 2017<br>Accounts and Financial Statements                                                                                                                                                                                                                                                                                    |
| August 31, 2017   | Auditor General's Report – Management of Manitoba's Apprenticeship Program, July 2017                                                                                                                                                                                                                                                                                                                                                                                                           |
| June 19, 2017     | Auditor General's Report – Follow-up of Our December 2006 Report: Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices, dated September 2012<br>Auditor General's Report – Follow-up of Previously Issued Recommendations, dated May 2015<br>Section 3 – Special Audit: Society for Manitobans with Disabilities<br>Auditor General's Report – Follow-up of Recommendations, dated March 2017<br>Manitoba Early Learning and Child Care Program |

| Meeting dates | Reports listed on the meeting notice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| May 25, 2017  | <p>Auditor General's Report–Manitoba East Side Road Authority, dated September 2016</p> <p>Auditor General's Report–Public Interest Disclosure Investigation Manitoba East Side Road Authority, dated September 2016</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| May 8, 2017   | <p>WRHA's Management of Risks Associated with End-user Devices, July 2015</p> <p>Auditor General's Report–Follow-up of Previously Issued Recommendations, May 2015</p> <p>Section 2 – Economic Development: Loans and Investments under The Development Corporation Act</p> <p>Section 5 – Animikii Ozoson Child and Family Services Agency</p> <p>Section 11 – Report on the Rural Municipality of St. Clements</p> <p>Section 12 – Citizen Concerns, North Portage Development Corporation</p> <p>Section 16 – Office of the Fire Commissioner</p> <p>Auditor General's Report–Follow-Up of Recommendations, May 2016</p> <p>Animikii Ozoson Child and Family Services Agency</p> <p>Northern Airports and Marine Operations</p> <p>Report on the Rural Municipality of St. Clements</p> <p>Citizen Concerns, North Portage Development Corporation</p> <p>Office of the Fire Commissioner</p> <p>Citizen Concerns, Town of Lac du Bonnet, Bulk Water Sales</p> <p>Rural Municipality of Lac du Bonnet</p> <p>Lake Manitoba Financial Assistance Program, Parts C and D</p> <p>Auditor General's Report–Follow-Up of Recommendations, dated March 2017</p> <p>Citizen Concerns, North Portage Development Corporation</p> <p>Rural Municipality of Lac du Bonnet</p> <p>Provincial Nominee Program for Business</p> <p>WRHA's Management of Risks Associated with End-user Devices</p> |

## Follow up on the implementation status of our recommendations

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

The follow-up review begins in July/August each year when we request a status update from management. Implementation status is determined as at the forthcoming September 30. When status updates are received we conduct review procedures to assess the plausibility of the statuses

provided. We do not re-perform audit procedures from the original report.

The Office will conduct 3 annual follow-ups on the recommendations included in each report. After the third year, it is up to the Committee to decide if it wishes to continue following up. Given that the implementation rate after 3 follow-ups has averaged at approximately 68% (range of 59% to 81%), we continue to encourage the Committee to monitor implementation status of outstanding recommendations by first requesting action plans.

The following follow-up reports have been issued since 2009:

| Date           | Number of recommendations followed-up                                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 2018     | Implementation status as at September 30, 2017 for 224 recommendations                                                                                                                                  |
| March 2017     | Implementation status as at September 30, 2016 for 262 recommendations                                                                                                                                  |
| May 2016       | Implementation status as at June 30, 2015 for 368 recommendations                                                                                                                                       |
| December 2015  | Implementation status as at October 30, 2015 for 25 recommendations from the Waiving of Competitive Bids report                                                                                         |
| May 2015       | Implementation status as at June 30, 2014 for 296 recommendations                                                                                                                                       |
| May 2014       | Implementation status as at June 30, 2013 for 244 recommendations                                                                                                                                       |
| January 2013   | Implementation status as at June 30, 2012 for 198 recommendations                                                                                                                                       |
| 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                                                                                                                                       |
| March 2011     | Implementation status as at June 30, 2010 for 140 recommendations                                                                                                                                       |
| March 2010     | Implementation status as at June 30, 2009 for 237 recommendations                                                                                                                                       |
| March 2009     | Implementation status as at June 30, 2008 for 489 recommendations                                                                                                                                       |

## Provide in-camera presentations for each report

When a report is scheduled for discussion at a Committee meeting for the first time, at the in-camera meeting that occurs just prior to the public meeting, the Auditor General, or one of his senior staff members, will present the report's conclusions, findings and recommendations. The Auditor General and the senior staff members are then available to answer any questions the members may have regarding the audit.

There were 2 in-camera presentations in 2017/18.

- At the May 25, 2017 in-camera meeting, the Auditor General gave a presentation on the conclusions, findings and recommendations of the performance audit, *Manitoba East Side Road Authority*, and on the report, *Public Interest Disclosure Investigation at the Manitoba East Side Road Authority*.
- At the August 31, 2017 in-camera meeting, the Assistant Auditor General - Performance Audits, gave a presentation on the conclusions, findings and recommendations of the performance audit, *Management of Manitoba's Apprenticeship Program*.

## Provide orientation sessions and workshops on selected topics

On June 30, 2016, the Auditor General participated in an orientation for the new members of the Committee, where he outlined the role and responsibilities of the Office of the Auditor General. At the November 24, 2016 in-camera meeting, the Office sponsored an orientation/information session presented by the Canadian Audit & Accountability Foundation (CAAF), a non-profit organization that promotes and strengthens public sector auditing, oversight, and accountability in Canada and abroad. The discussion during the session focused on leading practices in Canadian Public Accounts Committees.

On November 23, 2016, we presented an educational session on navigating the province's Public Accounts. All members of the Committee were invited.

No new sessions were presented in 2017/18.

We are working with the CAAF to develop a workshop for the Committee on how to follow up on the implementation status of recommendations made by the Auditor General. Our workshops will provide the members with a proposed process.

### Provide advice on good practices for the Public Accounts Committee

To assist the Committee in its efforts to modernize its practices, the Office prepared an analysis that compares and contrasts the rules and practices of the Committee to those of other Canadian jurisdictions.

This analysis highlights practices in Manitoba that are not consistent with good practices in other jurisdictions. The analysis was shared with the Committee's chair, vice chair and clerk, and serves as a useful paper for the Committee when considering if rule changes should be pursued or how the effectiveness of the Committee could be improved.



## Strategic priority 5

Manage our internal business efficiently, effectively and economically.

### Key strategies

- Develop a comprehensive Office human resources management function.
- Develop a comprehensive Office communications function.
- Maximize the value obtained from our associations with the Canadian Council of Legislative Auditors (CCOLA) and the Canadian Audit & Accountability Foundation.
- Produce appropriately detailed accountability documents to inform the Assembly (including the Public Accounts Committee and the Legislative Assembly Management Commission), and the public of the value they receive for their investment in the Office.
- Ensure Office information, systems, documents and physical plant are secure from inappropriate access.
- Ensure the Office structure supports the effective pursuit/delivery of our vision/mission, priorities, and the production of quality products.
- Ensure the prudent expenditure of public funds entrusted to us.

### Develop a comprehensive Office human resources management function

After working with the Manitoba Civil Services Commission in 2016/17 to properly classify this new position, we hired a qualified Director Corporate Services in 2017/18. The Director is responsible for building an effective, efficient, and progressive human resources management function within the Office. The Director is also responsible for directly managing the administration support and finance areas.

Until legislative amendments are in place to effectively allow the Auditor General to manage and administer all aspects of his human resources, the Director is the point person for all Office interactions with the Civil Service Commission. As an interim measure, we will seek delegated staffing authority for the incumbent.

### Key initiatives:

- Leading the Office's succession management process and its workforce planning process.
- Developing HR management performance metrics and gathering the needed information.

- Developing and managing an anonymous concern/complaint process.
- Monitoring the quality and timeliness of performance reviews and ensuring the resulting learning plans properly address staff needs.
- Developing a comprehensive onboarding program for new employees.
- Developing an Office professional development program based on Canadian Council of Legislative Auditors material and staff learning plans.
- Developing an action plan to transition the Office to its own human resource management function.

### Develop a comprehensive Office communications function

The new position of Communications Manager was filled in June 2017. This individual is responsible for developing an effective communications program for the Office. The Communications Manager is the strategic communications expert and leader in the Office, and provides direct and confidential communications support for the Auditor General and senior management.

#### Key initiatives:

- Drafting internal and external communications plans.
- Beginning the process of updating the Office's visual identity, including updating the logo and the look of all public audit reports.
- Redesigning the Operations Report, including incorporating the new visual identity, as well as improving the readability of the report.
- Exploring how to effectively use social media.
- Developing and implementing a French Language Services Plan.
- Developing a reporting phase guide to assist teams in the writing of reports
- Updating the Office's external and internal webpages.

## Maximize the value obtained from our association with the Canadian Council of Legislative Auditors

The Office is a member of The Canadian Council of Legislative Auditors (CCOLA), which consists of the Auditors General from each jurisdiction across Canada. The Auditors General meet twice a year to discuss emerging issues and share practices in carrying out their respective mandates as legislative auditors. CCOLA has established several working

committees and groups (listed below), and many of our staff participate in these. Sitting on these committees and groups gives us access to the knowledge and expertise of professionals in other legislative audit offices.

In 2017/18, we ensured that at least one staff member participated on each of the CCOLA's committees and groups. These committees and groups are outlined in the chart below.

| Canadian Council of Legislative Auditors committees and groups |                                         |
|----------------------------------------------------------------|-----------------------------------------|
| Committee                                                      | Group                                   |
| Strategic Matters                                              | Education                               |
| Training Oversight-Financial Statements                        | Environment, Energy & Natural Resources |
| Training Oversight-Performance Audits                          | Governance                              |
| Peer Review                                                    | Health                                  |
| Human Resources                                                | Justice                                 |
| Information Technology Audit                                   | 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.

## Maximize the value obtained from our association with the Canadian Audit & Accountability Foundation

As noted earlier, we are working with the Canadian Audit & Accountability Foundation (CAAF) to develop a workshop for the Public Accounts Committee on how to follow up on Auditor General recommendations. We also use the Foundation's products to identify potential projects, to develop audit criteria, to develop audit procedures, and to enhance our knowledge in specific areas related to oversight, governance and performance auditing.

In developing products for use by the Canadian legislative audit community, the CAAF will typically establish a product committee and request participation from legislative audit offices. To the extent possible we take advantage of these requests to provide select staff members with the opportunity to share their knowledge with the CAAF and to be further challenged and influenced by the thought leaders participating on the committee.

In 2018/19 we will support 3 staff members in participating in the Foundation's *Emerging Leaders' Summit*. Two staff members participated in the first summit, held in 2016/17. The 5-day retreat-style summit includes high-level leadership training, presentations from guest speakers and innovation challenges.

## Produce appropriately detailed accountability documents to inform the Assembly and the public of the value they receive for their investment in the Office

The *Auditor General Act* requires that an annual report on the operations of the Office be submitted to the Legislative Assembly before Aug. 1. The Act states that the report should include information on the performance of the Office as well as the Office's financial information and the related auditor's report.

This year's report includes the following enhancements:

- Discussion of our 10 strategic priorities, key strategies for each priority, and the related actions taken in 2017/18.
- A "year at a glance" page.
- New graphical design to enhance readability and clearly distinguish the operations report from our audit reports.
- Revised vision, mission and values statements.
- More detailed breakdown of our operational expenditures.
- Descriptions of our professional practices and quality assurance work, as well as our recently established communications and human resource management functions.
- Disclosure of employee compensation payments for the year ended March 31, 2018.

**Ensure Office information, systems, documents and physical plant are secure from inappropriate access**

We regularly assess and enhance our Office's security policies and practices to maintain a strong security posture and prevent inappropriate access to systems

and data. During 2017-18, we established a Communications Device Policy to reinforce security practices and user responsibilities regarding mobile devices. Additionally, we selected and began implementation of a secure Web portal solution that will allow internal and external individuals to securely share and view sensitive documents.

## Ensure the Office structure supports the effective pursuit/delivery of our vision/mission, priorities, and the production of quality products

We continue to work toward full implementation of the new organization structure depicted in **SECTION 3**. This reorganization was originally announced in our 2016/17 operations report.

The work we do is complex and demanding. To provide insightful and impactful audit reports to the Legislative Assembly, all of our staff levels need to be sufficiently and appropriately supported. This support facilitates measured risk taking as well as creative and innovative approaches to our audits.

One of the biggest changes of the reorganization was the creation of audit director positions. These positions will effectively oversee and guide audit assignments and help ensure the Deputy Auditor General and the Assistant Auditor General, Performance Audits, can focus their attention on the desired strategic direction of the Office.

The audit director positions will ensure focused attention can be paid to further enhancing the quality, impact and timely delivery of the following products: performance audits, IT audits, governance audits/reviews, financial statement system/compliance audits/reviews, investigations, and citizen concern limited scope audits.

In 2018/19 we will begin the process of recruiting into the currently vacant audit director positions.

In 2017/18 we hired a Director Corporate Services (with a significant focus on human resources management) and a Communications Manager. Both positions are new to the Office enabling focused attention on these functions. We have already begun to see significant positive enhancements in how the respective functions are delivered within the Office.

In 2017/18 we came to understand that greater synergies could be realized by aligning our investigations group with the financial statement audit area rather than with the performance audit area.

And we continued to see the benefits of aligning our computer services staff with our Director of IT Audit, Operations and Security.

## Ensure the prudent expenditure of public funds entrusted to us

The Office has in place strong internal controls to ensure our operating expenses and based on an appropriate need and provide good value. As a final review, all cheques are reviewed and approved by the Auditor General (see **SECTIONS 8 AND 9**).

## Strategic priority 6

Ensure staff are engaged and satisfied with their work experience.

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.

Eighty-four per cent of staff members participated in our last survey, conducted in February 2016 by an independent research firm. We used an independent contractor in order to provide our employees with assurance of confidentiality. Responses indicated that:

- 71% get a strong sense of satisfaction from their work.
- 95% know what is expected of them, and 82% know how their work contributes to the success of the Office.
- 87% feel the Office allows for good work-life balance.
- 90% report they are provided the time and resources to do their job properly, and 93% are comfortable putting in extra effort when required.
- 87% feel they are given the opportunity to provide input into the decisions that affect their work, and 83% feel respected by their supervisor.
- 81% feel their Executive member sets a good example in modeling the Office values.

- 88% feel they have positive relationships with their co-workers.
- 75% are proud to work for the Office of the Auditor General.

Room for improvement was identified with respect to enhancing internal communications around strategic objectives and future direction, as well as receiving meaningful and timely feedback about work performance.

The results of our survey were reviewed and analyzed by our Executive Management Team as part of our strategic planning process. Our goal was to strengthen our internal processes as needed to resolve concerns raised by staff members (major outcomes are discussed under Priorities 5 and 6).

We plan to conduct our next employee engagement and satisfaction survey in 2019.

As part of the employee survey noted above, we included a survey on workplace ethics. This was based on the ethics survey conducted of all Manitoba civil servants and reported in our March 2014 report, *Manitoba's Framework for an Ethical Environment* (Chapter 7). The survey results below are all significantly higher than the overall Manitoba civil service results:

- 76% feel the Office has made available sufficient policies and guidelines regarding the ethical standards of behaviour required at work.
- 90% are clear on the ethical standards of behavior required of them in their work.
- 78% indicate that if faced with an ethical dilemma, they know where they can go for help in resolving the situation.
- 83% feel comfortable talking to their supervisor about ethical issues which arise within their work environment.
- 66% feel confident that they would be protected from reprisals if they reported an ethics violation or suspected impropriety.
- 74% believe that overall current OAG policies and practices with respect to values and ethics are working effectively in creating an ethical environment.

Like our staff engagement and satisfaction survey, the results of the ethics survey were reviewed and analyzed by the Executive Management Team as part of our strategic planning process. We will continue to strengthen internal processes and communications to provide our staff with greater certainty and comfort if ever they are confronted with ethical challenges.

### Key strategies

- Foster and promote a positive work environment that supports the Office's vision and mission.
- Provide a comprehensive professional development program that will help all staff members meet the challenges of delivering the highest quality financial statement and project audits in a manner consistent with our values and competencies.
- Train future accountants and performance auditors.
- Provide our staff with the technological tools and work spaces needed to perform their jobs efficiently and effectively.

### Foster and promote a positive work environment that supports the Office's vision and mission

#### Office culture initiative:

Ensuring our Office culture supports our vision and values is a key enabler in helping us achieve our priorities with the highest quality results. In 2017/18 the Office began to work with an HR consulting firm on a culture initiative. An assessment was conducted to describe the current culture. This included sending a survey to all staff asking for their thoughts and opinions and performing one-on-one interviews with a wide cross section of staff.

The consultants gathered and analyzed this information and provided the Executive Management Team with a summary. A vision and values workshop was subsequently held with the Executive Management Team. From this workshop, and several follow-up sessions, renewed vision and values statements were developed (see the statements in Sections 2 and 3).

In 2018/19 a cultural change roadmap will be created with the following key elements:

- To ensure our values are embedded in Office practices, we will identify needed changes to existing processes as well as any needed new processes/initiatives and develop an action plan to implement.
- We will identify barriers to fully realizing our action plan and implement strategies to overcome the barriers.
- We will actively monitor action plans and initiate corrective actions when needed.

The results of our upcoming staff engagement and satisfaction survey (spring 2019) will help us gauge whether our culture initiative had a positive impact on employee engagement and satisfaction.

### Social committee:

The Office has a staff-led social committee that plans and hosts a variety of events throughout the year. These events promote camaraderie and collaboration, and allow for employees from different areas to interact on a regular basis. Some of the events serve as fundraisers for All Charities, a provincial

campaign that allows employees to donate to a variety of provincial charities.

Social events typically take place outside of regular business hours or during designated breaks. Highlights of 2017-18 included:

- 'Name that tune' pizza lunch
- Trivia pizza lunch
- Chili contest
- Holiday gift exchange
- Staff holiday party
- Children's holiday party

### Provide a comprehensive professional development program

The Office is developing a more strategic approach to how professional development is offered to staff. One of the key influences of this is the Canadian Council of Legislative Auditors (CCOLA), which will soon provide legislative audit offices with training program curricula for financial statement, performance (project) and IT auditors, and for soft skills development.

Select senior staff members have been assigned to CCOLA committees developing these curricula. We intend to develop a training program for our auditors based on these curricula.

There is an expectation that all staff 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 staff assignments also contribute to their professional growth.

Staff frequently attend development activities offered by the following organizations: CPA Manitoba, CPA Canada, Institute of Internal Auditors, Financial Management Institute, Institute of Public Administration of Canada, Institute of Corporate Directors, the Association of Certified Fraud Examiners, the Canadian Audit & Accountability Foundation, and CCOLA.

Every year our professional development committee prepares a program of in-house training sessions for all our audit staff. Committee members come from all staff levels and service groups. The committee's primary focus is to determine and deliver the training sessions and workshops that staff believe would benefit them on the job. In addition, the Executive Management Team may direct that the professional development committee organize a workshop, typically using external resources, to satisfy a strategic office-wide training need.

It is also essential that our corporate services staff have access to ongoing training and development. These training opportunities are identified by both the corporate services staff member and their immediate supervisor. We support and encourage both technical and soft skills training for our corporate services staff.

While all auditors are assigned to a service group, cyclical heavy workloads provide opportunities for auditors 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, and provides staff members with enriching professional experiences.

### Train future accountants

We support students seeking a professional accounting designation and we are recognized by CPA Manitoba as an audit training office. Our student recruitment and development committee offers motivated, knowledgeable and engaged mentors to assist our accounting students as they transition from the academic world into the accounting profession. We take great pride when our students achieve their academic goals. In February 2018, one student received his CPA designation after passing the Common Final Examination and fulfilling all his required experience. We currently have 3 full-time students and 1 summer student.

### Train future performance auditors

Experienced performance auditors are very difficult to recruit. As a result, for several years the Office has been working to build a performance auditor development program. We typically have one or 2 individuals in the program. A good source of potential performance auditors has been the Master of Public Administration program. Candidates can be hired as co-op students, as summer students and/or on a one year renewable term. We currently have 2 recent MPA graduates in our program.

As a way of growing performance audit talent from within, we also encourage financial statement auditors to request performance audit experience. Through this process, several financial statement auditors have transitioned into performance auditing.

### Provide our staff with the technological tools and work spaces needed to perform their jobs efficiently and effectively

We regularly modernize software and hardware technology to support the work of our staff. As well, on a continual basis we update end-user devices, applications and

infrastructure to ensure accessibility and ease of use in the office or working at remote locations.

In 2017/18, we implemented a new mobile device platform and supporting policy. We also provided training and guidance on the effective use of Office technology.

In 2017/18, our TeamMate Committee worked on developing a protocol for effective and consistent use of TeamMate — our audit software.

In 2017/18, our move to a new organizational structure prompted a review of our existing office space. We explored whether the space could be reconfigured to accommodate additional offices. By repurposing some underutilized space, we found that our future needs could be accommodated at our existing location. We are working with Accommodation Services of the Department of Finance to determine whether redeveloping our existing space is the most cost-effective way, over the long run, to accommodate our needs.



## Strategic priority 7

Ensure the Office is independent from government and its organizations.

### Key strategies

- Pursue legislative amendments to strengthen the Office's independence from the Civil Service Commission and to strengthen other aspects of Office operations.
- Minimize the Office's reliance on services provided by government organizations.

### Pursue legislative amendments to strengthen the Office's independence from the Civil Service Commission and to strengthen other aspects of Office operations

As noted in **SECTION 4**, a long unresolved matter impacting the Office's actual and perceived independence from government is our relationship with the Civil Service Commission. In 2017/18, we continued to work with Legislative Council to craft the necessary amendments to *The Auditor General Act*, which would provide the Auditor General with full authority over the Office's human resources as well as other desired enhancements.

### Minimize the Office's reliance on services provided by government organizations

Other than our relationship with the Civil Service Commission, the Office's only other operational touchpoint with a government organization is our relationship with Accommodation Services of the Department of Finance. Our office lease is negotiated and held by the Department of Finance, and as a result any needed renovations must be coordinated through Accommodation Services. While our relationship with Accommodation Services has historically served us well, it remains an issue regarding our independence from government. As a result, we will explore whether alternative approaches are available to handle our accommodation needs.

## Operating priority 8

Develop and maintain strong quality assurance practices for all products produced by the Office.

The Assistant Auditor General Professional Practice and Quality Assurance (AAG PP&QA) continually monitors the quality assurance system in our Office. The AAG PP&QA prepared an annual report for the 2017 calendar year on the results of the monitoring and concluded that the quality assurance system was operating effectively.

### Key strategies

- Obtain independent quality assurance review of files
- Conduct post quality assurance reviews on at least one file per engagement leader.
- Appoint an EQCR for higher risk audits (quality review process).

### Obtain independent quality assurance reviews of files

CPA Manitoba routinely conducts inspections of audit firms involved in the practice of public accounting as defined in the General Provisions of its bylaws. In April 2018, CPA Manitoba conducted an inspection of the Office's financial statement auditing practice. Their final report concluded that we are operating

in a manner consistent with professional standards. The next inspection is tentatively scheduled for the 2021-2022 inspection year.

We participate in peer reviews facilitated by the Canadian Council of Legislative Auditors (CCOLA). In 2017/18, one review was conducted (a financial statement audit file). We received a report which stated that the audit engagement was carried out, in all significant respects, in accordance with the assurance standards of CPA Canada.

### Conduct post quality assurance reviews on at least one file per engagement leader

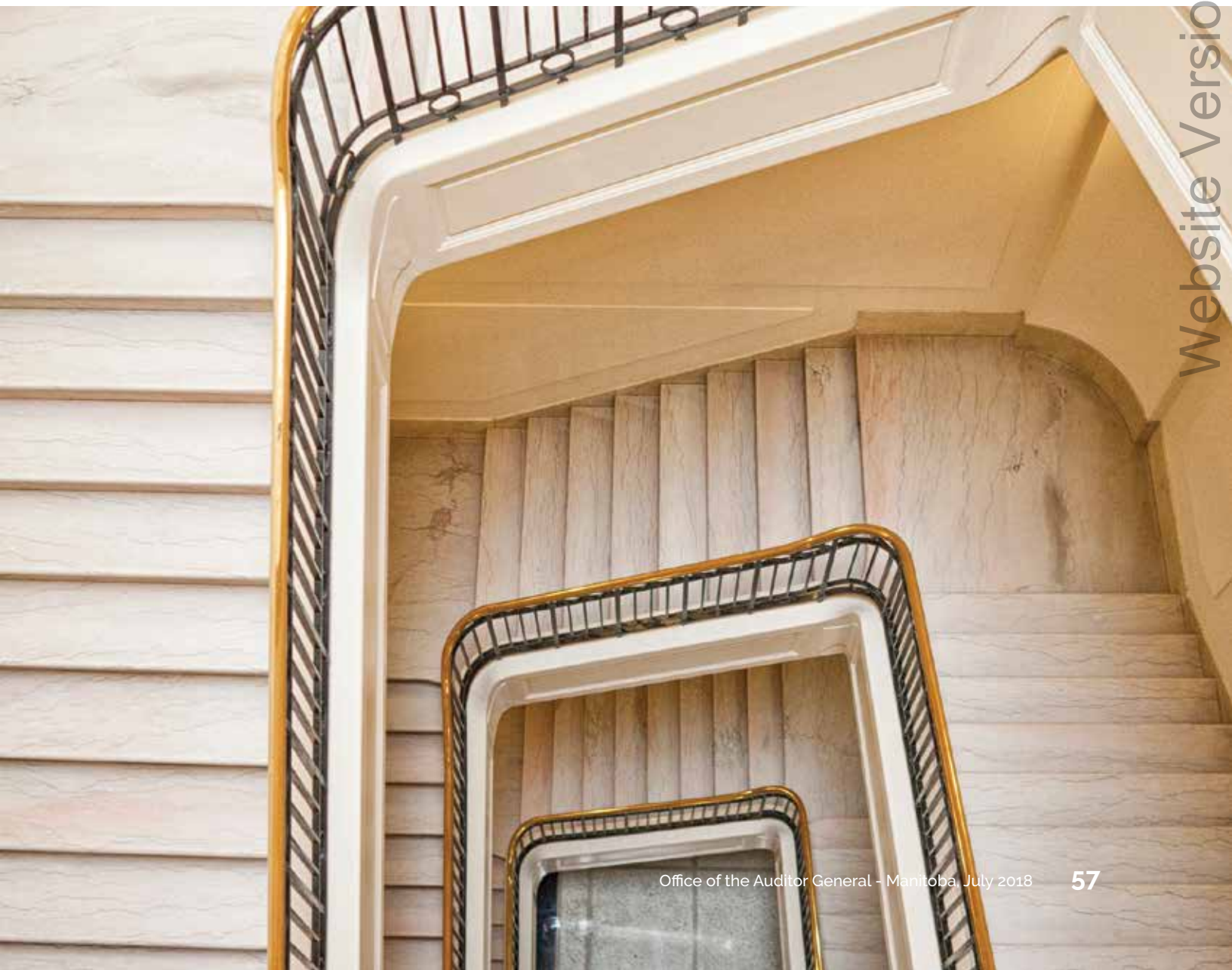
All assurance engagement files may be reviewed by the Assistant Auditor General, Professional Practices and Quality Assurance, after the reports are released to ensure that the engagements followed CPA Canada assurance standards. During 2017/18, we reviewed 5 financial statement audit engagements. We used an external consultant to review 2 of the engagements. All file reviews concluded that the engagements were conducted, in all material respects, in accordance with CPA Canada assurance standards.

### Appoint an EQCR for higher risk audits (quality review process)

An engagement quality control review (EQCR) is an objective evaluation of significant judgements made by an audit team, including its conclusions.

We appoint a quality reviewer to perform an EQCR for audits that are determined to have a higher level of risk. We consider the

nature of the audit entity and any unusual engagement circumstances when evaluating the level of risk associated with any audit. Quality reviewers are office staff that are independent of the audit team and who have sufficient and appropriate experience and expertise to conduct the EQCR. In 2017/18, we appointed a quality reviewer for 5 financial statement audit engagements.



## Operating priority 9

Develop professional practices that ensure compliance with applicable professional standards and to the extent possible harmonize with the practices of OAG Canada.

### Key strategies

- Ensure audit methodologies adopted by the Office reflect best practices.
- Review and respond to Public Sector Accounting Board exposure drafts and other discussion documents that relate to matters of significance to the Office.

### Ensure audit methodologies adopted by the Office reflect best practices

In 2017/18, we adopted OAG Canada's methodology for financial statement audits. To ensure the methodology was implemented successfully, we contracted an external consultant to work with our audit teams. The external consultant:

- Delivered training on the new methodology.
- Performed file reviews of pilot audits.
- Reviewed audit plans to ensure appropriate application of methodology.

OAG Canada provided guidance on the application of the new methodology, and training on IT audit testing in financial statement audits.

In 2017/18, we also integrated key aspects and processes of OAG Canada's performance audit methodology.

Adopting OAG Canada's methodology allows us to minimize our investment in methodology development and maximize our ability to take

advantage of staff training opportunities offered by the federal office. It also allows us to more easily consult with the federal office on various methodology application issues we may encounter.

### Review and respond to Public Sector Accounting Board exposure drafts and other discussion documents that relate to matters of significance to the Office

In 2017/18, we reviewed the following documents issued by the Public Sector Accounting Board (PSAB) and the Auditing and Assurance Standards Board (AASB):

- AASB Exposure Draft – Expressing an opinion on whether the transactions that have come to the auditor's notice in the course of conducting a financial statement audit complied with specified authorities.
- PSAB Exposure Drafts:
  - Asset Retirement Obligations
  - Revenue
- PSAB Statement of Principles – Public Private Partnerships
- PSAB Invitation to Comment – Employee Benefits: Discount Rate Guidance

We did not have any significant concerns and determined that Office responses were not necessary.

## Operating priority 10

Ensure we meet the commitments noted in our French Language Services Plan.

On June 30, 2016 *The Francophone Community Enhancement and Support Act* was enacted. The purpose of the Act is to "provide a framework for enhancing the vitality of Manitoba's Francophone community and for supporting and assisting its development..."

The legislation includes the following provision which impacts the Office:

- 15 An independent officer must prepare and submit for approval a proposed multi-year strategic plan relating to the provision of French language services to the Legislative Assembly Management Commission continued under The Legislative Assembly Management Commission Act, and the commission may avail itself of the assistance of the secretariat in approving the plan.

### Key strategies

In 2017/18, we provided the Legislative Assembly Management Commission with a multi-year strategic French-Language Services (FLA) Plan. The plan focuses primarily on making our public reports, or key portions of our reports, available in French.

The Office also developed a 3-year External Communications Strategy, which included the objective of fostering a stronger relationship with Manitoba's French-speaking community.

In 2018/19, we anticipate beginning to issue key aspects of public audit reports and news releases in French. The Operations Report will also be available in French. As we redevelop our website in the near future, key sections will be translated.

The Office provides French language audit services to the few public sector organizations that conduct their business in French. In 2017/18, we contracted a French-speaking auditor to assist us in our governance review at L'Université de Saint-Boniface.

In addition to the above, the Office continues to look for new ways to foster a strong relationship with French-speaking Manitobans.



## 7. Our planned audit activities for 2018/19

### Financial statement audits

Our list of financial statement audits that we conduct either directly or through an agent (noted in Appendix B) is unchanged for 2018/19. As we noted in **SECTION 6**, we are preparing an analysis of which financial statements audits we should conduct to ensure our financial statement audit work, and the related matters we report, are on entities of strategic importance to the Legislative Assembly.

### Project audits

We issue reports on project audits as they are completed. We anticipate releasing the following audit reports in 2018/19:

- Department of Conservation, Thompson District Office Investigation (special audit)
- eChart Manitoba
- Oversight of Post-Secondary Education Institutions
- Pharmacare: Special Audit of Financial Irregularities and Controls
- Rural Municipality of De Salaberry
- Student Financial Aid Information System
- Vital Stats – Information Technology Systems

In 2018/19 we will begin or continue working on the following audits:

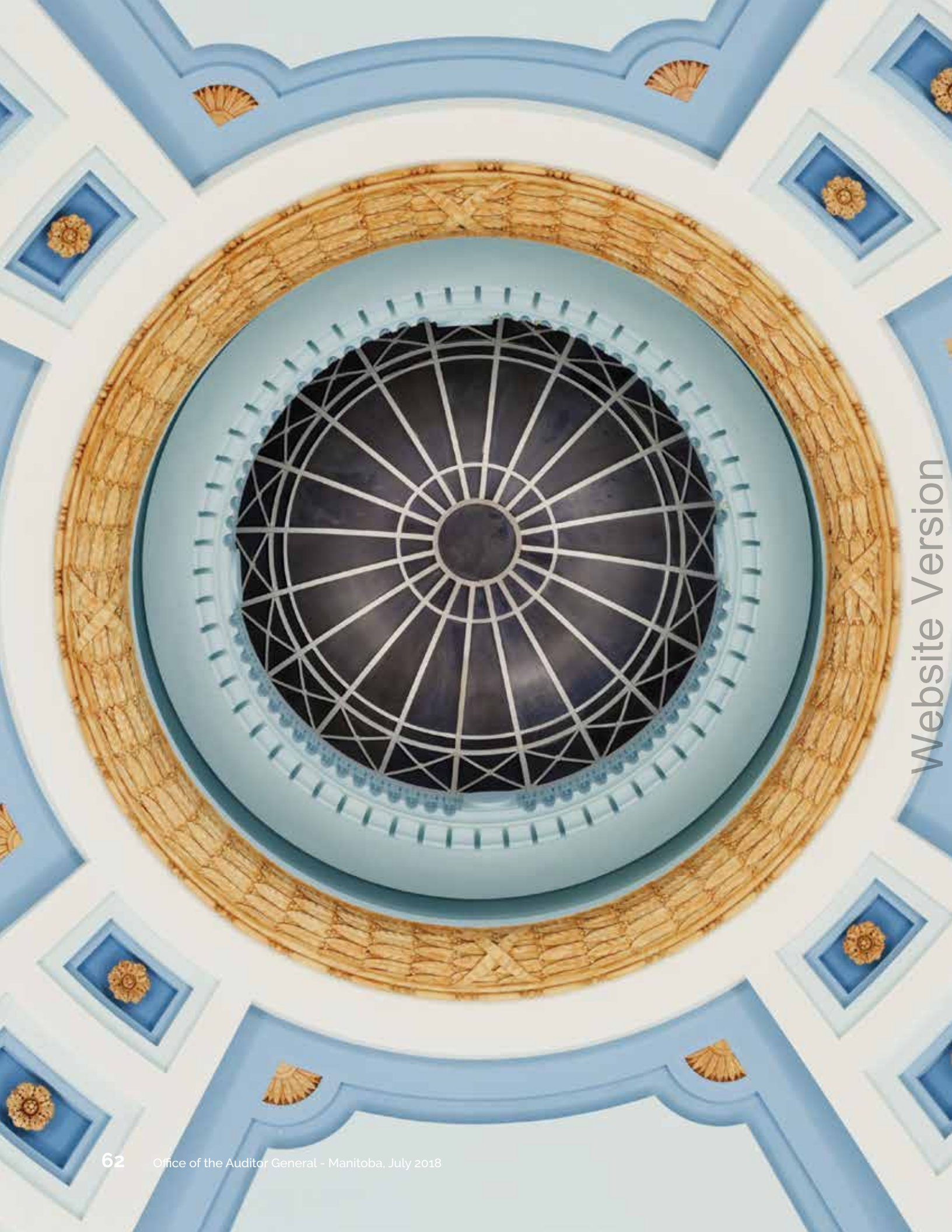
- Commercial Vehicle Safety
- Managing Foster Care
- Management of Provincial Tourism
- Teranet Service Provider Agreement
- Provincial Oversight of Drinking Water Safety
- WRHA – Specialized Contracts

In 2018/19, we will also continue working on the following limited scope audits, initiated by citizen concerns:

- Shellmouth Dam Artificial Flooding Compensation Program
- Community Development Corporation Compliance with Financial Reporting Requirements.

### Follow-up of Recommendations

In 2018/19 we will follow up on the status of 168 recommendations issued since 2014. We will determine the status of these recommendation as at September 30, 2018. We anticipate releasing this report in early 2019.



## 8. 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. Our 2017/18 statements reflect various enhancements we made to the presentation of the financial information.

### Overview of 2017/18 financial results

#### Salaries and benefits

Salaries and benefits were under budget by \$522,000 (9%) due to several factors including:

- Three positions were kept vacant as they had been earmarked to be repurposed (about \$305,000).
- Seven other vacancies due to resignations and a retirement resulted in many vacant months as we went through the recruitment process (about \$260,000).
- A maternity leave (about \$45,000).
- Many of our staff members took advantage of the Voluntary Reduced Workweek Program, for which they could take up to 20 days of unpaid leave, with no impact to their pensionable earnings. As a result actual salaries paid were lower than budgeted (about \$80,000).
- Benefits costs decreased due to the vacancies (about \$80,000).

Counterbalancing the above-noted reductions in paid salaries were the following:

- The Office has 4 approved full-time equivalent (FTE) positions for which no funding is attached. The funds to pay staff in these positions comes from vacancies in funded positions. In 2017/18 these salary costs were about \$140,000 (3 of 4 positions were occupied).
- We have developed a Performance Auditor Development Program. The program has 2 participants that were hired in the fall of 2017 to one-year renewable terms. These positions are unfunded and, as such, the funds to pay these performance auditors come from vacancies in funded positions. Salaries for the 2 participants equaled about \$32,000.
- Severance pay that was not budgeted of about \$44,000. (see below).

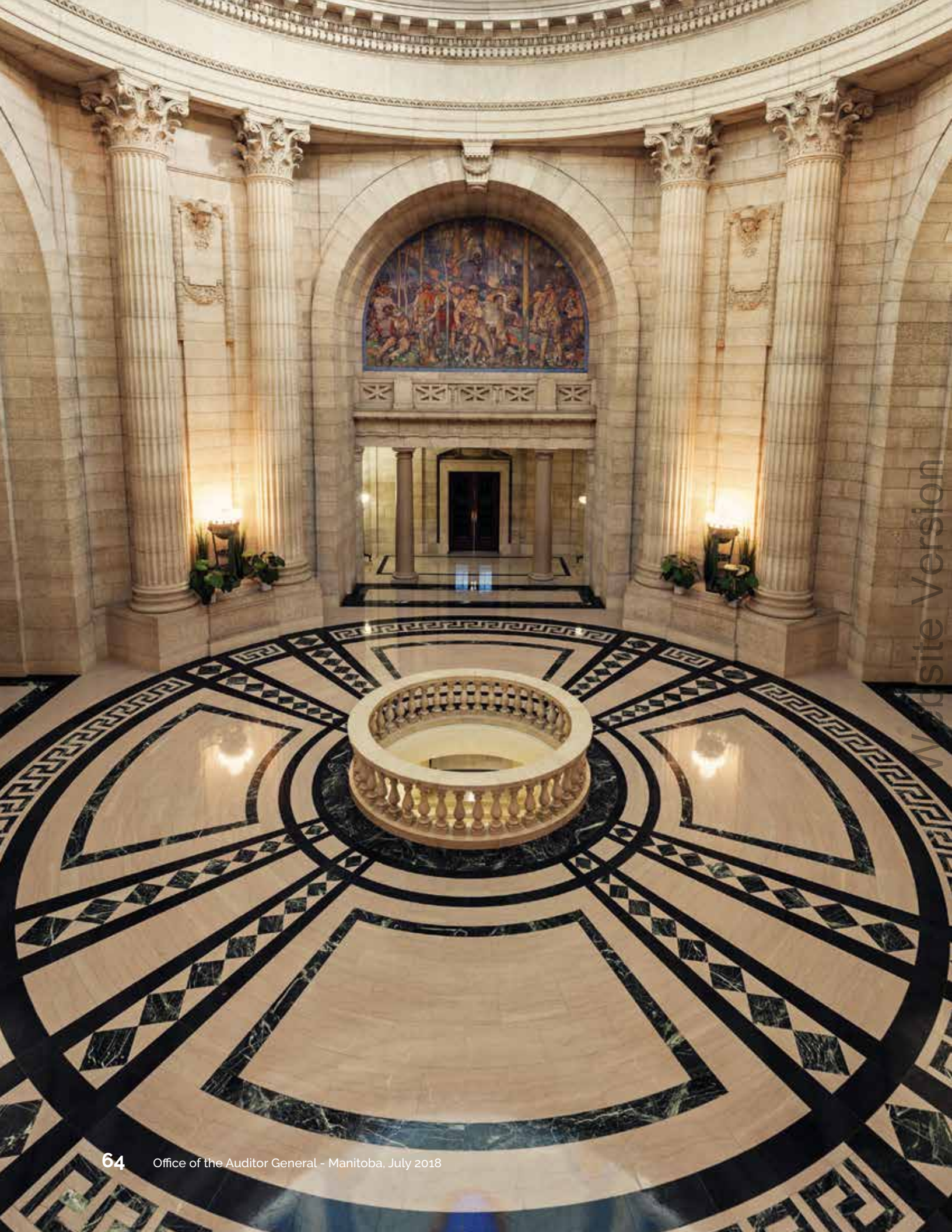
#### Other matters

Operating expenses were over budget by \$33,000 (2%).

In March 2018, as we do every year, we estimated the value of 2017/18 invoices that would be received after year-end and drew that amount from the appropriation. We did this to ensure we would have sufficient funds in our bank account to pay all 2017/18 expenses (from funds appropriated for 2017/18).

Any excess draws are used immediately in the new year to pay for new year expenses. We also lapse (do not spend) at least that amount from our new year approved appropriation. In 2017/18, we overdrew our appropriation by approximately \$62,000.

In 2017/18, we lapsed \$427,000 (2016/17 \$847,000).



Website Version

## 9. Independent Auditors' Report and our financial statements

### Management's responsibility for financial statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2018 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 judgments. 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 on the following pages expresses their opinion on the financial statements of the Office.



Norm Ricard, CPA, CA  
Auditor General  
June 18, 2018



June 18, 2018

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## INDEPENDENT AUDITORS' REPORT

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### 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 audit fees deposited to the Consolidated Fund and expenditures for the year ended March 31, 2018, 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 audit fees deposited to the Consolidated Fund and expenditures of the Office of the Auditor General of Manitoba, for the year ended March 31, 2018 in accordance with the basis of accounting described in Note 2.

A handwritten signature in cursive script that reads "Craig &amp; Ross".

Chartered Professional Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424  
www.craigross.com

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA

### Statement of Audit Fees Deposited to the Consolidated Fund Year Ended March 31, 2018

|                                                 | 2018       | 2017       |
|-------------------------------------------------|------------|------------|
| Audit fees deposited in bank account            | \$ 760,647 | \$ 804,125 |
| Less: Amounts paid to agent auditors (NOTE 2)   | (438,872)  | (453,274)  |
| Audit fees transferred to the Consolidated Fund | \$ 321,775 | \$ 350,851 |
| Main estimate - audit fees                      | \$ 350,000 | \$ 350,000 |

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA

### Statement of Expenditures Year Ended March 31, 2018

|                                                                                                                | 2018                | 2017                |
|----------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Salaries and benefits</b>                                                                                   | <b>\$ 5,258,935</b> | <b>\$ 5,106,666</b> |
| <b>Operating expenses</b>                                                                                      |                     |                     |
| Office rent                                                                                                    | 321,000             | 315,519             |
| Professional fees                                                                                              | 304,843             | 247,660             |
| Information technology                                                                                         | 234,039             | 251,408             |
| Office administration                                                                                          | 193,378             | 150,157             |
| Professional development                                                                                       | 159,816             | 155,082             |
| Capital                                                                                                        | 123,833             | 121,811             |
| Parking and travel                                                                                             | 94,342              | 68,109              |
| Memberships and publications                                                                                   | 49,861              | 62,485              |
| Printing                                                                                                       | 13,809              | 19,054              |
|                                                                                                                | <b>1,494,921</b>    | <b>1,391,285</b>    |
|                                                                                                                | <b>6,753,856</b>    | <b>6,497,951</b>    |
| <b>Appropriation draws more (less)<br/>than accrued expenses</b>                                               | <b>62,053</b>       | <b>(226,415)</b>    |
| <b>Total expenditures per appropriation</b>                                                                    | <b>\$ 6,815,909</b> | <b>6,271,536</b>    |
| <b>Comparison of actual expenditures<br/>per appropriation to voted expenditures<br/>in the main estimates</b> |                     |                     |
| Actual - Expenditures per appropriation                                                                        | \$ 6,815,909        | 6,271,536           |
| Main estimate - Expenditures                                                                                   | 7,243,000           | 7,119,000           |
| Variance                                                                                                       | \$ (427,091)        | (847,464)           |

## OFFICE OF THE AUDITOR GENERAL OF MANITOBA

### Notes to Financial Statements Year Ended March 31, 2018

#### 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:

##### **Audit Fees**

Audit fees are recorded when received and deposited to the bank account of the Office. Audit fees received from entities audited by agents of the Office are used by the Office to pay the agents. Accordingly, fees paid to agents are excluded from expenditures of the Office.

##### **Expenditures**

Expenditures are reported on an accrual basis, except for pension, vacation, severance and overtime expenses which are reported on a cash basis.



## 10. Independent Auditors' Report and our disclosure of employee compensation payments



June 18, 2018

### INDEPENDENT AUDITORS' REPORT

#### To the Legislative Assembly of Manitoba

We have audited the Office of the Auditor General of Manitoba Disclosure of Employee Compensation Payments for the year ended March 31, 2018. The statement has been prepared by management of the Office of the Auditor General of Manitoba as required by the Public Sector Compensation Disclosure Act of the Province of Manitoba.

#### *Management's Responsibility for the Statement*

Management is responsible for the preparation of the statement in accordance with the Public Sector Compensation Disclosure Act of the Province of Manitoba, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the statement 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the statement 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 statement.

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, this statement presents fairly, in all material respects, the compensation of officers and employees in excess of \$50,000 of the Office of the Auditor General of Manitoba, for the year ended March 31, 2018 in accordance with the provisions of the Public Sector Compensation Disclosure Act.

#### *Restriction on Distribution*

The statement is prepared to assist the Office of the Auditor General of Manitoba to meet the requirements of the Public Sector Compensation Disclosure Act. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Office of the Auditor General of Manitoba and the Province of Manitoba and should not be distributed to other parties.

Chartered Professional Accountants

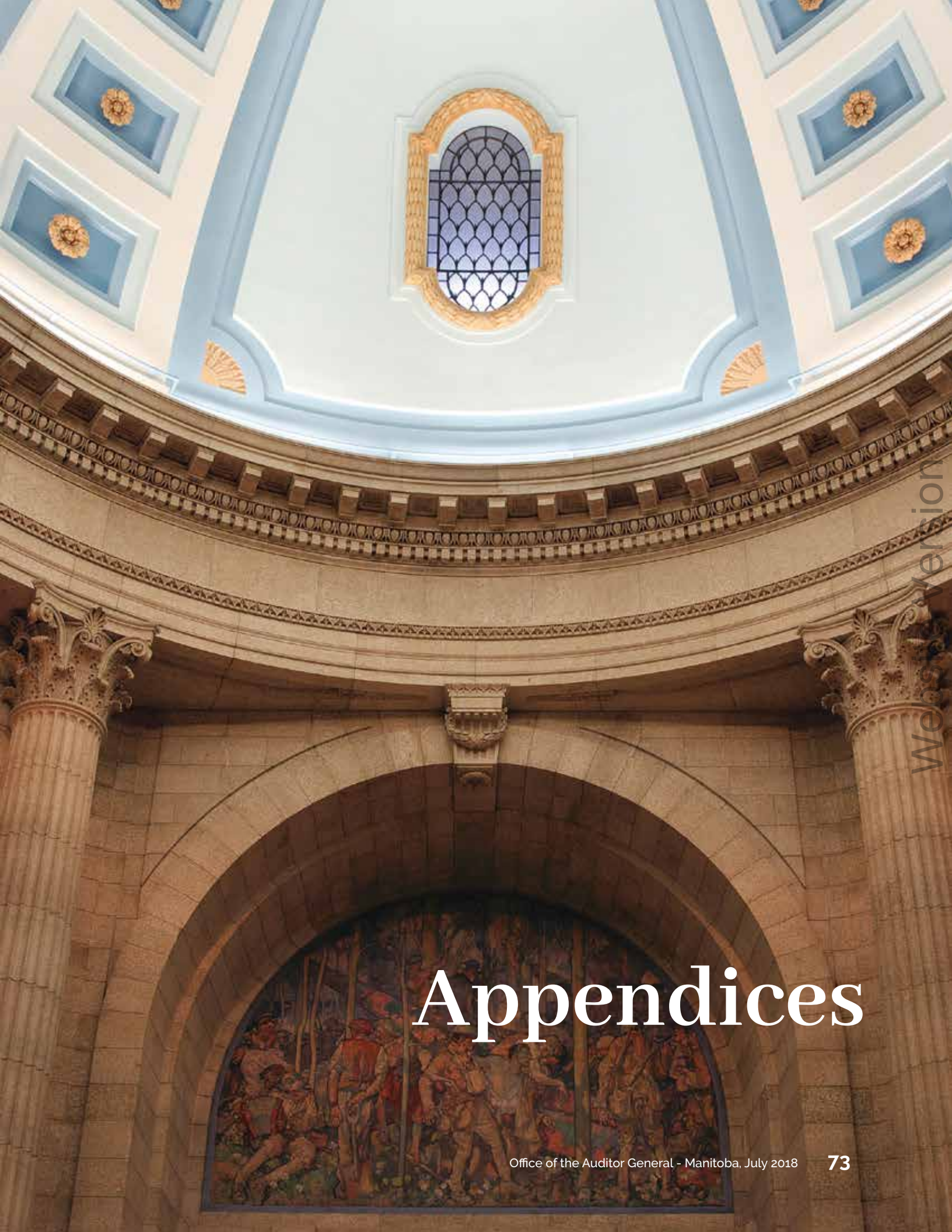
1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424

**OFFICE OF THE AUDITOR GENERAL OF MANITOBA  
DISCLOSURE OF EMPLOYEE COMPENSATION PAYMENTS  
For the Year Ended March 31, 2018**

In accordance with The Public Sector Compensation Disclosure Act, disclosure is required of aggregate annual compensation payments of \$50,000 or more. For the year ended March 31, 2018 employees of the Office of the Auditor General of Manitoba that received compensation of \$50,000 or more, including professional fees and taxable benefits, are as follows:

|                           |                                                  |           |
|---------------------------|--------------------------------------------------|-----------|
| Besette-Asumadu, Natalie  | Principal                                        | \$ 92,402 |
| Boyechko, Bryden          | Senior Auditor                                   | 54,519    |
| Capozzi, Maria            | Principal                                        | 104,982   |
| Charman, Corey            | Manager                                          | 82,771    |
| Charron, Shane            | Manager                                          | 84,048    |
| Cohen, Sandra             | Assistant Auditor General, Value for Money Audit | 133,985   |
| Diaz, Yuki                | Senior Auditor                                   | 53,514    |
| Edwards, Gene             | Principal                                        | 107,697   |
| Emslie, Melissa           | Principal                                        | 97,745    |
| Gilbert, Jeffrey          | Principal                                        | 102,857   |
| Grobler, Emelia           | Senior Auditor                                   | 63,531    |
| Hay, Susan E.             | Principal                                        | 107,697   |
| Hickman, Graham           | Manager                                          | 84,033    |
| Ivison, Robert            | Senior Auditor                                   | 74,033    |
| Janzen, Benjamin          | Manager                                          | 67,341    |
| Johnson, Jo               | Principal                                        | 107,820   |
| Landry, Frank             | Communications Manager                           | 63,365    |
| Lewarton, Lawrence        | Principal                                        | 107,697   |
| MacBeth, Gregory          | Assistant Auditor General, Professional Practice | 118,510   |
| Muir, Dallas              | Principal                                        | 101,694   |
| Muirhead, Adam            | Senior Auditor                                   | 73,235    |
| Nebida, Arlene            | Senior Auditor                                   | 72,336    |
| Nero, Kenneth             | Controller                                       | 74,731    |
| Ngai, Jacqueline          | Principal                                        | 105,511   |
| Nowell, Chris             | Senior Auditor                                   | 65,829    |
| Obelnicki, Larry          | IT Specialist                                    | 69,510    |
| Ricard, Norman            | Auditor General                                  | 181,912 * |
| Richardson, Shirley       | Systems Coordinator                              | 107,875   |
| Riddell, Ryan             | Manager                                          | 84,269    |
| Seo, Bohyun               | Senior Auditor                                   | 62,147    |
| Sharma, Ganesh            | Principal                                        | 89,896    |
| Shtykalo, Tyson           | Deputy Auditor General                           | 133,985   |
| Smith, Lorna              | Senior Auditor                                   | 58,651    |
| Sahal, Reema              | Principal                                        | 95,552    |
| Stephen, Jim              | IT Specialist                                    | 86,566    |
| Stoesz, Jonathan          | Manager                                          | 81,480    |
| Storm, David              | Principal                                        | 107,164   |
| Thiessen, Brendan         | Principal                                        | 105,642   |
| Thomas, Erika             | Principal                                        | 105,642   |
| Torchia, Philip           | Principal                                        | 105,642   |
| Torre-Cabacungan, Melanie | Manager                                          | 81,225    |
| Voakes, F. Grant          | Principal                                        | 101,694   |
| Wainwright, Kelsey        | Manager                                          | 74,286    |
| Wright, James             | Principal                                        | 106,015   |

\* The disclosed amount includes the taxable benefit for the personal use of a government vehicle during the 2017 calendar year.



Web version

# Appendices



# APPENDIX A

## The Auditor General Act

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.

#### 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.

**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.

#### **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.

## 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.

## 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.

## **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 to 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).

## 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.**

**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

Province of Manitoba Summary  
Financial Statements

Crown organizations:

- Community Revitalization Fund
- Cooperative Promotion Board
- Co-operative Loans and Loans  
Guarantee Board
- Funeral Board of Manitoba
- Liquor and Gaming Authority of Manitoba
- Manitoba Health Services Insurance Plan
- Public Schools Finance Board
- University of Manitoba

##### ORGANIZATIONS OUTSIDE THE GOVERNMENT REPORTING ENTITY

- Civil Service Superannuation Fund
- Legislative Assembly Pension Plan
- Public Service Group Insurance Fund
- Teachers' Retirement Allowances Fund
- 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

Crown organizations:

- Brandon University
- Helen Betty Osborne Memorial  
Foundation
- Leaf Rapids Town Properties Ltd.
- Legal Aid Manitoba
- Manitoba Agricultural Services  
Corporation
- Manitoba Habitat Heritage Corporation
- Manitoba Housing and Renewal  
Corporation
- Manitoba Water Services Board
- University College of the North

Special Operating Agencies:

- Manitoba Learning Resource Centre
- Public Guardian and Trustee of Manitoba

##### 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 Auditor  
General's Office**

**GOVERNMENT ENTERPRISES**

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

**CROWN ORGANIZATIONS**

Addictions Foundation of Manitoba  
Assiniboine Community College  
Cancer Care Manitoba  
Le Centre culturel franco-manitobain  
Communities Economic Development Fund  
Crown Corporations Council  
Diagnostic Services of Manitoba Inc.  
Economic Development Winnipeg Inc.  
Insurance Council of Manitoba  
Manitoba Arts Council  
Manitoba Centennial Centre Corporation  
Manitoba Combative Sports Commission  
Manitoba Community Services Council Inc.  
Manitoba Development Corporation  
Manitoba Film and Sound Recording  
Development Corporation  
Manitoba Hazardous Waste Management  
Corporation  
Manitoba Horse Racing Commission  
Manitoba Opportunities Fund Ltd.  
Medical Transportation Coordination Centre  
North Portage Development Corporation  
Red River College  
Rehabilitation Centre for Children Inc.  
Research Manitoba  
Regional Health Authorities of Manitoba Inc.

St. Amant Inc.  
Sport Manitoba Inc.  
Travel Manitoba  
Universitaire de Saint-Boniface  
University of Winnipeg  
Venture Manitoba Tours Ltd.  
39 Personal Care Homes and other Health  
Care Facilities  
38 School Divisions

**REGIONAL HEALTH AUTHORITIES**

Interlake-Eastern Regional Health Authority  
Northern Regional Health Authority Inc.  
Prairie Mountain Health  
Southern Health-Santé Sud  
Winnipeg Regional Health Authority

**FAMILY SERVICES AUTHORITIES**

First Nations of Northern Manitoba Child &  
Family Services Authority  
General Child and Family Services Authority  
Métis Child and Family Services Authority  
Southern First Nations Network of Care

**SPECIAL OPERATING AGENCIES**

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







**Auditor General**  
MANITOBA

**For more information,  
please contact our office at:**

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500-330 Portage Avenue  
Winnipeg, Manitoba R3C 0C4

Phone: 204-945-3790

Fax: 204-945-2169

Email: [contact@oag.mb.ca](mailto:contact@oag.mb.ca)

Website: [www.oag.mb.ca](http://www.oag.mb.ca)