



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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May 2014

Follow-up of Previously Issued Recommendations

Our vision

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

Our desired outcomes

Government organizations focus on results.

Government organizations produce meaningful, user-friendly performance reports for the public.

The Public Accounts Committee and the Legislative Assembly closely monitor the spending of public funds.

Our objectives

To add value to the management systems and practices of government organizations.

To provide Members of the Legislative Assembly with relevant information.

To manage our internal business effectively.

Our operating principles

Independence

We conduct our work in an objective and unbiased manner.

Value-added work

We provide the Legislative Assembly with value-added reports.

Balanced perspective

We put forth well considered and fair conclusions based on analysis of all opinions and where appropriate, reporting on strengths as well as weaknesses.

Professional excellence

We maintain sound audit methodology and meet the professional standards and competency requirements of our Office.

Teamwork

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

Professional conduct

We adhere to the Office values of respect, honesty, integrity, and openness.

Accountability

We are accountable for our individual contributions to the products and services we provide.

Financial stewardship

We use taxpayers' money efficiently and effectively.



May 2014

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

Dear Sir:

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

Respectfully submitted,

Original document signed by:
Norm Ricard

Norm Ricard, CA
Auditor General (acting)

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Follow-up Process and Nature of a Review

Follow-up Process

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

A follow-up review begins when we request a status update from management. The implementation status is to be determined as at the forthcoming June 30. When status updates are received we conduct review procedures (see Nature of a review on page 4) to assess the plausibility of the recommendation statuses provided. We do not reperform audit procedures from the original audit.

Status categories

The implementation status of each recommendation is described using one of the following categories:

Follow-up previously completed

The recommendation was cleared in a previously issued follow-up report. A recommendation is considered cleared when its status is one of the following: Implemented/resolved, No longer required, or Do not intend to implement.

Implemented/resolved

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

Action no longer required

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

Do not intend to implement

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

Work in progress

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

Report format

This report includes 23 follow-up reports. We have organized the follow-up reports into two sections:

- Recommendations Followed-up for 3 Years
- Recommendations Followed-up for Less Than 3 Years

For each follow-up report we identify who is responsible for implementing our recommendations. The Public Accounts Committee will be able to use this information to identify the appropriate witnesses to call to their meetings.

Follow-up reports include a summary of the original audit report, a chart indicating the current status of our recommendations as of June 30, 2013, and a listing of each of the recommendations we followed-up this year. The recommendations that we considered cleared in prior years are not reprinted in this year's follow-up report.

Nature of a Review

In a review, we provide a moderate level of assurance. Our procedures are limited to enquiry, document review and discussion. The evidence obtained through these procedures enables us to conclude on whether the matter is **plausible** in the circumstances.

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance. We achieve this high level of assurance by gathering sufficient appropriate audit evidence. Audit procedures would include: inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term “high level of assurance” refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable because much of the evidence available to us is persuasive rather than conclusive, as well as, the inherent limitation of control systems, and the use of testing and professional judgement.

Review comments

Our follow-up reviews were conducted in accordance with Canadian generally accepted standards for assurance engagements, and accordingly consisted primarily of document examination and discussion with entity management.

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

With respect to the implementation status of recommendations followed-up, nothing has come to our attention to cause us to believe that the representations made by entity management do not present fairly, in all significant respects, the progress made in implementing the recommendations.

Summary of Follow-up Reviews

Summary of Follow-up Reviews

This report includes 23 follow-up reports. Of the 400 total recommendations in these reports, 156 were resolved in a prior year. This year's follow-up of the remaining 244 recommendations reveals that:

- 98 have been implemented/resolved.
- 5 no longer require the recommended action.
- 5 will not be implemented.
- 136 remain in progress. Of note is that 66 of these recommendations (27% of all recommendations followed-up this year) are from reports that have been followed-up for 3 years (42 from the 2007 Audit of the Province's Management of Contaminated Sites and Landfills (page 18)).

We encourage the Public Accounts Committee to request action plans for those recommendations that remain in progress, particularly in relation to those 11 reports that we followed-up for 3 years and for which we do not intend to continue following up (see table below).

Status of recommendations as at June 30, 2013							
Audit report	Date issued	Total recommendations	Recommendations considered			Work in progress	
			Implemented/resolved	Action no longer required	Do not intend to implement		Follow-up previously completed
Recommendations followed up for 3 years (we do not intend to conduct any more follow-up reviews on these recommendations)							
1. Assessment Services Branch	November 2009	9				8	1
2. Mandatory Legislative Reviews	December 2007	3				1	2
3. Department of Conservation's Management of the Environmental Livestock Program	October 2007	40	3			33	4
4. The Province's Management of Contaminated Sites and Landfills	October 2007	77	6			29	42
5. Compliance with Oil and Gas Legislation	December 2008	8				6	2
6. Employment and Income Assistance Program	December 2008	14	2			10	2
7. Personal Care Homes Program	November 2009	16	2			9	5
8. Pharmacare Program – Part 2	December 2008	12	5			4	3
9. Public Sector Compensation Disclosure Reporting	December 2009	3					3
10. Special Audit: Rural Municipality of La Broquerie	March 2008	35	1			33	1
11. Winnipeg Regional Health Authority – Administration of the Value-Added Policy	June 2010	8	2			5	1
Sub-total		225	21	0	0	138	66

(cont'd)

Summary of Follow-up Reviews

Status of recommendations as at June 30, 2013 (cont'd)

Audit report	Date issued	Total recommendations	Recommendations considered cleared				Work in progress
			Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
Recommendations followed up for less than 3 years							
12. Animikii Ozoson Child and Family Services Agency	January 2012	25	14	2			9
13. Appointment Process to Agencies, Boards, and Commissions	January 2012	9	4				5
14. Economic Development: Loans and Investments under <i>The Development Corporation Act</i>	December 2010	15	4		1	6	4
15. Food Safety	January 2012	23	10	3	1		9
16. Managing Climate Change	December 2010	15				1	14
17. Personal Injury Protection Plan	January 2012	23	16				7
18. Report on the Rural Municipality of St. Clements	June 2012	5	1		3		1
19. Special Audit: Rural Municipality of St. Laurent	December 2010	9	5			4	
20. Special Audit: Society for Manitobans with Disabilities	December 2010	13	1			7	5
21. Special Needs Education	January 2012	19	10				9
22. Taxation Division, Audit Branch	January 2012	1					1
23. Wireless Network Security	January 2012	18	12				6
Sub-total		175	77	5	5	18	70
Total		400	98	5	5	156	136

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Recommendations Followed-up for 3 Years

1. Assessment Services Branch

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Intergovernmental Affairs. The Department of Municipal Government is now responsible for implementing our recommendations.

Summary of the November 2009 audit report

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

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

We concluded the following:

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	
9				8
				1

Work in progress

We recommended that:

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

2. Mandatory Legislative Reviews

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Finance. This department continues to be responsible for implementing our recommendations.

Summary of the December 2007 audit report

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

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

Our objective was to determine whether departments were complying with requirements to undertake mandatory legislative reviews.

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

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

Work in progress

We recommended that:

1. A plan be developed to address the non-compliance with mandatory regulatory reviews.

OAG comment: Mandatory regulatory reviews are reported on in the comptrollership plans which are prepared by the departments and filed with the Department of Finance. The Department of Finance intends to periodically review comptrollership plans through Internal Audit.

3. Legal advice and ministerial approval be sought when a department is considering not undertaking a mandatory legislative review within the prescribed time period.

3. Department of Conservation's Management of the Environmental Livestock Program

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Conservation. The Department of Conservation and Water Stewardship is now responsible for implementing our recommendations.

Summary of the October 2007 audit report

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

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

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

Specifically, our objectives were:

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

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

- Controls related to the application of manure by operations with multiple species.
- Minimum acceptable storage capacity for manure storage facility constructions.

Recommendations Followed-up for 3 Years

- Controls to address the effects of chemical fertilizers combined with manure application.
- The submission of contingency plans to deal with potential emergencies related to livestock manure.
- Controls related to the application of manure on frozen or snow-covered ground.

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

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

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

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/ Resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
40	3			33	4

Implemented/resolved

We recommended that:

33. Conservation communicate the results of all audits of manure application to the operations it has audited. Conservation should clearly indicate whether the operations were found to be in compliance with the Regulation or not. Any operations identified as having nitrate levels in excess of what the Regulation allows should result in appropriate enforcement action.
39. Conservation conduct a comprehensive analysis of the livestock program's data to aid in the development of a strategic direction for the program.

Implemented/resolved (cont'd)

We recommended that:

40. Conservation consult with other departments and municipalities to identify issues of common interest in sustaining the agricultural economy while at the same time protecting the environment.

Work in progress

We recommended that:

35. Conservation track all pertinent data related to the Regulation in its official tracking system, EMS.
36. Conservation modify the EMS program to properly track the follow-up of enforcement actions.
37. Conservation modify the EMS program to incorporate animal unit numbers for operations.
38. Conservation develop and use a consistent method to identify all operations.

4. The Province's Management of Contaminated Sites and Landfills

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Conservation, government entities and municipalities. The Department of Conservation and Water Stewardship, along with government entities and municipalities, are now responsible for implementing our recommendations.

Summary of the October 2007 audit report

In November of 2005 we released a report entitled, *Review of the Province of Manitoba's Management of Contaminated Sites*. That review was initiated in response to evolving changes to government financial reporting standards. By March 31, 2006, all senior governments in Canada were required by public sector accounting standards to accrue and/or disclose its liabilities in accordance with the standards for liabilities and contingent liabilities. Liabilities would include obligations related to environmental remediation. Our November 2005 review focused on the processes in place for the Province to accurately identify and, where required, estimate the cost of environmental remediation for provincially owned contaminated sites under their responsibility, that is sites owned by provincial departments and special operating agencies.

Our 2005 review excluded the management of contaminated sites owned and operated by Crown organizations, Government business enterprises, school divisions and municipalities. In 2007, we conducted an in-depth audit of the management of contaminated sites by entities in the Government Reporting Entity (GRE) and by municipalities. Although municipalities are not included in the GRE, *The Municipal Act* of the Province of Manitoba requires them to comply with Public Sector Accounting (PSA) standards. Appendix C of the report includes a listing of entities included in the GRE.

The objectives of our audit were as follows:

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

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

Some of the key conclusions of our audit were:

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

Recommendations Followed-up for 3 Years

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Our October 2007 report included 77 recommendations. Recommendations 1 - 17 were directed to the entities directly responsible for the site. These entities included municipalities and other government entities. Because no Provincial department was monitoring the implementation of these recommendations, in our January 2012 Follow-up report to the Legislature, we added the following recommendation:

We recommend that the Province assign responsibility for monitoring the implementation of recommendations 1 - 17.

In April 2014, we were advised by the Minister of Conservation and Water Stewardship that the Province had assigned responsibility for monitoring the implementation of recommendations 1 - 17 to the Departments of Conservation and Water Stewardship, and Municipal Government.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	
77	6		29	42

Implemented/resolved

We recommended that:

51. Policy be developed and approved to require the input of all landfills in EMS including both active and inactive sites.

Implemented/resolved (cont'd)

We recommended that:

- 52. Policy be developed and approved to require the input of:
 - all reports received.
 - an indication as to whether or not those reports have been approved.
 - all monitoring data, including inspection reports and complaints.
 - all related correspondence.
- 60. Copies of current permits be retained in all of Conservation's files for landfills.
- 65. Landfills be identified in such a way as to address the associated risks.
- 66. Priorities for monitoring and remediation of landfills be established.
- 67. Landfills that pose a high risk to the environment be identified and flagged for early attention.

Work in progress

We recommended that:

- 1. All entities and municipalities with contaminated sites assign personnel to be responsible for addressing contaminated sites issues.
- 2. The following responsibilities be assigned within entities and municipalities:
 - Identification and risk assessment of contaminated sites.
 - Development of remediation plans.
 - Monitoring of contaminated sites.
 - Database management.
 - Quantification of environmental liabilities for financial reporting.
- 3. Government entities and municipalities that have had experience with property contamination develop and implement a documented strategy for the management of contaminated sites.
- 4. All entities and municipalities develop and implement a documented environmental liabilities accounting policy.
- 5. All entities and municipalities with properties that have been exposed to contaminants maintain a complete list of these sites.
- 6. Environmental Site Assessments be conducted by qualified professionals on all properties that have been exposed to contaminants.
- 7. Priorities for remediation be established based on Environmental Site Assessments.
- 8. All entities and municipalities develop a protocol that will ensure that all sites that have been exposed to contaminants be reported to Conservation as they are identified.
- 9. Remediation plans be developed for all sites that meet the NCS criteria for Class 1 or Class 2 sites.

Work in progress (cont'd)

We recommended that:

10. Entities and municipalities establish a remediation strategy that focuses on remediating sites based on risk.
11. All Class 1 and Class 2 sites be remediated as funding permits.
12. Entities and municipalities inform Conservation of new developments related to contaminated sites and that all ESAs and RAPs for these sites be submitted to Conservation for review. Remediation plans should be approved by Conservation prior to implementation.
13. All properties be assessed on a regular basis for changes in status.
14. All entities and municipalities with properties that have been exposed to contaminants maintain a database of their properties to track those sites. The database could include:
 - site classification.
 - remediation plan data.
 - remediation cost estimates.
 - remediation related activities.
 - site monitoring activities.
15. The database be updated as changes to sites occur.
16. ESAs and RAPs be used as a basis for determining cost estimates for environmental liabilities.
17. All entities and municipalities follow PSA standards for reporting and disclosing contaminated sites in their financial statements.
43. The Waste Disposal Grounds Regulation be reviewed and that consideration be given to including requirements for:
 - licenses and permits for the operation of landfills expire after a stated period of time.
 - renewal of licenses and permits for the operation of landfills require a formal application on the part of the permit holder.
 - monitoring and reporting requirements during operation.
 - periodic review and amendment to the Regulation as needed.
 - when the Regulation is amended, a phase-in process to ensure that all operators in each class of landfills are subjected to the same regulatory authority.
 - specific requirements for monitoring of closed landfills.
44. The Land Titles Office be notified of all properties that have been or are being used as landfills.
45. Conservation review and update existing policy documents for the licensing of landfills in Manitoba.
46. Conservation develop and formally approve policy and procedures for the permitting of landfills in Manitoba. The Draft document entitled, *Guidelines for the Siting of a Class 2 and Class 3 Waste Disposal Ground in Manitoba*, should be used as a starting point for the establishment of policy.
47. Conservation require consistent application of policy for the permitting of landfills in Manitoba throughout the Province.
48. Conservation establish policy to rank landfills based on thorough risk assessments.

Work in progress (cont'd)

We recommended that:

49. Conservation policy require the submission of preliminary closure and post-closure plans for all landfills, both permitted and licensed. These plans should be submitted within a specific timeframe following the issuance of the permit or licence.
50. Monitoring procedures or standards be established provincially.
53. Conservation develop a communication strategy to enable consistent delivery of the landfills program and consistent application of the Regulation. All policy should be documented and communicated in writing.
54. Policy documents intended to guide owners and operators or potential owners and operators of landfills be made accessible on the government website.
55. Conservation follow-up on the submission of preliminary closure and post-closure plans required for permitted landfills to ensure that they are received within the timeframe required.
56. Conservation review and seek amendments to closure and post-closure plans for permitted landfills as necessary until they can be approved.
57. All permits issued and renewed for landfills be processed based on established procedures. The review of each application should be documented in the file.
58. All operators of landfills meet the requirements of the Regulation and of previous permits before permits are issued or renewed.
59. All pertinent matters related to the issuance and renewal of permits be properly documented in the file.
61. Conservation include conditions in each landfill permit to address the environmental risks associated with each landfill.
62. Consideration be given to amending the Waste Disposal Grounds Regulation to require all Class 1 landfills to operate under similar conditions and restrictions, including licensing requirements. These conditions and restrictions should be determined based on specific risks associated with each landfill.
63. Conservation follow-up on the submission of preliminary closure and post-closure plans for licensed landfills and ensure that they are received within the timeframe required.
64. Conservation review and seek amendments to closure and post-closure plans for licensed landfills until approval can be granted.
68. Conservation takes steps to ensure that landfills operators comply with the Regulation by submitting closure notices prior to closure. To accomplish this, Conservation may need to develop an awareness program to ensure that landfill operators understand their obligations.
69. Conservation follow-up on missing documentation to ensure operators are in compliance with the Regulation and with operational conditions.

Work in progress (cont'd)

We recommended that:

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

OAG comment: On April 1, 2014 The Contaminated Sites Remediation Act was amended. The management of “impacted sites” is now included in the Act.

5. Compliance with Oil and Gas Legislation

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Science, Technology, Energy and Mines. The Department of Mineral Resources is now responsible for implementing our recommendations.

Summary of the December 2008 audit report

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

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
8				6	2

Work in progress

We recommended that:

7. The Department ensure that oil producing companies calculate, and pay, their royalties and production taxes in accordance with the regulation.

OAG comment: A Regulatory amendment came into force on January 1, 2014 that addresses our recommendation.

8. The Petroleum Branch audit the production records of individual wells and the price production companies receive for their oil on a rotating sample basis to ensure correct production and prices are reported and thereby ensure the correct amount of royalties or taxes are paid.
-

6. Employment and Income Assistance Program

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Family Services and Housing. The Department of Jobs and the Economy is now responsible for implementing our recommendations.

Summary of the December 2008 audit report

The Department of Family Services and Housing is responsible for administering the Employment and Income Assistance (EIA) Program. The EIA Program provides funding for the basic needs of individuals and families who have exhausted other means of financial support, as well as a variety of other supports to assist individuals in entering, re-entering or remaining in the work force.

We examined the Department's processes for ensuring that only eligible applicants receive income assistance and that eligible individuals are paid the correct amounts. We also examined employment enhancement referral and monitoring processes and the income assistance rate setting process.

We found that:

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

Recommendations Followed-up for 3 Years

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	
14	2		10	2

Implemented/resolved

We recommended that:

2. The Department re-emphasize the importance of file reviews to supervisors in all offices and develop specific procedures and documentation standards to ensure that 10% of all new or re-opened files are reviewed each month, as required by the EIA Administrative Manual.

Implemented/Resolved (cont'd)

We recommended that:

7. The Department analyze the costs and benefits associated with expanding its current information exchange arrangements.

OAG comment: The Department's informal analysis of costs and benefits resulted in one information exchange arrangement with a First Nation which was determined to be not cost effective and one with Justice. The Department advised us that it continues to consider opportunities for new agreements whenever opportunities arise and that it is currently reviewing the potential for another agreement.

Work in progress

We recommended that:

10. The Department review the Training and Employment Links System in order to assess how best to increase use of this application.

OAG comment: The Department has identified, and is implementing, a different program that it believes will better address the original findings (rather than increasing the use of TELS).

14. The Department institute a formal documented process for reviewing and making recommendations for periodically updating basic and shelter rates, income and asset exemptions, and other income assistance allowances in a logical and equitable manner.

7. Personal Care Homes Program

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Health and the Regional Health Authorities. They continue to be responsible for implementing our recommendations.

Summary of the November 2009 audit report

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

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

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

Our findings included:

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

- **PCH facility long term planning:** The Department gathered data for PCH facility long term planning, but had not reassessed capital funding requirements to reflect the current status of the Aging in Place strategy and current PCH capital needs identified by the RHAs.
- **Financial and operational accountability:** Different PCH funding formulas had evolved over the years that were not logically supported by current data and analysis, although a new funding initiative will partially address some of the issues. Service Purchase Agreements held the PCHs accountable to the RHAs for financial and operating performance, but for-profit PCHs were not required to provide audited financial information. There was limited public reporting of PCH performance, such as results of standards visits and information on wait lists.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
16	2			9	5

Implemented/resolved

We recommended that:

7. The Department verify the corrective actions reported by PCHs in their action plans and progress reports, using a combination of risk-based follow-up visits and signed declarations of verification from the RHAs.
8. The Department periodically summarize and review Province-wide results on the level of compliance with PCH standards to identify actions required to respond to trends and to improve results.

Work in progress

We recommended that:

4. The Department extend PCH standard visits to facilities with interim PCH beds.
12. The Department and the RHAs track and monitor wait times to first and preferred PCH placement offers, as well as the number of seniors waiting for PCH admission.

Work in progress (cont'd)

We recommended that:

13. The Department develop a PCH facility long term capital plan consistent with demographic and population trends, the current status of the Aging in Place Strategy, and current PCH capital needs identified by the RHAs. The plan should include total capital funding requirements and the Department should determine how these are to be prioritized and managed.
14. The Department and the RHAs work together to develop PCH funding options that can logically support any differences in PCH funding levels with updated financial information and assumptions.
16. The Department enhance publicly available information concerning PCHs to include information on compliance with PCH standards.

8. Pharmacare Program – Part 2

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Health. They continue to be responsible for implementing our recommendations.

Summary of the December 2008 audit report

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

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

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

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

We found that:

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

Recommendations Followed-up for 3 Years

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	
12	5		4	3

Implemented/resolved

We recommended that:

1. There should be a documented communication strategy.
2. The communication strategy appropriately address the needs of all client groups.
6. A formal process be implemented to ensure policy and procedures are updated on a regular basis.
7. A process be implemented to assess professional fee compliance with the Act.
8. A process to monitor professional fees be put in place.

Work in progress

We recommended that:

10. Manitoba Health complete the process to analyze claims for audit.
11. Manitoba Health complete the process of prioritizing pharmacies for audit.
12. Manitoba Health develop an audit process to review the accuracy and validity of claims submitted by pharmacies.

9. Public Sector Compensation Disclosure Reporting

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Finance. This department continues to be responsible for implementing our recommendations.

Summary of the December 2009 audit report

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

We found that:

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

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

Work in progress

We recommended that:

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

10. Special Audit: Rural Municipality of La Broquerie

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Intergovernmental Affairs. The Department of Municipal Government is now responsible for implementing our recommendations.

Summary of the March 2008 audit report

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

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

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

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

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

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

A detailed summary of our conclusions was reproduced in our first 2 follow-up reports. Because only 2 recommendations remained outstanding for this follow-up, we have reprinted only the related objective and conclusions.

Objective	Conclusions
<p>To determine whether the Department has adequate processes in place to review and assess citizen complaints concerning the operations of municipalities.</p>	<p>When the Department receives a citizen complaint they provide advice as to what options are available to the citizen to resolve their concerns, including those available in legislation such as contacting the Ombudsman. The Department may also work with the municipality to address the complaint. While this approach may resolve many matters, in situations where serious concerns remain unresolved it is not sufficient, and additional involvement by the Department is necessary.</p> <p>The Department has no formal, comprehensive process in place to monitor compliance with all provisions of <i>The Municipal Act</i>. Although the Department does have a formal monitoring process in place for those provisions of <i>The Municipal Act</i> dealing with financial matters for which they have a stated role, there are other mandatory provisions of the Act that are not monitored and the Department relies solely on the supplementary audit reports provided by external auditors.</p> <p>The Department relied on the Supplementary Audit Reports to provide them with assurance that the RM was operating appropriately. The external auditors indicated to us that they did not undertake additional audit procedures to prepare the Supplementary Audit Reports, but rather they designed their audit engagements to express an opinion on the financial statements and only reported other matters which came to their attention. This approach would not be sufficient to support the level of reliance that the Department placed on the Supplementary Audit Reports.</p>

Objective	Conclusions
	<p>The RM had the authority to appoint the external auditors directly. The external auditors provided an engagement letter to the RM that clearly described the work that they would perform to express an opinion on the financial statements and the letter did not refer to the Supplementary Audit Report. Because the Department was not a part of this process, they did not have an opportunity to identify the gap between what they were expecting and what the auditors would provide. The requirements of the Supplementary Audit Report as described in <i>The Municipal Act</i> would, in our opinion, require significant audit work with a related increase in fees over and above the financial statement audit.</p> <p>In our opinion, certain of our audit findings such as weaknesses in the internal control environment would have warranted disclosure in the external auditor’s Supplementary Audit Report.</p>

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
35	1			33	1

Implemented/resolved

We recommended that:

- The Department implement procedures to better review and analyze the financial information provided to them by municipalities, to clearly identify reasons for the deficits and the appropriate corrective action to be taken by the municipality.

Work in progress

We recommended that:

- The Department, in consultation with municipalities and external auditors, review the supplementary audit report requirements to ensure that appropriate information and assurances about the administration and operations of municipalities are provided.

Web version

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

First follow-up – as at June 30, 2011

Second follow-up – as at June 30, 2012

Third follow-up – as at June 30, 2013

Our recommendations were directed to the Winnipeg Regional Health Authority. They continue to be responsible for implementing our recommendations.

Summary of the June 2010 audit report

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

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

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

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

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

1. **The total dollar value of Value-Adds:** The original estimate of \$20 million in Value-Adds included \$8,478,959 in supplier rebates, incentives, and other items. The actual amount of Value-Adds received from December 1, 1999 through May 2009 was \$11,246,809. At May 31, 2009, WRHA had accepted an additional \$2,335,940 of Value-Adds to be received in future years. A list of Value-Adds received from specific suppliers is in Appendix A.
2. **The nature of items WRHA accepted:** Of the amounts received, \$9,543,648 was cash in the form of cheques payable to WRHA. We verified that WRHA properly recorded these amounts. The remaining \$1,703,161 was received in the form of product, equipment or education. We were able to verify 100% of education, 95.4% of product, and 87.3% of equipment. But we also found that WRHA had weak controls over these items and did not record them.
3. **WRHA's Value-Added policy:** Value-Adds must be separated from supplier bids during the bid-evaluation process. WRHA followed this policy. The intention of the Value-Added policy is to ensure impartial bid selection. In theory, this is good practice, but in reality, there could be an influence from Value-Adds on vendor selection over time. Suppliers to WRHA also donate to Manitoba's hospitals and universities, which may also influence decisions. In our view, including all unsolicited offers in bid evaluations, combined with public disclosure of vendor payments and Value-Adds, would reduce the possibility of influence.
4. **The bidding process:** For those items we audited, the price paid matched the contract price and a competitive bid process was used. Control sheets that summarized bid submissions had two signatures. Evaluation committees typically consisted of several individuals. These internal controls cannot eliminate the possibility of fraud through collusion or prevent suppliers from providing personal benefits outside the system. But we did not receive -nor did we find- any evidence to suggest that was happening.
5. **The selection process:** We did not find any Value-Adds in construction contracts that we audited. But WRHA did not use a competitive bid process to select project consultants.
6. **Public Reporting:** Unlike vendor payments made by core government, WRHA's vendor payments are not publicly reported. Greater transparency would reduce the perception of bias and strengthen WRHA's accountability to the Legislature and the public.
7. **Personal benefits:** We found no evidence that anyone benefitted personally from Value-Adds. The wording in the Value-Add policy that "... *may also benefit Board Members, WRHA Logistics Services employees, Facility/Program employees, WRHA employees or Physicians?*" should be amended.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	
8	2		5	1

Implemented/resolved

We recommended that:

7. WRHA develop a formal documented policy for capital project tendering.
8. WRHA select project consultants using a competitive tendering process.

Work in progress

We recommended that:

6. WRHA develop a coding protocol to be implemented at all sites in order to enable the matching of contracts and related payments.

Recommendations Followed-up for Less Than 3 Years

12. Animikii Ozoson Child and Family Services Agency

First follow-up – as at June 30, 2013

Our recommendations were directed to Animikii Ozoson Child and Family Services Agency and the First Nations of Southern Manitoba Child and Family Services Authority. They continue to be responsible for implementing our recommendations.

Summary of the January 2012 audit report

The provision of child and family service programs across Manitoba is a critical and demanding responsibility, and there is a significant annual cost to provide these programs. According to the Family Services and Consumer Affairs Annual Report, funding provided to the Authorities and mandated agencies, was in excess of \$250 million for the year ended March 31, 2010. Also, since 2003, when *The Child and Family Services Authorities Act* was proclaimed, there has been a major devolution of authority and responsibility to the Authorities, including the responsibility to mandate, fund, and monitor agencies.

On October 24, 2005, Animikii Ozoson Child and Family Services Agency (Agency) was mandated by the First Nations of Southern Manitoba Child and Family Services Authority (Authority), for the purpose of providing child and family services under The Child and Family Services Act and The Adoption Act to persons for whom the Authority is responsible. The Agency is unique in that it provides culturally appropriate services in Winnipeg for mostly aboriginal families and children who have cultural ties and affiliations to the First Nations of Ontario.

We examined financial accounting processes and controls of the Agency, and senior management and Board compensation and expenses. Our audit also included a review of governance practices and an assessment of the Agency's compliance with its funding agreement with the Authority. We did not audit the quality of child care provided by the Agency.

We found that the Agency had incurred operating deficits over the past several years and had an accumulated deficit in excess of \$450,000. They had retained funds in excess of \$3.4 million which were owing to the Province, to maintain its cash flow. Since its mandate in 2005, the Agency had expressed concerns to the Authority that the operational funding was not adequate. This funding model has now been revised.

Our audit did not include a full analysis of the causes of the deficits nor an assessment of the adequacy of the revised funding model to address shortfalls and cash flow needs. However, we found several areas that must be addressed to provide for ongoing monitoring and control of the Agency and to protect against the risk of financial irregularities.

Governance practices at the Agency need to be strengthened, including financial oversight. Board members expressed concerns about their ability to recruit new members and the lack of financial expertise on the Board. Both are critical to ensure proper control and monitoring of the Agency.

Recommendations Followed-up for Less Than 3 Years

We examined the internal controls around the preparation of bank reconciliations and the processing of payments. A number of internal control weaknesses were discovered. It is important to note that although these weaknesses appear to be occasional exceptions, they show a lack of segregation of duties which means an irregularity could take place and be covered up by the same individual. While the internal control environment has weaknesses and exposes the Agency to unnecessary risk, we did not find any examples of inappropriate transactions. Also, the Agency does not have a conflict of interest policy, which is a requirement of the funding agreement between the Agency and the Authority. We found examples of conflicts of interest which such a policy should address. Policies were also missing about the types of expenses that are allowed for Board members and staff, Board compensation and employee advances.

While our original objectives did not include the examination of foster home licenses and places of safety, concerns came to our attention and we extended our work on those areas. We found that foster homes were not consistently reviewed and re-licensed annually and that the Child and Family Service Information System (CFSIS) was not accurate concerning foster home licenses and children in care. Similar issues were reported in our 2006 Report entitled *Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices* and we would have expected these areas to have been remedied within Agencies.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
25	14	2			9

Implemented/resolved

We recommended that:

1. The Agency finalize the repayment schedule for the CSA funds owing to the Province.
2. The Authority provide the Agency with a detailed breakdown of its operating funding.
3. The Authority, in collaboration with the Agency, review the impact of the new funding model assumptions on the Agency and ensure that the funding inequities have been resolved.
4. The Board review in detail and approve the Agency's annual operating budget on a timely basis.
5. The Board meet with the external Auditors at the beginning of the audit to discuss the Audit Plan and at the end of the audit to discuss audit results and any management letter recommendations.
7. The Agency develop a plan to recruit Board members with financial expertise.

Implemented/resolved (cont'd)

We recommended that:

- 8. The Board track actions that need to be completed. These items should be documented in subsequent Meeting minutes until the required action has been completed or the Board approves that the matter should be removed.
- 9. Bank reconciliations be prepared in a timely manner, and that they should be dated.
- 10. Bank reconciliations be checked and approved by an individual other than the preparer.
- 11. The delegation of authority for cheque signing be created such that there are enough individuals to sign cheques so that the payee does not sign his/her own cheque.
- 12. The Agency implement an overall spending policy which provides direction to staff as to the types of expenses that are allowed and not allowed.
- 13. The Agency implement a policy requiring all senior management expenses be appropriately reviewed and approved.
- 14. The Agency require that all transactions have adequate support and that the purpose of the expense is documented.
- 16. The Agency implement a policy for employee advances which addresses whether employee advances will be allowed and if so, under what conditions.

Action no longer required

We recommended that:

- 22. The Agency confirm with Department officials that the facility is properly licensed.
- 23. The Agency develop performance measures, including outcomes and targets, on which Program performance could be assessed.

Work in progress

We recommended that:

- 6. The Board review and approve the Executive Director's expenses, and any other benefits paid to or on behalf of the Executive Director.
- 15. A policy for Board compensation and expenses be developed.
- 17. The Agency schedule and conduct licensed foster home reviews prior to license expiry dates.
- 18. The Agency update CFSIS on a timely basis.
- 19. The Agency conduct and document quarterly foster home visits consistent with Department standards.

Recommendations Followed-up for Less Than 3 Years

Work in progress (cont'd)

We recommended that:

20. The Agency schedule and conduct POS home assessment reports within 6 months of the placement date consistent with Department standards.
21. The Agency conduct and document quarterly POS visits consistent with Department standards.
24. The Agency forward interim financial statements to the Authority.
25. The Agency develop a conflict of interest policy for its Board members and staff which meet the standards of the Province's Conflict of Interest Policy.

13. Appointment Process to Agencies, Boards and Commissions

First follow-up – as at June 30, 2013

Our recommendations were directed to the Committee on Agencies, Boards and Commissions. They continue to be responsible for implementing our recommendations.

Summary of the January 2012 audit report

Agencies, boards and commissions (commonly referred to as ABCs), fulfill a wide variety of public functions in Manitoba and impact the lives of all citizens no matter where they reside in the province. Government relies on ABCs in a variety of ways: to ensure compliance with government regulations and legislation; to provide adjudication on a wide variety of rights-related decisions; to administer large financial assets; to provide knowledgeable and well thought-out advice; to provide oversight and accountability of public sector organizations; and in some cases, to provide direct public goods and services that may have once been provided by a department.

Given the considerable impact that ABCs potentially have on all Manitobans, it is important that the appointment process be well managed and that appointments be timely. Deficiencies and/or delays in the appointment process could significantly impact the effective functioning of the ABCs. It may even discourage committed, qualified individuals from accepting appointments or renewals of their terms.

Citizens who are appointed to Manitoba's ABCs devote their time, expertise and talents to provide service to the entity. In most cases, individuals serve on these ABCs primarily as a public service to the community, due to their commitment and caring to that ABC and the services it provides their fellow citizens. Often, their service to an ABC is done in their leisure time, with no or modest compensation, even though the time and input required for some ABCs is substantial. Given this, it is important that government value and respect the time and commitment of their appointees, and ensure the appointment/reappointment process allows them sufficient notice to manage their personal and professional affairs accordingly. Sufficient notice regarding new appointments or reappointments is also essential for the ABCs themselves to allow the entities to manage their operations accordingly and prepare briefing materials and orientations for new appointees. Concerns with respect to the appointment process have been brought to our attention in a variety of ways by both current and past members of ABCs. Also, as reported in our 2009 report, *Study of Board Governance in Crown Organizations*, the appointment process was a significant area of concern for both the members and senior management of the 50 Crown organizations that were surveyed.

The purpose of our audit was to examine the process used to appoint members to Manitoba's ABC's. Our audit objectives were: to determine whether adequate information is available to Manitobans regarding the appointment process; and to determine whether appointments to ABCs are made in a timely manner.

Although the various ABCs differ significantly in size, complexity and level of responsibility, they all report to government through a responsible Minister. Final approval for all government appointments ultimately rests with Cabinet, however the process for recruiting and appointing members to each ABC is led by the responsible Minister, who provides their recommendations to Cabinet for appointments to ABCs within their portfolio.

Overall, we found that there is a need to improve the timeliness and openness of the appointment process in order to meet modern standards of effective governance. A timely and efficient appointment process is dependent on the focused attention of government Ministers. While understandably Ministers have a number of pressing and critical items vying for their attention, the potential impact of appointment process deficiencies on the effective functioning of the ABC should not be underestimated.

At the onset of our review, there was very limited information on the Government of Manitoba website regarding Manitoba's ABCs and the appointment process. This situation was strengthened in July 2011 with a website link directly from the homepage to improved information on ABCs. Further, the website now allows submissions of applications for consideration to an ABC appointment. This considerably enhances the accessibility and transparency of ABC appointments to Manitobans. Our report notes that there are further enhancements that can be made to the website, including providing a complete list of all ABCs in the province, and information on the administrative process used to make appointments. Further, the site will need ongoing maintenance and a plan to be developed to ensure the information provided on the website remains accurate and up-to-date.

The appointment process as currently conducted is time-consuming and is intended to take approximately 4 months but often takes longer. Recognizing that in a competency-driven process, it takes time to recruit individuals with the appropriate skills/competencies to serve on ABCs, the process should begin sufficiently in advance to ensure that every attempt is made to meet the term expiry.

Developing a competency-driven appointment process is essential to ensuring qualified members are recruited and retained to serve on Manitoba's ABCs. A competency-driven process is one that not only reflects the diversity and geographic needs of the province, but provides each ABC with the appropriate mix of skills/competencies that are best suited to fulfill its mandate.

There should also be enhanced consultation with the ABCs. As the ABCs are in the best position to know the current skills and characteristics that are represented, and what additional skills would best complement that mix to meet the strategic needs of the entity, the ABC Chair and senior management should provide the Minister's office with a skills/competency matrix well in advance of any vacancies or term expiries.

We believe that all appointments should be kept as current and up-to-date as possible. We found that the timeliness of appointments and reappointments needs improvement, as a quarter of all ABC members (25%) are currently serving with expired terms. About 22% of these have been expired for 3 years or more, with the range of expiries going as far back as 2002. Many pieces of legislation allow members to continue to serve past their expiry date, until "he or she is reappointed, the appointment is revoked or a successor is appointed." However, as Order-

in-Council appointments generally set a term expiry date, it is arguably not the intent of this legislative clause that members continue to serve with no end date. Acting on term limits are important because it allows for fresh perspectives and renewal in the membership of an ABC over time. Further, by not reviewing the appointments and making reappointments on a regular basis, government is not taking advantage of the opportunity to review the functioning of the ABC and make changes that reflect the ABC's current context. This also limits access and opportunities for other Manitobans to serve on that ABC.

There are 55 ABCs (almost 30%) which do not have staggered terms for appointments. Staggering terms ensures that there is an orderly transition of members on an ABC and that not all members leave the organization at the same time, which would undermine the effective functioning of the ABC. Such practices help to balance the ABC's need for continuity and experience, with the need to refresh the membership and bring on new skills/expertise over time to appropriately reflect the challenges faced by the organization.

Our audit found that there are some members who have served on the same ABC for significant lengths of time. In total there are 308 individuals (20%) who have served their ABC for 10 years or more. Of these, 13 have served over 20 years. While terms of service for members must be long enough to gain experience and cultivate sufficient knowledge to understand the ABC, there must also be sufficient renewal of members to bring new perspectives and experience to the ABC. Serving on the same ABC for an excessively long period of time is not reflective of good governance practices, especially for a deliberative ABC. As government may not wish to lose the valuable expertise gained by an individual who has served on an ABC for a significant length of time, there should be consideration to appointing the individual to become a member of a different ABC, where their experience and expertise could be well utilized and of great benefit to the new ABC.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
9	4				5

Implemented/resolved

We recommended that:

3. The Cabinet Committee on ABCs define and implement guidelines for the selection of ABCs to be included in their process.

Implemented/resolved (cont'd)

We recommended that:

4. The website be updated to include a description of the appointment process.
5. The appointment process begin sufficiently in advance of term expiries to allow all appointments/reappointments to be made in time for the expiry dates.
6. All Ministers offices contact the ABCs sufficiently in advance of term expiries to discuss the needs and requirements for new appointments/reappointments.

Work in progress

We recommended that:

1. The website include a complete list of all ABCs to which government makes appointments.
2. A central repository for all ABCs be established.
7. While legislation permits incumbent appointees to continue past their term expirations, Ministers ensure that all ABC appointments are current and reappointments of term expiries are kept up-to-date.
8. Appointments to ABCs have staggered terms, so that there is an orderly transition of new and more experienced members serving the ABC.
9. Government set term limits, including a maximum term chosen to complement the requirements of the ABC.

14. Economic Development: Loans and Investments under *The Development Corporation Act*

First follow-up – as at June 30, 2012

Second follow-up – as at June 30, 2013

Our recommendations were addressed to the Department of Entrepreneurship, Training and Trade. The Department of Jobs and the Economy is now responsible for implementing our recommendations.

Summary of the December 2010 audit report

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

At March 31, 2009, loans and equity investments under these two economic development programs totaled \$107 million (MIOP loans - \$75 million, other Part II loans - \$11 million, venture capital fund investments - \$21 million). Economic development programs are used by the federal and all provincial governments to provide and leverage business capital, create and maintain jobs, improve wage and skill levels, attract new employers, help employers become more competitive, and promote economic growth and diversification.

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

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

MIOP loans

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

Analysis of requests: ETT analyzed loan requests by reviewing applicants' business plans and financial information, loan security, and management expertise. However, ETT needed to obtain more complete business plan information and scrutinize financial projections and economic

Recommendations Followed-up for Less Than 3 Years

benefits to Manitoba more thoroughly when analyzing loan applications. Before disbursing loans, ETT ensured all loan terms and conditions had been met.

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

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

Venture capital fund investments

Planning: ETT considered requests for Provincial investment in venture capital funds as they arose. ETT had negotiated a variety of different agreement terms encouraging, but not requiring, funds to invest a portion of their capital in Manitoba-based businesses. ETT had not recently formally assessed how successfully its venture capital fund strategy was contributing to the Province's economic development goals.

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

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

Performance measurement and reporting

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
15*	4*		1*	6	4

* the status of recommendation 5 is split between Implemented and Do not intend to implement.

Implemented/resolved

We recommended that:

5. ETT develop internal guidelines for setting MIOP interest rates ...
7. ETT ensure all loan monitoring information is timely and document all monitoring activities.
11. ETT ensure that conflicts-of-interest, both in placing investments and operating the funds, are identified and responded to.
OAG comment: However, the policy is designed for future investments; we believe that it should be used for all existing investments.
12. ETT calculate and monitor its total exposure to any one portfolio company through its multiple venture capital fund investments.

Do not intend to implement

We recommended that:

5. ETT develop internal guidelines for ... penalties for failing to meet agreed upon job targets and administration fees, and document use of the guidelines in loan files.

Work in progress

We recommended that:

8. ETT assess the results achieved by the differing venture capital fund approaches that have been used in Manitoba, as well as the related costs and risks, on a more regular basis.
9. ETT strengthen its analysis of potential economic benefits to Manitoba when considering investment in a venture capital fund.
OAG comment: The Department has indicated it will do this for any future third party investments, however, they have not invested in any since the time of our audit.
10. ETT more consistently review and document fund managers' past returns, knowledge of Manitoba businesses and target industry sectors, and ability to stimulate economic development in Manitoba.
OAG comment: The Department has indicated it will do this for any future third party investments, however, they have not invested in any since the time of our audit.
14. ETT ensure the accuracy and consistency of performance measures for the MIOP loan and venture capital fund programs and measure results for these programs that are focused on actual economic benefits to Manitoba.

15. Food Safety

First follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Agriculture, Food and Rural Initiatives, and the Department of Health. The Department of Agriculture, Food and Rural Development and the Department of Health are now responsible for implementing our recommendations.

Summary of the January 2012 audit report

In Manitoba, regulatory responsibility for food safety is shared by the Province, the City of Winnipeg, and the Federal Government. The Province regulates food produced, processed, stored, and sold in Manitoba by establishments that are not otherwise regulated by a municipality or the Federal Government. This includes establishments that slaughter animals, process and store food, and retail and food service establishments, such as grocery stores and restaurants.

Provincial responsibility is divided between the Department of Agriculture, Food and Rural Initiatives (MAFRI) and the Department of Health (Health). In general, MAFRI is responsible for the safety of food before it is available to consumers, while Health is responsible once it is directly available to consumers.

Food safety has important health implications. According to the Canadian Food Inspection Agency (CFIA), public health experts have estimated that over 11 million cases of food-borne illness occur in Canada annually, although most cases of food-borne illness can be prevented by using safe food handling practices.

Food safety also has important economic implications. In addition to the lost productivity and medical costs of food-borne illnesses, significant economic consequences may result from any deterioration in the Province's and Canada's reputations for safe food.

As food safety risks and methods of responding to those risks have evolved, Manitoba has taken steps towards ensuring adequate oversight of its food safety responsibilities. Because the food safety system is complex and entails various risks, we undertook this audit to determine if the Province was well positioned to manage its food safety system.

We examined the Province's food safety system, including systems and practices for strategic planning and performance measurement, developing and enforcing food safety standards, providing food safety education, and promoting food safety programs.

MAFRI and Health had many systems and practices in place to identify and mitigate food safety risks. Nevertheless, we identified areas where planning and performance measurement, enforcement processes, and promotion of preventive food safety activities and programs require improvement to better ensure food safety. Our key findings are summarized below.

Planning and performance measurement

- The Province's strategic planning for food safety was evolving. MAFRI and Health need to work together to integrate their separate plans, to more fully address risks, and to ensure their plans reflect an appropriate mix of preventive and detective measures.
- Both departments had set some performance targets. However, both need to add indicators of effectiveness and to analyze results compared to targets. Both also need to enhance publicly available performance information.

Enforcing compliance with food safety standards

- The Province's food safety standards were generally consistent with those in other jurisdictions, except the Province did not have mandatory food handler training.
- A common food establishment database put in place in July 2009 was used by most inspectors, but this database was not always up to date.
- Neither department had implemented a risk-based approach to determine the priority and frequency of inspections, nor were they able to meet their informal goal of annually inspecting every food establishment.
- Routine dairy inspections had been halted, contrary to an existing regulation, in order to re-assign resources to inspecting food processing establishments.
- Food safety complaints were handled adequately in most cases.
- Inspectors did not always follow-up food safety violations, including critical violations, to ensure they were corrected.
- Escalating enforcement options were in place (warnings, fines, health hazard orders, closure, and prosecution), but enforcement actions were not always escalated for repeated serious violations.
- Some initial permits were issued to food establishments before all related requirements were met. Annual permits were automatically renewed, without first reviewing a food establishment's history.
- All inspectors had related training and experience. A conflict-of-interest policy and related processes were in place to ensure inspector independence, but these processes require enhancement to ensure potential conflicts are assessed annually and dealt with appropriately.
- MAFRI and Health relied on informal policies and procedures to guide inspectors and ensure consistent inspection work, although Health was drafting formal policies. Neither department conducted quality assurance reviews of inspection files.

Promoting preventive food safety activities and programs

- MAFRI and Health provided a variety of educational material on food safety for food establishments and consumers. However, educational material and activities could be better linked to trends in critical food safety violations found during inspections. And the focus on consumer safety awareness could be increased and better integrated between the departments.

Recommendations Followed-up for Less Than 3 Years

- MAFRI promoted the use of preventive food safety programs by providing information and financial assistance to producers and food processors. Health did not similarly provide information on food safety programs to retail and food service establishments.
- MAFRI approved some applications for financial assistance to implement food safety programs before all eligibility criteria were met, but it always verified program implementation and costs before disbursing funds. Documentation of eligibility reviews and verification work could be enhanced.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	
23	10	3	1	9

Implemented/resolved

We recommended that:

1. MAFRI and Health work together to ensure their individual food safety strategic planning is integrated and that it:
 - Identifies, assesses and controls risks to food safety
 - Considers the appropriate mix of inspections, surveillance, industry and consumer education, and promotion of food safety programs
 - Aligns resources and funding with established goals and priorities.
4. MAFRI and Health, together with the City of Winnipeg, fully document their respective inspection responsibilities, including responsibilities for facilities with mixed operations and exceptions to responsibilities based on established geographical boundaries.
8. MAFRI and Health use a risk-based approach to set the priority and frequency of inspections. This should include development of evidence-based risk factors and risk ratings for facilities, and consider the inspection frequency in other provinces.
9. MAFRI and Health inspectors conduct all routine inspections on an unannounced basis, with some during times when higher risk activities are likely to occur, and that they document the time of their inspections.
10. MAFRI and Health improve inspection documentation to ensure that:
 - All checklist questions are answered.
 - Violations and required corrective actions are clearly described.
 - Inspection reports are signed by both inspectors and establishment representatives.

Implemented/resolved (cont'd)

We recommended that:

- 13. MAFRI and Health ensure all violations are promptly followed-up and corrected, with a focus on critical violations.
- 14. MAFRI and Health ensure that inspectors use escalating enforcement action (warnings, fines, closure orders, health hazard orders, and prosecution) when repeated serious violations are not corrected.
- 15. MAFRI and Health ensure that registration forms are complete and initial permits are not issued until all requirements have been met, including resolution of any outstanding food safety standard violations.
- 19. MAFRI and Health regularly review and update inspection policies and procedures, and communicate them to staff through training sessions and staff meetings.
- 20. MAFRI and Health implement and document quality assurance reviews of inspection files.

Action no longer required

We recommended that:

- 11. MAFRI use current risk assessments to develop and periodically update service standards for outsourced inspections and ensure those standards are being met.
- 22. MAFRI ensure applications for financial assistance to implement food safety programs meet the eligibility criteria before funding is approved and eligibility reviews are properly documented.
- 23. MAFRI thoroughly document its verification work before it pays post-farm grant funding for implementing food safety programs.

Do not intend to implement

We recommended that:

- 17. MAFRI and Health enhance inspector independence by requiring inspectors to submit signed conflict-of-interest declaration forms annually, documenting related conclusions and actions taken, and ensuring relevant information is communicated to supervisors.

OAG comment: Government wide policy does not require annual declarations and the departments have decided not to supplement government requirements.

Work in progress

We recommended that:

2. MAFRI and Health set measurable targets for inspections and food safety programs — including indicators of effectiveness, as well as outputs — and periodically compare results to targets to identify any actions required to respond to trends and improve results.
3. MAFRI and Health enhance publicly available information on food safety to include data on compliance with food safety standards.
5. MAFRI and Health periodically review and update food safety standards in Manitoba to ensure they are consistent with those in most other Canadian jurisdictions.
6. MAFRI and Health prepare a documented analysis of the costs and benefits of requiring food handler training in Manitoba that considers using web-based training already developed by other jurisdictions.
7. MAFRI and Health ensure that all staff record inspections and complaints in the Hedgehog database, update food establishment information during inspections, and document work to test the accuracy and completeness of the database and assess its effectiveness.
12. MAFRI expedite updating The Dairy Regulation to reflect its assessment of the related food risk and, in the interim, ensure that dairy farms with a history of serious and repeat violations continue to be inspected.
16. Health inspectors complete a documented review of a food establishment's history, including results and outstanding violations from past inspections, as well as any complaints received during the year, before renewing an annual permit.
18. MAFRI and Health develop written policies and procedures to guide inspectors' professional judgment and ensure greater consistency in conducting and documenting inspections, providing correction timeframes, following up violations, using enforcement powers, handling complaints, and issuing permits.
21. MAFRI and Health better link their food safety education to trends in critical food safety standard violations found during inspections and coordinate and enhance their focus on consumer education and awareness.

16. Managing Climate Change

First follow-up – as at June 30, 2012

Second follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Conservation and the Province. The Department of Conservation and Water Stewardship and the Province are now responsible for implementing our recommendations.

Summary of the December 2010 audit report

Most governments accept the findings of the Intergovernmental Panel on Climate Change that the earth's climate is warming; that much of the change is being caused by human activities that increase greenhouse gas emissions; and that climate change effects will worsen if action is not taken, posing a significant risk to the environment, the economy, and human health. As a result, Canada, together with several other governments, has signed and ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change. The Protocol's goal is to stabilize greenhouse gas concentrations at a level that prevents dangerous interference with the global climate.

In Manitoba, climate change may impact crop growing seasons; wildlife and fishery habitats; subsistence, commercial and recreational fishing; pests and insects; water supply and quality; winter roads, northern rail and other infrastructure; and the frequency and severity of droughts, wildfires and flooding. However, climate change also presents economic opportunities, increasing demand for hydro power and other low carbon products, as well as markets for the potential trading of carbon credits and offsets.

Our audit examined management of Manitoba's climate change initiative, including the systems and practices for planning, project management, selecting and funding individual climate change projects, and reporting.

Our findings are summarized below.

Planning

In 2008, Manitoba responded to climate change by creating a climate change action plan, *Beyond Kyoto*, and enacting *The Climate Change and Emissions Reductions Act* (the Act). Building on an earlier 2002 plan, the 2008 plan and Act set a target of reducing Manitoba's greenhouse gas emissions to 6% below the 1990 level (to 17.5 megatonnes) by 2012. The plan also committed to a reduction of "over 3.25 megatonnes" by this date in order to achieve the target. However, by April 2010, the Department had determined that the plan would likely reduce emissions by only 1.7 megatonnes and forecast a 2.7 megatonne gap in meeting the 2012 target. In June 2010, the Department was considering options for closing this gap.

To successfully achieve its climate change objectives, the Department needed to ensure that updated climate change plans were supported by:

- a documented, coordinated and comprehensive analysis of the benefits, risks and costs of alternative approaches and tools.
- longer-term targets (although not a requirement of the Act), as well as a short-term target.
- estimated costs.
- completed development of “business as usual” forecasts that model Manitoba’s greenhouse gas emissions growth in the absence of planned reduction initiatives.
- a vulnerability assessment documenting the likely future impacts of climate change on government services, programs and resources.

Project Management

The Department managed the horizontal nature of the climate change initiative, initially through an inter-departmental committee of Deputy Ministers, and then through one-on-one meetings with departmental staff and officials. However, it could have made greater use of standard project management practices. To manage its climate change initiative successfully, the Department needed to:

- clarify roles and responsibilities of the lead and partner departments, as well as how the lead department is to liaise with Cabinet sub-committees (such as the Community Economic Development Committee and Treasury Board).
- manage risk more effectively.
- ensure all greenhouse gas reduction estimates are based on sound data and reviewed for consistency with the emissions accounting standards and practices used by Environment Canada in compiling its annual National Inventory Report on Greenhouse Gas Sources and Sinks.
- establish regular progress reporting on whether the climate change initiative is on time, on budget, and going to accomplish its stated goals.
- develop best case, most likely case, and worst case forecasts of expected emission reductions as part of progress reporting.

Project Selection and Funding

Most project selection and funding decisions were adequately supported with sound data and analysis. When selecting most projects, consideration was given to costs, likely greenhouse gas emission reductions, and related economic and social outcomes. However:

- in a limited number of cases, decisions were made with only brief project descriptions and minimal supporting data.
- in some cases, analysis was not sufficiently focused on expected environmental, economic or social outcomes.
- information used for decision-making could be further improved by assessing the likelihood of identified risks and their potential impact on expected outcomes.

In one case, \$3 million of Manitoba’s \$53.8 million share of federal eco-trust funding was retroactively paid to partially reimburse a financially distressed company for its 2001 investment in equipment to reduce its coal use. The Province viewed this payment as supporting an early adopter in sustaining its greenhouse gas reduction efforts. There was no written agreement between the federal government and Manitoba specifying how Manitoba’s share of the federal eco-trust fund was to be used.

Reporting

The Department had developed a government-wide system to track expected and actual climate change emission reductions for approved projects. In addition, Treasury Board Secretariat was tracking climate change spending for climate change projects funded through the federal eco-trust, as well as some secondary outcomes for those projects that were also part of a “Budgeting for Outcomes” pilot project. However, there was no government-wide system to track all climate change spending and related economic and social outcomes (such as the number of jobs created, the non-Provincial funding leveraged, and the number of low-income housing units retro-fitted) as a result of climate change projects.

The Department needed to determine how it would respond to existing challenges in measuring and reporting on Manitoba’s greenhouse gas emissions to determine progress in reducing emissions. Challenges included:

- determining the method of calculating emissions for public reporting purposes.
- obtaining annual emissions data within the Act’s 12 month timeframe for reporting.
- complying with the Act’s requirement for “expert consultation” in determining a method of calculating emissions.

The Department also needed to develop the capacity and systems for modeling and reporting on emission reductions likely to be achieved by 2020 and 2025, as required by the Act.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

The department is developing a new, long term climate change action plan. Most of our recommendations depend on that action plan and will not be implemented until that action plan is fully developed. However, legislation that was in place when we conducted our audit remains in place.

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

Work in progress

We recommended that:

1. The Department of Conservation support development of updated climate change action plans with documented, coordinated and comprehensive analysis of the benefits, risks, and costs of alternative approaches and tools.
2. The Department of Conservation set longer-term climate change targets when developing updated climate change action plans.
3. The Department of Conservation calculate the estimated total cost of updated climate change action plans and integrate climate change planning with the budget process.
4. The Department of Conservation develop and periodically revise “business as usual” greenhouse gas emissions forecasts for Manitoba. These forecasts should be prepared on a basis consistent with best practices in greenhouse gas emissions forecasting and be used to periodically update climate change plans.
5. The Department of Conservation, together with partner departments, assess and document the likely impacts of climate change on government services, programs, and resources.
6. The Department of Conservation, together with partner departments, complete the updating of Manitoba’s Climate Change Action Plan.
7. The Province more clearly define the role of the lead department and other partners.
8. The Department of Conservation, together with partner departments, implement a formal risk management process for the climate change project. This process should identify risks, assess each risk’s likelihood and impact (including the greenhouse gas reduction impact), and develop risk mitigation strategies.
9. The Department of Conservation work with climate change partner departments to establish regular progress reporting on whether the climate change project is on time, on budget, and going to achieve its stated goals.
10. The Department of Conservation work with climate change partner departments to ensure all greenhouse gas reduction estimates are based on sound data and reviewed for consistency with National Inventory accounting standards and practices.
11. The Department of Conservation develop best-case, most-likely-case, and worst-case forecasts when monitoring and reporting progress in reducing greenhouse gas emissions.
13. The Minister of Conservation determine the method that will be used to calculate greenhouse gas emissions for reporting purposes under *The Climate Change and Emissions Reductions Act*.
14. The Department of Conservation develop the capacity and systems required to model and report on the emission reductions likely to be achieved for 2020 and 2025, as required by *The Climate Change and Emissions Reductions Act*.
15. That the Department of Conservation, together with partner departments, track and publicly report government-wide climate change spending and secondary climate change outcomes (such as economic and social benefits), in addition to the reduction in greenhouse gas emissions achieved.

17. Personal Injury Protection Plan

First follow-up – as at June 30, 2013

Our recommendations were directed to the Manitoba Public Insurance Corporation, the Automobile Injury Compensation Appeal Commission, the Claimant Advisory Office and the Manitoba Government. They continue to be responsible for implementing our recommendations.

Summary of the January 2012 audit report

The Personal Injury Protection Plan (PIPP) administered by Manitoba Public Insurance (MPI) compensates people injured in motor vehicle accidents for financial losses and helps them recover as fully as possible.

Every year, over 16,000 Manitobans report injury claims resulting from motor vehicle accidents. Most suffer minor soft tissue or whiplash injuries and are able to continue to work or return to health and work soon with minimal help. But about 20% are more seriously hurt and, in some cases, cannot return to their pre-accident activities. Many face multiple challenges, both physical and psychological, as a result of their accidents. These claims account for roughly 80% of PIPP's annual paid claim costs of about \$100 million. Because of PIPP's important objectives, the vulnerability and challenges of seriously injured claimants, and the significant underlying costs, we undertook this audit to assess how MPI was managing the PIPP program.

We examined MPI's systems and practices for:

- Ensuring that claimants receive all and only the PIPP benefits they are entitled to.
- Calculating PIPP benefit amounts.
- Managing claimant rehabilitation.
- Measuring and reporting on PIPP performance.

We found that MPI properly verified eligibility for PIPP benefits before paying them and adequately supported most decisions to deny or end benefits. But MPI did not always offer or provide benefits promptly or consistently. MPI needs to improve rehabilitation planning, supervisory reviews of claim files, and performance information. It also needs to more clearly define certain benefits and their eligibility rules. Delayed benefits are not just inconvenient—they can also potentially cause financial hardship and hinder medical improvement and return to work. Inconsistent decision-making inadvertently treats similar claimants differently.

At the time of our audit, MPI was undergoing significant change and many of its change initiatives may help resolve these issues. During our audit, MPI began:

- Replacing its paper-based claim files with electronic files as part of a new claims management system.
- Changing its organizational structure to better coordinate case management services.

Recommendations Followed-up for Less Than 3 Years

- Helping case managers more proactively manage injury claims by building rehabilitation planning tools (such as rehabilitation plan templates and disability duration guidelines) into its new claims management system.
- Extracting the enhanced performance information available in its new claims management system.
- Revising various policies and processes, including drafting a policy to reinterpret eligible rehabilitation expenses under section 138 of The Manitoba Public Insurance Act, which requires MPI to help claimants in their “return to normal life” and “reintegration into society”.

Other significant areas requiring MPI’s attention were a need to:

- Provide more benefit information, particularly for claimants with complex claims.
- Provide better explanations and plainer language in decision letters.
- Strengthen procurement practices and the accountability framework for service providers.
- More regularly and rigorously review and update certain PIPP benefits to ensure they remain reasonable and equitable.

Other important findings included:

- Most commonly used PIPP benefits were clearly defined.
- Processes to prevent and detect program abuse by claimants and service providers were adequate.
- Appeals processes were in place, although the number of unresolved appeals at the Claimant Adviser Office and appeals which had not yet been set for hearing at the Automobile Injury Compensation Appeal Commission needed to be reduced.
- Benefits were calculated accurately, although changes in personal circumstances affecting benefits were not always flagged promptly and annual income tax reviews were not always timely.
- Processes to prevent conflicts-of-interest for external independent medical examiners and internal healthcare services staff could be enhanced.
- All case managers had related training and experience.
- Documented support for the post-accident incomes that MPI deemed claimants capable of earning after reaching maximum medical improvement and completing their vocational rehabilitation needed to be strengthened.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared			Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	
23	16			7

Implemented/resolved

We recommended that:

2. MPI:
 - Provide additional written benefit information tailored for catastrophically injured claimants and claimants requiring vocational rehabilitation.
 - Post the PIPP procedures manual on its website.
3. MPI improve its processes so that it meets its target of providing claimants with their first income replacement benefits within 21 days.
4. MPI use training, supervision, electronic reminders, checklists or other similar mechanisms to ensure all benefits are identified and paid promptly.
5. MPI improve its consistency in offering and providing benefits for:
 - Home renovations.
 - Exercise equipment.
 - Grief counseling.
 - Expenses exceeding the budgeted hours, but not the dollar budget, for personal care assistance.
 - Interest on late benefit payments.
6. MPI send decision letters for all benefit decisions, adequately explaining reasons for decisions in plain language.
8. MPI clearly and regularly communicate to claimants the types of changes in personal circumstances they must report, and promptly follow-up all written and verbal reports received.
9. MPI review and clarify its policy for waiving different types of overpayments to ensure it is logical and consistently applied.
13. MPI compare the costs of compensating claimants who require only periodic help with snow removal and lawn care with the savings, risks, and injury-related costs resulting from not compensating these claimants.

OAG comment: MPI did a study but it did not include all of the comparisons that we expected it would. They decided not to make any changes to the program in this area.

Implemented/resolved (cont'd)

We recommended that:

14. MPI:
 - Prepare rehabilitation plans that clearly document claimants' medical restrictions and set timelines and milestones for reaching maximum medical improvement.
 - Regularly monitor and document medical progress so that benefits are promptly adjusted to reflect updated medical reports and follow-up investigation occurs when expected medical progress is not achieved.
15. MPI include a conflict-of-interest clause (similar to the clause used in its contracts with its healthcare services staff) in its service agreements with its independent medical examiners, and that it expand these clauses to prohibit any involvement with a MPI file where there could be a potential conflict-of-interest with a patient, friend, neighbor, or relative.
16. MPI prepare vocational rehabilitation plans for all claimants able to work but unable to return to the same type of work done before the accident, and that plans include:
 - Comparison of the claimant's functional capacity, interests and aptitudes, educational background, and existing transferable skills to the physical demands and other requirements of the proposed new vocation.
 - Analysis of the labour market demand for the proposed new vocation.
 - Calculation of the future financial implications and analysis as to whether funding additional training might recover more of the pre-accident wage.
 - Identification of existing barriers to success and proposed mitigation strategies.
 - Evidence of claimant buy-in.
17. MPI support all residual capacity determinations with documentation clearly demonstrating that the claimant's attributes match the physical, educational and other requirements of the determined occupation, and that there is a sufficient market demand to reasonably expect the claimant to be able to acquire a job in that occupation.
19. MPI compare the costs and benefits of out-sourcing vocational rehabilitation services with the costs and benefits of employing its own rehabilitation staff.
20. MPI use "request for services" letters consistently and that the letters clearly state reporting requirements, engagement start and end dates, and case coordination expectations.
21. MPI ensure that supervisors:
 - Comply with its claim file review requirements.
 - Document support for all performance ratings.
22. MPI use the results of supervisory and quality assurance reviews to help identify corporate and individual training needs.

Work in progress

We recommended that:

1. MPI, together with the Manitoba government, clearly define eligible expenses for “return to normal life” and “reintegration into society”, and the types of vehicular accidents that entitle injured people to PIPP benefits.
7. MPI work with AICAC, the CAO, and the Mediation Office to assist in reducing the number of unresolved appeals at the CAO and appeals not yet scheduled for hearing at AICAC.
10. MPI reduce the delays in tax reconciliations and benefit adjustments by having claimants authorize it to obtain their tax information directly from the Canada Revenue Agency.
11. MPI regularly review all non-indexed benefits and ensure they remain reasonable and fair over time.
12. MPI project the number of part-time, temporary, seasonal, and retired claimants (including those currently receiving long-term income replacement top-up benefits who will eventually retire) that may obtain benefits in excess of their likely economic losses and estimate the future dollar impacts.
18. MPI ensure that vendor recommendations made to claimants are based on analysis of vendors’ products, services, timeliness, costs, and available discounts.
23. MPI augment its claims management information by:
 - Including customers with complex and long-term claims in its customer surveys.
 - Measuring claim duration.
 - Tracking return-to-work outcomes for claimants receiving vocational rehabilitation assistance.

18. Report on the Rural Municipality of St. Clements

First follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Local Government and the Rural Municipality of St. Clements. The Department of Municipal Government and the Rural Municipality of St. Clements are now responsible for implementing our recommendations.

Summary of the June 2012 audit report

Our objective was to determine whether the Grand Marais project was constructed in accordance with the requirements of *The Municipal Act*.

We concluded that the Rural Municipality of St. Clements (RM) followed the requirements of The Municipal Act in completing the construction of a building and RV park in Grand Marais. The RM, however, did not tender for the construction manager of either the building or the RV park, did not prepare a detailed feasibility study and does not have a disposition of assets policy.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
5	1		3		1

Implemented/resolved

We recommended that:

- The RM develop and implement a disposition of assets policy.

Do not intend to implement

We recommended that:

2. The Department make feasibility studies mandatory for all RMs for projects of this magnitude.

OAG comment: The Department indicated that a feasibility study and/or business plan is a standard requirement for organizations wishing to apply for grants under most programs. For some other programs feasibility studies/business plans are not required, although they are strongly encouraged. The Department has implemented a Recreation Feasibility Study Grant program that provides cost-shared funding to municipalities and other organizations wishing to develop or expand their recreation facilities.

4. The Department make disposition of assets policies mandatory for all RMs.

OAG comment: Although not mandatory, the Department has provided guidance in the Municipal Act Procedures Manual.

5. Construction managers should be tendered to ensure the RM is obtaining the most suitable choice for the project.

Work in progress

We recommended that:

1. The RM prepare detailed feasibility studies or business plans for projects of this magnitude.

19. Special Audit: Rural Municipality of St. Laurent

First follow-up – as at June 30, 2012

Second follow-up - as at June 30, 2013

Our recommendations were directed to the Rural Municipality of St. Laurent. The Rural Municipality of St Laurent continues to be responsible for implementing our recommendations.

Summary of the December 2010 audit report

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

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

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

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

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
9	5			4	

Web version

Implemented/resolved

We recommended that:

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

20. Special Audit: Society for Manitobans with Disabilities

First follow-up – as at June 30, 2012

Second follow-up - as at June 30, 2013

Our recommendations were directed to the Department of Family Services and Housing and to The Society for Manitobans with Disabilities. The Department of Family Services and The Society for Manitobans with Disabilities continue to be responsible for implementing our recommendations.

Summary of the December 2010 audit report

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

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

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

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

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

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

During the 1999/2000 fiscal year, SMD underwent a significant corporate reorganization. This new structure created a parent company known as "SMD Alliance Inc." (Alliance) and four subsidiary companies, one being Services. Alliance set the overall strategic direction and provided corporate administration support to Services and the other subsidiaries, charging

overhead based on a percentage of their total spending. The corporate reorganization was useful in separating non-profit operations from for-profit activities, but the reorganization resulted in a complex web of interrelationships amongst the entities that were created. Their roles and responsibilities had not been adequately clarified for the Boards of Directors or staff. Further, SMD did not adequately clarify its structure to external funders. The Province raised concerns about the complexity of the structure and resulting governance and transparency issues with SMD.

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

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

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

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

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

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
13	1			7	5

Recommendations Followed-up for Less Than 3 Years

Implemented/resolved

We recommended that:

3. The Department decide whether to assume the risk of intercompany transactions and reflect the decision in the SPA .

Work in progress

We recommended that:

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

21. Special Needs Education

First follow-up – as at June 30, 2013

Our recommendations were directed to the Department of Education. The Department of Education and Advanced Learning is now responsible for implementing our recommendations.

Summary of the January 2012 audit report

Manitoba Education (Education) sets standards to ensure school divisions and independent schools deliver appropriate educational programming to students who require specialized services because of their physical, sensory, cognitive, social/emotional, behavioural, or communication needs. It also provides funding and programming support for these students.

Between 2000/01 and 2009/10, enrolment for student-specific special needs funding increased 86%, from 3,850 to 7,156 students, and related funding doubled from \$40.8 to \$82.0 million. During the same time period, total school enrolment decreased 7% and total Provincial school operating funding increased 26%, from \$730.6 to \$920.8 million. Given the significant growth in special needs enrolment and funding, we undertook this audit to assess how Education was managing its oversight of special needs education.

We examined Education's systems and practices for supporting the quality of special needs education, funding special needs education, and measuring and reporting special needs education performance information.

We found that education had developed regulations, standards, and guidelines that clearly outlined its expectations for the delivery of special needs education, but it was not monitoring for compliance. We found a low level of school division compliance with certain key standards, underlining the need for better monitoring.

Other significant areas requiring Education's attention were:

- It had limited processes to verify the information on funding applications received from the school divisions, and its documentation often did not adequately explain its funding decisions.
- Although one of Education's objectives was to maximize the outcomes being achieved for students with special needs (consistent with its objectives for all students), it did not monitor or publicly report the outcomes being achieved for these students.
- It was aware of clinician shortages and anecdotal accounts of long waitlists for students to receive clinical assessments (particularly in rural and northern Manitoba), but needed to work with school divisions to determine if students were receiving timely access to clinician assessment services.

Recommendations Followed-up for Less Than 3 Years

Other important findings included:

- Education consulted a wide variety of stakeholders in developing standards, guidelines, and support documents for school divisions and parents.
- Standards, guidelines and support documents were all generally consistent with those in other provinces.
- Stakeholders had differing views on when or if educational assistants (for whom Education set no educational requirements, consistent with other provinces) were performing any paraprofessional duties not allowed under the *Persons Having Care and Charge of Pupils Regulation*.
- Education provided consultation services to school divisions and schools on general and student-specific matters, maintained a limited inventory of assistive technology devices for short-term loan, provided technical support for commonly used assistive technology purchases, and had begun developing learning resources for life skills programs for special needs students.
- Education had not recently or formally investigated the potential cost savings and benefits of centralized purchasing of assistive technology licenses for school divisions.
- Education ensured and supported teachers' special education knowledge through its teacher certification process and professional development offerings.
- Detailed eligibility criteria for funding were not available to school divisions or parents.
- Existing departmental financial and operational information on special needs education could be enhanced.
- There was limited public reporting on the enrolment and costs for student specific funding for special needs.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
19	10				9

Implemented/resolved

We recommended that:

1. Education improve the organization of its website information to make it more user-friendly for parents of students with special needs.

Implemented/resolved (cont'd)

We recommended that:

3. Education work with school divisions to develop processes to monitor and periodically verify the level of school division compliance with special needs education regulations, standards and guidelines.
4. Education work with school divisions to improve the level of compliance with the regulations, standards and guidelines for individual education planning, and to further develop the quality of expected learning outcomes and progress reporting.
6. Education work with school divisions to ensure the public has easily accessible and complete information on programming options at all locations.
12. Education make the detailed criteria for determining funding eligibility and funding periods available to school divisions and parents.
13. Education clearly document in their files the logic and rationale for all individual special needs funding decisions, including the justification for providing, altering, or denying the funding requested by a school division, and the reason for the selected funding period.
14. Education ensure that all significant financial decisions for individual students receive additional review before approval.
15. Education refine its post-funding review process by:
 - Determining the number of post-funding student reviews to be conducted based on an assessment of the underlying risk.
 - Reviewing student files (in addition to observing students and holding discussions with school personnel) to verify and update application information.
 - Assessing if the individual education plans reviewed during post-funding reviews meet Provincial regulations, standards and guidelines.
 - Ensuring prompt follow-up of all potential over- or under-funding situations.
16. Education annually require school divisions to report any changes, or confirm that circumstances remain unchanged, for all students receiving multiple or maximum year funding.
18. Education work with school divisions to develop methods of monitoring the outcomes being achieved for students with special needs.

Work in progress

We recommended that:

2. As part of its broader consultation process, Education consult more regularly with representatives of educational assistants when it develops or updates standards, guidelines or support documents that may affect educational assistants' delivery of services to students with special needs .
5. Education further clarify what constitutes allowed paraprofessional duties and communicate this guidance to school divisions and other stakeholders.

Work in progress (cont'd)

We recommended that:

7. Education work with school divisions to ensure there is a full array of life skills learning resources available for students with special needs.
8. Education investigate the potential cost savings and benefits of centralized purchasing of assistive technology for school divisions.
9. Education provide learning opportunities specifically for educational assistants in its professional development calendar.
10. Education formally assess the potential benefits and impediments to providing non-mandatory certification of educational assistants.
11. Education work with school divisions to determine if students are receiving timely access to clinician assessment services.
17. Education improve its special needs financial and operational information and analysis by:
 - Tracking future year funding commitments.
 - Applying description codes to all funding applications and regularly compiling and analyzing this data.
 - Regularly gathering information on the numbers and costs of educational assistants, resource teachers, different types of clinicians, and assistive technology devices.
19. Education provide public performance information on its student-specific grant funding for students with special needs, including information on enrolment, associated costs, and the outcomes being achieved for these students.

22. Taxation Division, Audit Branch

First follow-up – as at June 30, 2013

Our recommendation was directed to the Department of Finance. This department continues to be responsible for implementing our recommendation.

Summary of the January 2012 audit report

One of the responsibilities of the Taxation Division in the Department of Finance (the Department) is to make sure that taxes owing to the Manitoba Government are properly paid. The Department's Audit Branch (the Branch) conducts audits under provincial tax laws to ensure proper payment of taxes and promote voluntary taxpayer compliance. The provincial tax laws include Retail Sales Tax, Health and Post Secondary Education Tax Levy, Corporation Capital Tax, Gasoline Tax, Motive Fuel Tax, Tobacco Tax and Mining Tax.

Tax revenue under these provincial tax laws totaled over \$2.6 billion for the year ended March 31, 2011. Despite the need for voluntary taxpayer compliance, audits are also necessary to identify taxpayers who don't comply with the tax laws. Compliance with the legislation ensures that taxpayers are treated equitably and that tax revenues are available to deliver necessary public services. For the 2010/11 year, the Branch found \$34 million in taxes owed.

We examined the Branch's audit selection process, use of performance targets, actions to detect unreported taxable business activity and their overall practices for conducting audits. Our procedures were limited to the examination of file documentation on hand in the Branch, rather than a re-verification at taxpayers' premises.

We found that the Branch does many of the right things. Specifically it:

- Identified more taxes (tax recoveries) than it cost to operate, generating \$5 of revenue for each \$1 of operating expenses.
- Used targeted risk factors to select taxpayer files for audit.
- Set performance targets for tax recoveries per audit hour and the number of audits to be done each year.
- Used an audit process consistent with generally accepted assurance standards.
- Correctly determined and adequately supported the audit findings (tax assessments) in audit files.

But the Branch can improve its operations and may find more unreported taxes by implementing our recommendation to estimate the tax revenue lost due to unreported taxable business activity in Manitoba, analyze which economic sectors are more susceptible to such activity and use this analysis in planning how to detect unreported taxable business activity.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

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

Work in progress

We recommended that:

1. The Audit Branch estimate the tax revenue lost due to unreported taxable business activity in Manitoba, and analyze which economic sectors are more susceptible to such activity.

23. Wireless Network Security

First follow-up – as at June 30, 2013

Our recommendations were directed to the Winnipeg Regional Health Authority, Manitoba Lotteries Corporation and eHealth. They continue to be responsible for implementing our recommendations.

Summary of the January 2012 audit report

The use of mobile devices and wireless networks has increased dramatically over the past decade. This growth can be attributed to wireless devices becoming progressively smaller, cheaper and more powerful. Nearly all new smartphones, tablets, netbooks and laptops come preconfigured with wireless networking capability. Wireless networks offer tremendous benefits to homeowners and businesses.

What is often overlooked, however, is that a wireless network has many more vulnerabilities than a traditional wired network. By their very nature, wireless transmissions can travel well beyond the walls of a house or business. This significantly increases the complexity and importance of securing those wireless signals. An unauthorized individual no longer needs to gain physical access to the inside of an organization to maliciously connect to a network.

Attacks against wireless networks are costly in terms of the time an organization needs to resolve the incident and the potential financial losses and damages incurred. While it may seem like a daunting task to ensure the security of a wireless network, it can be done. Organizations need to be aware of the risks that wireless networks and equipment can pose and adopt a comprehensive risk management strategy to effectively address them. This strategy must include processes whereby new threats and vulnerabilities are tracked, identified and mitigated. Failure to do so will leave an organization with a false sense of security, unaware of the true risks presented by using this technology.

Through enquiry we noted that the central Provincial Government does not use wireless networks. However, many of the organizations in the Government Reporting Entity do. We selected 2 such organizations handling sensitive data for our review.

Our audit examined the security of wireless networking solutions within Manitoba eHealth (eHealth) and Manitoba Lotteries Corporation (MLC).

Our audit program and assessment criteria were based on internationally recognized standards including CoBIT – (Control Objectives for Information and related Technology) issued by ISACA and the 802.11i standard issued by the Institute of Electrical and Electronics Engineers (IEEE).

Despite many examples of good practices, we found weaknesses that need to be addressed to protect the wireless networks. We provided our detailed findings to both eHealth and MLC to enable them to remedy all of the weaknesses we encountered. We also provided our findings for

Recommendations Followed-up for Less Than 3 Years

eHealth to the Winnipeg Regional Health Authority (WRHA) because eHealth is administratively housed there. Our findings were that:

- Wireless risks are identified, but not managed effectively over time.
- Information technology security policies do not exist at eHealth; and exist, but are not current, at MLC.
- Wireless security policies do not exist.
- Network security controls need improvement.
- Access point configuration standards need improvement.
- Wireless client device configuration standards need improvement.
- Wireless monitoring is not performed.
- Wireless network administrators require additional training.
- Security awareness training is lacking at eHealth.

Status of recommendations as at June 30, 2013

See **Review comments** on page 4.

Total recommendations	Recommendations considered cleared				Work in progress
	Implemented/resolved	Action no longer required	Do not intend to implement	Follow-up previously completed	
18	12				6

Implemented/resolved

We recommended that:

2. eHealth develop processes to effectively identify and manage changes to threats and vulnerabilities to all IT systems, including wireless networks.
4. WRHA develop, approve and enforce a comprehensive, overarching IT security policy.
5. MLC review all information security policies on a regular basis. This review should be formally documented and any changes effectively communicated to all staff.
6. WRHA develop, approve, and enforce a comprehensive wireless security policy.
7. MLC develop, approve, and enforce a comprehensive wireless security policy.
9. MLC address our findings in the area of Network Security Controls.
10. eHealth address our findings in the area of Access Point configuration standards.

Implemented/resolved (cont'd)

We recommended that:

11. MLC address our findings in the area of Access Point configuration standards.
14. eHealth implement continuous wireless monitoring in high risk locations that have been identified by a wireless risk assessment. Periodic monitoring of all other locations should be performed routinely.
15. MLC implement continuous wireless monitoring in high risk locations that have been identified by a wireless risk assessment. Periodic monitoring of all other locations should be performed routinely.
16. eHealth ensure that all wireless network administrators receive current vendor-specific wireless training and wireless security training.
17. MLC ensure that all wireless network administrators receive wireless security training.

Work in progress

We recommended that:

1. eHealth conduct a current wireless risk assessment. All residual risk should be reduced and formally accepted by senior management.
3. MLC develop processes to effectively identify and manage changes to threats and vulnerabilities to all IT systems, including wireless networks.
8. eHealth address our findings in the area of Network Security Controls.
12. eHealth address our findings in the area of client device configuration standards.
13. MLC address our findings in the area of client device configuration standards.
18. eHealth implement a comprehensive Information Security Awareness program. Wireless security threats and risks should be included in this core program.

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