

First Session - Fortieth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Larry Maguire
Constituency of Arthur-Virden

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Fortieth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, March 8, 2012

TIME – 3 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Larry Maguire (Arthur-Virden)

VICE-CHAIRPERSON – Mr. Gregory Dewar (Selkirk)

ATTENDANCE – 11 **QUORUM** – 6

Members of the Committee present:

Hon. Mr. Gerrard, Hon. Mr. Struthers

Mr. Allum, Ms. Braun, Messrs. Dewar, Maguire, Pedersen, Mrs. Stefanson

Substitutions:

Mr. Friesen for Mr. Helwer

Mr. Gaudreau for Mr. Jha

Mr. Wiebe for Mr. Whitehead

APPEARING:

Mr. Norm Ricard, Deputy Auditor General

WITNESSES:

Hon. Mr. Lemieux, Minister of Local Government

Ms. Linda McFadyen, Deputy Minister of Local Government

MATTERS UNDER CONSIDERATION:

Auditor General's Report–Manitoba's Participation in Canada's Economic Action Plan, dated May 2011

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Mr. Chairperson: All right, I'd like to begin the—our afternoon Standing Committee on Public Accounts and so call the meeting—call our Public Accounts Committee meeting to order.

And this meeting has been called to consider the Auditor General's Report–Manitoba's Participation in Canada's Economic Action Plan, dated May 2011.

And so are there any suggestions from the committee as to how long we should sit this afternoon?

Mrs. Heather Stefanson (Tuxedo): I would suggest that we sit until 5 o'clock, or—earlier. I know that there are certain parts of the report today that we are not going to be able to ask questions of because the witnesses were not able to be here today. So we know—I believe everyone on the committee knows we will not be passing this today, so we will ask whatever questions that we have up until 5 o'clock if everyone is amenable to that.

Mr. Chairperson: Okay. Is the committee in agreement with that? *[Agreed]*

I guess with that I would welcome the Minister of Local Government and the Deputy Minister of Local Government to come forward and take the chairs at the mikes at the end of the table.

I'd like to welcome Minister Lemieux and Deputy Minister McFadyen to the table as well, and perhaps you could—before we go ahead, if you could maybe introduce other colleagues that may be with you.

Ms. Linda McFadyen (Deputy Minister of Local Government): Today, Karlene Debance, who is the executive director of the Canada-Manitoba Infrastructure Secretariat; and in the background we have Barb Harrison, who is—*[interjection]* Pardon me? Tara Pratt, sorry, I knew that—who is economic development officer; and, sorry, Bolaji Badmus.

Mr. Chairperson: Thank you very much, Deputy Minister. And I'm the one that's usually in error here, but I—the—your mikes come on and off all the time, I'm playing with this one to make sure I recognize everyone, so if you could hold your responses until—or questions until I've recognized everyone at the mikes, I'll try to comply with myself and get that done as quickly and efficiently as I may.

And so with that, I'd like to also welcome today deputy minister or—pardon me, Deputy Auditor General Mr. Norman Ricard, with us as well, to make an opening comment on regards to the audited report before us today, and welcome, Norm.

Mr. Norm Ricard (Deputy Auditor General): Thank you, Mr. Chair. I'd first like to introduce the staff members from our office who are here with me today. Seated behind me are Erika Thomas and

Jeff Gilbert. They are the audit principals that worked with me on this particular report.

I am pleased to be here today on behalf of the Auditor General to comment on the May 2011 report titled Manitoba's Participation in Canada's Economic Action Plan. In January 2009, the federal government introduced an economic action plan which included several infrastructure programs that are cost-shared with provinces. Now, the Canada-Manitoba Infrastructure Secretariat administered six of these programs for Manitoba and Canada.

Our audit examined how well the secretariat administered the Infrastructure Stimulus Fund and the Knowledge Infrastructure program. Together these programs totalled \$437 million in provincial and federal funding. We concluded that the secretariat established an appropriate administrative framework to oversee projects within these programs, that it should strengthen its processes for determining recipient compliance with their funding agreements and for determining project progress.

We based this conclusion on the following findings: First, that for the 15 projects we examined, funding agreements were in place prior to the payment of any claims and were properly vetted with legal counsel.

Secondly, the secretariat was diligent in ensuring claims were for eligible costs and were properly supported and accurately calculated, but they had not developed the risk-based approach to obtain assurance that recipients were meeting their funding agreement obligations. Detailed interim compliance procedures on higher risk projects would minimize efforts required when processing the final claims of such projects and would better position the CMIS to take corrective actions.

Thirdly, the secretariat relied heavily on information prepared by recipients to assess construction progress. Independent information such as photographs and professional certifications would reduce the risk of misdated progress.

And, finally, the secretariat appropriately reported required information quarterly to the federal government. Thank you, Mr. Chairman.

Mr. Chairperson: Thank you for your opening remarks, and I'd like to welcome the staff of both the department and your Auditor General's office to joining us today as well.

And with that, I throw the questions open—throw the floor open to questions from anyone. Oh, we've got a deputy—yes, pardon me, before I get the cart in front of the horse here or the horse—I better ask the deputy minister for her opening statement as well. So thank you very much.

Ms. McFadyen: Thank you very much, Mr. Maguire. I do have a few points that I would like to make.

The Canada-Manitoba Infrastructure Secretariat worked together with the departments of Infrastructure and Transportation, Advanced Education and Literacy, Local Government and Civil Legal Services to address all of the recommendations of the Auditor General. We strive to address each recommendation while ensuring that we continue to provide central agency implementation and administrative support in the delivery of these important programs.

*(15:10)

Subsequent to the OAG audit, CMIS developed a policy and procedures manual that outlines the documents and processes within the office. The manual incorporates all of the recommendations of the OAG and includes procedures for documentation, reporting, policy implementation for projects, procedures for approvals, submissions, et cetera. Although the stimulus programs ended as of January 31st, 2012, all the revised policies and procedures have been implemented and are operational now, so—for all the projects and programs that continue to be administered by the CMIS.

While the intent of the OAG's audit was to test CMIS's monitoring and management of risk for projects not meeting the March 31st, 2011 stimulus project completion deadline, on December 2nd, 2010, the Prime Minister announced an extension of the stimulus funding for an additional construction season. Projects seeking this extension were required to submit documentation in the form of a councillor board resolution to ask for an extension and they also had to commit to complete the project while accepting responsibility for all the costs incurred after October 31st of 2011. They had to submit a detailed construction schedule endorsed by a professional engineer, and in the case of provincial assets, a letter from the minister responsible was required committing to ensure that the extended projects would be completed.

The construction deadline for the approved projects was extended to October 31st, 2011. The agreements to extend the deadline were executed within the required time frame and, as a result, no project approved for funding under the stimulus programs had their funding clawed back.

Although the project completion date was extended to October 31st, 2011, these extension agreements included provisions for projects unable to substantially complete their new project by that new deadline. Recipients with unfinished projects are required to submit a letter indicating when the project would be substantially complete and that the recipient is responsible for any costs incurred after October 31st.

Despite extensive flooding in 2011 to many parts of Manitoba, at the January 31st, 2012, program end date all projects approved for funding under the infrastructure stimulus program were in compliance with the terms and conditions of the current agreements between Canada and Manitoba.

We submitted to Canada all required final documentation. There are projects where the recipient wasn't able to provide the solemn declaration of substantial completion. However, those recipients have verified that the projects will be completed within a time frame acceptable to Canada. The recipients also attested that they are responsible for all costs incurred after October 31st and, to date, the—all the documentation has gone to Canada and we have not—they have not conveyed any issues to Manitoba.

We note that all final documentation was submitted to Infrastructure Canada and Industry Canada, and they've approved the final release of funds. They receive documentation from all jurisdictions in Canada, and so the timeline for release of final funds isn't known to us at this point.

I would like to add that over the last 10 years, the infrastructure secretariat's policies and procedures have been audited by Grant Thornton. No significant issues have been identified and all the funding administered as per the requirements of the federal-provincial master agreements.

During the course of the stimulus programs there were six third-party compliance and financial audits conducted at the expense of Canada and Manitoba on either projects approved for funding under the stimulus programs or for the programs themselves. Although the audit objective for each audit is a little

bit different, of course, the general audit conclusions is that all were in compliance with the agreements and there were no substantive exceptions found.

So, with that, I'll close. Thank you.

Mr. Chairperson: Thank you very much for your presentation, Ms. McFadyen.

With that, I would now throw the floor open to questions.

Mrs. Stefanson: Mr. Chair, I just wanted to thank both the Deputy Auditor General and the deputy minister for their opening statements today, and also the executive director of the Canada-Manitoba Infrastructure Secretariat for being here, as well as some of her staff for being here, as well, today.

You'll note that—I know this committee's come a long way, where—with respect to our rules and we're able to ask our questions of deputy ministers now, and we're hoping, along the way, that we can bring ourselves up with other provinces to be able to also ask questions of other witnesses as well. But today, it's our rules that we put our questions through the deputy minister, but thank you for being here today to the executive director and her staff.

My first area of questioning has to do with the provincial oversight committee itself, with the structure of it and just not knowing a lot about how the background of CMIS and how it was established. Was CMIS established as a result of the—of Canada's infrastructure plan?

Ms. McFadyen: No, the Canada-Manitoba Infrastructure Secretariat has actually been in place for probably 15—2000, actually—*[interjection]* Okay. I had—sorry, I thought it was in place before that, but, okay, 2000. And the general oversight structure, the joint oversight structure has been in place throughout that time.

Mrs. Stefanson: I can appreciate that with a project of this nature that came forward as a result of the federal government's initiative and—were there extra people who were hired on to help administer these projects?

Ms. McFadyen: For this specific—for the stimulus program, there—we hired one project manager on a term basis and one co-ordinator for communications, because the communications piece was very important for this program.

Mrs. Stefanson: As we know, some of the—I mean, the—this program has come to an end and there—I think you referred in your opening statement, and I can't recall but I will ask anyway if—are all of those projects now, that were under the purview of CMIS, are they all completed now or are some of them still outstanding?

Ms. McFadyen: As I noted in my statement, almost all of them are completed now. There are a few, and I've just asked staff to check the specific number. In each of those cases, though, they have submitted a finalization schedule that satisfies Canada, so—and they've submitted all the documentation that is necessary from Canada, so we have not heard anything from Canada that it doesn't meet their criteria.

When they changed that deadline, they did, yes, allow for the chance that there would be some projects that would not be completed. And I think probably it's safe to say that Saskatchewan and Manitoba, both because of the significant amount of flooding, would be faced with projects that were unfinished. Karlene says that there are eight now that are not completed.

Mrs. Stefanson: How were the projects originally chosen?

Ms. McFadyen: When the infrastructure—or, pardon me, when the stimulus project or the stimulus program came into place, the federal government had sent out very specific criteria. I'm just looking for that now.

Basically, they were—we were asked to take projects that were already in the system, so projects that had applied for the communities program, projects that were already under consideration, where a fair amount of the project requirements had been already assessed. They had to be shovel ready. So they had to be—there had to be a certain level of assurance that they could actually finish these projects in the period of time that the money was available. And the federal government's criteria was quite clear that a lot of—that the project proponents were taking on a lot of the risk for dealing with that.

* (15:20)

So, specifically, the federal government said to us that they had to be quick hits, projects that were already in the system, municipal projects, projects that were already assessed and due diligence conducted on them through the communities

component and the top-up process that had already started.

For provincial assets they had to be shovel ready internally for roads and conservation, and the one criteria that I haven't mentioned is that we had to be able to demonstrate incrementality. So, for example, for a provincial road project it couldn't be a provincial road project that was already in this year's—that particular year's budget. It had to be in addition to what was already on the books.

Mrs. Stefanson: How many projects that met all of the criteria were rejected?

Ms. McFadyen: There wasn't—I wouldn't really say there was a rejection, because these projects were, at least not for the stimulus, these projects were in the system already. And they were still, even if they didn't—weren't able to meet the shovel-ready process, they could still be continued to be considered for the communities component because not all of that funding had been awarded at that point. So they may not have been accelerated but they may still have gotten funding under the programs.

Now, having said that, I believe the ratio of applications to funding is about 4 to 1 [*interjection*]-5 to 1.

Mrs. Stefanson: So, yes, and that's what I'm sort of getting at is more the applications. So the applications would come in, and if that 5 to 1 ratio, how many of those applications—like how many applications did you receive overall, would you say?

Ms. McFadyen: Over 500 applications, about 550, close to 550.

Mrs. Stefanson: And that would be for the BC?

Ms. McFadyen: I'm sorry.

For the Building Canada Fund, so it's not specifically because there was not a separate application program for the stimulus program. The stimulus program took applications that were already in the system for the build Canada fund.

Mrs. Stefanson: Okay. So of the 550, then, did you—did CMIS then go through the applications and decide which ones would move forward under this stimulus funding?

Ms. McFadyen: That would be correct, however, they would also—they were monitored by the federal government as well to ensure that they met the criteria that they had. And the final decisions, of

course, were made at the political level based on the recommendation.

Mrs. Stefanson: So do the rest of those—of the 550 that, okay, we don't want to use the term rejected from this, but were not chosen to be a part of this program, are they continuing? Are those continuing projects right now?

Ms. McFadyen: All of the funding under the Building Canada Fund has been committed so there is no longer any funding available. So, as I said, there were five projects to every one that was actually accepted on the overall programs.

Mrs. Stefanson: Were—so of the 550, how many of those were actually accepted into the fund? Is it 145 or what is the number—or, sorry that?

Ms. McFadyen: There were 111 stimulus projects.

Mrs. Stefanson: So the other ones that did not fall under the new stimulus package, did they not fall under the new—how were the 111 chosen from the 550? Were the rest of those ones, then, did they not meet the criteria of the stimulus package from the federal government?

Ms. McFadyen: For the most part, as I said earlier, they needed to be ready to go. They needed to be able to actually—*[interjection]* Sorry?

They needed to be ready to go. They needed to be able to complete their project within the stimulus time frame. So that wasn't the main criteria that we were looking at. Obviously they had to meet the other kind of criteria; they had to be eligible projects and, you know, all of the criteria for the Building Canada Fund previously. But specifically for the infrastructures—or for the stimulus program, they had to be ready to go. They had to be able to complete their project.

Mrs. Stefanson: Just one more question along this line of questioning: So of the remaining ones that were not accepted into this stimulus funding, did any of those other ones meet all of the criteria from the federal government but were not able to fall under the stimulus packaging because—for whatever reasons?

Ms. McFadyen: We don't have those actual figures. We'd have to go back and double-check because there were two processes going on at the time. I mean, I can tell you the dollar value was 5 to 1 of what we were asked for, but I can't tell you specifically how many municipalities, for example, would have applied to be under the stimulus program

and did not get their funding under stimulus and may have gotten it under the other programs at this point.

Mrs. Stefanson: So there are some projects out there that met all of the criteria set out by the federal government but did not—were not, sort of, accepted under this program. Is that right?

Ms. McFadyen: Sorry, we're having some difficulty answering the question because there wasn't actually an application call for stimulus programs so they were kind of picked out of the mix that were there, so—

Mrs. Stefanson: So how were they picked out of the mix that was there? And what was the criteria used by the CMIS of those that did meet all the criteria, but you couldn't choose them all? So how did you prioritize those projects?

Ms. McFadyen: So the federal government provided us with certain criteria, that they were very clear and they did call to the municipalities. They wanted a certain number of provincial projects. They wanted a certain number of municipal projects. You know, they had a set of criteria. They did a call to municipalities. Municipalities came in and attested whether they were ready or they were not. That was the main criteria. Are you ready to go now? Can you get it finished in a short period of time? So they asked the municipalities. They came in and said, yes, we're ready to go.

* (15:30)

Mrs. Stefanson: Okay, but just a moment ago you mentioned that there were some projects that met all the criteria which would be—which one of those criteria is the ready to go or shovel ready to go. So if they did meet all of those criteria and they couldn't all be, you know, fall under this program, how were they chosen and how were they prioritized? Were they prioritized then by the federal government? Was the federal government that chose which ones would go forward? Was it CMIS? Was it the provincial government? Or who chose which ones would have priority?

Ms. McFadyen: Okay, that was a joint decision once the projects were assessed in order of their readiness to go. Potential recipients were identified from existing program application basis—databases obviously. So once they were all assessed at the readiness to go and their ability to meet the criteria, then the decisions were made at a political level based on their readiness and their meeting of the criteria, obviously—the final decisions.

Mrs. Stefanson: So at the political level, was that both the federal and the provincial government who agreed on which projects ended up going forward?

Ms. McFadyen: Yes, that would be the case.

Mr. Blaine Pedersen (Midland): Mr. Chairman, the deputy minister mentioned there's 111 projects and a couple times she mentioned delays because of flooding. How many of those 111 would actually be directly affected by flooding? And if that's obviously delayed their completion as the 15 that on—that the Auditor General [*inaudible*]-can't really see how flooding would have affected those, so can you give me a number of how many are actually directly flood-related delayed?

Ms. McFadyen: Could I ask for clarification please? I'm—are you asking of the eight that are not complete at this time, how many were flood affected? Or?

Mr. Pedersen: Yes, if that's the number that are not completed right now, how many of those eight would be because of flooding?

Ms. McFadyen: That would be three.

Mr. Pedersen: Thank you for that.

CMIS has been in existence since 2000, so there's obviously staffing requirements. Will CMIS continue—how is the CMIS office funded and will it remain? I understand you've got eight not completed so you're—obviously you've got some work to do to complete those projects. Will it continue in existence then after? Is there any assurance it will continue and how is it funded and, I guess, that's sort of looking if there will be more projects—stimulus type of projects in the future? What is the long-range plans for CMIS?

Ms. McFadyen: CMIS is funded through the Estimates process as part of the—now the Department of Local Government, and so there's a regular staffing component there that are regular staff. Obviously over—since 2000, programs have come and programs have gone. And—right now I think we have 16 programs that are ongoing. So, yes, there is no intent to wind up the CMIS. We've got lots and lots of work to go ahead and finish with the communities component. Those projects are not ended until 2014 and there would still be clean-up after that. And then as you're probably aware, the federal government has announced a consultation for another round of infrastructure funding. So the CMIS, along with other staff at Local Government, are heavily involved in that consultation process

right now and will be involved in the negotiation with the federal government before any program that comes forward.

Mr. Pedersen: So I'm glad you mentioned this consultation for more funding. Is there a call out to local governments right now in terms of being ready for more stimulus? And I call them stimulus; they'll call them whatever they call them when they come out, but—and we're—I'm hearing back from municipalities that they're not able to get their engineering in place, for instance, engineering in place for—so that they can be shovel ready.

So how is your department, then, go out and sort of prepare local governments for the possibility of future programs?

Ms. McFadyen: I think the stimulus—it's fair to say that the stimulus program was an anomaly. It is not the normal way that we do business and the normal way that funding is provided. So, you know, for sure it put a lot of pressure on municipalities to get a lot of that work done, and it really was those projects that were further ahead that were able to be funded quickly.

There are a couple of ways. Right now we still have a lot of applications that we're not able to access funding over the earlier programs. So I would expect that as new funding is announced they would—there—they would be renewing their applications and we would be moving to that through that process.

In addition, the Department of Local Government also has responsibility for the Manitoba Water Services Board, and the Manitoba Water Services Board has an ongoing discussion with the municipalities annually about applications, and they actually provide a fair amount of support for getting that engineering in place, getting your application in place. They provide both funding support and engineering support for that. So that process is ongoing.

I think, also, the federal government has been pretty clear that there will not be any new money in place before 2014 at the earliest. So we have a little bit of time to continue working on that. We are working with the Association of Manitoba Municipalities right now to identify priorities for infrastructure, talk to the municipalities, get some input from the municipalities as part of this three-phase consultation program that the federal—or process that the federal government has undertaken

right now. So we think that it's very important to get that input from the municipalities as we move forward to find out what works for them and what doesn't work for them and what kinds of supports that they need and what are their priorities as we move forward.

Mr. Pedersen: Well, Mr. Chairman, I'm not going to take the bait on the Water Services Board. We'll leave that particular topic for Estimates because we could be here a long time on that one.

I just have one final question then, and I would like to ask both the Deputy Auditor General and the deputy minister for just their opinion, and you've done an audit now on these programs. There's recommendations that come out. Is there any specific recommendations for when there is new programs coming out, and whether it's a one-time anomaly stimulus program or just a regular ongoing work? Is there any particular take-home messages that you got that we could run the program better or whether that's in terms of financial scrutiny or just to make the process work better? And I'd just like to get the opinion of both people, Mr. Chairman.

Mr. Chairperson: Who wants to go first? I'll ask Deputy Auditor General to provide a response.

Mr. Ricard: I think, from my perspective, in terms of a go-forward project, one of the key aspects that we found on this particular audit, I think, is applicable to any project that CMIS would undertake. And it would be to do comprehensive risk assessments of the recipients of the projects and to plan and to conduct their monitoring work, their follow-up work, based on the risks associated with that particular recipient rather than the more blanket type of procedures that we saw CMIS doing.

Ms. McFadyen: Certainly, we think that's an important recommendation, and we've taken that to heart. We've—we did have a risk assessment form in place with this project. We've added a couple of things to that risk assessment, specifically in response to the audit.

* (15:40)

We think that one of the things that could—that was important is that—actually understanding whether municipalities, or the proponents that were coming forward, had experience with managing construction so that we had, say, a better level of assurance that they could actually move these projects forward, that they—so we could look at that particular risk.

But even prior to the audit, I mean, we looked at things about whether or not a—I'll just take a look at this further, but—we looked at the, you know, the complexity of the environmental requirements, for example. That was identified as a risk area.

Whether the projects were subject to First Nation consultations is another area of risk, because that can affect the timelines. Does the—how—what kind of experience has been demonstrated by the proponent on managing issues and managing projects as we go forward?

Obviously, the type of proponent—recipient is—has a different level of risk, right? So a larger municipality, you would anticipate that they would have more experience and more internal staff to be able to do that. So they would be lower risk than some of the higher ones.

A lot of times the non-profit organizations don't have a lot of cash flow upfront or borrowing ability. So, obviously, that's a risk when you're looking at this kind of a project. So—and the complexity of the project was another risk criteria that we looked at.

Mr. Pedersen: Just one quick follow-up then. In terms of non-profit, and cash flow is always the bane of non-profits, is there special allowance when you're doing these projects, and you probably want a mix of non-profits in this thing there, so is there any kind of allowance? And, realizing the auditor's office is—still has the same criteria, but is there any kind of special allowance for non-profits?

Ms. McFadyen: Under this stimulus program there was no separate allowance. Everyone was treated the same way, so this is strictly on a cost incurred and paid reimbursement.

Hon. Jon Gerrard (River Heights): Yes, let me start. Mr. Ricard, on page 14 you note that a competitive process was required. It was slightly different for projects under \$100,000, and then for those under—over \$100,000, with at least a minimum of three contracts for those under \$100,000 and a competitive process for over \$100,000.

If I read this correctly, you checked up on eight projects, and four did not use a competitive process. Is that correct?

Mr. Ricard: What we did—those eight projects are with respect to project management, engineering and architect contracts. And those ones were handled differently. CMIS had established different rules for how those could be handled. And so, if you look on

page 14 of the report, we—in table 4, the last cell, we talk about the competitive process requirements. You are free to select your construction or project manager's design and engineering consultants in a manner you consider to be most appropriate, as long as it is consistent with good business practices and all applicable laws and regulations. So that was the direction that CMIS had given to project proponents, in terms of the selection of those.

So those eight that we looked at, I believe, were for—just let me check with my staff for a second—yes, so those eight that we followed up on, I just wanted to verify, were—we—because the competitive process requirements had been effectively removed and they hadn't—CMIS hadn't defined what they meant by good business practices, we wanted to get an understanding or a sense of what were these proponents doing in terms of hiring architects, engineers and project managers.

So we looked at eight, and we found four, regardless of the direction provided by CMIS, continued to do the selection process through a competitive process, but four others provided us with alternate explanations for how they secured those contracts, how they handled that contracting process.

And one of the things that we were suggesting as a result of that was that contribution agreements with recipients who had, you know—pardon me, the—for the four other ones, we—but what we describe in our report, we describe a process where one of the proponents had experience in handling many, many architects and engineering firms. They had a process of rotating, if you will, their jobs amongst the various architectural engineering firms, and so the contracts for these particular projects fell under that kind of a system.

In one other one—I'm trying—two other ones, they had pre-existing relationships with contractors or engineers, most notably with respect to the project they were working on. So they had already hired them to do the planning and they hired them again to do monitoring or whatever work that was needed to be done.

In one final one, the land development contract that the proponent had when they acquired a piece of land specified the contractors that they were to use to do this kind of work.

So it was up to CMIS, in our—we didn't audit the appropriateness of these particular alternate arrangements; we just wanted to get an

understanding of what they were. In our view, it was up to CMIS to opine on whether or not those practices constituted good business practices and work, therefore, in compliance with their agreements.

So one of the things that we're suggesting was that these sort of situations, because they would have been known at the time of drafting the contribution agreements, that the contribution agreements should reflect these kind of existing conditions so that there could be clarity on how contracts would be secured.

Mr. Gerrard: Do—Ms. McFadyen, now, in this example, it was very clear in the contribution agreements that there had to be, you know, either three quotes or a tendering process, depending on what level it was, and yet, clearly, in the letter that you sent out, it was so vague that people bypassed the requirements which were fundamental to these agreements. Can you explain that?

Ms. McFadyen: So, on the advice of our legal services, we did not define good business practice, because that would clearly vary from one corporation, private corporation or non-profit corporation to another, so there's not a specific one.

We have, since the audit, added to our letter that goes out to be very specific and that they actually provide now within 30 days what has happened.

But, for example, the City of Winnipeg has their own procurement policy that sort of lays out what they do and the exceptions to where they can move away from their procurement policy. So, it was felt that this was not our role to tell them, you know, whether their procurement—you know, that there was one and only one kind of procurement policy that had to be followed.

Mr. Gerrard: As I understand it, the contribution agreement said very specifically that you had to have either several different quotes or you had to have a tendering process, depending on the value of the contracts, and yet you clearly allowed municipalities to bypass these requirements.

* (15:50)

Ms. McFadyen: So we did follow up on the information. I think the issue is where a municipality might be—or a proponent would be using an integrated process, they wouldn't necessarily tender for each individual piece of that process; they might go internally, and I think that's probably what was

happening for architects and engineers. So that's actually set out here.

I'm still on?

Mr. Chairperson: Yes.

Ms. McFadyen: Okay. Manitoba's procurement policy, for example, says that services are covered except for the following services that may under applicable laws of the party issuing the tender only be provided for the following licensed professionals. So engineers, land surveys, architects, accountants, lawyers and notaries are an exception to that rule if you are using those kinds of integrated policies.

Mr. Gerrard: But, I mean, it's pretty clear on page 15 that, you know, in these areas only four of eight used a competitive process. Let me go on and just ask a couple of questions about individual projects.

One of the projects which was listed here is the RM of Whitemouth, the Elma water and waste water. Now, was that project completed?

Ms. McFadyen: No, that project was not completed.

Mr. Gerrard: Could you tell us what happened, because it had been approved. Was some, you know, part of the licensing process not—or the approval process—not done in advance, or what happened?

Ms. McFadyen: When that project was originally approved they had had—carried out community consultation in the area and there was a sense that there was some support. But as they were going through their bylaw process they—there was opposition to the project. It had to go to the municipal board. It was delayed. The opposition grew, and that—so in the end they were not able—they withdrew without finalizing their borrowing bylaw.

Mr. Gerrard: For Mr. Ricard, I mean, was this an example of a—well, a proposal which was approved, but which, you know, the steps could have been handled better? Because, obviously, in the end it was not—it was never completed, and was, as it were, thrown out of the project because—I think you said—the municipal board decision or the community opposition prevented it happening?

Mr. Ricard: I'm just trying to get clarification on the members question. Were you asking if it was one of the eight that we looked at in terms of the end—project managers, engineers and architects, or a more general question?

Mr. Gerrard: No, I, sorry, I didn't make it quite clear.

What—in here there is some discussion about projects which weren't—didn't get licenses under various acts, didn't go through proper approval processes and those put those projects at risk. Obviously, this was an at-risk project because, I mean, it never got done. And, you know, was it at risk and never got done because some of the initial processes which led toward this project weren't done as well as they could've been?

Mr. Ricard: Some—a difficult question to answer, actually. I would argue that that particular project might be an example of where had CMIS done comprehensive risk assessments, some of the risks associated with that project may have come to light sooner and they might have been able to take some proactive actions with the municipality, or replace the project or do something. But hard to answer specifically as to whether or not CMIS actions—if I understand the question, whether it was the lack of CMIS actions that contributed to the project not being completed. I would say the only thing that I would suggest is the comprehensive risk assessment would have put them in a better position to act.

Mr. Gerrard: So, I mean, it makes the point that you made that you need a comprehensive risk assessment before you get too far on a project. Yes, okay.

Second question, to Ms. McFadyen, has to do with the Red River College project. Most of these projects—

Mr. Chairperson: Excuse me. Just a moment. I see the deputy minister would like to have a comment there.

Ms. McFadyen: The Department of Local Government is not responsible for the Red River College project. That's a Knowledge Infrastructure Project. It's not an—a stimulus project.

Mr. Chairperson: Yes. Okay. Yes. Mr. Gerrard?

Mr. Gerrard: Yes. No—I know it's under Advanced Education but all the other projects have got equal contributions, at least, from the provinces, from the federal government. But this one has a much lower contribution from the Province than the federal government, and I was just trying to find out why.

Mr. Chairperson: Yes. In relation to the order of the question, I'll let the deputy minister have a comment.

Ms. McFadyen: Okay. You'd have to refer that question to the Deputy Minister of Advanced Education. I can't speak to that one.

Mr. Chairperson: Yes. And just for clarity on that, we will have the Minister of Advanced Education at our next meeting as well, Dr. Gerrard, as well. And deputy minister.

Ms. McFadyen: Would if you would permit me, I'd like to add some additional information about the risk assessment and the conversation that was going on earlier.

Projects that were brought in to the infrastructure stimulus program—first of all, the direction from the federal government was very clear, and I'm reading here now from a document from the federal government. The entire program is designed to transfer the accountability to the project proponent. We're not doing the traditional level of due diligence on these projects. Instead, we're relying on their applications and on their legal attestations. So that's—that was direction from the federal government on that.

The proponent had to sign an application form when they were coming in after—brought in for this. They had to say, are all plans and specifications prepared? Is the project tender ready? Have all necessary municipal permits and approvals been secured? Have necessary provincial permits and approvals been secured? Have all necessary federal permits and approvals been secured? Have environmental approvals been secured? And it goes on in that way. At the end of that there's an attestation where the proponent is saying, I warrant that to the best of my knowledge, total eligible costs reported in the funding section are eligible costs. All information contained in this application is through and accurate.

So that—there was a heavy reliance at the front end in the stimulus program because of the speed of the program on the attestation by—from the proponent.

* (16:00)

Mr. Gerrard: And one of the questions to Mr. Ricard—I mean, this is an example, this program was put through in a fairly short period of time. Eventually it had to be extended because, well, partly, I guess, of political pressure and partly because there were a lot of projects which didn't get finished.

But did you look to see whether, you know, for future reference, whether the dollars that were spent in a short period of time were optimally spent? If there had been, you know, a longer time frame, would the, you know, risk assessment and other things have been done better so that we might have had better projects?

Mr. Ricard: Part of our project scope did not include looking at, if I understand the question correctly, the impact or the effectiveness of the particular projects, or whether there are other elements of the infrastructure funding that came to play, for example, job creation and whatnot.

The federal government was responsible for monitoring performance of the stimulus program and the federal Auditor-General was, as I believe, undertaking an audit of that component—may have since released it, I'm not entirely certain—but we didn't look to see on an individual project basis. In fact, we didn't look at the merit or the value of the projects themselves.

That, again, was a federal—because it was a federal program we began our audit once the projects had been approved and we purposely did not include the selection process in our audit because, as was described earlier, it truly was a negotiation process between multiple levels of government when we had concluded it would not be auditable. We would not be able determine whether the best projects were, in fact, or the right projects were, in fact, chosen to maximize the impact or the value of the dollars spent.

Mr. Gerrard: You know, the—one of the questions for you here is—my understanding is that these projects were set up, for the most part, so there was definite federal and provincial contributions and usually that they were equivalent. Were there any cost overruns in any of these projects and how was that managed?

Mr. Ricard: That's really not a question that I would be able to answer because, at the time of our audit, while we looked at all the claims that were in place at the time, there were only \$50 million worth of claims that had been processed for us to look at. So it's really a question that needs to be redirected to CMIS.

Mr. Gerrard: Let me ask Ms. McFadyen about this question. Were there any of these projects that had cost overruns and how were those cost overruns managed?

Ms. McFadyen: The contribution agreements, the program requirements from the get-go identified that any cost overruns were the responsibility of the proponent.

Mr. Gerrard: And can you tell me whether there were any cost overruns here and whether those—the proponents had to contribute more than their initial expectation?

Ms. McFadyen: I don't have the specifics here, but certainly there were some. I know that there were some provincial projects that had gone over the original budget. I mean, some of these things cannot be totally controlled. And so, for example, with some of the municipal projects, I know that there were costs incurred by having to move construction into the winter and having to have heating and that kind of thing, so. But as I said, that the cost overruns were clearly the responsibility of the proponent.

Mr. Gerrard: Yes, and in fact, in the final analysis, the proponent then had to make up the extra cost overruns, so there was no extra contribution from federal or provincial governments.

Ms. McFadyen: No, there were no extra contributions.

Mr. Gerrard: I raised, or you raised, initially, the question of the approvals under the act, The Environment Act, The Public Health Act, the drinking water act. Why were the approvals not confirmed?

Mr. Ricard: Just to be clear, what we were saying on the approvals was that the file did not include documentation of certain of these approvals. For instance, Public Health Act, we note the 14 projects we examined were noted as not being subject to the act but CMIS project managers had not obtained confirmation from Manitoba's Department of Health to support the conclusions. I don't know why they didn't get support. That's again a question that I think CMIS would be in a better position to ask.

And it's a similar situation in other areas with a slight variation for the drinking water act, where we say 12 projects were noted as not being subject to the act, document confirmations were not obtained, but CMIS project managers stated that the applicability of the act for each project was discussed with an official from Manitoba's Department of Water Stewardship. So, in that case, it's a little bit different. They said they got confirmation. They didn't document it. Why it wasn't documented, again, is not

a question that I can answer, and similar for the environmental act. It's the same situation.

Mr. Gerrard: Let me ask Ms. McFadyen: Why were the projects, the confirmation, the licensing, why wasn't there documentation?

Ms. McFadyen: I think in many cases we were dealing with emails back and forth and they were not necessarily in the files at the time that the audit had taken place, but we were getting confirmations from internal staff, so the process in place to ensure that the assessments and licences and permits are there. Federal approval was based on all environmental licences being in place or there being none. So if they were in place, the proponent had to attest to that in their attestation at the front end. We rely internally on Conservation and federal CEAA staff to—and we had a joint committee set up, established to review the projects and advise which provincial acts and federal environmental acts were required.

Conservation ensures that the recipient is aware of which departments or act they need to follow up on. Confirmation is provided to—was provided to the infrastructure secretariat via email or we had a spreadsheet that listed all of that, and individual environmental forms are signed off by CMIS to indicate that the requirements were met. So we may not have had the documentation in the file but they had been followed up on. We have since put into place in the procedures assurance that all of that documentation will be in the file.

Mr. Gerrard: So what you're saying is that in some cases there was email documentation but it just wasn't put in the file, and what you've now made sure is that that documentation gets into the file. Okay, I see you're nodding.

One of the aspects of this whole program was the initial project choice criteria and that was discussed a little bit earlier on and seemed to be primarily on the basis of, you know, was this project ready to go and could it be completed in a short period of time. So there were no particular criteria related to the number of jobs created or the, you know, long-run cost benefits of the project or anything like that.

Ms. McFadyen: That was not part of the federal requirements. However, we did track that on our own so I actually do have some statistics on jobs created under the infrastructure stimulus programs.

Mr. Gerrard: Could you give us some statistics on jobs created or on cost benefits, and so on?

* (16:10)

Ms. McFadyen: So for the Infrastructure Stimulus Fund for—there were about 2,715 jobs created for the projects that were done in Manitoba. The spinoff employment was another 2,315. So a total of over 5,000 jobs created

Mr. Gerrard: You know, is it correct that those were, you know, short-run jobs at the time of the projects? Did you do any estimate of what the long-run job impact would be?

Ms. McFadyen: We wouldn't have that.

An Honourable Member: Okay, so the answer was, no, you wouldn't have the long-run job.

Mr. Chairperson: Yes, Mr. Gerrard?

Mr. Gerrard: Okay, on a—was there a cost-benefit analysis of the various projects, or was that ever part of what you looked at?

Ms. McFadyen: Okay, that was not a specific requirement. We did try to do some of that informally, ourselves, but it's not—it certainly isn't the detailed kind of cost-benefit analysis that you would normally do.

Mr. Gerrard: All right, thank you. That's my questions.

Mr. Chairperson: Okay, and I'm going to recognize Ms. Braun, but before I do that, for those of you that are curlers, it's Manitoba 7-4 over northern Ontario after six ends. So far.

Ms. Erna Braun (Rossmere): Just a quick question about the projects that aren't completed yet. Were those ones that had applied for an extension to the program?

Ms. McFadyen: Yes, they had to apply to get an extension. So they wouldn't get an extension without that, without applying.

Ms. Braun: Were there any that did apply for extensions and did complete in time?

Ms. McFadyen: Sorry, I—could I ask you to repeat the question?

Ms. Braun: I'm just wondering if there were others that had applied, but the extension wasn't necessary because they did finish in time.

Ms. McFadyen: Yes, there were.

Mr. Cameron Friesen (Morden-Winkler): Thank you, Mr. Chairperson, and thank you also to the

deputy minister and to the Deputy Auditor General for being here with us today.

I just have a question pertaining to the mechanics of the administration of the awards. I know that the programs were oversubscribed by a ratio of approximately 5 to 1, and I know that the emphasis was put on getting the money out the door quickly to projects that were ready to go and that met the criteria that weren't sufficiently advanced that they would be not eligible.

But were there, in the administration of the awards projects or proponents that received awards, and then it was later found to be the case that they would not be able to advance their project and they declined to continue?

Ms. McFadyen: The only project that would fall into that category would be the one we've talked about, is the municipality of Whitemouth. They're—that's the only project that did not move ahead out of 111.

Mr. Friesen: So even though there wasn't a separate mechanism to collect applications under the Infrastructure Stimulus Fund, those projects were already in the queue, so to say, under the Economic Action Plan. But there was awards—or there were awards made, and it was fully subscribed from the onset. There were—there was no indication that projects, you know, there was no subsequent—a necessity to subsequently award.

Ms. McFadyen: No, there wasn't any subsequent process and, in fact, that was very specifically not allowed. If you'll recall, the original criteria for this program, you had to be finished by that earlier date and if you were not finished the money was going to be entirely clawed back. That was the initial position of the federal government, So, no, they all had to be right out the door from the beginning and continue on.

Mr. Friesen: I—and then just a related question in terms of—you used the expression before to say that the program was fully allocated. Is that equivalent to say that it—that the fund was fully depleted?

Ms. McFadyen: Certainly, it was fully committed at the front end, so the amount of money that was allocated to Manitoba was fully committed. We won't know until the end of the program if there's any under or—under-expenditures at the end, because these projects are still going through. So, obviously, it's when the final payments that you'll know the actual differences. But it's very close.

Mr. Friesen: Could you project what that amount in plus or minus might be at the end of this full process?

Ms. McFadyen: So, at the outset, the commitment was \$143 million and we are—it's looking as though it will be somewhere in the range of \$138 million at the end.

And it's usually—it's due to unexpenditures and then the one decommitted project with Whitemouth.

Mr. Friesen: Just to clarify, what is the mechanism by which those monies would then be recouped if there was any remainder at the very end? Would that money go back to the secretariat's office? Would it be returned to the Province and the federal government?

Ms. McFadyen: The money wouldn't have gone out the door. Money is not paid out until expenditures are actually made, and they have to demonstrate proof of the expenditure and the payment before we actually make a payment. So—and similarly when Manitoba goes back to the federal government, we don't get the money sitting in a bank account upfront; it's based on the payments that have been made out.

Mr. Friesen: And just one related—just going back to criteria again for the adjudication of awards: Just wondering if there was, in the decision-making process or in the rubric set out by the federal government for awards, was there any consideration given to regional equality or the distribution of awards on the basis of regionalism?

Ms. McFadyen: Okay, so there were no criteria. The money was allocated federally on the basis of a per capita amount. That was how they allocated the money among the different jurisdictions. Federal government had no criteria around regionalism. We did, however, when we were reviewing projects provincially. And I would say this is for the broader programs, not just for the infrastructure stimulus, because, of course, the criteria there was the project readiness. But for the broader programs there is always an attempt to try to have some regional equity across the province. So we've got, with the ISF projects, the 111 projects, we actually have nine in the Interlake, seven in the north, seven in north central, seven in Parkland, six in south central, 14 in southeast, 11 in southwest and 50 in Winnipeg. Yes.

The 50 in Winnipeg included a large number of smaller, active transportation projects as well. So it counts as 37 different projects when the dollar value

was not that significant. So Winnipeg did not get the huge share out of the entire fund. In fact, it's fair to say that Winnipeg got under this stimulus fund, about \$80 million out of the 325 on the provincial side.

Mrs. Stefanson: How many of the projects had its funding clawed back, and what was the total amount of the clawbacks? Was that one program the only one that was clawed back, or were there others?

* (16:20)

Ms. McFadyen: To be clear, no one has had any funding clawed back. Funding didn't go out to Whitemouth. So the project was withdrawn before there was any funding paid.

Mrs. Stefanson: How much of the approximate \$545 million committed to—well, I think we actually—you may have answered this already, but of the \$545 million committed to Manitoba was actually spent? Are you still waiting on those final numbers? Is that what you were—

Ms. McFadyen: Yes, we would not have the actual final expenditure numbers until all the projects are completed and filed. To be clear, though, the 500 and, I think, 45 million dollars that includes projects other than the ISF. ISF is \$143 million.

Mrs. Stefanson: How many of the high-risk projects were required to provide more detailed progress reports?

Ms. McFadyen: So that the largest criteria for risk that—the biggest risk we had at the outset of the program was that the project would not be finished in time.

So we set out a process, actually this was before it was in Local Government, but the Department of Infrastructure and Transportation, actually, very early on, identified a process so that all of the regional managers were going out and checking on a monthly basis on the projects.

I think it would be fair to say that all projects that were identified as high-risk were then subsequently monitored more frequently, and if we felt there was a problem, so we also had quarterly meetings—monthly meetings, Karlene? I can't remember—[interjection] Monthly meetings, with the deputies responsible for the program that—so anyone that was delivering projects would meet so that any provincial projects would be discussed all the way through as well so that we could monitor the risk of

getting the project finished in time. So there was regular reporting on that—on their progress.

Mr. Matt Wiebe (Concordia): Just a question about the progress reporting, and we see that the Auditor General has made some recommendations with regards to strengthening the progress reporting requirements. I just wanted to ask the deputy minister what sort of criteria were looked at or were reviewed in terms of monitoring progress of some of these projects.

Ms. McFadyen: Prior to the audit, there was a project monitoring form that went out on a regular basis and on a quarterly basis they had to provide information to CMIS.

That monitoring form included information about, you know, what the status of their approval process were, the date of their tender awards, the name of the contract, how much longer will it take to—how much longer do you expect it to take your project to be finished, what your expected completion date, any issues that might be identified, when you're expecting claims to be coming forward. We specifically asked, do you have any issues coming forward because of the flooding, because, obviously, we had wet, even prior to the 2011 flood, there were areas of the province that were extremely wet—that's the summer before that. We asked, if your project has been completed, have you submitted a picture to CMIS?

As a result of the audit, we have added a question asking them to identify the per cent of the construction complete in relation to the expected date so that they have to inform us of any variation in their construction schedule, very clearly, when the monitoring is.

And when the monitoring was done on a quarterly basis, if issues were identified then we started monitoring them verbally on a monthly—or even more often than that. As well, as a result of the audit on the contribution agreement and on the claims payment, we have reiterated that if the project is not completed by the end date that they would have to—that any cost overruns would be theirs and they may be at risk of losing their project funding. So that's the—

Mr. Chairperson: Mrs. Stefanson.

Mrs. Stefanson: Just a question to the Deputy Auditor General in terms of the follow-up with these

recommendations, there's some seven recommendations in this report and, of course, the programs have—are finished.

So what is the process, now, in following up with the department and with CMIS to ensure that these recommendations are followed up on?

Mr. Ricard: We recently changed our follow-up process. If you recall, in the past, we waited three years after a report was issued before we initiated our follow-up. Beginning this year, I believe it is, we are changing that process to follow up for the first three years. We're inverting it, actually.

So on this one, in particular, for example, we would—it would be part of our—you know, once—we wait a year, and then we would start the follow-up process, so we would probably request a status update in June 2012.

Mrs. Stefanson: With the programs basically being completed already, are you looking for them to implement—I mean, how—these recommendations on other projects that are currently being managed by CMIS.

Mr. Ricard: That's correct. I mean, we did issue the recommendations in a report dealing with ISF and the management of ISF and KIP, but we believe the recommendations have merits or value more broadly to CMIS. So we would be looking for them to look at the recommendations and see how they might be—that the principles behind the recommendations, in particular, and see how they might be applied to their administration of other infrastructure programs.

Whether or not—I haven't discussed the follow-up of this one specifically with the Auditor General, so whether or not we would take that tact, or maybe the follow-up would just request what actions were taken in the lifetime of the ISF and KIP projects. I'm not entirely certain at this point. But we would certainly encourage CMIS to—and I think I've heard that they have done that, but take consideration of the recommendations for the applications of their processes more broadly.

Mr. Chairperson: Yes, Deputy Minister, do you have a comment on this?

Ms. McFadyen: Yes, we have implemented all of the recommendations of the Auditor General. We have incorporated every of—all of the recommendations into our ongoing procedures. We've put in place a policy and procedures manual that will continue to do that.

In addition, on follow-up on audit recommendations, the department is required to provide a quarterly report on all audits that are outstanding—not just this one, but any audits indicating what the progress on the implementation of the—of all the recommendations.

Mrs. Stefanson: Just a couple of questions on recommendation No. 7, that stated that CMIS developed file documentation standards with guidance on retaining key records in either electronic or paper formats.

Has the work on the filing system been completed?

Ms. McFadyen: Yes, that work is now completed. It's a policy that all the CMIS—that all non-confidential and project-related information must be saved both electronically and in paper form in the files. CMIS has completed the policy and procedures manual, and that provides documentation on—guidelines for that documentation.

We are also ensuring that we follow the provincial government's guidelines on electronic files.

*(16:30)

Mr. Chairperson: Mr. Pedersen, then Mr. Allum.

Mr. Pedersen: Just wondering—the Deputy Auditor General's done this report. You followed through on these projects. Does CMIS ever go back and actually do a review with the proponents, with the projects to see how this project is actually—how the system functions, and is there recommendations coming back from the people who are involved in the projects? We can always learn from those who are most directly involved, and what is the process for doing that if there is?

Ms. McFadyen: Certainly, as I mentioned earlier, there are audits that actually are audits of the individual projects that go out. So I think that somewhere here we've got a number. So out of these, 20 projects were actually audited by Deloitte Touche to make sure that there was compliance. But we do have ongoing conversations with proponents about things; not as much the compliance with the projects, but whether or not this process worked for them or it didn't work for them around the requirements and, you know, to the extent that the provincial government has control over those processes, because often they are processes that are part of a federal program. But to the extent that we

can, we certainly aim to work with the proponents, with the municipalities who try to address concerns that they have.

Mr. James Allum (Fort Garry-Riverview): Honestly, I just wanted to compliment CMIS and the department for the work that you did under very exceptional circumstances. We've described this as an anomalous program. It is quite exceptional, quite unique. And so what I've learned today from the Auditor General's comments as well as the report—as well as the discussion we've had today is that we actually did very well under quite exceptional circumstances, especially in a process where the process was driven by the criteria and timelines established by the federal government.

So my question is: Will we have a chance to talk to the feds, and when we say feds do we mean Public Works? Is that the department that was the primary agent?

Ms. McFadyen: We've been working with both Industry Canada and with Infrastructure Canada, and part of this consultation process—the three-step consultation process, is actually looking at what was accomplished and what lessons we have learned. That's phase 2 of the consultation process. So I think I mentioned earlier that we are talking with AMM about how we actually do that with the municipalities outside. But, internally, provincially, we've looked at that system and we've identified a number of things. For example, with the—with this stimulus program, criteria were changing as the program was moving through, so it was actually very challenging for CMIS. They had to be pretty nimble on their feet to actually adjust to somewhat changing requirements and changing communication protocols as the program was moving through very quickly. So that, you know, those kinds of things we are certainly raising with the federal government to try to ensure that, you know, we can address that on a go-forward basis.

And, I should say, as the deputy of Local Government, the ministers responsible for Local Government have for the last—well, I've been involved with it for six years—had a very extensive conversation around large—the large federal, provincial and territorial infrastructure programs. They have developed a set of principles that they believe are important for provinces and territories in terms of programs coming forward. The principle, for example, that programs that are coming forward should not actually lead—should recognize priorities

and important aspects of the provincial policies as well, so that, you know, the whole provincial or territorial policy basis is not subverted and money spent on things that are not regular priorities.

So there's principles like that and we've been having an ongoing dialogue with the federal government. In fact, the minister responsible for Infrastructure Canada has attended the last two meetings, and ministers met with Minister Lebel to have that ongoing conversation as well.

Mr. Chairperson: Any other questions?

Mr. Gerrard: For Mr. Ricard: You spent quite a bit of time on the federal reporting requirements, were there provincial reporting requirements as well?

Mr. Chairperson: One moment. While he's looking that up, I'll report that I think Manitoba won the game.

An Honourable Member: You got an update on the curling?

Mr. Chairperson: I think that I got that about 10 minutes after the last one, on the sixth end, so they curled four ends in an awful hurry.

Mr. Ricard: As part of our audit we only focused on the reporting requirements that were in place in the master ISF and KIP agreements. So those were reporting requirements from the Province to the feds. We internally, as we understood it, CMIS reported to a deputy minister committee. So we considered that an internal functioning thing so we didn't focus on or look at the adequacy of how CMIS was reporting or interacting with that particular committee.

Mr. Gerrard: Let me ask Ms. McFadyen: Perhaps you can tell us about the provincial—were there provincial reporting requirements and what were they, and—

Ms. McFadyen: Absolutely, there are provincial reporting requirements.

So all of these projects had to go through an approval process, the regular provincial approval process where they were reviewed by Treasury Board and approved by Treasury Board and Cabinet. We had to provide regular cash flow reports as part of our normal departmental piece. We had to—so we do that on a quarterly basis. The deputy's committee monitored, as I said, monthly. We met monthly to have a report on the progress of all of these projects because, of course, the issue was whether or not the projects could get finished or not. We were very,

very aware the potential risk that money would be clawed back and that they wouldn't get finished. So there were—but all of the normal provincial processes were in place and then above and beyond that, we had some additional ones to address the risk.

Mr. Gerrard: You know, I mean, when you're dealing with so many different projects, I presume that you had some sort of a spreadsheet so that it was very easy to see down the list of projects?

Ms. McFadyen: Yes, that would be correct. And, on a regular basis, the progress of those, we could identify which projects were in risk or were not proceeding as we had expected, and so, based on the report from the CMIS, we were able to monitor that.

Mr. Gerrard: Was there, as part of the provincial reporting requirements, any reporting on the, sort of the quality of the construction or whether it was the—there were cost overruns and things like that?

Ms. McFadyen: That would have been covered off primarily through the Deloitte Touche audit that was done of specific projects that went in and actually looked at specific projects and looked at that. But it's fair to say, I mean, projects would have to meet all of the construction standards, obviously, and, you know, before they get an occupancy permit they have to have met the standards that are in place for construction.

Mr. Gerrard: Can you tell us just a little bit more about the Deloitte Touche? Was that a one-time audit or was that an ongoing, or how did it work?

* (16:40)

Ms. McFadyen: In 2010 Deloitte was retained to complete compliance audits of contribution agreements between the federal government and other orders of government.

The purpose of the compliance audits was to validate that recipients implemented adequate controls, processes, practices. The recipient complied with the terms and condition of the contribution agreements. They reviewed 20 projects in Manitoba, and based on the work performed, and that would be June 30th of 2010, Deloitte concluded that the government was in compliance, the government of Manitoba was in compliance with the contribution agreements, and they also noted—they actually noted a best practice in Manitoba that Manitoba was using an electronic standard form that ensures there's consistency in capturing financial and non-financial

information. As well, that electronic form helps make the process more efficient.

Mr. Gerrard: We've run into some problems with—well, road construction, for example, where the quality of construction wasn't as good as it should have been, and the roads didn't last as long as they should have lasted. Did you look at these aspects at all in terms of the—how well the construction was done?

Ms. McFadyen: Could I have clarification? Are you talking about provincial projects, like provincial roads, that were done under this program, or are you talking about the projects that were done by municipalities?

Mr. Gerrard: Yes, well, I'm talking about the breadth of programs that were done. And I'm not saying that there was any problems with any of the projects here, but I know in the past that there have been from time to time problems with some roads which didn't last as long as they should have done.

And so, I mean it's important to have some sort of quality control and quality standards, and I'm just wondering whether in this instance what the quality standards that were in place were.

Ms. McFadyen: Okay. CMIS does not have engineering staff of its own. We have one engineering consultant that works with us to help with technical aspects. So those—that aspect of it would have been covered by the Department of Infrastructure and Transportation.

I'm not totally familiar with their internal processes, obviously, but I think it's fair to say—I've been in this system long enough to know that, you know, the department learns from things that happen—departments learn from things that happen in

the past, and so I would be fairly confident that MIT would be monitoring its roads for exactly the kinds of things that had happened in previous kinds of programs.

Ms. Braun: I'm just wondering whether or not the line of questioning is sort of straying a bit from what the audit actually is dealing with. So that's just my question.

Mr. Chairperson: Yes, I've let a few questions go today, but I appreciate the comments and we'll take that under consideration.

No other questions? If that's the case then, I see no other questions, then, I'd refer back to the opening comments made by the opposition in regards to the bringing of this report back to the next meeting when the Minister of Advanced Education (Ms. Selby) will be here. There was agreement at the beginning of the meeting to do that. So, therefore, it's apparent that this will not pass today.

I'd just like to thank the Deputy Auditor General and staff for being here, as well as the minister, the deputy minister and the staff as well. And, you know, as I came in today I heard on the news last night that there was a statue of a minister—of a Mr. Lemieux, some place, yesterday, being announced, and I didn't know if it would be on the grounds this morning when I got here. Then I found out it was Pittsburgh, you know. And so I appreciate you being here as well. I know you had a tie to Pittsburgh as well.

So with that, the time is 4:45. What's the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise, all right.

COMMITTEE ROSE AT: 4:45 p.m.

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