

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

Chairperson
Mr. Reg Helwer
Constituency of Brandon West

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, May 21, 2015

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Reg Helwer (Brandon West)

VICE-CHAIRPERSON – Mr. Matt Wiebe (Concordia)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Messrs. Dewar, Gerrard

Messrs. Friesen, Graydon, Helwer, Jha, Ms. Lathlin, Messrs. Maloway, Marcelino, Pedersen, Wiebe

Substitutions:

Mr. Graydon for Mr. Schuler

APPEARING:

Mr. Norm Ricard, Acting Auditor General

WITNESSES:

Hon. Drew Caldwell, Minister of Municipal Government

Mr. Fred Meier, Deputy Minister of Municipal Government

MATTERS UNDER CONSIDERATION:

Auditor General's Report–Annual Report to the Legislature, dated January 2013

Chapter 2–Citizen Concerns–"Part 4–North Portage Development Corporation"

Auditor General's Report–Annual Report to the Legislature, dated March 2014

Chapter 2–Citizen Concerns

Auditor General's Report–Follow-Up of Previously Issued Recommendations, dated May 2014

Section 1–Assessment Services Branch

Section 4–The Province's Management of Contaminated Sites and Landfills

Section 10–Special Audit: Rural Municipality of La Broquerie

Section 18–Report on the Rural Municipality of St. Clements

Section 19–Special Audit: Rural Municipality of St. Laurent

Auditor General's Report–Rural Municipality of St. Clements, dated June 2012

Auditor General's Report–Rural Municipality of Lac du Bonnet, dated August 2013

* * *

Mr. Chairperson: Good evening. Will the Standing Committee on Public Accounts please come to order.

This meeting has been called to consider the following reports: Auditor General's Report–Annual Report to the Legislature, dated January 2013, chapter 2–Citizen concerns–"part 4–North Portage Development Corporation"; Auditor General's Report–Annual Report to the Legislature, dated March 2014, chapter 2–Citizen concerns; Auditor General's Report–Follow-Up of Previously Issued Recommendations, dated May 2014, section 1–Assessment Services Branch, section 4–The Province's management of contaminated sites and landfills, section 10–Special audit: Rural Municipality of La Broquerie, section 18–Report on the Rural Municipality of St. Clements, section 19–Special audit: Rural Municipality of St. Laurent; Auditor General's Report–Rural Municipality of St. Clements, dated June 2012; Auditor General's Report–Rural Municipality of Lac du Bonnet, dated August 2013.

Committee Substitution

Mr. Chairperson: For the committee's information, pursuant to our rule 85(2), I would like to note the following substitution for this evening's meeting: Mr. Graydon for Mr. Schuler.

* * *

Mr. Chairperson: Also, I'd like to welcome Ms. Lathlin as our new permanent PAC member.

Prior to dealing with this evening's business, I'd like to inform those who are new to this committee of the process that is undertaken with regards to outstanding questions. At the end of every meeting,

the research officer reviews the Hansard for any outstanding questions that the witness commits to answer—commits to provide an answer—and will draft a questions-pending-response document to send to the deputy minister. Upon receipt of these answers—the answers to those questions—the research officer then forwards the responses to every PAC member and to every member recorded as having attended that meeting. At the next PAC meeting, the Chair tables the responses for the record.

Therefore, I am pleased to table the responses provided by the Deputy Minister of Finance to all the questions pending responses from the January 28th, 2015, meeting. These responses were previously forwarded to all the members of this committee by the research officer.

Are there any suggestions from the committee as to how long we should sit this evening?

Mr. Blaine Pedersen (Midland): Mr. Chairman, I would suggest we sit until we pass or get through these reports, whether they are passed or not.

Mr. Chairperson: Is that the will of the committee? Sit until we—until the business is done? *[Agreed]*

Are there any suggestions as to order in which we should consider the reports?

Mr. Pedersen: Well, I would suggest, if it works, that we just go as they were presented in the agenda.

Hon. Drew Caldwell (Minister of Municipal Government): If I might, Mr. Chair, just, I'm fine with that. The department who's here suggested that perhaps we put the second bullet point, the Citizen concerns, underneath the—which is currently the third item—because there's a number of municipal issues and they've got them all—the municipal issues they've got together so that we're not going from municipal issues to another one and then back to municipal again.

Mr. Matt Wiebe (Concordia): So I just would like to concur with the sentiment of the minister and the recommendation that he's making. You know, if that is an issue for any members of PAC, we could also look at the reports globally. So I think we're open to making that change as well, whichever is easiest for—

Mr. Chairperson: Is that acceptable to the committee? *[Agreed]*

All right, they will move the second Auditor General's Report, chapter 2, Citizen concerns, underneath—if you look on your agenda, section 19,

Special audit, just prior to the Rural Municipality of St. Clements.

All right, I'd like to invite the minister and deputy minister to the table. All right, welcome.

Does the acting Auditor General wish to make an opening statement?

Mr. Norm Ricard (Acting Auditor General): I really don't have any opening statements on anything here other than the chapter 2, Citizen concerns, for the March 2014 report. So did you want me to do those now or when that chapter comes up?

Mr. Chairperson: Perhaps when that chapter comes up, so chapter 2, the one that we moved down? Okay. Thank you.

Does the deputy minister wish to make an opening statement? Mr. Meier, welcome.

Mr. Fred Meier (Deputy Minister of Municipal Government): Thank you, Mr. Chair.

Mr. Chairperson: And could you introduce any staff that you have with you, please.

Mr. Meier: I'd like to introduce Laurie Davidson, an assistant deputy minister with the department; as well as Ramona Mattix, another assistant deputy minister. We have a few directors as well. We have Lynne Nesbitt with us tonight; Jennifer Lloyd, who is the—acting on behalf of the director of Assessment Services here tonight as well; and Mike Sosiak, another director inside of the department, so.

Mr. Chairperson: Thank you. Please proceed.

Mr. Meier: I'd like to start by thanking the Auditor General for the recommendations and generally all of the recommendations on the reports that we'll be going through today. We have a very strong relationship with the Office of the Auditor General and worked through a number of different items together. So I wanted to recognize that as well.

So I'll start. I have opening statements on each of the audits as we go, and we'll do one at a time and provide you with some opening statements, and as for the instructions, the opening statements do relate to the audits and some specific information on follow-up that we've done since the audit recommendations were tabled as well.

In January of 2013, the Office of the Auditor General's report reviewed some citizen concerns about the North Portage Development Corporation. This corporation is a partnership of the Province, the City of Winnipeg and the federal government which

was created in the 1980s to redevelop the brownfield site now known as The Forks. The corporation has several subsidiaries, including The Forks Renewal Corporation and The Forks North Portage Parking. The shareholders are the three governmental entities that establish the corporation. There's a board of directors of 10 members with each 'shareholder' appointing three members. Administration of the corporation is led by the president and the CEO.

The citizen concerns with the corporation involve five areas: term limits for directors, detailed financial information available to the public, executive salary approval and disclosure, accountability to shareholders, and business purchases and expenditures. I will outline the responses to the Auditor General recommendations in each of the five areas.

Term limits for directors: At the time of the OAG's report, there was a three-year term for directors, but no limit on the number of terms a director could serve. Since then, the board has adopted a resolution to amend its bylaws to have directors serve two consecutive terms of three years for a total of six years, unless the board unanimously recommends a further extension for a board member to meet the strategic needs or priorities of the corporation. The resolution requires approval by the shareholders, which will be brought forward this month.

Detailed financial information: The corporation has always prepared a consolidated annual report with audited financial statements. As a result of the OAG report, the corporation has posted its annual report and the consolidated audited statements on its website. Audited statements for the individual entities is available upon request.

Executive salary: The concern in this instance was the public availability of salaries and level of compensation. In the case of the corporation vice-presidents, these are approved by the president and the CEO. The salaries for the president and CEO are set and approved by the board. The department reviewed the process by which comparable economic development organizations in Winnipeg set salaries for their administration, and the process is similar to other organizations. The total salaries paid to corporation employees matched the amounts disclosed in the statement as required under The Public Sector Compensation Disclosure Act. The independent auditor's report on the schedule of \$50,000 or more is annually provided to the

provincial government and is available for inspection at the office of The Forks North Portage Partnership.

* (18:10)

Accountability to shareholders: The 1996 shareholders' agreement outlines the accountability to shareholders. This includes three to four reports each year which covers operations since the last report, audited consolidated statements prepared annually and an annual report covering activities and the audited consolidated statements which are presented at the annual general meeting of the corporation. The department believes these efforts meet the shareholders' agreement.

And last, business purchase expenditures: The OAG examines documentation of purchases and expenditures and found that these were properly recorded, approved and business related. The expense reports of all executives were reviewed and found to be in order. At the time, there were no written procedures for purchases. In response to the OAG report, Forks North Portage Partnership has documented procedures for the approval and payment of expenses and purchases which are reviewed annually by external auditors.

Thank you.

Mr. Chairperson: Thank you, Mr. Meier.

Mr. Ricard, I'm sorry, I forgot to ask you to introduce staff to the—you have with you so that everybody's aware.

Mr. Ricard: Sure. With me is Brian Wirth. He's the assistant Auditor General responsible for our investigations area. He—it's his area that's responsible for all the citizens' concerns chapters as well as all of the audits that are a municipal—that deal with a municipality.

Mr. Chairperson: Okay. Thank you.

Now before we get into questions, I would like to remind members that questions of an administrative nature are placed to the deputy minister and that policy questions will not be entertained and are better left for another forum. However, if there is a question that borders on policy and the minister would like to answer that question or the deputy minister wants to defer it to the minister to answer, then that is something that we would consider.

The floor is now open for questions.

Mr. Pedersen: I was—would like to know if we could get a comment from Mr. Ricard, the acting

Auditor General, in terms of these five recommendations that came forward and the deputy minister's response, just for comments from him in terms of these five areas that he has outlined.

Mr. Ricard: Really the only recommendation that I would have a comment on is the one dealing with the disclosure of information—financial information for the subsidiaries of the North Portage Development Corporation.

We just completed a follow-up which we will be publishing shortly. When we followed up on that recommendation as well, then the department's response is that it doesn't publicly post the statements of the subsidiaries for fear that they would be misunderstood by citizens. I'm pleased to hear that they are being made available upon request. That makes it, in my mind, a bit of a cumbersome and difficult process to access that information. I would welcome comments from the deputy minister on how audited financial statements of a subsidiary could be misunderstood if viewed independently.

Mr. Meier: The concern was that if the subsidiary statements—for example, the parking authority, the one subsidiary that I'll use in example—were posted independent of all of the other completed or other subsidiaries, there may be an ability to misinterpret a single subsidiary as reflective of the entire corporation overall. So that was a concern when we had spoken with The Forks North Portage Partnership that was expressed. My understanding is that the consolidated reports that are brought forward are reflective—they do reflect all of the information from the subsidiaries and they are reported accurately from that perspective. So I think that was the concern that led to the comments that were provided to the auditor.

Mr. Chairperson: Mr. Meier, are these reports, then, to be posted online, or are they publicly available?

Mr. Meier: The general report is available. The consolidated annual report is available online. That's my understanding. And, upon request, the subsidiary individual statements are available as well, but I—my understanding is that they're not posted online—the subsidiary ones.

Mr. Chairperson: And what—when they are posted online, what format are they in? Is it PDF format?

Mr. Meier: I believe it is PDF format, yes.

Mr. Chairperson: Okay.

Mr. Meier: I'm not entirely sure of that. I can check, but I believe it would be PDF.

Mr. Chairperson: The conference I was recently at in Ottawa on Open Government, Open Data, one of their recommendations for Commonwealth countries was that we look to post data online in other formats other than PDF, as PDF is not searchable and makes it difficult for individuals that are trying to deal with the data. So I am not sure if that's something that the government has looked at, but it was one of the recommendations that came out of that. As I'm sure you understand you can't do much with data that's in a PDF format. You have to re-enter it and then there is a good deal of chance of error in—especially when you're dealing with numbers—that you can put the wrong number in, so there is a recommendation that we look at other formats.

Would you care to comment, Mr. Meier?

Mr. Meier: That's actually the first time that I've been made aware of that, but I can understand the concern associated with PDF and the ability to search the data. I can look into other formats. I'm not familiar of other formats that would be available, but I can look at other formats that may be more conducive to the ability to search and to analyze—I guess it would—that's what it would be—the information that's presented. So we'll take that under advisement.

Mr. Chairperson: Thank you.

Mr. Ricard, would you have a comment on that regard on how we should store data online for access by individuals?

Mr. Ricard: Not really other than to concur that—I mean, PDF, at least it's available, so that would be my prime concern. Searchable is always a very good added feature.

Mr. Chairperson: Thank you.

Hon. Jon Gerrard (River Heights): One of the concerns dealt with salaries, and I gather that that information is now being made publicly available on request. In view of that, I wonder if the Auditor General could give us a little bit more information where there—how many people in The Forks corporation were, in fact, earning salaries greater than \$50,000, which would be, you know, the cut-off for public reporting.

Mr. Ricard: That's not something I have in front of me or I have a recollection of. In this follow-up, it's worth another comment, I think. The

recommendation—I'm just trying to find it here. Yes, the recommendation 3: The provincial government assessed the reasonability of the salary levels at MPDC. We did indicate in the next follow-up that it's an implemented recommendation. It's hard to tell, though.

One of the things we noted, the deputy minister, I believe, in his comments indicated that the department had concluded that the process is comparable to other similar organizations. That doesn't tell me if the salary level is reasonable, frankly.

But the other problem we had there was the documentation of this analysis was not prepared or retained, so it's difficult to follow up or to audit if documentation of an analysis is not maintained. So I'm just throwing that out as an ongoing concern of ours.

Mr. Gerrard: I notice in the Auditor General's report that there's a statement that the compensation received by the CEO is high in comparison to deputy ministers and relation—and in relation to senior executives of large Crown corporations. This was a concern that was raised through the Auditor General's office. It would seem to me that, I mean, certainly, large Crown corporations would be, you know, a rational and reasonable comparison point, as opposed to other organizations, and you're saying that it was high relative to large Crown corporations, which suggests to me that it's quite high compensation for the CEO.

Can you tell us, because this is apparently now public information, what the salary compensation was or is?

*(18:20)

Mr. Ricard: Unfortunately, I don't have that information before me. I really don't know what his salary level was. It was done by my predecessor and so we don't have that information. Perhaps the deputy minister.

Mr. Chairperson: Mr. Meier, is that something—information that you would have available?

Mr. Meier: It's not available. I don't have that information available as part of a—what we ended up doing as a part of the recommendation work with the Office of the Auditor General was to look at the process by which a salary is determined, and the process that we looked at was the board has a sub-committee within it that looks at compensation

levels, and they undertook a review of similar organizations and the setting of theirs, the committee did. We looked at other similar agencies in economic development, and the process to establish that salary is similar in those other organizations.

So that's the information that we had provided in the review that we had done.

Mr. Gerrard: You didn't actually compare the level of salary. You just compared the process that was used to arrive at that level. *[interjection]*

Mr. Chairperson: Mr. Meier, sorry. I have to recognize you before you speak so we—Hansard knows who's talking. Mr. Meier?

Mr. Meier: Thank you, Mr. Chair.

That is correct. So we looked at the process that was established. The ability for us to access the information from some of the other similar organizations is very limited and we don't have that access.

Mr. Gerrard: I mean, when I hear that the compensation received by the CEO is high in comparison to deputy ministers in relationship to senior executives of large Crown corporations, that suggests to me that the compensation is quite high. Would it not suggest the same to you?

Mr. Meier: My understanding is that the OAG has provided that interpretation of the level of salary, so I can just go by what their recommendation and their—what their review was of the salary.

Mr. Gerrard: It seems to me that given the nature of the Auditor General's report, that it would have been prudent for—in the government's review to have had a look at the actual level of the salary itself and compare that to senior executives in Crown corporations, for example. Was that done?

Mr. Meier: We, in working with the OAG and their review of it, we had no reason to sort of challenge or question their comments associated with the fact that it was high in comparison. So the OAG would have done that review and would have provided that information to us. So we had no means to—or no reason to question the analysis that was done by the OAG.

Mr. Chairperson: Honourable Dr. Gerrard, is this a continuation or a—I mean, I'm sure the minister can—or the deputy minister can get us the information once he has it, if that's acceptable, to be able to move on, but Honourable Dr. Gerrard?

Mr. Gerrard: If you can provide us the information on the salary levels, that would be very helpful.

Mr. Meier: We'll endeavour to get the information to you.

Mr. Chairperson: Thank you.

Mr. Cameron Friesen (Morden-Winkler): I have a question just pertaining to the recommendation on board governance. I was just wondering if the deputy minister would comment in terms of the recommendation that sought to see a limit of terms that a director could serve, with the new action undertaken to allow the board to unanimously recommend a board member stay on past the two-term limit. Is there a maximum number of times that that can be recommended by the board? Was there thought given to that protection?

Mr. Meier: The provision is two consecutive terms of three years, and then the provision for extension was based on circumstances that were unique, unanimous approval. There is a 10-year-term limit that was established as part of that as well, so there is a maximum term limit that's established as part of that.

Mr. Friesen: I have one other question pertaining to accountability for two shareholders. I was wondering if the deputy minister could comment. Where in the—on the website is the information for the annual reports included for the north Portage Forks partnership?

Mr. Meier: Just for clarity, are you asking about where on the website it would be available?

Mr. Friesen: Yes, I'm just actually wondering on the website itself. I had been trying to locate that information, had trouble doing so, and just wondering if you could indicate where I would be looking for for those reports.

Mr. Meier: I'm not familiar without having the website in front of me to point you in that direction. But what I can do is I can follow up with, perhaps I can provide a link or what to the specific part of the web page that provides that information.

Mr. Friesen: That would be fine. I just thought it was worth a comment because if the intent was to produce accountability—and I had some trouble. I might not have the most facility when it comes to finding reports on websites, but I did have some trouble finding it. It's quite a complex website. So perhaps some care could be given to making that more prominent on the website so that individuals who are seeking that information can find it.

Mr. Chairperson: Thank you.

Further questions on this report?

Mr. Gerrard: You know, just a question to the deputy minister. If there are ongoing concerns about the—what's happening at The Forks partnership, it is the department of municipal affairs which has the oversight and so concerns would come to the minister or to you as deputy. Is that correct?

Mr. Meier: As part of the structure each of the shareholders, and there are three shareholders, the federal government, the City of Winnipeg and the Province of Manitoba do have membership on the board itself, a non-voting shareholder representative that is privy to all the goings-on that happen at The Forks North Portage Partnership. I myself am the representative for the Province of Manitoba and any information or any concerns that would be raised at that point in time, there is an ability for that information to be brought into the Province and we are very linked into the process.

Mr. Gerrard: One of the sort of checks and balances in terms of the Portage corporation is the tenants association who would be a voice for the people who are tenants at The Forks North Portage and The Forks Market, in particular, is—if they are tenants or having problems in getting things resolved would that, again, be something that could be brought to yourself as the provincial representative?

Mr. Meier: That certainly is something that could be done. I am aware, because of the information that's discussed at the board that there are tenant issues that are raised from time to time, and I know they do get to the board and the board does have an ability to be informed of those as well. But that would be—another avenue would be to come to the Province as well.

Mr. Chairperson: Further questions on this report?

Does the committee agree that we have completed consideration of chapter 2—Citizen concerns—"part 4—North Portage Development Corporation," of the Auditor General's Report—Annual Report to the Legislature, dated January 2013? *[Agreed]*

Now we shall move on to Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated May 2014.

I would imagine we'll start by sections, so section 1—Assessment Services Branch.

Does the auditor—and the Auditor General does not have a comment on this one, and the deputy minister will have a comment, I imagine. You can comment on all of them together if you wish or separately.

*(18:30)

Mr. Meier: I will. I have comments on the individual audits. I will start with the Assessment Services Branch, and it's—I believe the committee's going to be looking at that one first. And I think copies of my opening comments are being distributed as well. Again, as the instructions were to ensure that we cover off the items that were inside of the recommendations that were there, we've got some details in these opening comments as well. So I'll go through those at this point in time.

I appreciate the opportunity to update the committee on the Department of Municipal Government's actions in response to the recommendations directed to the department in the Auditor General's May 2014 follow-up report on the Assessment Services Branch.

Before I begin, I would like to note that the Assessment Services delivers assessment services to all Manitoba municipalities, except for the City of Winnipeg. Winnipeg provides its own assessment services. Assessment Services is responsible for the assessments of over 423,000 properties outside of Winnipeg.

The Auditor General's audit of the Assessment Services began in 2005 and focused on the processes used to undertake the 2006 reassessment. The report was highly technical, given the nature of property assessments, including the methodologies and statistical tests used to establish fair market value as required by The Municipal Assessment Act. I am pleased that this audit was undertaken because it should provide assurance to the committee, municipalities and property owners that assessment system is basically sound and reliable.

The department supported and accepted all nine recommendations of the Auditor General, which were aimed at ensuring well-defined, consistently followed property assessment processes are in place, and that the information necessary for reassessments is available. The Auditor General, in follow-up to the report, indicated that eight of the nine recommendations directed to the department have been implemented. Only one recommendation remains outstanding. I can advise the committee that

implementation of the one remaining recommendation is in progress and substantial progress has been made towards its full implementation.

Prior to updating the committee on our progress towards implementation of the one outstanding recommendation, I'd like to briefly provide an overview of the context within which the assessment systems function and our long-standing commitment to continue service improvement.

As the Auditor General noted in the follow-up report, property taxes are a significant source of revenue for local governments in Manitoba. Property assessments are the basis for raising this revenue and for distributing taxes amongst individual property owners. Assessments must be accurate, comprehensive, current and determined in a consistent manner to ensure a fair distribution of tax. Government and Assessment Services have both recognized the importance of accurate, comprehensive, current assessments and consistent processes.

Substantial assessment reform began in the 1980s in response to the Manitoba Assessment Review Committee recommendations and court decisions directing assessments be updated and maintained at current market levels. A multi-year assessment reform initiative led to implementation of the market value system assessment, which is in place today, reassessment of property every four years and now every two years, an automated computer evaluation system and a new municipal assessment act and public education.

Assessment Services has adopted a continuous improvement approach, with improvements implemented continuously aimed at ensuring a high-quality assessment role. As I mentioned, the assessment cycle has been shortened to every two years instead of every four years. The two-year assessment cycle has smoothed the assessment increases that occur as a result of the reassessment. It also means that property assessments are more transparent as assessments better reflect current real estate values and property owners can better evaluate the accuracy of their assessments. Implementation of the two-year assessment cycle has required Assessment Services to constantly look at new and different ways to ensure that a high-quality assessment role continues to be delivered effectively and efficiently. This has included the use of new technologies such as aerial photograph and re-engineering existing processes.

Our continuous improvement approach to ensuring a high-quality assessment role has been largely successful. Our '13-14 annual report reports that the appeal rate in a reassessment has declined between 2002 and 2014, which was the most recent reassessment. In 2014 reassessment, only 0.3 of a per cent of assessment role entries were appealed to the Board of Revision compared to 0.7 per cent in 2002.

I would like to briefly update the committee on our progress towards implementing the one remaining recommendation for the department. The recommendation was that the branch strengthen its risk-based inspection approach by developing reasonable inspection cycles for each type of property. Timely inspections are integral to ensuring high-quality, comprehensive and accurate property assessments. Assessment Services inspects properties to ensure new construction and changes to existing properties, such as renovations, are reflected on the assessment roll. However, physical inspection of property by an assessor is only one way of ensuring information about properties is accurate and up to date. Assessment Services also relies on other information sources including information from telephone conversations with owners, review of financial statements, analysis of air photographs and communications with the municipality, public sales listings and et cetera.

Assessment Services has adopted a risk-based approach for inspections aimed at ensuring equitable and accurate assessments as well as maximizing the tax base for municipalities in a cost-efficient manner. Beginning in 2014, Assessment Services adopted the following inspection cycle for property categories where property reviews are prioritized as follows: properties that are being appealed must be reviewed prior to the Board of Revision or Municipal Board hearing; properties that have been subdivided or amalgamated must be reviewed within two years; properties that have been sold must be reviewed within two years; properties with outstanding building permits must be reviewed within three years; properties that changed little over time, such as railway, pipeline or gas distribution properties or communication towers, must be reviewed within 12 years; all other properties must be reviewed within eight years—example, properties that haven't sold or haven't had a building permit.

Implementation of this risk-based approach has required substantial re-engineering to work planning, resource allocation and reporting processes and systems. As well, other significant changes to

support the risk-based approach to inspections have been implemented: implementation of a new centralized building permit tracking system, which includes municipalities directly inputting building permits information through Manitoba Municipalities Online—this system has enabled better identification of properties requiring inspections and prioritization of these properties; the use of aerial photography to more efficiently target properties requiring inspections; as well, we are piloting the use of aerial photography to complete inspections; introduction of statistical techniques known as ratio studies to support identification of properties requiring inspections.

As we gain experience with this risk-based approach to property inspections, it is expected that we will see significant improvements in our inspection program. I would be pleased to answer questions that the committee might have at this time.

Mr. Chairperson: Thank you.

Questions?

Mr. Gerrard: Yes, what I was really surprised at during the recent by-election in The Pas was I got a big earful from people in the town of The Pas and in the RM of Kelsey, and they were saying that they felt, as people involved in municipal governments there, that the assessments were not being adequately kept up to date, that there were some which were not been properly assessed for 20 years. And, you know, I mean, I was surprised at the vigour with which this issue was brought forward, and it may be that in much of the province, things are going well, but it would appear that in The Pas and Kelsey that this is something that maybe needs to be looked into a little bit more yet. And so I would just bring that forward to you.

Mr. Meier: We explained the changes to the process that we are making to ensure that we are updating it. It is a challenge to ensure that we have ongoing, updated inspections of individual properties on an ongoing basis, but we believe the implementation of this risk-based approach where we look at those that have changes that have occurred to them to get there quicker than we have in the past. The utilization of some of this new technology that we have right now—we've introduced a pilot project north of Winnipeg along a quarter along the Red River using something called pictometry, which is an oblique aerial photograph. It's at very high resolution as well. We believe now that our assessors can actually do inspections on things such as deck expansions

and other building modifications without actually attending the site and being there in a physical presence. So, as we introduce these new technologies and these new ways of getting there, we're hopeful that we're going to lessen the amount of time required between actual visits to the property and, as a result, increase the accuracy.

* (18:40)

So it is something that is—we talked about continuous improvement that we are working on in the assessment services area.

Mr. Gerrard: Yes, I want to say thank you for the effort, and maybe you could look into particularly that area of the province as an area which may need a little extra attention.

Mr. Meier: I do have another update from staff.

Our staff have been in discussion with the RM of Kelsey and the RM of The Pas, and for the 26th reassessment we have made changes with additional inspections and adjusted the values in Kelsey to address the concerns that residents have raised. So that's some of the work that may have occurred subsequent to when you were getting some of that feedback as well. But we will follow up as well and go back.

Mr. Gerrard: Thank you. I—was just a month ago that I had that feedback, so it's fairly recent.

Mr. Cliff Graydon (Emerson): The municipalities that were forced to amalgamate, if they were being assessed at the same time, in the same cycle, how do you reconcile that, and how is it reconciled and who pays for that?

Mr. Meier: Mr. Chairman, in regards to the impact amalgamation may have had on assessment, individual properties are assessed at market value and it doesn't matter if they're in one municipality or the other municipality. The methodology that's used is market-based methodology, and the valuation wouldn't change depending on which municipality you would be located in.

Mr. Chairperson: I think the direction, Mr. Meier, was if municipality A merged with municipality B and they were on different assessment cycles, how do you put those cycles together and who pays for that changing of those cycles?

Mr. Meier: Thank you for the clarification on the question, and we've been hearing the same things as well and been working with municipalities

on clarification. Legislation indicates that every property for the 2016 reassessment has the same value-established-by date. So April 1st, 2014, is the date by which we use the market value. So there is no difference between the municipalities in the times, and that's a legislated change that's in place.

Mr. Friesen: I have a question pertaining to the additional ways in which you're now saying that inspections now take place. It's very compelling, the use of aerial photography and other methodologies to gain information, and I understand that in your area like in so many others, technology plays a role in helping to make systems more efficient.

Would there—can you comment on the prevalence of the use of, like, air photos or—that you say you also refer to information from telephone conversations with owners in reviewing financial statements. How prevalent is that kind of activity compared to the old risk-based approach of sending inspectors onto site?

Mr. Meier: I—just to clarify, first off, you know, we still have assessors that are on the ground. This is not a fact that assessors are not there to do the inspection. So that still is the primary way that we would do it.

The risk-based approach is an approach that we utilize to ensure that we get to those properties that potentially would have changed the most or at a highest risk for change and change in valuation as well. So that is the information we hear from the municipalities, that the building permits that come forward.

The use of this new technology, I'll just explain that a bit. It is a pilot project that we're using in this corridor north of Winnipeg, out of our Selkirk office. And it's the first time we've procured this oblique aerial photography. We are now going to look at expanding that and doing another trial in the Brandon area as well to utilize some of this technology. So it really is a learning process for us as well.

But I don't want to leave the committee with the impression that we've turned everything over to aerial photography. Boots on the ground—probably is the best way to describe it—is really the primary way that we do business. It will be likely the way we continue to do business as we go.

But the use of this new technology allows our assessors to gain information before visiting sites or can help confirm information before going. So, if

they see a deck in the backyard of a property from oblique photography that helps them, ahead of time, know what they're looking for and pick up some of that stuff as well. But it's this really combined approach as I had explained earlier.

Mr. Chairperson: Mr. Meier, can you explain to me oblique photography and its impact in terms of privacy concerns? Do we have to be concerned about walking in our backyard and being photographed now? Or there may be others doing other things in their privacy of their backyard that they may be concerned about. So, in terms of privacy concerns, how are we going to deal with that issue?

Mr. Meier: In fact, that is a very good question. It is something that we have asked as well. And the advice that we were provided was that the level of detail that we have in oblique photography is not a level where you can indicate an individual or, you know, personal information, or those types of things. So that's the way that it was addressed. Aerial photography, as you're probably aware, is utilized in many different areas as well. So it's not of that detail that you could have personal privacy issues associated with it. It is unique because it is done at oblique, from a different angle. So, instead of actually having it just from the top down, you actually have this angle. So depth is something that you can perceive a lot better as well, which provides that type of information for assessors.

Mr. Chairperson: Is it an area that law enforcement agencies might be interested in or is going to remain separate from them? Does it have uses in that regard or is it—I mean, these are the kind of questions that are—I'm sure you may have considered and dealt with or—but are probably under way?

Mr. Meier: In fact, the information that we do have on the use of oblique aerial photography is that it is used for a number of different purposes as well and enforcement agencies do use the information as well.

There was an initiative that started inside of the provincial government, probably about five years ago now, called GeoManitoba. And the intent of the GeoManitoba is really to take all of our geospatial information that we collect inside of Manitoba, and house it in a single area so that it can be actually utilized for other uses. So, for example, we do collect aerial photography for forest inventories, but that information can also be used for other purposes as well. So we do work very closely with GeoManitoba whenever we procure photography like this. We know there are sharing agreements with MTS and

Manitoba Hydro and other utilities and other users that are out there to leverage our benefits from some of this. So it likely would be available for other purposes as well, through the arrangements we have in GeoManitoba.

Mr. Chairperson: Is it, then, available for public access or is it for purchase, or is it the Google Earth type of a thing? Or how would you access it if you wanted to use it as, say, a private individual?

* (18:50)

Mr. Meier: As part of GeoManitoba, there is a data-sharing agreement, and they are working currently on a user interface. And I'm not sure, I'd have to check, if it's already made publicly available or not, to share the information from the Province. And I'm not sure if the oblique aerial photography—I'd have to go back and say. But the other types of geospatial information that we do collect is openly shared, and the intent behind that is really to allow other agencies and those to use a data that's procured by the Province to assist in planning, to assist in other types of business development and things like that.

Mr. Chairperson: So would an individual, let's say, a realtor, for instance, be able to access this type of information to look at market areas?

Mr. Meier: I would have to go back to see if this information is currently being made available, but I can return with that information.

Mr. Chairperson: Sorry, Mr. Friesen, I kind of took your line of questioning there and ran with it, but go ahead.

Mr. Friesen: That's okay, Mr. Chair.

I had a question pertaining to these new—the new initiatives that the department has undertaken to meet the Auditor General's recommendation of making, I guess, of making more intense the cycle of inspection. I wanted to ask the deputy minister if he would comment on what it has meant for the staffing complement in his department when it comes to inspectors. Have they had to add inspectors as a result of these recommendations to make these things work?

Mr. Meier: The staffing complement within the Assessment Services Branch has not drastically changed as a result of bringing on this new technology. The intent of it is actually to increase the productivity of the current complement of staff and provide them other tools to help meet some of the

needs, demands, associated with quicker inspections and turnaround on that.

Other process improvements that we have been working on as well is trying to move to mobile technology so that assessors do not have to go back into head office or into—pardon me—their offices; they can have mobile technology with the aerial photographs and the other things.

So I would—the answer to the question is that there hasn't been a significant change in staffing levels in assessment and, really, this is an ability for us to improve the ability for assessors to process the information and if—there is a whole layer of other types of changes that go along with this as well.

Mr. Friesen: I'm just looking for a clarification from the deputy minister, because I do see from the bulleted list that he has provided that it would appear to me that the frequency of inspections has been increased; it have been made more intense and more rigorous. So I'm asking him just to clarify then. So, even though the intensity of inspections has increased due to technologies and other things that are being put in place, it has meant that they really have not had to bring on other inspectors to perform the work.

Mr. Meier: That is correct.

Mr. Friesen: With respect to the implementation of the new centralized building permit tracking system, that portion of the operation of the department, have there—has there been a need in addition to the software to bring on, I guess, special technicians, new technicians who operate that software, or whether there's people within the department who are now seconded to that purpose or otherwise deployed to do that work?

Mr. Meier: The use of the technology associated with building permits is a relationship we have our municipalities through what we call Manitoba municipalities online. It is a—its intent is to be a, sort of a single portal, a way of communicating information with municipalities. And through the relationship on the building permits, those building permits are entered into the Manitoba municipalities' software that we have with them and then populates our own system, which we call MAVIS, for the information.

So staff were not brought on; that was an existing system and, actually, a utilization of technology to have the information inputted by the

municipalities, which benefits them by us getting the information quicker and more accurately as well.

Mr. Friesen: Could the deputy minister also comment, then, how long has that building permit tracking system been in effect or been in use?

Mr. Meier: The information that was provided is that we piloted it about two years ago, and then over the last year or so it's something that's been implemented going forward.

Mr. Friesen: How many municipalities actually use this system in conjunction with the department at this time?

Mr. Meier: We'll have to get you the exact information, but what we do understand is we continually work with municipalities to get them all on the system. They are not all on the system at this point in time, but as part of us working with municipalities, we continue to encourage them. So I will return to provide that information.

Mr. Friesen: Are there significant initial costs borne by the municipalities to be able to procure the software and the licensing and train their individuals to be able to use the system?

Mr. Meier: The—there isn't an additional cost. The municipalities use this tool called municipality—Manitoba Municipalities Online to do a number of different transactions with us, so there isn't a additional licensing cost or costs associated with that.

Mr. Friesen: And coming back to the question of staffing complement, are there currently—would the deputy minister comment on the number of vacant positions for inspectors within the department at this current time?

Mr. Meier: The information that I have as of May, which would be this month, which is accurate, of the 86 assessors, 17 positions are currently vacant. Again, whenever we talk about vacant positions, there's a number of positions that have recently been filled. Some are in the process of being filled, and others—so there's always this changeover that occurs in any staffing complement where you have this sort of turnover that's there.

I know that there have been recent recruitments of assessors, and a number have been brought on recently within the last year to backfill for retirements and other changes that have occurred as well.

Mr. Friesen: I don't obviously know the department as well as you do, but when you say 86 total and 17 vacant, we're talking about a vacancy rate of 20 per cent. How would that number compare, let's say, to three years ago or five years ago? Is the trend up, trend down or it is flat?

Mr. Meier: I don't have the exact statistics in front of me, but what I would say generally is that the vacancy rate now compared to five years ago may be a bit higher now. The reason for that is—and many people have heard about this, but our aging workforce has—as we proceed—and the number of retirements within the next—the last year or so that we've had the last few years and the recruitment.

And whenever you do lose somebody, you know, normally when you go through a competition process, people that are moving up in the organization take those positions which cascade vacancies throughout the organization, and it's just a normal process. But I would say, if we had to compare it, it may be a bit higher than it would've been five years ago, and that's because of the amount of retirements.

* (19:00)

Mr. Friesen: Yes, and the reason I mention it is because, you know, when I look back at the work in progress in the report itself and the recommendation from the Auditor General, was that the branch strengthen the risk-based inspection approach by developing reasonable inspection cycles. And so I just wonder how even with all the technologies that are being put in place and the efficiencies that we're finding, I just, I wonder about the extent to which those vacancies reverberate through the system and prevent these inspections from being done in the timeframes that are being sent out.

So I guess what I would do is I would just like to invite the acting Auditor General to make a comment on the information that has been introduced today by the deputy minister and ask him for his opinion on whether he feels like the information and the structures that have been put in place are getting to the, are giving him a high degree of satisfaction in terms of the intent to accomplish the goal.

Mr. Ricard: So this is one of the reports where we are no longer following up. Certainly, the information that I've heard tonight in terms of the cycles that have been introduced for physical inspections are indicating to me that the intent of the recommendation is being followed. I would ask if the

vacancy rate is due to the Province's expenditure management effort, though.

Mr. Friesen: I misunderstood. I thought that the acting Auditor General was posing that question to the deputy minister.

Mr. Chairperson: I think technically the Auditor General can't ask questions of the deputy minister, but you can.

Mr. Friesen: In that case, I guess it's a question I would have for the deputy minister, and I invite him to comment on whether—on what the vacancy rate is owing to and whether there is—if it's part of a larger strategy of government to reduce workforce?

Mr. Meier: In the casement of—in the case of assessment services, it's a different program area as compared to other areas inside of the public service in the province of Manitoba. It's a fully cost-recoverable area. So it's cost recovered from municipalities as well as cost recovery from school divisions as well to be a full cost recovery. So it is not part of an expenditure management exercise from a vacancy perspective because you would just reduce the amount of revenue that you would increase, and so there—it's not a result of that. Really, this is an area that has a demographic that was aging at about the same level. It is something that we have actively been pursuing to recruit. I don't know the exact number. Maybe—there was an active recruitment this summer. I would say that we've, you know, brought on likely a dozen new assessors through a very—a large recruitment process. It's something that we take quite seriously and we know the importance of this information. It is the basis, and I said in my opening comments, of taxation inside of the province. We take that responsibility very seriously and want to ensure that we provide those service levels to the municipalities who are paying for this service as well.

So we actively recruit. We are looking at unique and new ways of recruiting people into this field as well. The education standards for assessors is another impediment in that we put them through a fairly rigorous training standard to get to the level of assessor they—that we need. As you do commercial properties and more technical properties, more of that training is required. So that's—that is—that's something that, you know, takes quite a bit of development as well. So it's something the department has been working very closely on, and I can say that, I said it was about a dozen, it's 11 recruitments that recently occurred in this area.

So it's something that we are monitoring and we're trying to manage that vacancy level so—to ensure that we can still do this work.

Mr. Friesen: So the deputy minister is saying that if I have children who are approaching their high school graduation, they should be thinking perhaps about a career with inspections and assessing in the department, a good field of study for the future?

Mr. Meier: Mr. Chairman, well, I've got an assessor here at the table with me, and I'm sure Jennifer would tell you it's a great career to get into, and serving the public's always a very rewarding field.

Mr. Chairperson: Are there further questions?

Does the committee agree that we have completed consideration of section 1 of the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated May 2014? *[Agreed]*

So we shall move on to Section 4—The Province's management of contaminated sites and landfills, from the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated May 2014.

Does the deputy minister have an opening statement on section 4?

Mr. Meier: Mr. Chairman, I do have an opening statement on this audit. I just wanted to make sure everybody is aware that the report involves audit recommendations for the departments of Conservation and Water Stewardship and Municipal Government as well, but only Municipal Government, obviously, is present today.

Again, I'd like to thank the committee for the opportunity to provide another update on this report, which was issued by the Auditor General office in October 2007. The department last appeared before the committee on this audit in October 2012. The original 2007 OAG report included three recommendations directed to Municipal Government which have all been implemented. These recommendations related to the department communicating to municipalities the requirement to report on environmental liabilities in their audited financial statements and the requirement for municipalities to quantify and report on liabilities for landfill closure and post-closure costs. The OAG has indicated it accepts these recommendations as being implemented.

Another 17 recommendations were originally directed to the entities directly responsible for

contaminated sites including municipalities. Subsequently, the January 2012 follow-up report recommended that the Province assign responsibility for monitoring the implementation of recommendations 1 to 17. Conservation and Water Stewardship and Municipal Government accepted responsibility for monitoring implementation of these 17 recommendations.

Municipal Government is responsible for monitoring implementation of recommendations 4 and 17. The Deputy Minister of Conservation and Water Stewardship will be responding to the other recommendations. These two recommendations for Municipal Government remain in progress; they require that municipalities develop and implement a documented environmental liabilities accounting policy and follow PSA standards for reporting and disclosing contaminated sites in their financial statements.

The department has communicated to municipalities that their audited financial statements must be PSAB compliant, specifically advising of the requirement to report environmental liabilities including contaminated sites.

The new Public Sector Accounting Board Standard, PS 3260, Liability for Contaminated Sites, establishes standards for how municipalities account and report a liability for the remediation of contaminated sites. The requirement for municipalities to comply with this PSAB standard addresses the recommendations that municipalities have an environmental liabilities accounting policy.

To support municipalities in meeting these requirements, the department has prepared a guide for the adoption of PS 3260. The guide was distributed to all municipalities and is available on the department's website. The new PSAB standard on liability for contaminated sites will apply to municipalities on January 1, 2015, although earlier adoption was encouraged.

The department will continue to monitor implementation of these recommendations as municipalities begin to report liabilities for remediation of contaminated sites in their 2015 audited financial statements. These statements are required to be 'suffited'—submitted to the department by June 30th, 2016, and the department will also monitor and follow-up, as required, on any issues related to recording of environmental liabilities identified in the audited municipal financial statements.

I'd be pleased to answer any questions the committee may have.

*(19:10)

Mr. Pedersen: Just wondering if the Auditor General's department has anything to say about the deputy minister's statement.

Mr. Ricard: No, I have no additional commentary.

Mr. Chairperson: No additional questions?

So, Mr. Meier, when I look at your statement here, there is the likelihood of additional liabilities or long-term liability, I guess, for municipalities because of the changes to the accounting standards. Is that how I read these two works in progress that you have?

Mr. Meier: The accounting standard requires them to record it as part of their audited financial statements—or their audited statements, pardon me—and it doesn't increase their liabilities associated with contaminated sites. It's just a simply reporting requirement as per the recommendations from the OHA

Mr. Chairperson: So it's not a financial reporting as much as a note to the financial statements that would impact liabilities or responsibility?

Mr. Meier: They do have to record the liability on their financial statements. It is a note on the financial statements. But it is a financial record of liability that's there.

Mr. Friesen: I'm just looking for a bit of guidance from the Auditor General's office in terms of clarifying that they are doing no more active work on this.

Is there any more follow-up work that the Auditor General's office is involved in with respect to this chapter?

Mr. Ricard: This is one of the chapters that we indicated we had followed up for three years and, as a result, we weren't scheduling any more follow-ups.

Mr. Friesen: And just one more clarification then. So while the—while municipal government is responsible for these two recommendations, the other ones would have fallen under a different department and that would have been Conservation and Water Stewardship. Is that—that's correct?

Mr. Chairperson: Mr. Friesen, the question is to—

Mr. Friesen: To the Auditor General's office.

Mr. Chairperson: Okay.

Mr. Ricard: The assignment of responsibility would be really up to the departments. We had just recommended that the Province assign responsibility for recommendations 1 to 17. We didn't specifically advise or recommend which departments.

Mr. Chairperson: Mr. Meier, could you comment on which of the outstanding ones are your responsibility and which would be Conservation?

Mr. Meier: The recommendations that were attributed to Municipal Government are No. 4 and No. 17.

Mr. Chairperson: Further questions?

All right, does the committee agree that we have completed consideration of section 4 of the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated May 2014? *[Agreed]*

We shall now move on to Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated May 2014, section 10—Special audit: Rural Municipality of La Broquerie.

Mr. Meier, do you wish to present your statement on the individual municipalities or all together?

We have sections 10, 18 and 19 that deal with three different municipalities, but I see your statement seems to deal with them all together. Is that correct?

Mr. Meier: I do have a statement that—and part of the reason why the department asked to sort of bring these together is because they are all based on sort of municipal audits, and I do have a statement that provides overall context before I get into the individual audits as well. So I would read into the record the statement for sort of all the municipal ones. It provides a context overall.

Mr. Chairperson: All right, thank you. Then we can probably go with global questions after that as opposed to the individual reports, if that's okay.

Mr. Meier: I'd like to thank the committee for the opportunity to provide an update on the Department of Municipal Government's actions to implement the recommendations directed to the department. Today, this committee will be dealing with several reports on audits of municipalities.

Before we begin, I'd like to speak to the committee about the provincial-municipal relationship in

Manitoba, the province's municipal legislative framework and our department's role within that relationship and framework. This provides the context for our work. Our mission is to support municipalities to be accountable and responsive to the needs of their communities and to build healthy and sustainable communities. Strong, viable municipalities are the foundation of a strong province. We partner with municipalities and other stakeholders like the Association of Manitoba Municipalities to achieve this goal.

The legislative framework that enables municipalities to govern and operate efficiently and effectively in a modern environment is established by The Municipal Act. Municipalities are considered to be mature, responsible and accountable governments. The Municipal Act provides the municipalities with considerable autonomy and flexibility to manage their own affairs and to make decisions that they think will best meet the needs of their citizens. The act imposes obligations of public accountability to balance the autonomy of the municipalities. The intent of the act is that locally elected councils are responsible to their citizens for the decisions that they make. The department continues to update and strengthen the municipal legislative framework in response to the needs of municipalities and changing circumstances. This has included introducing new municipal election legislation, introducing new accountability and transparency requirements such as a council code of conduct and others.

Manitoba municipalities are very diverse in terms of their population, geography, resources and types of communities. Municipalities range from large urban centres to small northern or rural municipalities. Likewise, the issues are very diverse. Municipalities have varying capacity to govern, administer and operate their municipalities and to respond to issues that may arise. One of the department's primary roles is to build the capacity of municipalities to operate within the legislative framework so that they can be strong and viable into the future. Capacity-building includes education and training, development of resource supports and a provision of tools to enable municipalities to obtain information and departmental services more easily.

We also provide advice in response to questions and concerns raised by citizens and municipal officials. Education and training is provided to both elected officials and administrators. Following the 2014 municipal elections, training seminars were

held for new and returning council members to provide them an overview of issues that they are likely to face during their term in office, including council's role and responsibility to govern. The department also makes presentations at the Association of Manitoba Municipalities and the Manitoba Municipal Administrators' Association annual conventions on new and emerging issues as well as issues of concern.

Key resources have also been developed to support municipalities to operate efficiently and effectively. A new council members' guide was provided to all council members following the 2014 municipal election. The department also maintains a comprehensive manual—pardon me, Municipal Act procedures manual which includes templates that can be adapted for use by municipalities. Other key resources include PSAB reference manuals, budget templates and a CAO hiring guide.

Tools have also been developed to enable municipalities to access services and information quickly and easily. We have implemented Manitoba Municipalities Online, providing municipal administrators with a secure website access to resource supports, program information and services provided by the department. We are continuing to enhance Manitoba Municipalities Online, most recently to provide a single access point for road and bridge funding applications. We also continue to look at new resources and tools and new ways to partner with our stakeholders in support of municipalities.

*(19:20)

In closing, I look forward to updating the committee on the Auditor General's recommendations directed to the department. I would also like to note that the Auditor General has directed several recommendations to individual municipalities. Recognizing that municipalities are first and foremost accountable to their citizens, The Municipal Act was amended in 2012 to require municipal councils to adopt a response to the Auditor General's report, including measures that will be implemented and the timeline for their implementation, which is public. This requirement ensures citizens will know about issues raised by the Auditor General and the municipality's response to them. Ultimately, councils are responsible to the citizens who elect them.

I look forward to answering your questions.

Mr. Chairperson: Thank you, Mr. Meier.

So, when we look at—I'm looking, Mr. Meier, at what direction to go in this, and I'm wondering if we should deal with all the municipal audits and sections first. So, if you wish to continue with opening statements on the municipality of La Broquerie and St. Clements and St. Laurent and Lac du Bonnet, and then we will deal with the citizen concerns after that at the end. Would that work for the committee?

All right, so you can continue, then, Mr. Meier.

Mr. Meier: Thank you very much, Mr. Chairman.

I promise the one for La Broquerie's going to be a shorter opening statement. I only have one piece of paper, so they've limited me. So we'll start with that one.

I appreciate the opportunity to update the committee on the Department of Municipal Government's response to the recommendations directed to the department in the Auditor General's May 2014 follow-up on the Rural Municipality of La Broquerie.

The Auditor General made five recommendations for the department. Four of the five recommendations have been implemented. One recommendation remains in progress. This recommendation is about supplementary audit report requirements ensuring appropriate information and assurances about the administration and operation of municipalities are provided.

The department is working to implement this recommendation. In considering its implementation, the department has taken into account the significant challenges that some municipal administrators and municipal auditors have encountered related to the introduction of the PSAB. We are working to address these challenges in partnership with municipalities and municipal auditors.

A review of the issues surrounding the supplementary audit reports and options available to change the report has been undertaken. This review includes a survey of other provinces, a review of the processes put in place by the Department of Education and Advanced Learning for school board audits and a review of the new auditing standard for municipal auditors and the effect of these standards.

A preliminary plan has also been developed to engage external consulting services for this review. This would include establishing a working group comprised of key stakeholders, including selected

municipal auditors, municipalities, the AMM and the MMAA to review the findings of the external review and make recommendations for implementation.

However, at the same time, the department is examining additional ways that action can be taken to provide appropriate information and assurance about the administration and operation of municipalities. The department has implemented a formal monitoring framework to review and analyze financial information. As well, we routinely monitor municipalities to ensure that the key administrative and operational requirements have been implemented, for example, the establishment of a tendering and procurement policy.

I would also like to note that the Auditor General also made several recommendations directed to the Rural Municipality of La Broquerie. The Auditor General has previously indicated that La Broquerie has implemented or resolved all recommendations in the January 2013 follow-up.

I would be pleased to address any questions you may have.

Mr. Chairperson: Thank you, and if you wish to continue on with St. Clements, yes, please continue, Mr. Meier.

Mr. Meier: Mr. Chairman, again I appreciate the opportunity to update the committee on the Department of Municipal Government's response to the recommendations directed to the department in the Auditor General's June 2012 report on the Rural Municipality of St. Clements and the May 2014 follow-up report. This audit examined how well the municipality managed a large capital project.

The Auditor General made two recommendations: make it mandatory for municipalities to undertake feasibility studies for large capital projects and make it mandatory for municipalities to have a disposition of surplus assets policy.

The department supports and expects municipalities to adopt good business practices, including undertaking feasibility studies and disposition-of-surplus-assets policies. The department recognizes the importance of undertaking feasibility studies in ensuring that large projects are completed in the most efficient and cost-effective manner and to ensure citizens get good value for money.

Feasibility studies, business plans or preliminary detailed design undertaken by municipalities are

standard requirements for several provincial grant programs, including the municipal recreation fund, municipal bridge program, water and sewer grant programs. Federal and provincial infrastructure programs also increasingly require feasibility studies, business plans for major multimillion-dollar projects. A business case is required in order to be considered for funding through P3 Canada Fund.

As well, the department has implemented a municipal recreation feasibility study grant program which provides cost-sharing funding to municipalities wishing to develop or expand their recreational facilities. Guidelines have been developed for municipalities undertaking feasibility studies. A copy of the guideline is on the department's website.

The department also recognizes the importance of municipalities having a disposition-of-surplus-assets policy to ensure that processes are open and transparent and to ensure the municipalities receive a fair price for their assets. To date, the department has recommended that municipalities include disposition-of-assets guidelines within their tendering and procurement policies. However, I can advise that we're examining how to ensure that all municipalities have a policy, including potentially amending legislation. Recognizing that municipalities are diverse and have varying capacities, it's important to ensure that any new requirements work in practice and can be successfully implemented by municipalities.

The Auditor General has also made three recommendations directed to the Rural Municipality of St. Clements.

Mr. Chairperson: All right, moving on to the municipality of St. Laurent.

Mr. Meier: I appreciate the opportunity to discuss the Auditor General's May 2014 follow-up report with respect to the Rural Municipality of St. Laurent.

The Auditor General made nine recommendations, all directed to the municipality. Generally, the nine recommendations for the municipality focused on improved tendering and procurement and administrative practices.

The Auditor General's May 2014 follow-up report indicates that St. Laurent has implemented all nine recommendations. I can advise that key actions taken by St. Laurent include the implementation of a comprehensive tendering and procurement policy, an

accounts payable policy and a new grants administration policy.

While no recommendations were directed to the department, the department takes seriously the issues that were raised in the Auditor General's report.

As part of our capacity-building role, we look at new and emerging issues as well as issues of importance and consider supports that may be provided to municipalities.

Mr. Chairperson: Thank you. And the Rural Municipality of Lac du Bonnet.

Mr. Meier: I appreciate again the opportunity to update the committee on the Department of Municipal Government's response to the recommendations directed to the department in the Auditor General's August 2013 report on the Rural Municipality of Lac du Bonnet. This audit examined the need for improvement to administrative practices. The Auditor General made two recommendations for the department.

The Auditor General recommended the department monitor the progress of how the municipality is improving administrative practices. In response, the department has assigned a municipal services officer to monitor and provide advice to the RM as the RM continues to improve their administrative practices. I can report that the Rural Municipality of Lac du Bonnet has made significant progress and has taken several actions, including updating its policies and procedures and its bylaws.

The Auditor General also recommended that the department follow up on property taxes that the municipality wrote off on a tourist camp that was located on leased Crown land. I can advise that the department has followed up with both the Rural Municipality of Lac du Bonnet and also with Conservation and Water Stewardship. Conservation and Water Stewardship has advised that it is considering how to strengthen the enforcement of Crown land leases where property taxes are not paid by the lessee.

The Auditor General also made one recommendation directed to the Rural Municipality of Lac du Bonnet. I can advise that the rural municipality has reported to its citizens on how the municipality will be responding to the recommendations. We will continue to support the municipality as they complete implementation and continue to report to their citizens.

Mr. Chairperson: Thank you, Mr. Meier.

So, for the committee, if you're asking questions, perhaps when you direct them to either the Auditor General or the deputy minister, you could say off the start which municipality you're asking the question about.

Mr. Pedersen: It's a question, I guess, first of all, for the minister. Did—has he read these reports from the Auditor General?

* (19:30)

Mr. Caldwell: The—I've reviewed the reports with the department as we were preparing for our session here tonight.

Mr. Pedersen: To the deputy minister, are all four of these municipalities—La Broquerie, St. Clements, St. Laurent and Lac du Bonnet—are they all PSAB compliant now?

Mr. Meier: Mr. Chairman, my understanding, officials of it have notified to me that they are all compliant with PSAB.

Mr. Friesen: I have a question pertaining to the St. Clements report. I had a question about the implementation of the municipal Recreation Feasibility Study Grant Program. I wondered if you could indicate what is the annual granting size of that program within the department.

Mr. Meier: The recreational—Recreation Feasibility Study Grant is a \$1-million grant program over four years, available to municipalities to a maximum of \$25,000, which would cover 70 per cent—a maximum of 70 per cent of the costs.

Mr. Friesen: That actually answered a number of my questions that I had coming up. And I wanted to ask how new is this program? When was it first implemented?

Mr. Meier: The program was implemented in 2011.

Mr. Friesen: And has the program had good uptake? Is there a good degree of subscription in the program by participating municipalities?

Mr. Meier: The program has been well subscribed: 35 feasibility studies, 25 of those outside of Winnipeg, and our understanding is that approximately \$500,000 has been utilized as a part of that.

Mr. Friesen: So it's—I forgot the number that the deputy minister provided up top. So we're halfway through a four-year program? I'm just inviting the deputy minister to one more time give me the

clarification of the—how the four-year program works.

Mr. Meier: To provide further clarification, the program was announced in 2011 as a four-year program with a \$1-million budget. It has subsequently been expanded beyond its expiry date, which would've been in 2015, and it doesn't have an end date associated with it; it's still available until the funding is no longer available.

Mr. Chairperson: And so we are halfway through that funding? Is that how you would see—or \$500,000 has been subscribed?

Mr. Meier: That's correct. We had—there was \$1 million that was identified for this program, and there's been about \$500,000 that's been expended to date.

Mr. Friesen: And would the deputy minister say that municipalities have welcomed this additional resource made available to them? Do they see the value in it?

Mr. Meier: Yes, our staff who work very closely with municipalities have found that the ones that have access to this program and the municipalities that we've spoken to, whenever they have a recreation project they have very much appreciated the ability to get funding for feasibility studies associated with that.

Mr. Friesen: Just one more question with respect to this program, and that is is there a certain size of municipal government that the deputy minister sees making itself—or taking advantage of this kind of program? Is it the large municipalities? Is it the smaller ones? Or do—is it a good cross-section of the larger and smaller centres?

Mr. Meier: The information that we have from staff is that it is a cross-section of municipalities. It isn't primarily the larger ones or the smaller ones. We were trying to get a name of some as examples, but we know inside of the capital region, you know, several municipalities have taken advantage of it, but also in areas that are a bit more rural. Smaller municipalities have also taken advantage of the Recreation Feasibility Study Grant Program.

Mr. Graydon: This for the deputy minister. When a department learns about concerns surrounding a municipality, is there a set procedure in place to conduct an inquiry or is each situation treated by case-by-case basis?

Mr. Meier: We've talked about this before. Municipalities are mature governments responsible first and foremost to their citizens. However, the department takes all concerns that are raised about municipalities by citizens or by council members or CAOs very seriously when they are raised.

Since municipalities are very diverse and, as a result, concerns raised about them are also very diverse, most concerns are appropriately resolved by the municipality by either council or their administration, given the overall responsibilities.

However, when those concerns cannot be resolved, other bodies also play a role. Some of those bodies, such as the Manitoba Ombudsman, has a clearer—has a clearly defined role to investigate concerns of an administrative nature that are brought forward to that office. The OAG has very broad authority to do audits on municipalities. The courts also have a role in certain cases when matters are of that extent.

To more easily identify systemic issues that come to the department, we have developed an electronic system that officials use to track and to record concerns that are raised to the department. It also tracks the follow-up action that is taken by the department, as well, in those cases. This system expedites a sharing of information between staff and enables a department to quickly identify systemic issues and also concerns. So, as we're hearing perhaps trends in a specific municipality that, you know, there are two or three similar complaints that are coming forward, we have a system now that identifies those. Even if those are brought in from different staff members, they all get into the same system and we can begin to identify trends and patterns that we see, which then alerts us to some of the other concerns that are there. So this is invaluable in providing a co-ordinated response to address specific situations which may be occurring.

It also assists the department to target development of future education and support resources to really identify what type of training is required towards the most pressing and challenging—citizens and elected officials and administrators face at that point in time.

* (19:40)

And, again, Manitoba's municipalities are very diverse, so a one-size-fits-all doesn't work very well. So that's how we work through, you know, the issues that are raised to the department as well.

Mr. Graydon: The time frames for the responses of any concerns, if they're an individual, not a multiple bunch, as you have pointed out, but, they start coming in one at a time. What is the time frame for the response to the individual that filed a concern?

Mr. Meier: When citizens' concerns or concerns are raised about a municipality, they are forwarded directly to the municipal service officers. Those officers follow up. I don't have a specific time, but the way I'm going to explain it is, it is an immediate response whenever something is there. We have municipal service officers inside of the department that are responsible for certain areas of the province and do follow up on—in an expeditious manner, so there isn't really a specific waiting time or amount of time that's there.

Mr. Chairperson: Further questions on municipalities?

Does the committee agree that we—oh, sorry. Mr. Friesen.

Mr. Friesen: Thank you, Mr. Chair, just a few more questions in general. I'm looking at the notes that the deputy minister made on the municipality of La Broquerie but a few just broader questions.

I understand and I recognize as well that there are significant challenges to municipalities. Municipalities come in all shapes and sizes and with different abilities to meet some of the challenges of working over to the new standards.

I just wanted to ask a few questions about that preliminary plan that the deputy minister referred to. And he indicated they were engaging external consulting services for that review. I wondered if he could just give a quick report on what are the dates associated with this review and when that work will be concluded.

Mr. Meier: In response to the question regarding the working group that we identified with all the different representatives, it's in the planning stages right now. Our intent is to have an inaugural meeting, in the fall, of that group to help provide direction.

Mr. Friesen: So is there a kind of a—broad guidelines that the department is setting out and a date by which they intend for this work to have been complete, or is it just conceptual at this point?

Mr. Meier: There is—the department has already worked on a draft terms reference for that committee or working group. And, when they are brought

together, the intent is that they would help shape a request for outside assistance in providing, you know, a report moving forward. So the intent is if we got together in the fall and provided that information, it would flow out, you know, I would say after that. And the one concern is that we do have to make sure that we meet the audit—fits with the audit cycle as well, so that we're not out of sequence with that as well. So that's one of the other considerations that we have.

Mr. Friesen: The deputy minister referred to an external consultant. Is the contract that has been awarded in this case already?

Mr. Meier: No, there is not a contract that has been awarded to date on this one; it would be one that would have to be tendered as well.

Mr. Friesen: Just another question for the deputy minister.

In the next paragraph, the deputy minister referred to, or referenced, that they routinely monitor municipalities to ensure that key administrative and operational requirements have been implemented. I was wondering what form do those—does that monitoring take.

Mr. Meier: On a regular basis, we send out our communications to municipalities through something we term bulletins. From time to time those bulletins include surveys to have municipalities complete requesting on different things. So that's one way of monitoring.

The other way we do monitor is through our municipal services officers who are in contact and, from time to time, will survey their group of municipalities on a specific provision to see if they've implemented that as well.

So those are two different techniques that we use to do that monitoring.

Mr. Friesen: One more question I have is, just prior to that, the deputy minister had stated that the department has developed a formal monitoring framework to review and analyze financial information. Is that the same as what he just referred to now, or is this formal monitoring framework something separate from what we just discussed?

Mr. Meier: There's a bit more to the system than what I had explained earlier from the surveys. In addition, there is the financial statements which are formally monitored as well. There is the inclusion of the complaint system that I had talked about as well

and then there are the survey, that survey information, that's all included into our MAVIS system, our central computer system, that we use to do that formal monitoring. So there's a few different elements to it.

Mr. Friesen: With respect to the Rural Municipality of St. Clements, I do notice that the Auditor General's office had made three recommendations directly to the municipality. I wonder at this time would the acting Auditor General care to make a comment about the progress of the RM on those recommendations.

* (19:50)

Mr. Ricard: The latest information that I have with respect to the Rural Municipality of St. Clements, is that—and this is as at May, as of June 30th, 2014—is that one recommendation has been implemented and three are noted as do not intend to implement. That was reported in the follow-up, the prior follow-up, the May 2014 follow-up, in—sorry, I am looking at the wrong chart. One is implement; three, do not intend to implement—five and four; one remains in progress. The in-progress recommendation is the one that rural municipalities prepare detailed feasibility studies or a business plan for projects of this magnitude. That one is still a work-in-progress. Latest information that I have is that it's—the municipality reports that it is in process of preparing a policy that will require a feasibility study for all projects meeting certain criteria.

Mr. Chairperson: Mr. Meier, did you have a comment on that as well?

Mr. Meier: Mr. Chairman, we do have some additional information that we've reached out to the municipality through our normal systems. So we can add to the Auditor General.

On the recommendation with regards to detailed feasibility studies, it's come to our attention that council intends to adopt the policy by June 2015 to guide council in determining when feasibility study is warranted. This policy is currently being drafted and is on council's May 26th agenda. The criteria have not yet been determined but will likely include the scale and expected cost of the project. We can also report that there have been several feasibility studies that have been implemented in the municipality. For a waste-water treatment facility, a study was completed in 2010. A recycling facility in the RM of St. Andrews, the RM of St. Clements and the

city of Selkirk, that feasibility study was done in 2014. And an activity and leisure centre, they had a feasibility study, or a study completed in 2014 as well. So that's associated with that first recommendation.

The recommendation that construction managers should be tendered to ensure RM is obtaining the most suitable choice for the project—our understanding there is, in 2014, the RM tendered for a project engineer for a landfill closure project. And then the last recommendation, the RM develop and implement a disposition of assets policy—our understanding is that council adopted a disposition of assets policy on November 20th, 2012. The policy addresses disposition of vehicles, equipment, land and other surplus materials and equipment, and the RM's disposition of assets policy is consistent with the proposed disposition of assets section included in the template procurement and tendering policy provided to all municipalities as part of the procedures manual that we prepare.

Mr. Friesen: I'm just wondering if, at this point in time, the acting Auditor General could just remind the committee, then, what will happen after this evening. Would we see the Auditor General's report on the St. Clements 2012 and the Lac du Bonnet 2013 coming back again in a follow-up, or is this the end of the Auditor General's examination of these particular issues?

Mr. Ricard: For the Rural Municipality of St. Clements, in a week or so, we will be issuing a follow-up report that is dated as at June 2014. In that one, we do update the St. Clements recommendations, and that's this—that will be the second follow-up, so there would be one after that one as well, on St. Clements. With respect to the Rural Municipality of Lac du Bonnet, we have not yet conducted a follow-up. We will be including that in the follow-up that will be initiated very shortly for progress as at June 2015.

Mr. Chairperson: So, Mr. Ricard, would you be with what we've heard tonight, I guess, there's some new information there in terms of the municipalities from the deputy. Is that—give you some comfort in what you've heard about your recommendations in terms of how they've moved on them and are planning to move on them?

Mr. Ricard: Yes. I'm quite pleased with the department's comments on their role and their actions towards municipalities in the recommendations that we've been making.

Mr. Chairperson: Any further questions on, then, municipalities?

All right. Does the committee agree that we have completed consideration of section 10 of the Auditor General's Report—Follow-up of Previously Issued Recommendations, dated May 2014? *[Agreed]*

Does the committee agree that we have completed consideration of section 18 of the Auditor General's Report—Follow-up of Previously Issued Recommendations, dated May 2014? *[Agreed]*

Does the committee agree that we have completed consideration of section 19 of the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated May 2014? *[Agreed]*

Auditor General's Report—Rural Municipality of St. Clements, dated June 2012—pass.

Auditor General's Report—Rural Municipality of Lac du Bonnet, dated August 2013—pass.

So now we move back to citizen concerns, Auditor General's Report—Annual Report to the Legislature, dated March 2014, chapter 2—Citizen concerns.

And I believe the acting Auditor General had a report or a comment to make on that.

Mr. Ricard: Issues are brought to our attention throughout the year by concerned members of the public, the Legislature or government employees. When the issue falls within our mandate and there is enough information to proceed, we may initiate a limited scope audit. Our March 2014 report to the Legislature included five limited scope reports, two of which are being discussed tonight.

So the first report is on the City of Thompson fire and emergency services regarding an untendered contract for fire safety equipment. We found that the City of Thompson did not follow its tendering policy and that inaccurate information was provided to council to justify the sole-source purchase of the fire safety equipment.

The second report is on the Town of Lac du Bonnet regarding the internal controls over its bulk water sales. We found that the Town was unable to reconcile cash received to the amounts loaded onto the prepaid cards that are used to dispense water at the town's water facility. Because of this internal control deficiency, there is a risk that cash could be misappropriated without being detected. And there

we recommended that the town change its internal controls over bulk water sales by either moving to another system or segregating staff duties.

Mr. Chairperson: Thank you, Mr. Ricard.

Does the deputy minister wish to make a statement?

Mr. Meier: I have a statement on both of these.

This is the first time the department has been before the committee to discuss the findings of the Auditor General's March 2014 Annual Report to the Legislature, chapter 2—Citizen concerns. The Auditor General has highlighted the results of limited scope audits undertaken in response to specific citizen concerns about actions by the City of Thompson and the Town of Lac du Bonnet.

City of Thompson—the Auditor General found the City of Thompson did not follow its tendering policy when the city purchased equipment for the Thompson fire and emergency services using a sole-source contract. The auditor also found that there was no evidence to support concerns about an employee's potential conflict of interest. The Auditor General did not make any recommendations for the city or the department.

The department encourages and supports municipalities to adopt good business practices. As a result of an amendment to The Municipal Act in 2012, all municipalities are required to have a tendering and procurement policy. The purpose of the tendering and procurement policy is to ensure equity, fairness and best use of municipal resources and transparency in decision making. The department has supported municipalities to establish a tendering and procurement policy. A comprehensive new section was added to The Municipal Act Procedures Manual for reference by municipalities. A template tendering and procurement policy was also provided, which municipalities can adapt for their own use.

I'm advised that subsequent to the Auditor General's investigation, the city reviewed and updated its tendering and procurement policy. The city's policy establishes the different procurement methods and processes to be used by the city, including when sole-source contracts are permitted.

Town of Lac du Bonnet—the Auditor General found that the town did not have appropriate internal controls in place with respect to bulk water sales. The town could not reconcile the recorded water

sales to prepaid cards that were used to dispense water at the town's water facility. The concern was raised that money could be misappropriated without being detected.

The Auditor General recommended the town change its internal controls over bulk water sales by either removing—by moving to another system or segregating staff duties. No recommendations were directed at the department.

* (20:00)

Municipalities, as responsible mature governments, are expected to ensure that an appropriate financial management structure, including internal controls, is in place. As well, the municipalities' own auditors, in the course of undertaking the financial audit of a municipality, may also comment on whether internal controls are lacking.

I am advised that, following the Auditor General's investigation, the town changed its internal controls. The town's water sales system has been upgraded to print receipts. Water dispensing units now display the card balance. Sequentially numbered receipts are now issued, and the water sales unit is regularly reconciled with accounting records.

We also understand that they segregated duties between two different staff that were previously held by an individual, which was also a recommendation made by the Auditor General.

And we'd be happy to respond to any questions you may have.

Mr. Chairperson: Thank you to the acting Auditor General and the deputy minister.

Questions?

I guess the question of both of you, then, would be it looks like it's fixed.

Do you have a comment on that, Mr. Ricard?

Mr. Ricard: Really can't comment on whether it's fixed until we do a follow-up.

Mr. Chairperson: Okay. Right.

Mr. Ricard: Sounds like it is.

Mr. Chairperson: Okay.

Mr. Meier?

Mr. Meier: Yes, the information that we've been provided is that they—and we have followed up

with the municipalities that they've taken the recommendations provided by the Office of the Auditor General seriously, and they have amended policies and procedures in both municipalities.

Again, I mean, until the Auditor General goes back in and follows up, it'll be—you know, we'll have to wait for that. We will provide this information to the Office of the Auditor General, which should help in some of that as well. But, from our perspective, they have taken these seriously and they have followed up on them, which is always very good to see.

Mr. Chairperson: Other questions?

Not seeing any, does the committee agree that we have completed consideration of chapter 2—Citizen concerns of the Auditor General's Report—Annual Report to the Legislature, dated March 2014?
[Agreed]

All right, this concludes the business before us. Before we rise, though, it would be appreciated if members would leave behind any unused copies of reports, so they may be collected and reused at the next meeting.

The hour being 8:02, what is the will of committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise, and before we rise a thank you to the minister and deputy minister and their staff, the acting Auditor General and his staff, the committee, of course, for coming on fairly short notice. And the Clerk, researcher, Hansard staff and our page, thank you this evening.

Have a good evening. Good night.

COMMITTEE ROSE AT: 8:02 p.m.

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