

OPERATIONS OF THE OFFICE

PERFORMANCE FOR THE YEAR ENDED MARCH 31, 2019



Auditor General
MANITOBA





Auditor General
MANITOBA

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MANITOBA

July 2019

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

Honourable Ms. Driedger:

I am pleased to present my report titled: *Operations of the Office – Performance for the Year Ended March 31, 2019*, to be laid before the Legislative Assembly in accordance with Sections 26(2) and 28 of *The Auditor General Act*.

Respectfully submitted,

Original Signed by
Norm Ricard

Norm Ricard, CPA, CA
Auditor General

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Message from the Auditor General



I am pleased to provide the Legislature with our annual *Operations of the Office – Performance for the Year Ended March 31, 2019* report.

In 2018/19 we issued project audit reports as follows:

- eChart Manitoba
- Pharmacare: Special Audit of Financial Irregularities and Controls
- Thompson District Office: Special Audit of Missing Licences and Cash Management Practices
- Rural Municipality of De Salaberry: Audit of Financial Irregularities

Throughout the year we worked on many other projects and are therefore poised to issue 8 or more project audit reports in 2019/20.

In 2018/19 we also issued 2 reports that discussed various aspects of our financial statement audit work. These reports are:

- Public Accounts and Other Financial Statements
- Understanding our Audit Opinion on Manitoba's March 31, 2018 Summary Financial Statements

Approximately half of the Office's audit resources are dedicated to financial statement audits. Accountability for public resources depends on the preparation of accurate and complete financial statements. In this regard, we are continuing our

efforts to ensure the Office has greater involvement in providing assurance on the financial statements, and the related systems, of public sector entities of strategic significance to the Legislative Assembly and the people of Manitoba.

In March 2019, we issued our Follow-up of Recommendations report. This report presented the statuses of 196 recommendations as at September 30, 2018. Included in the Follow-up Report was the third and final follow-up for the 58 recommendations included in 2 reports issued in July 2015. We noted that only 59% of these recommendations had been fully implemented. I believe an implementation rate below 85% after our third follow-up, as we have seen every year since 2013, is concerning. We also noted that implementation rates after the first and second follow-ups had, in the last 2 years, taken a significant downturn. In this regard, we plan to work collaboratively with the Public Accounts Committee to encourage a higher implementation rate.

Operationally we focused on our culture initiative and on developing our Strategic Priorities Plan for 2019/20 to 2021/22. Our Plan has also been publicly released to serve as a companion document to our Performance reports issued during the 3-year period of the Plan.

Our Strategic Priorities Plan represents the culmination of efforts and contributions from many individuals across the Office. We collectively reflected on what we needed

to do to accomplish our refreshed vision and mission, and to live up to our desired Office values. We also sought to identify and manage the risks that could take us off course. Both the Plan and this Performance report include an expanded discussion of these risks.

While our Strategic Priorities plan covers the years 2019/20 to 2021/22, we thought it beneficial to begin reporting against our strategic priorities and related strategies in this Performance report. For some of the noted strategies, however, focused efforts will not begin until 2019/20.

Also new this year is the presentation of key performance indicators. This Performance report discloses our baseline for each indicator. Our Strategic Priorities Plan discloses our targets for each KPI over the next 3 years.

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

It is a privilege and great honour to serve the people of Manitoba as Auditor General.

**Original Signed by
Norm Ricard**

Norm Ricard, CPA, CA
Auditor General

Our team



FRONT ROW

Wade Bo-Maguire, Jay Shyiak,
Tyson Shtykalo, Norm Ricard,
Frank Landry, Sandra Cohen

SECOND ROW

Melanie Torre-Cabacungan, Melissa Emslie,
Deanna Wiebe, Joana Tubo, Arlene Nebrida,
Jomay Amora-Dueck, Nicole San Juan,
Emelia Jaworski, Rolet Duenas-Heinrichs

THIRD ROW

Natalie Bessette-Asumadu, Jo Johnson,
James Wright, Ganesh Sharma,
Maria Capozzi, Christina Beyene,
Phil Torchia, Ryan Amurao, Susan Hay

FOURTH ROW

Seun Soyemi, Adam Muirhead,
Larry Lewarton, Dallas Muir, Bohyun Seo,
Jacqueline Ngai, Shane Charron, Yuki Diaz,
Tara MacKay.

BACK ROW

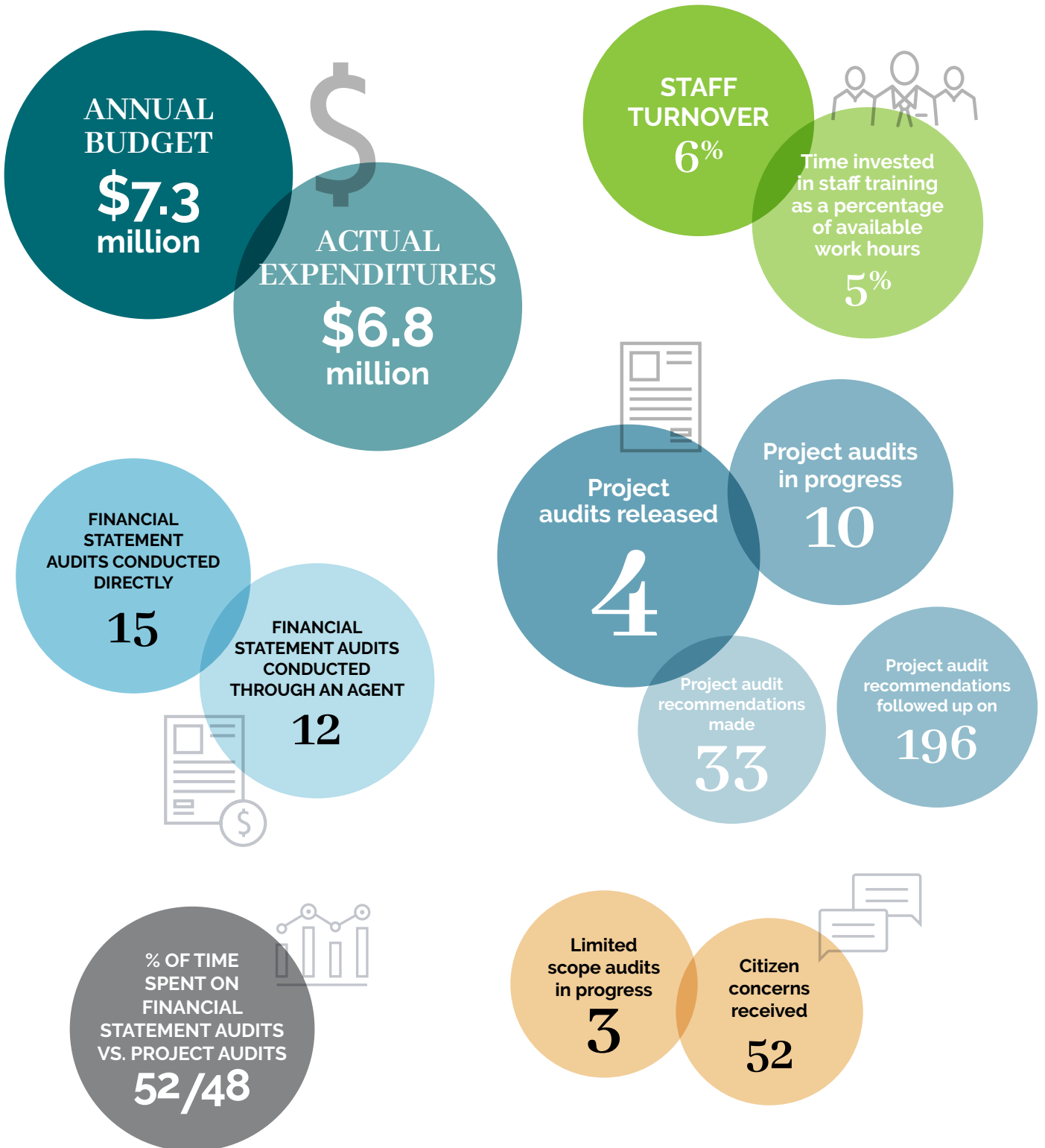
Ben Janzen, Ryan Riddell, Kamrul
Chowdhury, Dave Storm, Jim Stephen,
Larry Obelnicki, Jon Stoesz, Ian Montefrio,
Graham Hickman, Brendan Thiessen

MISSING

Lorna Smith, Tiffany Locken, Bryden
Boyechko, Nanditha Murugesan,
Erika Thomas, Grant Voakes, Jeff Gilbert,
Ken Nero

Team and Auditor General photo credit:
Douglas Little Photography

The year at a glance





1. Our mandate

The Auditor General Act (Act) establishes the Auditor General "as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act." A copy of the Act is in **APPENDIX A**.

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

- Financial statement audits (see **SECTION 9** of the Act).
- Project audits, including special audits on request (see **SECTIONS 14, 15, 16** of the Act).

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

A key tenet of our legislative mandate is to provide independent information, advice and assurance. This is how we help the Legislative Assembly hold the government accountable.

Independence from government is a cornerstone of legislative auditing. It is foundational. In Section 4, *The risks we must manage*, we identify as a key risk the failure to maintain independence from government and its organizations and discuss how we manage this risk.

Financial statement audits

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

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

In 2018/19, we conducted financial statement audits for 20 entities within the Government Reporting Entity (12 because their Acts specify that the Auditor General is the auditor of the organization). External audit firms audit all other public sector entities within the Government Reporting Entity.

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

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

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

Project audits

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

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

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

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

Project audits examine whether:

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

To select project audits, we consider a number of factors, including the financial magnitude, impact of the subject matter on Manitobans, and public interest.

Section 16 of the Act permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the Public Accounts Committee to request a Special Audit of the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. Section 16 further states that "the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General."

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

2. What we strive to achieve

Our vision

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

Our mission

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

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



Our outputs



Our outputs include:

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

Our outcomes



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

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

Strategic priorities

In 2018/19, we developed a Strategic Priorities Plan for the period 2019/20 to 2021/22 to support the realization of our vision, mission and mandate. The plan is available on our website at oag.mb.ca.



Our strategic priorities are:

1. Focusing our audit work to maximize its value to the Legislative Assembly.
2. Supporting the Public Accounts Committee.
3. Ensuring we deliver quality audit products at a reasonable cost.
4. Nurturing a thriving Office culture that reflects our newly articulated Values.
5. Strengthening office operations.





3. How we carry out our work

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

In this section we discuss our:

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

Values

Our selected values articulate a workplace culture within which all our staff members can thrive. Many of the strategies noted in our Strategic Priorities Plan are designed to ensure we move steadily towards the full realization of such a culture.

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

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

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

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

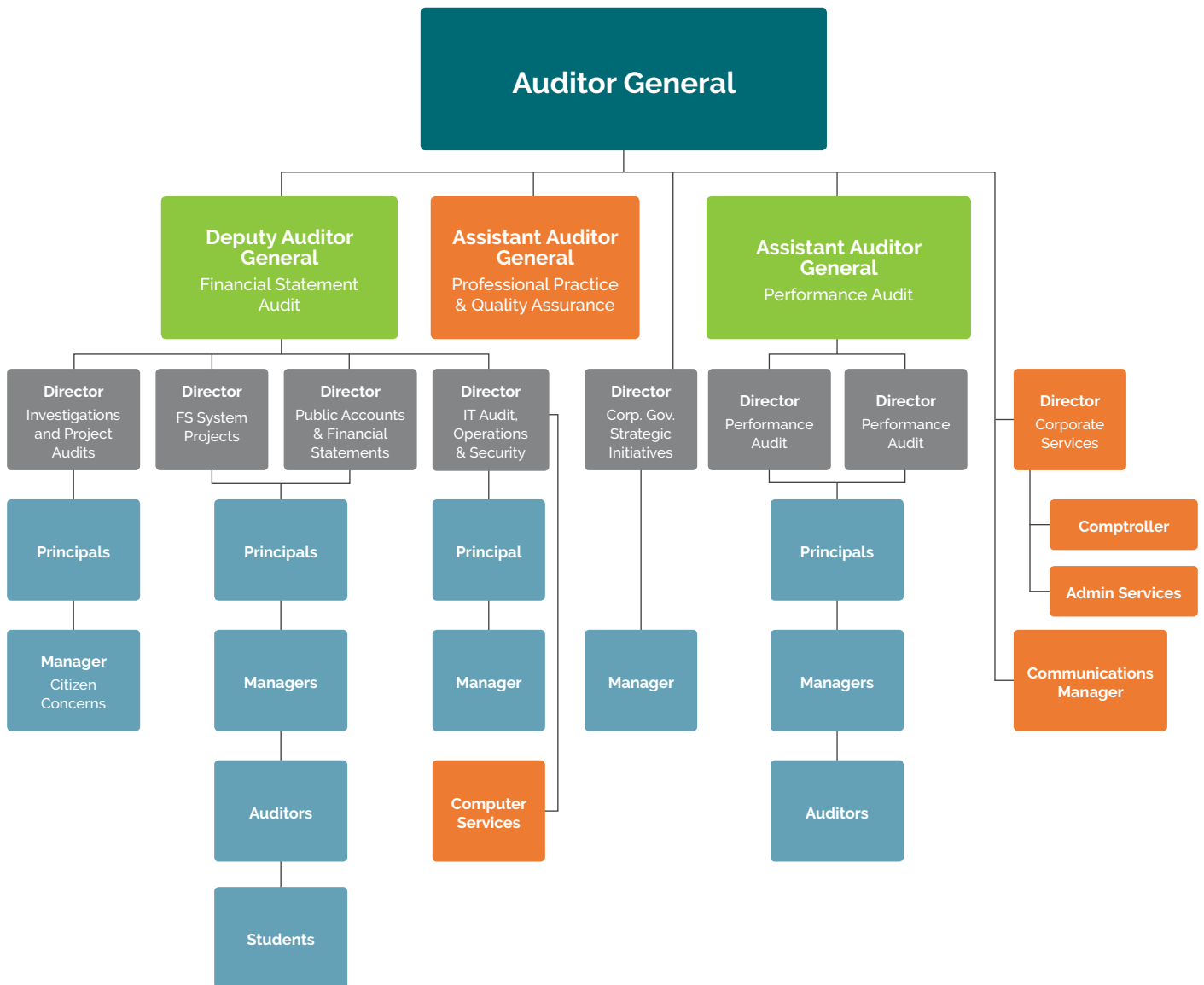
Innovation – As an organization, we promote creativity and innovation to drive continuous improvement. As individuals, in order to reach new heights, we strive to be creative and challenge conventional views. We display a positive outlook and attitude in how we approach the various challenges or problems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

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

Office structure

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

Figure 1: Organization Chart as at March 31, 2019



Reporting obligations

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

Audit of Public Accounts and other financial statements

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

Special report

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

Project audits

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

SECTION 14(2): "At least once in each year, the Auditor General **shall** make a report about the examinations and audits conducted under this section to the minister responsible for each

government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly."

Special audits

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

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

Operations of the Office

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

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

Budget and expenditure management practices

The Legislative Assembly Management Commission (Commission), an all-party Legislative Commission, reviews and approves our annual budget. Under Section 27(3) of *The Auditor General Act*, the money required by the Office is paid out of the Consolidated Fund through the appropriation for the Legislative Assembly. Annually, the Auditor General presents to the Commission an estimate of the money required for the upcoming year.

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

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

The expenditures of the Office are reflected in the financial information presented in **SECTION 9** of this report and the Public Accounts of the Province.

Human resource management practices

The Legislative Assembly Management Commission approves the number of staff resources assigned to the Office, currently set at 55 full-time equivalent (FTE) positions (2 of which are term positions). Because our staff are hired under *The Civil Service Act*, the human resource policies and practices of the Civil Service Commission as well as its classification and compensation rules are imposed on our Office. As such, the Civil Service Commission oversees our hiring efforts and the classification of our positions and related compensation decisions (see **SECTION 4, RISK 1** for further discussion on independence from government).

The Director Corporate Services is the Office's point person for all interactions with the Civil Service Commission and is responsible for implementing appropriate human resource management practices within the Office.

The Manitoba Government and General Employees' Union represents all of our managers, senior auditors, auditors and certain corporate support positions. Of note is that the union also represents all our Principals (considered senior management) who are not Chartered Professional Accountants with the legacy designation

of Chartered Accountants (i.e. CPA, CMA and CPA, CGA). All other positions in the Office, including Principals who are CPA, CAs, are excluded from union membership. The provisions of the collective agreement between the government and the union define the terms and conditions of employment for staff of the Office who are union members.

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

Most audit staff are Chartered Professional Accountants (CPAs). Other certifications held by some of our audit staff are: Master in Public Administration, Certified Government Auditing Professional, Certified Internal Auditor, Diploma in Investigative and Forensic Accounting, Certified Fraud Examiner, Certified Information Systems Security Professional, Certified Information System Auditor, Global Security Essentials Certification, Certified Information Security Manager, Associate Business Continuity Professional and Project Management Professional.

Information technology

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

Security (information and physical)

Preventing unauthorized access to our audit files and to information obtained from audited organizations is a priority. As such, we continuously review the Office's information and physical security practices. Key aspects of our layered security program include:

- IT policies, standards and guidelines.
- Physical security controls such as multi-factor authentication locks and security cameras.
- Restricted access to information (based on need-to-know).
- Logical access controls (i.e. encryption, passwords).
- Sharing confidential documents with authorized individuals through a secure Web portal.
- Remote access authentication mechanisms.
- Secure removal of data residing on devices.
- Program, data and infrastructure change management.

Professional practices and quality assurance

The Office periodically reviews and updates its audit methodologies for financial statement audits, performance audits, and investigations to ensure they are consistent with professional standards. We provide staff with audit manuals and electronic file templates to guide them in conducting audits. The Office's quality control program includes:

- Recruiting and retaining staff who are qualified, and supporting the continuous update of their professional skills.
- Supervising and reviewing staff work throughout the audit process to ensure conclusions are supported by sufficient appropriate audit evidence, reports are fair and balanced, and Office policies and professional standards are met.
- Conducting internal quality assurance reviews of audit files.
- Participating in independent quality assurance reviews available through the Canadian Council of Legislative Auditors (CCOLA) and CPA Manitoba.

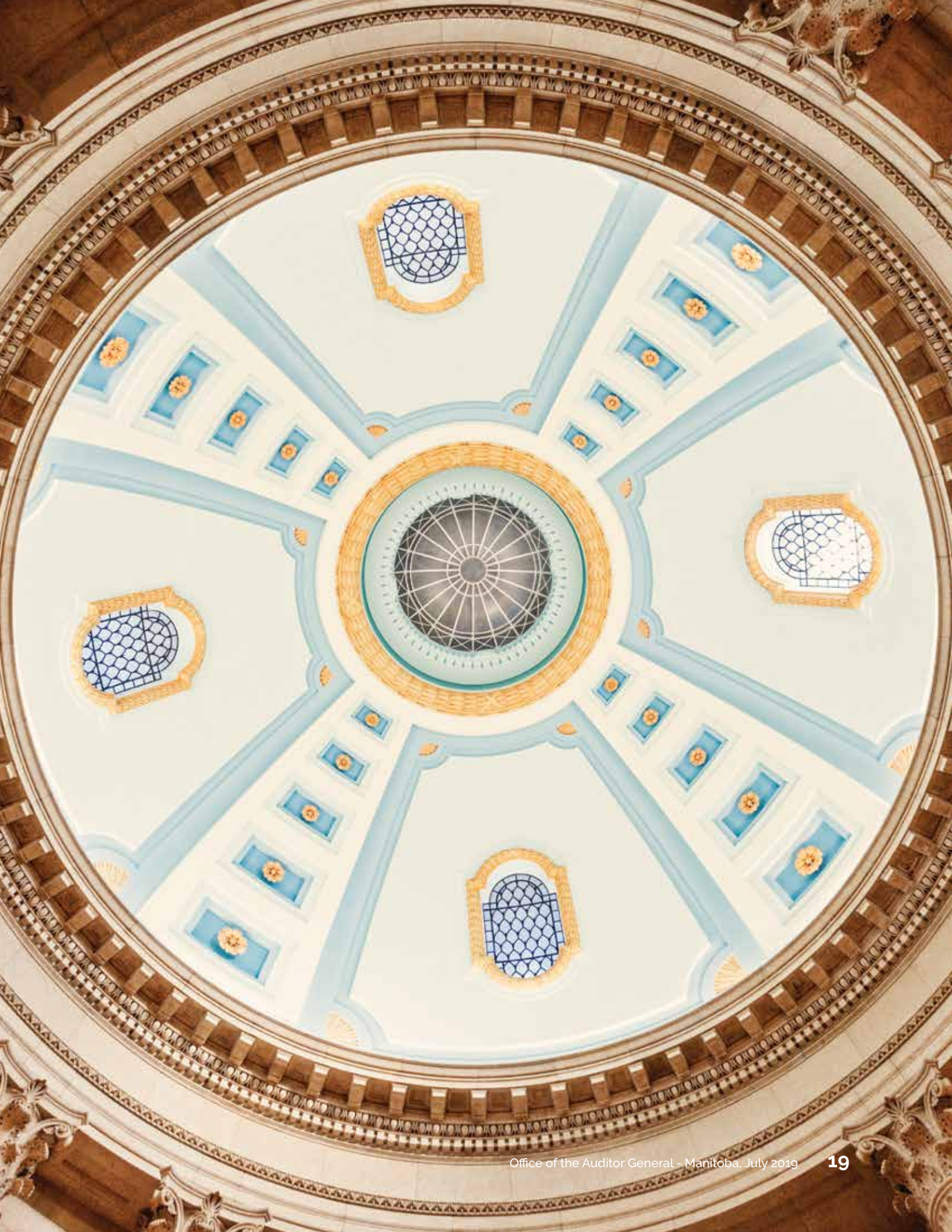
Communications

Effective, coordinated and strategic communications is important in carrying out the work of the Office. A dedicated in-house communications function was created in 2017. The Communications Manager leads, contributes to and/or supervises the delivery of a broad range of communications services including: strategic communications planning (both internal and external), issues management, media relations, report editing, web content and social media content.

Public Interest Disclosure Act

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

In the past fiscal year, the Office did not receive any disclosures under PIDA, nor were any disclosures made to the Ombudsman regarding our office.



4. The risks we must manage

We have identified the following significant potential risks that could disrupt our ability to achieve our vision and mission. These are broad strategic risks and as such do not include all the more operational risks and barriers we must manage (see **SECTION 6, STRATEGY 4.3**):

1. Not being independent from government and its organizations, or are perceived not to be.
2. Audit opinions and conclusions provide inappropriate assurance or incorrect advice.
3. Audit work that is not valued by the Legislative Assembly.
4. Not being able to access information we believe is necessary to audit selected subject matters to the desired scope.
5. Loss of highly skilled team members.
6. Highly skilled individuals not expressing interest in our publicly posted vacancies.
7. Senior Management of government organizations that do not accept or implement our recommendations or otherwise resolve the underlying issues identified in our reports.
8. Audits that are unnecessarily costly and/or not conducted within a reasonable time frame.
9. Office capacity issues that prevent us from accepting time sensitive Section 16 Special Audit requests, or other allegations-based audit referrals, that are judged by the Auditor General to be highly valued by the Legislative Assembly.
10. Rapidly changing developments in auditing standards, best practices and technology that outstrip the Office's collective capacity for change and growth (making it out-of-date).
11. The Public Accounts Committee does not fulfill its key responsibility of ensuring that audited entities are responding appropriately to our audit findings and improving their operations.
12. Funding level shortfalls that significantly impact our ability to achieve our mandate and meet the expectations of the Legislative Assembly.
13. Loss of information systems and network connectivity.
14. An unauthorized individual gains access to our data.

RISK 1: NOT BEING INDEPENDENT FROM GOVERNMENT AND ITS ORGANIZATIONS, OR ARE PERCEIVED NOT TO BE

Above all else, the Office (the Auditor General and all staff members) must be, and be perceived to be, independent from government and the government organizations we audit.

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

A long unresolved matter impacting our actual and perceived independence from government is our relationship with the Civil Service Commission. This was discussed at length in our reports to the Legislative Assembly on the *Operations of the Office* for the years ending March 31, 2014, 2015, 2016 and 2017.

The Minister of Justice's May 2016 and October 2018 mandate letters included the following commitment:

"Allow the Auditor General to hire auditors independently." Our actions related to this matter are discussed in the "We manage this risk" section below.

Other than our relationship with the Civil Service Commission, the Office's only other operational touchpoint with a government organization is our relationship with Accommodation Services of the Department of Finance. Our office lease is negotiated and held by the Department of Finance, and as a result any needed renovations must be coordinated through Accommodations Services. While our relationship with Accommodations Services has historically served us well, it remains an issue regarding our independence from government. We certainly appreciate and recognize the need for Accommodation Services to follow established protocols for ensuring fair value is obtained for all our accommodation related expenditures. However, in our view, having Accommodations Services seek Treasury Board approval for accommodation-related projects that have been authorized by the Auditor General, and for which he has earmarked appropriated funds, disregards the special relationship between the Office and the Legislative Assembly.

The Minister of Finance's October 18, 2018 mandate letter includes the following commitment: *"Reviewing the operations of our independent Legislative Officers to ensure they are effective and accessible to*

Manitobans." In this regard, it is important to note that *The Auditor General Act* includes the following provision:

"26(1) Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare a report.

The Commission may also direct the auditor to conduct an audit respecting any of the matters listed in subsection 14(1)."

To preserve the independence of the Office, and to ensure the independence and objectivity of the reviewer, it is imperative that section 26(1) be respected. We will cooperate with any such independent review.

WE MANAGE THIS RISK BY working with the Minister of Justice's officials to pursue the desired amendments to *The Auditor General Act* and/or *The Civil Service Act* to provide the Auditor General with full authority for hiring, classifying and managing the Office's human resources (all within an agreed to framework). We have also engaged our own independent legal counsel to review and advise the Auditor General on any proposed amendments to *The Auditor General Act* to further help ensure the Office and the Legislative Assembly will be well served by the amended Act.

Until such time as legislation is amended to provide the Auditor General with full authority to hire, classify and manage the Office's human resources, the Office's Director of Corporate Services will continue to be the point person for all Office interactions with the Civil Service Commission. The Director is also developing a plan to help ensure a smooth transition of HR authority to the Auditor General once appropriate Legislative Amendments are in place.

We are also exploring ways, in consultation with the Legislative Assembly Management Commission, to redefine the relationship between the Office and Accommodation Services. This relationship should be premised on our status as an independent Office of the Legislative Assembly.

In addition to the Office's independence from government, it is important that all Office staff members be free of influences which may hamper their objectivity. To manage this risk we require that every staff member sign an annual declaration regarding any potential conflicts of interest. These declarations are then reviewed by the Executive responsible and the Auditor General, and mitigating actions are taken as needed. In addition, as part of the planning for every assurance and project audit, potential conflicts of interest and independence issues for every staff member assigned to the audit are reviewed and mitigated when needed.

THE STRATEGIES RELATED TO THIS RISK ARE 3.1, 5.1 AND 5.4.

RISK 2: AUDIT OPINIONS AND CONCLUSIONS PROVIDE INAPPROPRIATE ASSURANCE OR INCORRECT ADVICE

Our opinions and conclusions are reliable when they are based on sufficient appropriate audit evidence and objective professional judgments. Audit opinions and conclusions that are not reliable (meaning they are incorrect or inaccurate) can result in users making inappropriate decisions.

WE MANAGE THIS RISK BY maintaining up-to-date methodology and by having a strong quality control program.

THE STRATEGIES THAT RELATE TO THIS RISK ARE 3.1, 3.2, 3.4.

RISK 3: AUDIT WORK THAT IS NOT VALUED BY THE LEGISLATIVE ASSEMBLY

For our work to benefit the Manitoba Legislature, our reports must deal with topics of strategic significance to the Members of the Legislative Assembly (MLAs) and to the public. While our reports often deal with complex matters, they must be written in such a way that they can be understood by an interested reader who is not otherwise familiar with the topic.

WE MANAGE THIS RISK BY working to ensure our audits deal with significant public sector issues and by communicating the results clearly and as simply as possible. To achieve this, every report goes through multiple reviews and edits, both peer to peer and through our reporting hierarchy. We involve our Communications Manager in the editing process for an enhanced focus on communicating using simple language.

THE STRATEGIES RELATED TO THIS RISK ARE 1.1, 1.2, 1.3, 2.1, 2.4, 2.5, 5.2 AND 5.3.

RISK 4: NOT BEING ABLE TO ACCESS INFORMATION WE BELIEVE IS NECESSARY TO AUDIT SELECTED SUBJECT MATTERS TO THE DESIRED SCOPE.

The Auditor General Act indicates that the Auditor General is entitled to access at all reasonable times the records of any government organization that are necessary for the purpose of the Act. The Act also notes, however, that despite the above noted access, the Auditor General does not have access to cabinet confidence information. The nature of this information is described in section 19(1) of the *Freedom of Information and Protection of Privacy Act* (FIPPA). Cabinet confidences are described as including: deliberations, communications among Ministers relating to the formation of policy, and a record prepared to brief the minister on matters related to government decisions and formulation of policies. However, the definition of cabinet

confidences also includes: "discussion papers, policy analyses and proposals, advice or similar briefing material submitted or prepared for submission to Cabinet." In our view, this is a very broad and all-encompassing aspect of the definition that may result in a lot of information being categorized as a cabinet confidence.

Of note is that the Auditor General can gain access to cabinet confidences in the circumstances mentioned section 19(2) of FIPPA. This provision indicates that access can be granted if approved by Executive Council or if the record is more than 20 years old. All requests for access to cabinet confidences are made in writing to the Clerk of Executive Council.

WE MANAGE THIS RISK BY making every effort to clearly articulate the nature of the information we require to both the department and the Clerk of the Executive Council (wherever possible relating the information requests as evidence that a control or required activity occurred and was of an appropriate quality), and by discussing reasons for not being allowed access with the Clerk. When having these discussions we would also explore possible alternative sources of information. In situations where access to information considered a cabinet confidence is not provided, the Clerk has agreed to work the Office, and the department being audited, to facilitate the identification of documents that would satisfy our information needs while respecting the intent of FIPPA 19(2).

In any event, any scope limitation stemming from our inability to gain access to a requested cabinet confidence (where there is also a lack of appropriate other supporting documents) would be identified as such in our audit report on the related subject matter.

THE STRATEGY RELATED TO THIS RISK IS 3.1.

RISK 5: LOSS OF HIGHLY SKILLED TEAM MEMBERS

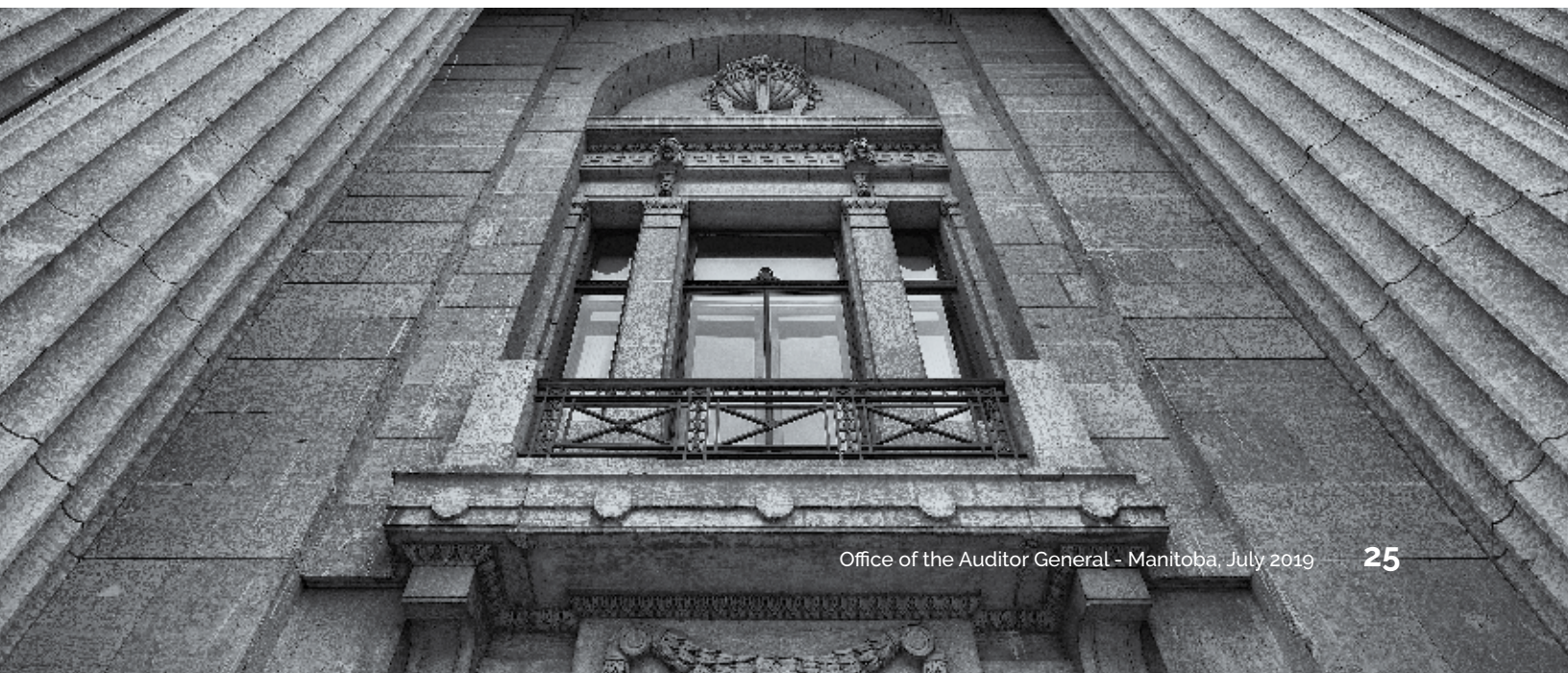
The quality of our work depends on our ability to retain highly-skilled team members for all our audit service lines and for our corporate services. Because our staff receive comprehensive training and extensive exposure to various public programs and systems, we are always vulnerable to losing our best to internal audit or other areas within government departments and agencies, particularly when we have limited advancement opportunities to offer deserving staff. Recently we have lost valuable staff members to private sector entities who were offering much higher salaries.

WE MANAGE THIS RISK BY continuing to invest heavily in professional development for our staff, and striving to provide a work environment that maximizes opportunities for our staff to grow and to fully exercise their professional skills while enabling them to maintain a proper work-life balance.

We continue to look for ways (other than salary increases for which we have limited flexibility) to recognize high performance to ensure our staff feel valued. Such rewards can include attendance at prestigious conferences, special assignments, special performance increments and public acknowledgment of exceptional performance.

While we seek to retain all of our valued staff members, some turnover is inevitable. We are managing, or mitigating, the impact of the loss of key staff members by ensuring the Office has an appropriate succession plan. We minimize the impact on ongoing projects by having significant involvement of a Principal, a Director and an Assistant Auditor General on any given project to ensure seamless continuity.

THE STRATEGIES RELATED TO THIS RISK ARE 3.4, 3.5, 4.1, 4.2, 4.3, 5.1 AND 5.6.



RISK 6: HIGHLY SKILLED INDIVIDUALS NOT EXPRESSING INTEREST IN OUR PUBLICLY POSTED VACANCIES

While we seek to promote from within, and are working on a succession plan to better ensure this has the potential to occur for all senior positions within the Office, at times it may be necessary or desirable to recruit mid to senior positions from outside the Office. Going outside can be advantageous in order to acquire a particular skill set, or combination of skill sets and to revitalize and energize the organization. Not being able to attract outside candidates, when we have exhausted internal possibilities, can have a negative impact on our ability to continue delivering quality audit products.

WE MANAGE THIS RISK BY ensuring that our external communications efforts reasonably project the attributes that make the Office a desirable employer.

THE STRATEGIES RELATED TO THIS RISK ARE 3.1, 4.1, 4.2, 4.3 AND 5.2.

RISK 7: SENIOR MANAGEMENT OF GOVERNMENT ORGANIZATIONS THAT DO NOT ACCEPT OR IMPLEMENT OUR RECOMMENDATIONS OR OTHERWISE RESOLVE THE UNDERLYING ISSUES IDENTIFIED IN OUR REPORTS

Doing independent, reliable, and relevant work at a reasonable cost is vital to our success. These attributes are also essential for stakeholders to value the Office's advice. The Office must understand the challenges that the government faces. Also, the Office's advice must help improve program performance.

WE MANAGE THIS RISK BY using quality control processes to help ensure that our assurance and advice are independent, relevant and reliable. Our audit process includes meetings with entity officials to discuss all audit findings. These meetings provide entity management with the opportunity to express concerns with a particular finding and to identify instances where key documents or perspectives may not have been shared or adequately reflected or understood. Our extensive draft report vetting process also provides entity management with a further opportunity to raise concerns with the findings and the draft recommendations. Wherever possible, through these processes, we seek to resolve disagreements and ensure our recommendations will add value.

Unfortunately, some situations may occur where we will be unable to resolve disagreements with an entity regarding certain findings and or recommendations. In these instances, our reports will reflect these disagreements. We also provide entity

management with the opportunity to comment on each recommendation and to explain why they do not intend to implement the recommendation. These areas can then be clearly identified by the Public Accounts Committee (PAC) for discussion at a scheduled PAC meeting.

THE STRATEGIES RELATED TO THIS RISK ARE 2.1, 3.1 AND 3.2.

RISK 8: AUDITS THAT ARE UNNECESSARILY COSTLY AND/OR NOT CONDUCTED WITHIN A REASONABLE TIMEFRAME

The Office must always strive to do as much as it can with the resources it is provided. Salaries and benefits account for about 80% of our spending. It is essential therefore that our audit processes be as efficient as possible and that we employ effective project management processes. Project audits are particularly vulnerable to this risk as each one is unique (there are no prior year comparators of identical audits to build on or to help estimate time requirements), scope can be difficult to contain, and sufficient appropriate evidence can be challenging to find and gather. We must however, also be diligent with respect to financial statement audits, particularly as we seek to audit financial statements not previously audited by the Office.

WE MANAGE THIS RISK BY making project and time management training available to all our staff, by including project management expectations in our audit methodology, and by ensuring there is effective supervisory and executive oversight for all our work products.

THE STRATEGIES RELATED TO THIS RISK ARE 3.1, 3.2, 3.3, 3.6, 4.1 AND 4.2.

RISK 9: OFFICE CAPACITY ISSUES THAT PREVENT US FROM ACCEPTING TIME SENSITIVE SECTION 16 SPECIAL AUDIT REQUESTS, OR OTHER ALLEGATIONS-BASED AUDIT REFERRALS, THAT ARE JUDGED BY THE AUDITOR GENERAL TO BE HIGHLY VALUED BY THE LEGISLATIVE ASSEMBLY.

While the Auditor General must at all times be in complete control of the project audits that are conducted by the Office, it is also important that the Auditor General be able to respond positively to Special Audit requests received from the Office's key stakeholders (the Public Accounts Committee, the Minister of Finance and the Lieutenant Governor in Council). When the time sensitive issue is considered by the Auditor General to be of significant strategic importance to the Legislative Assembly, the Office must be nimble enough to be able to reset priorities and reassign staff.

WE MANAGE THIS RISK BY ensuring effective project management practices and by ensuring that the allocation of human resources is aggressively managed to focus on priority projects and audits.

THE STRATEGIES RELATED TO THIS RISK ARE 2.4, 3.3 AND 4.1.

RISK 10: RAPIDLY CHANGING DEVELOPMENTS IN AUDITING STANDARDS, BEST PRACTICES AND TECHNOLOGY THAT OUTSTRIP THE OFFICE'S COLLECTIVE CAPACITY FOR CHANGE AND GROWTH (MAKING IT OUT-OF-DATE)

Ensuring the Office's audit methodologies and practices remain current and that we take advantage of technological developments are critical contributors to our credibility, the quality of our work products and the efficiency and effectiveness with which we conduct our work. We must be prepared to adapt to change and ensure our staff are encouraged and motivated to propose and try new ideas.

WE MANAGE THIS RISK BY

- Keeping abreast of what other Legislative Audit Offices are doing.
- Adopting the methodologies employed by the Auditor General of Canada.
- Taking full advantage of opportunities available through the Canadian Council of Legislative Auditors (CCOLA) and the Canadian Audit and Accountability Foundation (CAAF).
- Devoting specific staff resources to promote and pursue innovation in our professional practices and information technology.

- Developing and properly resourcing a comprehensive professional development program.
- Making strategic use of outside experts to assist on audits and Office initiatives and ensuring sufficient knowledge transfer.

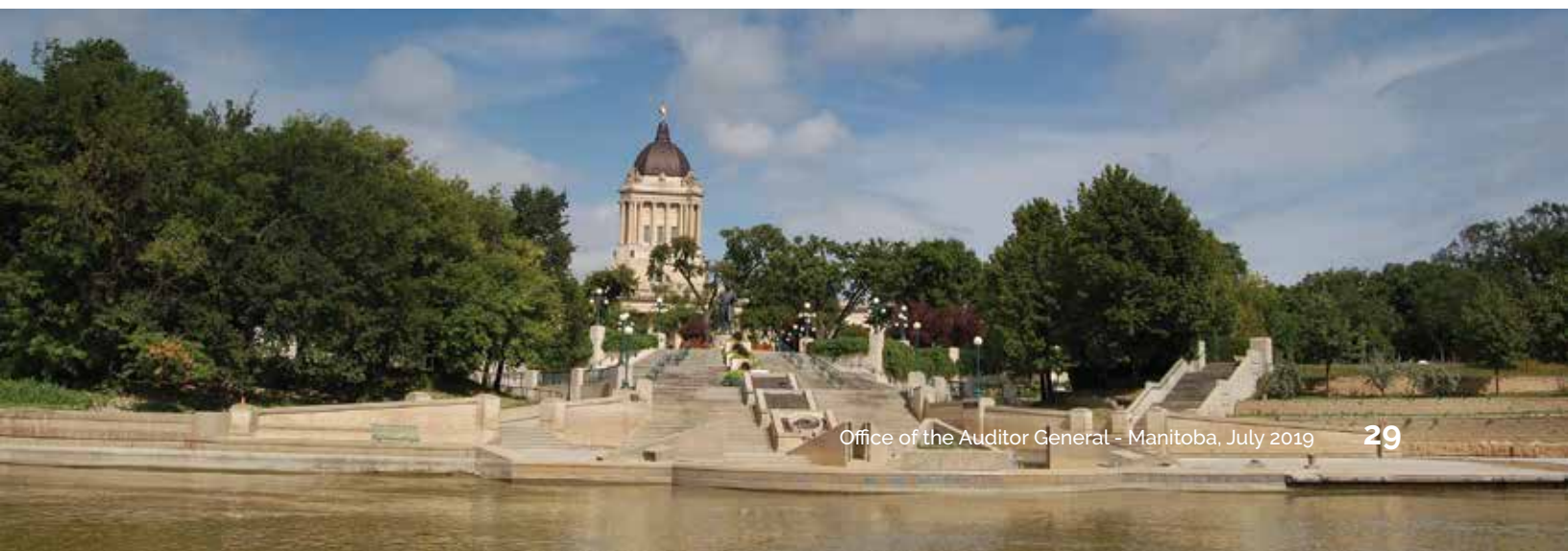
THE STRATEGIES RELATED TO THIS RISK ARE 3.1, 4.1, 4.2 AND 5.6.

RISK 11: THE PUBLIC ACCOUNTS COMMITTEE DOES NOT FULFILL ITS KEY RESPONSIBILITY OF ENSURING THAT AUDITED ENTITIES ARE RESPONDING APPROPRIATELY TO OUR AUDIT FINDINGS AND IMPROVING THEIR OPERATIONS

An effective Public Accounts Committee (PAC) is a key agent of change for improving the management of public resources. The Committee's mandate is to help the Legislative Assembly hold the government accountable for its spending of taxpayers' money and its stewardship over public resources. We assist the Committee in meeting its mandate by providing assurance on financial statements and issuing reports with recommendations to audited entities on how to improve their management practices. While we can have a significant positive impact on an entity through the audit process itself, recommendations have no impact unless they are implemented. The PAC plays a key role by first endorsing our recommendations and secondly by holding entities accountable for their actions in relation to our recommendations.

WE MANAGE THIS RISK BY advising the PAC on the matters included in each of our reports, on best practices and processes for PACs, and by conducting follow-ups on all of our recommendations for 3 consecutive years after issuance.

THE STRATEGIES RELATED TO THIS RISK ARE 2.1 AND 2.2.



RISK 12: OFFICE FUNDING LEVEL SHORTFALLS THAT SIGNIFICANTLY IMPACT OUR ABILITY TO ACHIEVE OUR MANDATE AND MEET THE EXPECTATIONS OF THE LEGISLATIVE ASSEMBLY

To discharge its statutory duties, the Office needs sufficient resources to employ the required competent people. We also need sufficient resources to equip, support and house our staff. We need the support of legislators to obtain the required resources. To gain this support, we need to maximize the value of our work to the Legislative Assembly and show members that we are using our resources efficiently and effectively.

In recent years, we have maintained a number of staff vacancies in order to gain some flexibility in reorganizing the Office to better position it for the future. In time, the new organization structure will better ensure we fully realize our vision of the Office. We see the Office as being a high performing, leading edge, financial statement and project audit organization providing valuable accountability information, recommendations and advice to the legislature on topics of strategic importance to the members. The restructuring will further enable the Office

to act on all its priorities but especially to strengthen management systems and practices of government organizations, and to support the Public Accounts Committee in its efforts to improve the performance of government organizations.

Key aspects of this restructuring are a refocused Executive Management Team, newly created Audit Director positions, the development of a communications function and an in-house human resource management function. We are now poised to fill all vacancies. Of concern, however, are the 4 positions in our Office approved by the Legislative Assembly Management Commission (LAMC) but with no funding attached. This situation was fundable from within while we restructured but will soon become very problematic. Our budget submissions going forward will provide a more detailed explanation on why these positions should be funded.

WE WILL MANAGE THIS RISK BY providing the Legislative Assembly with accountability information, in order to better demonstrate to the Assembly, the LAMC and the PAC the importance of our work, the value we provide, and that we are managing funds entrusted to us in an efficient, effective and economic manner.

WE ARE MANAGING, OR MITIGATING THE IMPACT of not receiving sufficient funding to employ all the staff we believe are necessary to maximize the effectiveness of the Office by aggressively managing vacant months. This approach includes making strategic determinations of which position(s) to keep vacant and providing the Legislative Assembly with a clear articulation of the product delivery impacts of such decisions.

In an environment of expenditure and workforce reductions, the integrity of the control systems throughout government that ensure the delivery of quality services and that safeguard its assets, systems and information, may be at risk. In such an environment, it is imperative that the strength of the Office of the Auditor General be preserved.

THE STRATEGIES RELATED TO THIS RISK ARE 5.3, 5.4, 5.6 AND ALL STRATEGIES FOR STRATEGIC PRIORITY 3.

RISK 13: LOSS OF INFORMATION SYSTEMS AND NETWORK CONNECTIVITY

Our Office is dependent on information systems and electronic communications to perform our audits and administrative activities. Information systems are inherently vulnerable to loss of use (including power loss, inaccessible data, damage or destruction), as a result of natural and human-made disasters such as storms, floods, fires, hardware and software failures, cyber attacks, theft or vandalism.

WE MANAGE THIS RISK BY ensuring sufficient controls are in place to protect the information systems in use by the Office. These controls consist of security and climate controls to protect the physical environment hosting our information systems hardware, logical access controls to restrict access to the systems and data, critical system redundencies, as well as regular backup of information systems and data to support recovery in the event of a disaster. We continue to assess our controls to ensure they are adequately addressing the risks of loss through prevention or detection and mitigation activities.

THE STRATEGY RELATED TO THIS RISK IS 5.5.

RISK 14: AN UNAUTHORIZED INDIVIDUAL GAINS ACCESS TO OUR DATA

Information obtained and developed in the course of our audits is confidential. Protecting this information from unauthorized access is a priority.

WE MANAGE THIS RISK BY employing a layered security program which applies controls to our information systems hardware and software to prevent unauthorized access. Access controls are applied to restrict individual access based on need-to-know and to encrypt confidential data shared with authorized individuals.

THE STRATEGY RELATED TO THIS RISK IS 5.5.



5. The audit work we delivered in 2018/19

The primary services we deliver are financial statement audits and project audits, as explained below. In this section, we also discuss how we handle concerns received from Members of the Legislative Assembly (MLAs), and from our citizen concerns line. And finally, we discuss the results of our review on the implementation status of recommendations issued since July 2015.

Financial statement audits

Strong financial stewardship by government organizations is critical. We support effective financial accountability through our annual audits of the financial statements and other financial information of government organizations and the Public Accounts of the Province. Office staff, or contracted external audit firms acting as our agents, conduct our financial statement audits.

The Office completed the following number of work products in 2018/19:

| Work product | In 2018/19 conducted by | | | Total 17/18 |
|---|-------------------------|-------|-------|-------------|
| | Office | Agent | Total | |
| Financial statement audit opinion – the Public Accounts Summary Financial Statements | 1 | – | 1 | 1 |
| Financial statement audit opinions – organizations within the Government Reporting Entity (see APPENDIX B) | 8 | 11 | 19 | 19 |
| Reviews of audits conducted by external audit firms – organizations within the Government Reporting Entity | 7 | – | 7 | 8 |
| External auditor communications | 115 | – | 115 | 125 |
| Financial statement audit opinions – organizations outside the government reporting entity (see APPENDIX B) | 6 | 1 | 7 | 7 |
| Public sector compensation disclosure opinions | 6 | 7 | 13 | 13 |
| Compliance opinions | 1 | 1 | 2 | 2 |
| Other audit opinions | 3 | 3 | 6 | 6 |
| New management letter recommendations | 6 | 4 | 10 | 46 |
| Follow-up of previous years' management letter recommendations | 94 | 20 | 114 | 102 |

Audit opinion on the Summary Financial Statements

In September 2018, we issued our audit opinion on the Province's Summary Financial Statements for the year ended March 31, 2018. For the first time since 2008, we issued a qualified audit opinion.

As part of our audit of the Summary Financial Statements, we are involved in varying degrees with the audits of every entity in the Government Reporting Entity. When an entity is audited by an external auditor, we perform either overviews or limited procedures on the audits.

- We performed overviews of 14 audits. The overviews were conducted on the audits of 3 government business enterprises (Manitoba Hydro, Manitoba Public Insurance and Manitoba Liquor & Lotteries) the 5 regional health authorities, 2 other health organizations, one college, one university and one school division. We also conducted an overview of the audit of the Workers Compensation Board, which we consider a government business enterprise. We communicated with each external auditor and informed them that we planned to use their audit work as part of our audit evidence in forming our opinion on the Summary Financial Statements. We reviewed the external audit firms' risk assessments, audit plans and audit approaches. At the end of the audits, we obtained and reviewed the financial

statements, auditors reports, summaries of unadjusted errors and management letters. For some of these audits, we also reviewed the completed audit files and attended audit committee meetings at the planning and finalization stages of the audits.

- We performed limited procedures on 115 audits. We communicated with each external auditor and informed them that we planned to use their audit work as part of our audit evidence in forming our audit opinion on the Summary Financial Statements. For these entities, we reviewed the financial statements and audit opinions. As needed, we worked with the external auditors if there were specific issues with the entity or sector.

Other audit opinions

In 2018/19, we issued auditor's reports on the financial statements of 19 other entities within the Government Reporting Entity, 8 where we performed the work directly, and 11 where we engaged an external audit firm as our agent.

We also conducted 7 audits of entities that were not directly related to our work on the Summary Financial Statements. These entities are not in the Government Reporting Entity. We conducted 5 because the Office is appointed by an Act or Regulation (includes 3 pension plans). We conducted 2 because they were for pension plans associated with or managed by entities where we were appointed by an Act.

We issued 19 audit opinions on other financial information such as public sector compensation and schedules supporting claims.

Two entities continue to request audit opinions on their compliance with specified legislative authorities related to financial matters. We are pleased to provide these services.

As noted in **SECTION 6** (in our discussion of Strategic Priority 1), we are working towards building a portfolio of financial statement audits that are all of strategic importance to the Legislative Assembly. We are continuing the process of determining which audits we should decline because we do not believe they are of strategic importance to the Legislative Assembly. Declining such audits will allow us to redirect some financial services audit resources to more strategic assignments.

Management letters

At the end of each of our financial statement audits, we may issue a management letter to senior management and those charged with governance. A management letter contains recommendations to improve internal controls, or other management systems. In 2018/19, we issued 10 new recommendations and followed up on 114 recommendations from prior years. We consider our management letter recommendations when identifying issues that should be brought to the attention of the Assembly.

Reports to the Legislative Assembly

We also issued 2 reports on our financial statement audits during 2018/19.

In August 2018, we issued *Public Accounts and Other Financial Statements*. This is our recurring report about the examinations and audits we perform under Section 9 of our Act. This report included one new recommendation.

In September 2018, we issued *Understanding our Audit Opinion on Manitoba's March 31, 2018 Summary Financial Statements*. We did not issue any recommendations in this report but used it to expand upon our Auditor's Report on the Summary Financial Statements. In it we explain the meaning of a qualified audit opinion and provide additional information on the reasons for our qualification.



Project audits

Project audits consist of performance audits, investigations (including special audits), information technology audits, and governance audits and reviews. Project audits contribute to a public service that is effective and a government that is accountable to the Legislative Assembly and Manitobans. In 2018/19, we continued with the on-going refinement of the project audit identification and selection process (see **SECTION 6, STRATEGIC PRIORITY 1**).

Project audits are planned, performed, and reported in accordance with professional auditing standards and Office policies.

Project audits are conducted by qualified auditors who:

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

Project audits do not question the merits of government policies.

Performance audits

A performance audit is a systematic assessment of how well a government entity, program or function is managing its activities, responsibilities and resources.

Performance audits examine the government's management practices, controls, and reporting systems based on its own public administration policies and on best practices. Some of our performance audits are cross-government. For example, we may examine a given topic of strategic importance across departments or across other types of government organizations, such as Crown corporations.

Investigations

The typical reason for an investigation is to confirm or dispel allegations. In addition to investigating the specific allegations, these projects may include an audit of related systems and processes. Our experienced forensic accountants find out what happened and why, and then recommend how to avoid similar situations.

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

Information technology (IT) audits

Our information technology audit team conducts IT audit projects in high-risk areas such as IT governance, security, project management, systems development and changes, and business continuity. We apply generally accepted frameworks and standards as audit criteria, including the Control Objectives for Information and Related Technologies (COBIT) framework and the International Organization for

Standardization (ISO) standards.

In support of annual financial statement audits, our IT auditors review and test IT general controls. These controls include security, access, change management, and operating controls.

In addition, our auditors test application controls and system-generated reports. The primary goal is to determine if system-generated information used in support of financial statement audits is both complete and accurate. Data analysis services, using computer assisted audit techniques, are provided to all areas of the Office to support audit effectiveness and efficiency.

In 2018/19, we continued training 2 financial statement auditors to specialize in conducting information technology general control reviews.

Governance audits and reviews

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

Reports to the Legislative Assembly

We have issued the following project audit reports since 2014. Reports are available for viewing on our website, oag.mb.ca.

| Date | Audit reports |
|--------------|--|
| October 2018 | Forensic Audits - Pharmacare: Special Audit of Financial Irregularities and Controls - Thompson District Office: Special Audit of Missing Licences and Cash Management Practices - Rural Municipality of De Salaberry: Audit of Financial Irregularities eChart Manitoba |
| October 2017 | Managing Climate Change |
| July 2017 | Management of Manitoba's Apprenticeship Program |
| April 2017 | Management of MRI Services |

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

Project audits in progress

During 2018/19, we worked on the following audits:

- Commercial Vehicle Safety
- Management of Provincial Tourism
- Managing Foster Care
- Oversight of Post-Secondary Education Institutions
- Teranet Service Provider Agreement
- Provincial Oversight of Drinking Water Safety
- Student Financial Aid Information System
- University College of the North – Senior Management Expense Accounts
- Vital Stats – Information Technology Systems
- WRHA – Specialized Contracts

Concerns received from Members of the Legislative Assembly

In 2018/19, we received 3 concerns from MLAs, resulting in one limited scope audit (Vimy Arena Land Transfer). With respect to Vimy Arena, we also received a concern from a citizen.

We dealt with concerns received from MLAs from 2014/15 to March 31, 2019 as follows:

| Audit requests/ concerns received from Members of the Legislative Assembly (excludes Section 16 requests) | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--|----------|----------|----------|----------|----------|
| Full audit conducted or in progress | – | – | – | – | 1 |
| Referred the concern to another organization | – | 1 | – | – | 1 |
| Added to our list of potential audits | 2 | 1 | – | – | – |
| No action considered necessary | 1 | – | 1 | 1 | 1 |
| Total | 3 | 2 | 1 | 1 | 3 |

Citizen concerns

Concerned citizens bring matters to our attention throughout the year. We conduct a preliminary assessment of all such matters to determine which ones are within our mandate and which ones are better investigated by another organization, such as the Office of the Ombudsman. The Auditor General may initiate an audit as a result of information from concerned citizens. In 2018/19, 52 such matters came to our attention (2017/18: 48 matters).

Manitobans who suspect misuse of public assets are encouraged to contact the office with their concerns by email (citizen.concerns@oag.mb.ca), by phone (204.945.3351), or by fax (204.945.2169).

We dealt with concerns received from 2014/15 to March 31, 2019 as follows:

| Outcome | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|--------------------------|-----------|-----------|---|-----------|
| Full audit conducted or in progress | 2 (resulting in 1 audit) | – | – | – | – |
| Limited scope audit conducted or in progress | 1 | – | – | 3 (resulting in 2 limited scope audits) | 1* |
| Referred the concern to another organization | 8 | 10 | 10 | 15 | 6 |
| Added to our list of potential audits (limited or full) | 8 | 8 | 10 | 15 | 12 |
| No action considered necessary after additional procedure/inquiries | 22 | 20 | 10 | 5 | 21 |
| Not within our mandate, no further action taken | 14 | 10 | – | 8 | 5 |
| Waiting for additional information | – | – | – | 2 | 7 |
| Total | 55 | 48 | 30 | 48 | 52 |

*Relates to Vimy Arena Land Transfer, which is reported in the section pertaining to concerns received from MLA (see above)

During 2018/19, citizen concerns did not result in the scheduling of any full-scope project audits.

The following limited scope audits are in progress, and come as a result of concerns received:

1. Municipal Economic Development Corporations
2. Shellmouth Dam Artificial Flooding Compensation Program

We have issued the following limited scope audit reports since 2014:

| Date | Audit reports |
|------------|---|
| March 2014 | Manitoba Property Registry – Department of Tourism, Culture, Heritage, Sport and Consumer Protection Office of the Fire Commissioner – Sale of Vehicles – Department of Labour and Immigration Manitoba Hydro Funding of the Keeyask Centre Thompson Fire and Emergency Services – Untendered Contract – Department of Municipal Government Town of Lac du Bonnet – Bulk Water Sales – Department of Municipal Government |

Reviews on the implementation status of recommendations

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

A follow-up review begins in July/August each year when we request a status update from management. Implementation status is determined as at the forthcoming September 30. When status updates are received, we conduct review procedures to assess the plausibility of the statuses provided. We do not re-perform audit procedures from the original report.

We have issued the following follow-up reports since 2014:

| Date | Audit reports |
|---------------|---|
| March 2019 | Implementation status as at September 30, 2017 for 196 recommendations |
| March 2018 | Implementation status as at September 30, 2017 for 224 recommendations |
| March 2017 | Implementation status as at September 30, 2016 for 262 recommendations |
| May 2016 | Implementation status as at June 30, 2015 for 368 recommendations |
| December 2015 | Implementation status as at October 30, 2015 for 25 recommendations from the Waiving of Competitive Bids report |
| May 2015 | Implementation status as at June 30, 2014 for 296 recommendations |
| May 2014 | Implementation status as at June 30, 2013 for 244 recommendations |

In our March 2019 follow-up report, we note the implementation status of 196 recommendations issued between July 2015 and July 2017. We reported the following implementation statuses:

| Recommendations subject to: | Total | Recommendations considered cleared | | | Work in progress |
|-----------------------------|------------|------------------------------------|---------------------------|----------------------------|------------------|
| | | Implemented /resolved | Action no longer required | Do not intend to implement | |
| Third and final follow-up | 58 | 34 | – | 1 | 23 |
| Second follow-up | 66 | 17 | 5 | 2 | 42 |
| First follow-up | 72 | 3 | – | 1 | 68 |
| Total | 196 | 54 | 5 | 4 | 133 |

Management generally agrees with our recommendations

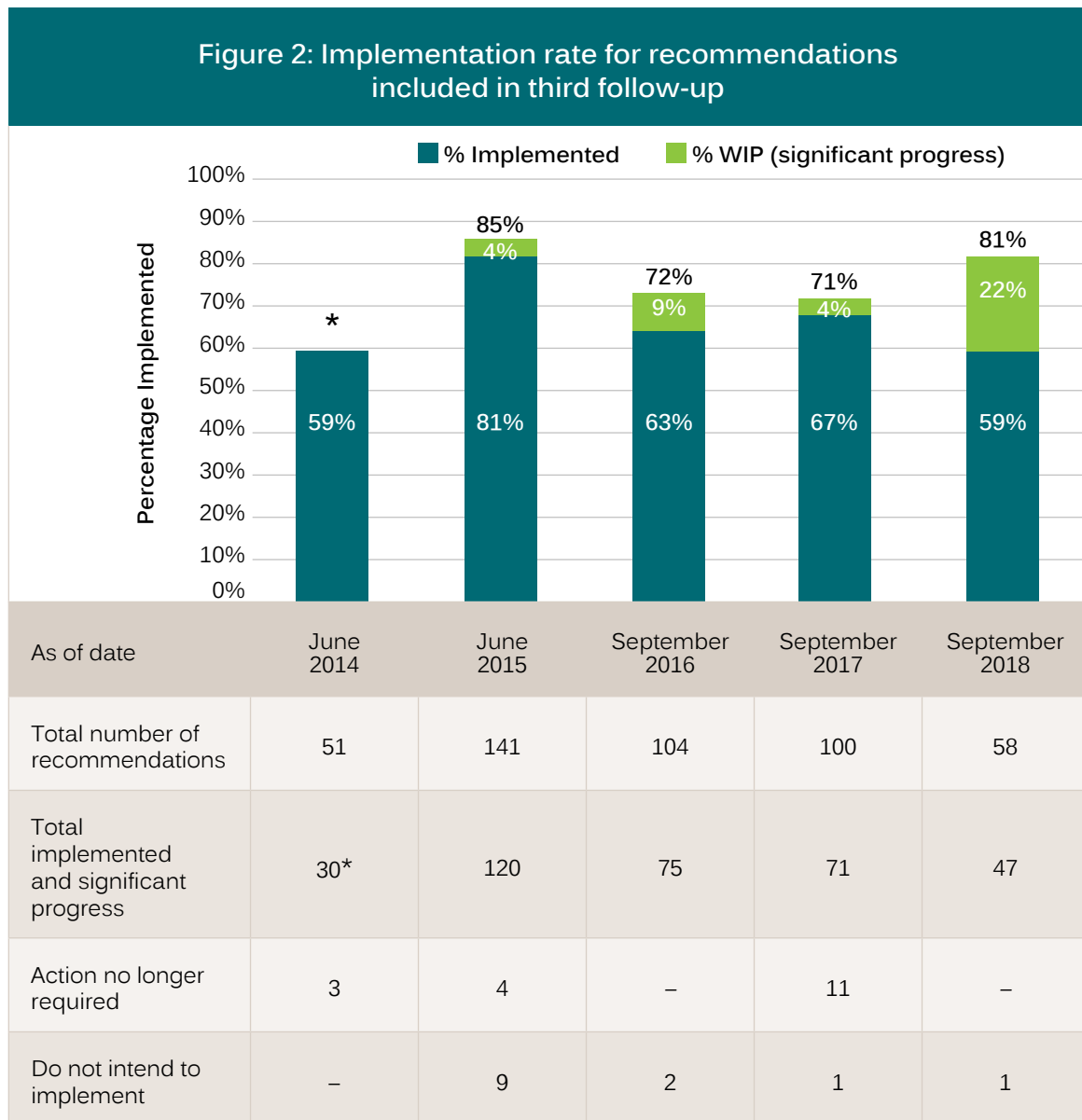
For every performance audit report we issue, we provide management with the opportunity to comment on each of our recommendations and/or the report overall. In drafting their comments we ask that management indicate whether they agree with each recommendation, and what actions they have taken, or will take, to implement the recommendations. In this regard, we note that management generally agrees with, or will consider or explore, the value of our recommendations. One of our follow-up statuses is "Do not intend to implement." We use this category when, after due consideration, the entity chooses not to implement a recommendation. We highlight the entity's rationale in each of our follow-up reports. We are pleased to note that this category is rarely used.

Implementation rate of 85% after 3 years would indicate reasonable acceptance and progress

Many factors must be considered when assessing whether the implementation rate is satisfactory including: complexity of the recommendations, the operating priorities of the entity, the significance of the underlying issues, resourcing implications, and capacity of the entity. As such, we typically do not comment on the overall progress made by an entity after the first and second follow-ups. We believe, however, that 3 years is a sufficient amount of time to implement most of the recommendations included in a performance audit report. To this end, in our view, an implementation rate of 85% after our third follow-up would indicate reasonable acceptance and progress by the audited entities.

Actual implementation rate after 3 years well below 85%

In **FIGURE 2**, we present a 5-year summary of the implementation rates after our third follow-up. It shows that, except for 2015, these implementation rates were well below 85%. In Figure 2, we also note the number of recommendations where significant progress was made. When we consider both implemented and significant progress, we note that as at September 2018 a rate of 81% was achieved.



* Assessment of significant progress did not begin until June 2015

While the September 2018 results for our third follow-up are reasonable (when you factor in significant progress), we are concerned about the decline in recent years in the implementation rates after one and 2 years. The table below tracks each block of recommendations from first follow-up to third-year follow-up (each block of recommendations is represented by a different colour). Beginning in 2016, the table shows a sharp decline across the board in implementation rates.

| | 1st Year Block | | 2nd Year Block | | 3rd Year Block | |
|----------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| | No. of Recommendations | Implemented | No. of Recommendations | Implemented | No. of Recommendations | Implemented |
| Sept. 30, 2018 | 72 | 3 (4%) | 66 | 17 (26%) | 58 | 34 (59%) |
| Sept. 30, 2017 | 66 | 9 (14%) | 58 | 20 (34%) | 100 | 67 (67%) |
| Sept. 30, 2016 | 58 | 3 (5%) | 100 | 58 (58%) | 104 | 66 (63%) |
| June 30, 2015 | 100 | 33 (33%) | 104 | 53 (51%) | 141 | 116 (82%) |
| June 30, 2014 | 104 | 38 (37%) | 141 | 95 (70%) | 51 | 30 (59%) |
| June 30, 2013 | 141 | 67 (48%) | 51 | 28 (55%) | 225 | 159 (71%) |



A measure of audit impact is improved entity practices

As noted in our Vision statement, we strive to influence public sector performance through impactful audit work and reports. The value or impact of our audits can be assessed in part by the perceived usefulness of the information we provide the Legislature on the adequacy of an audited entity's management practices. We believe this information helps the Legislature hold these government organizations accountable for the use of public resources entrusted to them. In addition, audits can be impactful if they influence entities to improve their practices. Our recommendations are designed to guide entities in this regard.

As noted in **FIGURE 3**, the recommendations included in our March 2019 follow-up report cover a broad range of potential impact areas. These impact areas reflect how the results of our audit work can help improve the operations of government organizations. The areas of greatest frequency deal with operational effectiveness and efficiency, performance monitoring, documentation, quality assurance and strategic planning.

Figure 3: Areas of potential impact and the related recommendation statuses

| Areas of potential impact (in descending order of frequency of occurrence) | Recommendations | | |
|---|-----------------|----------------------|----------------------|
| | Total | Implemented/resolved | Work in progress |
| Operational effectiveness | 57 | 18 | 39 |
| Operational efficiency | 33 | 7 | 26 |
| Performance monitoring | 32 | 5 | 27 |
| Documentation | 19 | 7 | 12 |
| Quality assurance | 14 | 3 | 11 |
| Strategic planning | 11 | 1 | 10 |
| Communication and transparency | 9 | 3 | 6 |
| Performance reporting | 6 | 1 | 5 |
| Security management | 7 | 3 | 4 |
| Risk management | 6 | 2 | 4 |
| Contract management | 4 | 3 | 1 |
| Operational training | 4 | 1 | 3 |
| Administrative policy | 2 | | 2 |
| Managing conflicts of interest | 2 | 1 | 1 |
| Budgeting | 1 | | 1 |
| Capital planning | 1 | 1 | |
| Compliance | 1 | | 1 |
| Information management | 1 | | 1 |
| Total | 218* | 56 (25%) | 154 (71%) |

* The total number of recommendations followed-up is 196 but some recommendations dealt with more than one potential impact, and some recommendations are excluded from this figure because their status was either "Action no longer required" or "Do not intend to implement" resulting in a different total.

Unimplemented recommendations represent lost potential (i.e. improved entity practice)

Because our recommendations are, in essence, an indicator of potential impact, recommendations left unimplemented represent lost potential. **FIGURE 4** notes the potential impact areas for the recommendations issued in July 2015 that remain in progress after the third follow-up. Many of these recommendations deal with matters of operational effectiveness and efficiency, as well as, security and risk management.



Figure 4: Areas of potential impact for in progress recommendations no longer being followed up

| Areas of potential impact (in descending order of frequency of occurrence) | Work in progress |
|---|------------------|
| Operational effectiveness | 5 |
| Operational efficiency | 4 |
| Documentation | 2 |
| Security management | 4 |
| Communication and transparency | 1 |
| Performance monitoring | 2 |
| Risk management | 3 |
| Managing conflicts of interest | 1 |
| Operational training | 1 |
| Strategic planning | 1 |
| Compliance | 1 |
| Information management | 1 |
| Performance reporting | 1 |
| Total | 27* (43%) |

* This is the final follow-up for 23 recommendations, but some of these recommendations dealt with more than one potential impact, resulting in a different total.

Status of in-progress recommendations after our third follow-up is unknown

We adopted our 3-year follow-up approach in 2014. Since then, the cumulative number of recommendations that we reported as still in progress after our third follow-up, and for which progress has not since been reassessed by the Public Accounts Committee, continues to grow, as noted below:

| Date | Number of Recommendations |
|--------------|---------------------------|
| 2014 | 66 |
| 2015 | 4 |
| 2016 | 13 |
| 2017 | 36 |
| 2018 | 31 |
| 2019 | 23 |
| Total | 173 |

We continue to encourage the Public Accounts Committee to request appropriately detailed action plans for some or all of the recommendations that remain in progress, particularly in relation to those reports that we have followed up for 3 years and for which we do not intend to continue following up (see SECTION 6, STRATEGIC PRIORITY 2).



6. What we accomplished against our strategic priorities

While our Strategic Priorities Plan covers the years 2019-20 to 2021-22, we thought it beneficial to begin reporting against these strategic priorities and strategies in this Operations Report. For some of the noted strategies, however, focused efforts will not begin until 2019-20. Our Strategic Priorities Plan identifies 5 strategic priorities and 24 related key strategies as follows:

1. Focusing our audit work to maximize its value to the Legislative Assembly

- 1.1 Focus the Office's project audit resources on projects that are of strategic significance to the Legislative Assembly and that demonstrate a broad coverage of government organizations.
- 1.2 Focus the Office's financial statement audit resources on entities that are of strategic importance to the Legislative Assembly.
- 1.3 Through the strategic allocation of staff resources between financial statement audit work and project audit work, we will strive to maximize our impact on the Government Reporting Entity.

2. Supporting the public accounts committee

- 2.1 Provide advice to the Public Accounts Committee on our audit reports.
- 2.2 Provide advice on good practices for Public Accounts Committees.
- 2.3 Provide orientation sessions for new members and workshops for all members on select/desired topics .
- 2.4 Make every effort to be able to act on any Section 16 Special Audit request made by the Public Accounts Committee.
- 2.5 Consult with Public Accounts Committee members when determining project priorities.

3. Ensuring we deliver quality audit products at a reasonable cost

- 3.1 Develop and maintain professional practices that align with applicable professional standards and respond to emerging best practices.
- 3.2 Develop and maintain strong quality assurance practices for all products produced by the Office.
- 3.3 Deploy and manage resources based on reasonable budgets and deadlines.
- 3.4 Maximize the value of our association with the Canadian Council of Legislative Auditors.
- 3.5 Maximize the value of our association with the Canadian Audit and Accountability Foundation.
- 3.6 Seek opportunities to collaborate with other legislative audit offices and with internal audit departments.

4. Nurturing a thriving office culture that reflects our newly articulated values

- 4.1 Ensure staff are engaged and satisfied with their work experience.
- 4.2 Provide a comprehensive professional development program.
- 4.3 Ensure risks or barriers that may impede the Office's ability to accomplish its vision and related strategic priorities are identified, assessed and, where warranted, mitigated.

5. Strengthening office operations

- 5.1 Develop a comprehensive human resources management function.
- 5.2 Develop a comprehensive communications function.
- 5.3 Produce appropriately detailed accountability documents to inform the Assembly and the public of the value they receive for their investment in the Office.
- 5.4 Prudent use of public funds entrusted to us.
- 5.5 Ensure the Office's information, systems, documents and physical plant are secure from inappropriate access.
- 5.6 Ensure the Office is properly structured to respond to existing challenges and to support the effective pursuit/delivery of our vision/mission, priorities, and the production of quality products.
- 5.7 Meet the commitments noted in our French Language Services Plan.

Strategic priority 1

Focusing our audit work to maximize its value to the Legislative Assembly

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

Our related key strategies are:

- 1.1 Focus the Office's project audit resources on projects that are of strategic significance to the Legislative Assembly and that demonstrate a broad coverage of government organizations.
- 1.2 Focus the Office's financial statement audit resources on entities that are of strategic importance to the Legislative Assembly.
- 1.3 Through the strategic allocation of staff resources between financial statement audit work and project audit work, we will strive to maximize our impact on the Government Reporting Entity.

Strategy 1.1

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

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

and assigned all government departments and Crown entities to one of these groups.

These sectors are:

- Health
- Education
- Social Services
- Economic Development
- Environment/Energy
- Government Operations

For each group, we continuously identify potential audit topics which we believe are most relevant and of strategic importance to the Legislative Assembly. We review our project priorities annually. In late 2018-19, we began a process of more formally engaging stakeholders to understand their perspectives on areas of concern to them. We anticipate by the end of 2019-20 being able to publish a "priorities project" document that would speak to potential audit topics in each of the 6 sectors. This document would reflect the main messages that we heard from the stakeholders interviewed, and would form the basis for future project selections.

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

In identifying priority audit topics, we consider a number of factors including:

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

Other factors that may influence a topic's priority include:

- A collaborative audit topic proposed by the Canadian Council of Legislative Auditors (CCOLA).

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

Strategy 1.2

Focus the Office's financial statement audit resources on entities that are of strategic significance to the Legislative Assembly

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

During 2018/19, we identified several factors that could be used to determine the importance or strategic significance of an entity within the GRE:

- Financial impact of annual expenses.
- Financial impact of assets held.
- Type of service delivered.
- Significant changes to organization.
- Complexity of accounting.

We scored each entity in the GRE against each of these factors to determine the entity's significance score. We then ranked all the entities based on their significance score and we categorized the entities into 4 levels of significance: high, medium, low, and very low.

FIGURE 5 shows the significance of financial statement audits we conduct versus those conducted by external auditors. Only 4 of our 27 financial statement audits were on entities of high strategic importance to the Legislative Assembly. Our work on these 4 audits (which includes the Summary Financial Statements of the Province) took 13,000 hours out of approximately 24,000 hours available for financial statement audits. We are developing a plan on how to be more engaged from a financial statement audit or system project perspective in entities of strategic importance to the Legislative Assembly. Such entities include school divisions, regional health authorities, family services authorities and government business enterprises.

Figure 5: Significance of financial statement audits conducted by the Auditor General

| Level of significance | Auditor General | External auditor | Total |
|-----------------------|-----------------|------------------|------------|
| High | 4 | 15 | 19 |
| Medium | 2 | 42 | 44 |
| Low | 8 | 53 | 61 |
| Very low | 13 | 31 | 44 |
| Total | 27 | 141 | 168 |



Strategy 1.3

Through the strategic allocation of staff resources between financial services audit work and project audit work, we will strive to maximize our impact on the government reporting entity

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

For the past several years, we managed our workload with the goal of achieving a 50/50 split between financial statement audits and project audits (see **FIGURE 6** for actual results).

| Figure 6: Time allocation | | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Financial statement audits | 49% | 54% | 55% | 55% | 52% |
| Project audits | 51% | 46% | 45% | 45% | 48% |
| Total | 100% | 100% | 100% | 100% | 100% |

This 50/50 allocation of resources enables us to present the Legislature with a wide array of project audits while meeting our statutory obligations to conduct specified financial statement audits. The use of agents to conduct financial statement audits on our behalf helps us move toward the goal of equal time allocation, as we are able to redeploy some financial statement audit staff to work on projects.

Strategic priority 2

Supporting the Public Accounts Committee

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

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

- Section 114: “The Auditor General should be in attendance at all Public Accounts Committee meetings to provide advice and opinions and answer questions on matters of accounting, administration and reports issued by the Auditor General, except where the Committee feels the circumstances do not require such attendance.”
- Section 118: “The Auditor General shall at the discretion of the Committee, attend all meetings of the Committee that are held in camera.”

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

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

An effective PAC can play a significant role in ensuring the Office has the desired positive impact on the performance of public sector organizations. This is because government departments and Crown organizations are accountable to the PAC for the implementation of recommendations from the Office (recommendations, it must be stressed, that deal with administrative and management practices, and not with the merits of government policy decisions.) The PAC can, through its follow-up of the implementation status of recommendations and its own reports to the Legislative Assembly on the results of its work, bring to bear the full authority of the Legislative Assembly to ensure departments do what is needed to properly address the issues underpinning each of our recommendations.

As noted in our March 2019 Follow-up Report to the Legislative Assembly, we are concerned that the implementation rate of our recommendations, three years after issuance, hovers between 60% and 70%. In our view, an acceptable rate after three years would be 85%.

It is important to recognize that the impact of the Office's work is in part, as noted above, linked to an effective PAC. To ensure it can be amongst the best functioning PACs in the country, several rule changes are needed in addition to strengthened practices. Our strategies below reflect my commitment to assisting the PAC in this journey.

Our related key strategies are:

- 2.1 Provide advice on audit reports.
- 2.2 Provide advice on good practices for Public Accounts Committees.
- 2.3 Provide orientation sessions for new members and workshops for all members on select/desired topics.
- 2.4 Make every effort to be able to act on any Section 16 Special Audit request made by the Public Accounts Committee.
- 2.5 Consult with Public Accounts Committee members when determining project priorities.

Strategy 2.1

Provide advice on audit reports

The Auditor General and required staff attend all PAC meetings at which audit reports are discussed. The proceedings of all PAC meetings (except those held in-camera) are recorded in Hansard, which is available on the Legislative Assembly website in the Legislative Business tab. In 2018/19, the PAC met 4 times (see **FIGURE 7**).

Figure 7: Public Accounts Committee meetings in 2018/19

| Meeting dates | Reports listed on the meeting notice |
|------------------|---|
| March 18, 2019 | Election of a Chairperson (Auditor General did not attend) |
| December 4, 2018 | Public Accounts for the fiscal year ending March 31, 2018 (Volumes 1, 2, and 3) Auditor General's Report – Public Accounts and Other Financial Statement Audit – August 2018 |

Figure 7: Public Accounts Committee meetings in 2018/19

| Meeting dates | Reports listed on the meeting notice |
|---------------|--|
| | <p>Auditor General's Report – Understanding our Audit Opinion on Manitoba's March 31, 2018 Summary Financial Statements – September 2018</p> <p>Auditor General's Report – Annual Report to the Legislature – March 2014 Chapter 6 – Managing the Province's Adult Offenders</p> <p>Auditor General's Report – Follow-up of Recommendations – May 2016 Managing the Province's Adult Offenders</p> <p>Auditor General's Report – Follow-up of Recommendations – March 2017 Managing the Province's Adult Offenders</p> |
| June 18, 2018 | <p>Auditor General's Report–Annual Report to the Legislature – March 2014 Chapter 3: Government Deficits and Debt</p> <p>Auditor General's Report – Follow-up of Previously Issued Recommendations – May 2015 Section 13: Information Technology Security Management Practices</p> <p>Auditor General's Report – Follow-up of Recommendations – May 2016 Information Technology Security Management Practices</p> <p>Auditor General's Report – Follow-Up of Recommendations – March 2017 Information Technology Security Management Practices</p> <p>Public Accounts for the fiscal year ending March 31, 2017 (Volumes 1, 2 and 3)</p> <p>Auditor General's Report – Follow-up of Recommendations – March 2018 Accounts and Financial Statements</p> |
| May 16, 2018 | <p>Auditor General's Report – Follow-up of Recommendations – May 2016 Managing Cyber Security Risk Related to Industrial Control Systems</p> <p>Auditor General's Report – Keeyask Process Costs and Adverse Effects Agreements with First Nations – September 2016</p> <p>Auditor General's Report – Follow-up of Recommendations – March 2017 Managing Cyber Security Risk Related to Industrial Control Systems</p> <p>Auditor General's Report – Follow-up of Recommendations – March 2018 Managing Cyber Security Risk Related to Industrial Control Systems Keeyask Process Costs and Adverse Effects Agreements with First Nations</p> |

Provide in-camera briefing sessions on each report

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

Conduct 3 follow-ups on the implementation of our recommendations

In 2018/19, we issued a Follow-up of Recommendations report in March 2019. The report discussed as at September 2018, the status of recommendations issued since July 2015.

Strategy 2.2

Provide advice on good practices for the Public Accounts Committee

To assist the Public Accounts Committee (PAC) in its efforts to modernize its practices, in 2017 the Office prepared an analysis that compares and contrasts the rules and practices of the PAC to those of other Canadian jurisdictions. This analysis highlights practices in Manitoba that are not consistent with good practices in other jurisdictions. The Auditor General shared the analysis with the PAC's chair, vice chair and clerk. It serves as a useful paper for the PAC when considering if rule changes should

be pursued, or how the effectiveness of the Committee could be improved. In 2019/20, we will update this analysis.

We are working with the Canadian Audit and Accountability Foundation (See Strategic Priority 3 for more details on CAAF) to develop a workshop for the PAC on best practices for public accounts committees within the Westminster parliamentary system of government. We are also working with the PAC to identify ways to strengthen its processes, including how to follow-up on the implementation status of recommendations by the Auditor General.

Strategy 2.3

Provide orientation sessions for new members and workshops on selected topics

The Office of the Auditor General coordinates an orientation session upon significant turnover in membership of the PAC. No orientation sessions were needed in 2018/19.

Strategy 2.4

Make every effort to be able to act on any Section 16 Special Audit request made by the Public Accounts Committee

As noted earlier, Section 16 of *The Auditor General Act* permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the PAC to request a Special Audit of the accounts of a government organization, recipient of public money

or other person or entity that in any way receives, pays or accounts for public money. Section 16 further states that "the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General."

The PAC did not request any Section 16 audits in 2018/19.

Strategy 2.5

Consult with Public Accounts Committee members when determining project priorities

As noted earlier, in late 2018/19 we began to more fully engage stakeholders to understand their perspectives on areas of concern to them. Meetings with PAC members will occur in 2019/20.

Strategic priority 3

Ensuring we deliver quality audit products at a reasonable cost

Our related key strategies are:

- 3.1 Develop and maintain professional practices that align with applicable professional standards and respond to emerging best practices.
- 3.2 Develop and maintain strong quality assurance practices for all products produced by the Office.
- 3.3 Deploy and manage resources based on reasonable budgets and deadlines.
- 3.4 Maximize the value of our association with the Canadian Council of Legislative Auditors.
- 3.5 Maximize the value of our association with the Canadian Audit and Accountability Foundation.
- 3.6 Seek opportunities to collaborate with other legislative audit offices and with internal audit departments.

Strategy 3.1

Develop and maintain professional practices that align with applicable professional standards and respond to emerging best practices

Methodology updated

In 2017/18, we adopted OAG Canada's methodology for financial statement and performance audits. In 2018/19, we reviewed OAG Canada's updates and amended our internal processes and documents as needed.

Adopting OAG Canada's methodology allows us to minimize our investment in methodology development and maximize our ability to take advantage of staff training opportunities offered by the federal office. It also allows us to more easily consult with the federal office on various methodology application issues we may encounter.

Professional documents reviewed

In 2018/19, we reviewed the following documents issued by the Public Sector Accounting Board (PSAB) and the Auditing and Assurance Standards Board (AASB):

- PSAB Invitation to Comment – Employment Benefits in Non-Traditional Pension Plans
- AASB Exposure Draft – Communication of Key Audit Matters in the Auditor's Report
- AASB Exposure Draft – Identifying and Assessing Risks of Material Misstatement

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

We also participated in joint responses with other Auditors General, regarding:

- PSAB Consultation Paper – Reviewing PSAB's Approach to International Public Sector Accounting Standards
- PSAB Statement of Concepts – A Revised Conceptual Framework for the Canadian Public Sector
- PSAB Statement of Principals – A revised Reporting Model for the Canadian Public Sector

Strategy 3.2

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

The Assistant Auditor General, Professional Practice and Quality Assurance (AAG, PP&QA) continually monitors the quality assurance system in our Office. The AAG, PP&QA prepared an annual report for the Auditor General on the results of the monitoring for the 2018 calendar year. The report concluded that the quality assurance system was operating effectively.

Obtained independent quality assurance review of files

CPA Manitoba routinely conducts inspections of audit firms involved in the practice of public accounting as defined in the general provisions of its by-laws. In April 2018, CPA Manitoba conducted an inspection of the Office's financial statement auditing practice. Their final report concluded that we were operating in a manner consistent with professional standards. The next inspection is tentatively scheduled for 2021.

We periodically participate in peer reviews facilitated by the Canadian Council of Legislative Auditors (CCOLA). In 2018/19, we did not participate in such reviews because of the CPA inspection noted above. In 2017/18, one review was conducted (a financial statement audit file). We received a report which stated that the audit engagement was carried out, in all significant respects, in accordance with the assurance standards of CPA Canada.

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

The AAG, PP&QA may review all assurance engagement files after reports are released to ensure that the engagements followed CPA Canada assurance standards. During 2018/19, we reviewed 2 financial statement audit engagements (in 2017/18 we reviewed 5). The file reviews concluded that the engagements were conducted, in all material respects, in accordance with CPA Canada assurance standards.

Appointed an engagement quality control reviewer for higher risk audits (quality review process)

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

We appoint a quality reviewer to perform an EQCR for audits that are determined to have a higher level of risk. We consider the nature of the audit entity and any unusual engagement circumstances when evaluating the level of risk associated with any audit. Quality reviewers are office staff that are independent of the audit team and who have sufficient and appropriate experience and expertise to conduct the EQCR. In 2018/19, we appointed a quality reviewer for 5 financial statement audit engagements.

Strategy 3.3

Deploy and manage resources based on reasonable budgets and deadlines

A priority for the Office is deploying and managing resources based on reasonable budgets and deadlines. We have developed this specific key strategy because of the importance we place on continuing to increase the effectiveness of our project management activities. We have begun to work on developing continuous improvements initiatives related to this strategy.

Strategy 3.4

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

The Office is a member of The Canadian Council of Legislative Auditors (CCOLA), an organization that consists of provincial Auditors General or Provincial Auditors of the Canadian provinces, and the federal Auditor General. The Bermuda Auditor General is an associate member. CCOLA is devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development.

The Auditors General meet 3 times a year to discuss emerging issues and share practices in carrying out their respective mandates as legislative auditors. CCOLA has established several strategic support committees and information sharing groups (listed below). In 2018/19, we ensured that at least one staff member participated on each of the CCOLA's committees and groups. Sitting on these committees and groups gives us access to the knowledge and expertise of professionals in other legislative audit offices. Such contacts help ensure we are aware of emerging best practices as well as opportunities to innovate.

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

As well, the Office of the Auditor General of Canada makes the services of a national professional practices group available to our Office for a fee. This group provides accounting and auditing advisory services and training support, on an as-requested basis.

Every year, CCOLA organizes professional development events for legislative auditors. Most notable are the joint CCOLA-CCPAC conference, the financial statement symposium, the public accounts forum, and the performance audit symposium. These events provide significant value to the Office, and we ensure an appropriate number of staff attend. In addition to the technical discussions at these sessions, it is an opportunity to connect with and learn from leaders in other legislative audit offices.

Strategy 3.5

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

The Canadian Audit & Accountability Foundation (the Foundation) is a non-profit organization dedicated to promoting and strengthening public sector performance audit, oversight, and accountability in Canada and abroad through research, education, and knowledge sharing. We use the Foundation's products to identify potential projects, to develop audit criteria, to develop audit procedures, and to enhance our knowledge in specific areas related to oversight, governance and performance auditing.

In developing products for use by the Canadian legislative audit community, the Foundation will typically establish a product committee and request participation of related experts from legislative audit offices. To the extent possible, we take advantage of these requests to provide select staff members with the opportunity to share their knowledge with the Foundation and to be further challenged and influenced by other thought leaders participating on the committee. In 2018/19, there were no such opportunities.

In addition, we support one or 2 staff members, as determined eligible, to participate in the Foundation's *Emerging Leaders' Summit*, which is offered once every 2 years. In 2018/19, we supported 2 staff members in participating in the Summit. The 5-day retreat-style event included high-level leadership training, presentations from guest speakers, and innovation challenges. Two staff members also participated in the first summit, held in 2016/17.





PARTICIPANTS IN THE 2018 EMERGING LEADERS' SUMMIT, INCLUDING GRAHAM HICKMAN AND RYAN RIDDELL FROM THE OFFICE OF THE AUDITOR GENERAL MANITOBA

The Foundation also delivers quality performance audit performance workshops that the Office relies on to provide its performance auditors with skills development opportunities.

The Foundation provides, at our request, training for Public Accounts Committee members on the implementation of best practices for such committees. The Office supports this training through its annual membership fee in the Foundation, in addition to direct costs. Such training did not occur in 2018/19.

Strategy 3.6

Seek opportunities to collaborate with other legislative audit offices and with internal audit departments

CCOLA committees and groups are tasked with finding appropriate opportunities to collaborate. Such opportunities did not present themselves in 2018/19.

Strategic priority 4

Nurturing a thriving Office culture that reflects our newly articulated values

Our refreshed Office values (see **SECTION 3**) articulate a workplace culture within which all staff members can thrive. Our Strategic Priorities Plan, and more specifically the strategies discussed below, will ensure we move steadily towards the full realization of such a culture.

Our related key strategies are:

- 4.1 Ensure staff are engaged and satisfied with their work experience.
- 4.2 Provide a comprehensive professional development program.
- 4.3 Ensure risks or barriers that may impede the Office's ability to accomplish its vision and related strategic priorities are identified, assessed and, where warranted, mitigated.

Strategy 4.1

Ensure staff are engaged and satisfied with their work experience

We seek to retain staff by keeping them engaged and professionally challenged, and by supporting work-life balance. We formally gauge how well we are doing by monitoring our turnover and by periodically conducting employee satisfaction surveys. We plan to conduct our next employee engagement and satisfaction survey in 2019. Eighty-four per cent of staff members participated in our last survey, conducted by an independent research firm in February 2016. We used an independent contractor

in order to provide our employees with assurance of confidentiality.

The results of the survey were reviewed and analyzed by our Executive Management Team as part of our strategic planning process. Our goal was to strengthen our internal processes as needed to resolve concerns raised by staff members

Implementing an Office culture initiative

Ensuring our Office culture supports our vision and values is key in helping us achieve our priorities with the highest quality results. In 2018/19, we continued to work with an HR consulting firm to create a culture change road map.

To ensure our 6 newly developed values are embedded in how we do things, we identified changes that needed to be made to existing processes, identified new processes and initiatives, and developed an action plan to implement these changes.

We identified barriers to fully realizing our action plan and implemented strategies to overcome the barriers. The Office has begun implementing some of these actions.

Recognizing long service

The Auditor General and Deputy Auditor General presented long-service awards at a staff luncheon in December 2018. Milestones were recognized in 5-year increments, beginning at 5 years of service. The following milestones were recognized: 5 years (3 staff members); 10 years (13 staff members); 15 years (6 staff members); 20 years (4 staff members) and 30 years (3 staff members).



Earlier in 2018/19, Gene Edwards, an audit principal in our financial statement service group, retired after serving the Office for 42 years. We thank him for his years of dedication and exceptional service to the Office and to the people of Manitoba.

Supporting Social Committee activities

The Office has a staff-led social committee that plans and hosts a variety of events throughout the year. These events promote camaraderie and collaboration, and allow for employees from different areas to interact on a regular basis. Some of the events serve as fundraisers for the All Charities Campaign, a workplace campaign that allows employees of the Manitoba government and its affiliates to donate to a variety of charities.

Social events typically take place outside of regular business hours or during designated breaks. Highlights of 2018/19 included:

- 'Name that tune' pizza lunch
- Trivia pizza lunch
- Slow cooker competition
- Holiday gift exchange
- Staff holiday party
- Children's holiday party
- Office potluck
- Summer BBQ
- Bowling night

Providing technological tools and appropriate workspaces

We regularly modernize software and hardware technology – which includes the update of end-user devices, applications and infrastructure – to ensure accessibility and ease of use in the office or working at remote locations.

In 2018/19, we began work on a new intranet site to support information sharing and collaboration. The Computer Services team is leading the project, with input from a variety of staff groups.

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

Strategy 4.2

Provide a comprehensive professional development program

The Office is developing a more strategic approach to how professional development is offered to staff. One of the key influences of this is the Canadian Council of Legislative Auditors (CCOLA), which will soon provide legislative audit offices with training program curricula for financial statement, performance (project) and IT auditors, and for soft skills development. Select senior staff members have been assigned to CCOLA committees developing these curricula. We intend to develop a training program for our auditors based on these curricula.

There is an expectation that all staff manage their own skills development and monitor their progress against the competency model developed by the Office. Staff identify training needs, and discuss and review these with their Executive members. Training requests are approved if they are consistent with Office priorities and our competency model, costs are reasonable and allocated training dollars are available. Every effort is made to ensure staff assignments also contribute to their professional growth.

Staff frequently attend development activities offered by the following organizations: CPA Manitoba, CPA Canada, Institute of Internal Auditors, Financial Management Institute, Institute of Public

Administration of Canada, Institute of Corporate Directors, the Association of Certified Fraud Examiners, the Canadian Audit & Accountability Foundation, and CCOLA.

Every year our Professional Development (PD) Committee prepares a program of in-house training sessions for all audit staff. Committee members come from all staff levels and service groups. The committee's primary focus is to determine and deliver training sessions and workshops that staff believe would benefit them on the job.

The PD Committee also organizes the Office's sunrise speaker series. The PD Committee invites guests to speak on a variety of topics of general interest to the public sector. In 2018/19, sunrise speakers included:

- Sherri Walsh (City of Winnipeg Integrity Commissioner) – Role of the Integrity Commissioner and emerging ethical issues facing governments
- Christina Wasyliv – (Legislative Counsel and Assistant Deputy Minister) – Role of the Legislative Counsel
- Daphne Penrose (Manitoba Advocate for Children and Youth) – Role of the Manitoba Advocate for Children and Youth
- Michael Mahon (Crown Law Division) – Manitoba's Criminal Justice System Modernization Strategy

It is also essential for corporate services staff to have access to ongoing training and development opportunities. Both the corporate services staff member and their immediate supervisor identify these training opportunities. We support and encourage both technical and soft skills training for our corporate services staff.

While all auditors are assigned to a service group, cyclical heavy workloads provide opportunities for auditors to participate in audits within other service groups. This integration of skills and knowledge ensures more effective results than could be achieved if each service group operated in isolation, and provides staff members with enriching professional experiences.

Train future accountants

We support students seeking a professional accounting designation. CPA Manitoba recognizes us as an audit training office. Our student recruitment and development committee offers motivated, knowledgeable and engaged mentors to assist our accounting students as they transition from the academic world into the accounting profession. We take great pride when our students achieve their academic goals. In 2018/19, we had one full-time student and one summer student (who transitioned to full-time during the year).

Train future performance auditors

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

Strategy 4.3

Ensure risks that may impede the Office's ability to accomplish its strategic priorities are identified, assessed and, if warranted, mitigated

In 2018/19, we enhanced our identification and assessment of risks that could impact our ability to achieve our vision and mission. These risks are discussed in **SECTION 4**. More work, however, will be undertaken in 2019/20 to fully understand the risks and barriers we may face in working toward accomplishing our strategic priorities. While our IT risk assessment process has been in place for several years, we will also be assessing how it can be enhanced going forward.

Strategic priority 5

Strengthening office operations

Our related key strategies are:

1. Develop a comprehensive Office human resources management function.
2. Develop a comprehensive Office communications function.
3. Produce appropriately detailed accountability documents to inform the Assembly and the public of the value they receive for their investment in the Office.
4. Prudent use of public funds entrusted to us.
5. Ensure Office information, systems, documents and physical plant are secure from inappropriate access.
6. Ensure the Office is properly structured to respond to existing challenges and to support the effective pursuit/delivery of our vision/mission, priorities, and the production of quality products.
7. Meet the commitments noted in our French Language Services Plan.

Strategy 5.1

Develop a comprehensive office human resources management function

The Director Corporate Services is responsible for building an effective, efficient, and progressive human resources management function within the Office.

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

In 2018/19 we:

- Developed and managed an anonymous online tool where staff can report concerns.
- Recruited several key vacant office positions.
- Updated and created several HR and corporate policies.
- Began the process of converting Canadian Council of Legislative Auditors (CCOLA) material into office training.
- Began the process of revamping the performance and development review process to address concerns raised by staff.
- Finalized the creation of 3 new director positions, 2 of which Compensation Services has approved our desired classification, with the third under review.
- Developed a comprehensive onboarding program for new employees.

- Began working with the Civil Service Commission to obtain more autonomy and create an action plan to transition the Office to its own human resources function.
- Began developing a formal conflict resolution process for the Office.

Strategy 5.2

Develop a comprehensive office communications function

The Communications Manager is responsible for developing, implementing and monitoring an effective communications program for the Office. The individual is the strategic communications expert and leader in the Office, and provides direct and confidential communications support for the Auditor General and senior management.

In 2018/19, we:

- Began implementing the external communications strategy:
 - Developed a social media plan to guide how the Office utilizes social media.
 - Developed a social media policy for staff that sets expectations for appropriate behaviours on social media platforms, and helps ensure posts will not expose the Office to legal problems or public embarrassment.
 - Launched Twitter and Facebook accounts for the Office.
 - Updated Office documents to reflect the new visual identity, and ensured the visual identity was applied correctly in all office materials.

- Began working with a selected vendor to create a new website that will better meet the needs of the Office's stakeholders.
- Created new brochures to help inform key audiences of the work of the Auditor General.
- With respect to our audit reporting process, reviewed and began updating the Writing Style Guide to ensure it reflects all the Auditor General's expectations for reports.
- Finalized and began implementing the internal communications strategy, which will help ensure effective top down and bottom up communications within the Office.

Strategy 5.3

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

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

While not required by *The Auditor General Act*, the Office issued a Strategic Priorities Plan for 2019/20 to 2021/22. The plan includes 5 strategic priorities and 24 related key strategies.

This year's operations report includes the following enhancements:

- A discussion of each of the 5 strategic priorities and 24 related key strategies contained in our Strategic Priorities Plan, and the related actions taken in 2018/19.
- A more detailed risk analysis.
- Information related to the Key Performance Indicators identified in the Strategic Priorities Plan.
- Continued improvements of the report structure and design to enhance readability and clearly distinguish the operations report from our audit reports.

Strategy 5.4

Prudent use of public funds entrusted to us

Initiatives with respect to our prudent use of human resources are embedded throughout our strategic priorities, as they involve what we do and how well we do it.

Concerning our operating and capital expenditures, the Office maintains strong processes to ensure operating and capital expenditures are based on an appropriate need and provide good value. As a final review, the Auditor General continues to review and approve all expenditures (see **SECTIONS 8 AND 9**).

Strategy 5.5

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

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

In 2018-19, we implemented a secure web portal solution that allows staff to exchange confidential information with individuals and organizations in a secure manner. All data shared using the platform is encrypted in transit and while stored on the platform.

We continued to ensure the effectiveness of our layered security program. Key aspects of our security program include:

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

Strategy 5.6

Ensure the Office is properly structured to respond to existing challenges and to support the effective pursuit/delivery of our vision/mission, priorities, and the production of quality products

We continue to work toward full implementation of the organization structure depicted in **SECTION 3**, which was originally announced in the 2016/17 Operations Report.

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

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

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

In 2018/19 we:

- Began the process of classifying the newly created audit director positions.
- Recruited an additional Assistant Auditor General Performance Audit to continue building our performance audit practice.
- Began to redefine the role of our AAG Professional Practice and Quality Assurance to include a greater focus on innovation, project management and leading practices.



Strategy 5.7

Meet the commitments noted in our French Language Services Plan

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

The legislation includes the following provision, which impacts the Office:

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

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

We continued to implement the plan in 2018/19, including the following highlights:

- Established a 3-member French-language services committee to oversee and monitor the implementation of French-language services within the Office.
- Released French-language versions of all public reports (6 out of 6).
- Released nearly all reports (5 out of 6) simultaneously in French and English. The one exception was the annual Operations Report.
- Released French-language versions of most news releases (5 out of 6). We did not issue a French-language version of the Operations Report news release.



7. Our planned audit activities for 2019/20

Financial statement audits

We will issue an annual report to the Legislature titled *Public Accounts and Other Financial Statement Audits*. In this report we will discuss the results of our financial statement audit work and discuss matters related to this work that we believe should be brought to the Legislative Assembly's attention.

Our list of financial statement audits that we either conduct directly or through an agent (noted in Appendix B) is unchanged for 2019/20, with the exception of the audit of the Cooperative Promotion Board, which no longer exists. As we noted in **STRATEGIC PRIORITY 2, STRATEGY 1.2**, we are preparing an analysis of which financial statements audits we should conduct to ensure our financial statement audit work, and the related matters we report, are on entities of strategic importance to the Legislative Assembly.

In 2019/20, we plan to complete the following number of work products:

| Work product | In 2019/20 we plan to conduct | | | Total 18/19 |
|---|-------------------------------|-------|-------|-------------|
| | Office | Agent | Total | |
| Financial statement audit opinions – organizations within the Government Reporting Entity (see Appendix B) | 8 | 11 | 19 | 20 |
| Reviews of audits conducted by external audit firms – organizations within the Government Reporting Entity | 7 | – | 7 | 7 |
| External auditor communications | 115 | – | 115 | 115 |
| Financial statement audit opinions – organizations outside the Government Reporting Entity (see Appendix B) | 6 | 1 | 7 | 7 |
| Compliance opinions | 1 | 1 | 2 | 2 |
| New management letter recommendations | 40 | 6 | 46 | 46 |

Project audits

Project audits consist of performance audits, investigations (including special audits), information technology audits, and governance audits and reviews. See to **SECTION 5** for further discussion on the types of project audits we conduct.

WHAT WE PLAN TO DELIVER IN 2019/20

We will issue reports on project audits as they are completed. We anticipate releasing the following audit reports in 2019/20:

- Oversight of Post-Secondary Education Institutions
- UCN: Senior Management Expenses
- Student Financial Aid Information System
- Vital Stats – Information Technology Systems
- Commercial Vehicle Safety
- Managing Foster Care
- Management of Provincial Tourism
- Provincial Oversight of Drinking Water Safety
- WRHA – Specialized Contracts

In 2019/20, we will begin or continue working on the following audits:

- Teranet Service Provider Agreement
- Special Audit: Quarry Rehabilitation Program
- IT Security: Privileged User Access
- Managing Risks Associated with Aging Information Systems
- Managing Hospital Emergency Rooms in Winnipeg

In 2019/20, we also anticipate issuing reports on the following limited scope audits, initiated by citizen concerns:

- Shellmouth Dam Artificial Flooding Compensation Program
- Municipal Economic Development Corporations
- Vimy Arena Land Transaction

We will initiate other projects audits as and when needed. As discussed in **STRATEGIC PRIORITY 1, STRATEGY 1.1**, we are working on developing a priority project document.

Follow-up of Recommendations

In 2019/20, we will present the status of 147 recommendations issued since 2016. We will determine the status of these recommendations as at September 30, 2019. We anticipate releasing this report in early 2020.

8. Key performance indicators

In this section we list the key performance indicators (KPIs) for each of our strategic priorities. Because 2018/19 is our baseline year, only certain results are shown. Targets for the next 3 years are presented in the Strategic Priorities Plan, which is available on our website, oag.mb.ca. Our list of KPIs will be reviewed every year to ensure their ongoing relevance and completeness. Any deleted or added KPI will be identified and explained in the operations report for the year the change was made.

| Strategic Priority | # | Key Performance Indicator Description | Actual 2018/2019 |
|--------------------|----|---|------------------|
| 1 | 1 | Percentage of chargeable staff hours allocated to financial statement versus projects audits | 52/48 |
| 1 | 2 | Number of financial statement audits we conduct that are of significant strategic importance to the Legislative Assembly | 4 |
| 1 | 3 | Number of financial statement audits we conduct because the entity's Act appoints the Auditor General as their auditor but are not judged to be of significant strategic importance to the Legislative Assembly | 14 |
| 1 | 4 | Number of citizen concerns received | 52 |
| 1 | 5 | Number of MLA requests for audits | 3 |
| 1, 2 | 6 | Percentage of PAC MLAs reporting by survey that they are satisfied our Office is effectively delivering on our legislated mandate | n/a |
| 1, 2, 3 | 7 | Audit recommendations implemented or judged to have made significant progress by end of our 3rd follow-up review | 81% |
| 1, 2, 3 | 8 | Number of special audits released | 2 |
| 1, 2, 3 | 9 | Number of special audits in progress as at March 31 | 1 |
| 1, 3 | 10 | Number of project audits released (excluding special audits) | 2 |

| Strategic Priority | # | Key Performance Indicator Description | Actual 2018/2019 |
|--------------------|----|--|------------------|
| 1, 3 | 11 | Number of project audits in progress (excluding special audits) as at March 31 | 13 |
| 3 | 12 | Complying with auditing standards – professional practice reviews indicate no significant deficiencies | 100% |
| 4 | 13 | Time invested in training activities as a %age of available work hours | 5% |
| 3, 4, 5 | 14 | Staff turnover rate | 6% |
| 3, 4, 5 | 15 | Percentage of staff reporting by survey that they are satisfied with the work environment | n/a |
| 5 | 17 | Percentage of staff reporting by survey that they are satisfied with the overall quality and timeliness of internal communications | |
| 5 | 18 | The amount of our appropriation that we lapse | 568k |
| 5 | 19 | Incidences of unauthorized access to our information | 0 |
| 5 | 20 | Office reports are issued in English and French simultaneously | 83% |

Our Vision and Mission statements refer to impactful audits. Measuring whether our audits are having the desired impact is difficult to do, but we believe KPIs 1, 2, 4 and 5 are useful when considering impact and our drive toward realizing our vision.





9. Financial results

Basis of reporting

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

Overview of 2018/19 financial results

Salaries and benefits

Salaries and benefits were under budget by \$438,000 or 7% (Budget: \$5,868,999; Actual: \$5,430,000), due to several factors including:

- Three positions were kept vacant, as they had been earmarked to be repurposed (about \$327,000).
- Nine other vacancies due to resignations and a retirement resulted in many vacant months as we went through the recruitment process (about \$350,000).
- A maternity leave (about \$48,000).
- Many of our staff members took advantage of the Voluntary Reduced Workweek Program, for which they could take up to 20 days of unpaid leave, with no impact to their pensionable earnings. As a result, actual salaries paid were lower than budgeted (about \$101,000).
- Benefits costs decreased due to vacancies (about \$30,000).

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

- The Office has 4 approved full-time equivalent (FTE) positions for which no funding is attached. The funds to pay staff in these positions comes from vacancies in funded positions. In 2018/19 these salary costs were about \$100,000 (2 of 4 positions were occupied).

- We have developed a Performance Auditor Development Program. The program can have a maximum of 2 participants. We offer them a one-year renewable term. These positions are unfunded and, as such, the funds to pay these performance auditors come from vacancies in funded positions. Salaries for the 2 participants equaled about \$100,000.
- Severance, vacation and overtime payouts that were not budgeted (about \$120,000).
- A person hired in anticipation of a retirement, known as double-bunking (about \$84,000).
- Secondment from a government organization (about \$31,000).

Other matters

Operating expenses were under budget by \$199,000 or 14% (Budget: \$1,462,000; Actual: \$1,263,000) due to several factors:

- We underspent our professional fees budget by about \$160,000 due to lower than anticipated need for outside assistance.
- We underspent our information technology budget by about \$40,000 due to our ability to implement our intranet using internal resources.
- We underspent our professional development budget by \$25,000.

In March 2019, as we do every year, we estimated the value of 2018/19 invoices that would be received after year-end and drew that amount from the appropriation. We did this to ensure we would have sufficient funds in our bank account to pay all 2018/19 expenses (from funds appropriated for 2018/19).

Any excess draws are used immediately in the new year to pay for new year expenses. We also lapse (do not spend) at least that amount from our new year approved appropriation.

In 2018/19, we overdraw our appropriation by approximately \$69,000. In 2017/18, we lapsed \$568,000 (2016/17 \$427,000).



10. Independent Auditors' Report and our financial statements

Management's responsibility for financial statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2019 are the responsibility of management of the Office. Management has prepared the financial statements to comply with *The Auditor General Act*. The financial statements are prepared in accordance with the basis of accounting described in the notes to the financial statements and, where appropriate, reflect management's best estimates and judgments. The financial information presented elsewhere in this report is consistent with that in the financial statements.

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

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

**Original Signed by
Norm Ricard**

Norm Ricard, CPA, CA
Auditor General
July 19, 2019



INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

Opinion

We have audited the accompanying financial statements of the Office of the Auditor General of Manitoba (the "Office"), which comprise the statements of audit fees deposited to the Consolidated Fund and expenditures for the year ended March 31, 2019, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the audit fees deposited to the Consolidated Fund and expenditures of the Office of the Auditor General of Manitoba, for the year ended March 31, 2019 in accordance with the basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Office in complying with the financial reporting provisions of the Province of Manitoba. As a result, the financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

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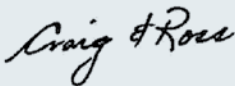
Independent Auditor's Report to the Legislative Assembly of Manitoba (*continued*)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
July 19, 2019

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
Statement of Audit Fees Deposited to the Consolidated Fund

Year Ended March 31, 2019

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Audit fees deposited in bank account | \$ 837,480 | \$ 760,647 |
| Less: Amounts paid to agent auditors (Note 2) | <u>(511,057)</u> | <u>(438,872)</u> |
| Audit fees transferred to the Consolidated Fund | \$ 326,423 | \$ 321,775 |
| | | |
| Main estimate - audit fees | \$ 315,000 | \$ 350,000 |

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Expenditures

Year Ended March 31, 2019

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Salaries and benefits | \$ 5,429,950 | \$ 5,258,935 |
| Operating expenses | | |
| Office rent | 324,080 | 321,000 |
| Professional fees | 101,860 | 304,843 |
| Information technology | 246,101 | 234,039 |
| Office administration | 179,914 | 193,378 |
| Professional development | 139,876 | 159,816 |
| Capital | 86,919 | 123,833 |
| Parking and travel | 90,974 | 94,342 |
| Memberships and publications | 50,143 | 49,861 |
| Printing | <u>43,458</u> | <u>13,809</u> |
| | 1,263,325 | 1,494,921 |
| | 6,693,275 | 6,753,856 |
| Appropriation draws more (less) than accrued expenses | <u>68,773</u> | <u>62,053</u> |
| Total expenditures per appropriation | \$ 6,762,048 | \$ 6,815,909 |
| | | |
| Comparison of actual expenditures per appropriation to voted expenditures in the main estimates | | |
| Actual - Expenditures per appropriation | \$ 6,762,048 | \$ 6,815,909 |
| Main estimate - Expenditures | <u>7,330,000</u> | <u>7,243,000</u> |
| Variance | \$ (567,952) | \$ (427,091) |

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2019

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Audit Fees

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

Expenditures

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



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



INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

Opinion

We have audited the Office of the Auditor General of Manitoba (the "Office") Disclosure of Employee Compensation Payments (the "statement") for the year ended March 31, 2019.

In our opinion, the financial information in the statement presents fairly in all material respects, the compensation of officers and employees in excess of \$75,000 of the Office for the year ended March 31, 2019 in accordance with the Public Sector Compensation Disclosure Act.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restriction on Distribution

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

Responsibilities of Management and Those Charged with Governance for the Statement

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

In preparing the statement, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

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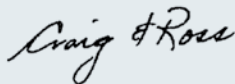
Independent Auditor's Report to the Legislative Assembly of Manitoba (*continued*)

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
July 19, 2019

**OFFICE OF THE AUDITOR GENERAL OF MANITOBA
DISCLOSURE OF EMPLOYEE COMPENSATION PAYMENTS
For the Year Ended March 31, 2019**

In accordance with The Public Sector Compensation Disclosure Act, disclosure is required of aggregate annual compensation payments of \$75,000 or more. For the year ended March 31, 2019, employees of the Office of the Auditor General of Manitoba that received compensation of \$75,000 or more, including professional fees and taxable benefits, are as follows:

| | | |
|---------------------------|--|-----------|
| Bessette-Asumadu, Natalie | Principal | \$ 99,001 |
| Bo-Maguire, Wade | Director, IT Audit, Operations and Security | 111,520 |
| Capozzi, Maria | Principal | 108,223 |
| Charron, Shane | Manager | 85,594 |
| Cohen, Sandra | Assistant Auditor General, Value for Money Audit | 135,993 |
| Edwards, Gene | Principal | 119,563 |
| Emslie, Melissa | Principal | 103,189 |
| Gilbert, Jeffrey | Principal | 105,582 |
| Hay, Susan E. | Principal | 109,279 |
| Hickman, Graham | Manager | 85,277 |
| Janzen, Benjamin | Manager | 79,732 |
| Johnson, Jo | Principal | 107,177 |
| Landry, Frank | Communications Manager | 77,287 |
| Lewarton, Lawrence | Principal | 109,279 |
| Locken, Tiffany | Principal | 84,657 |
| MacBeth, Gregory | Assistant Auditor General, Professional Practice | 120,272 |
| Muir, Dallas | Principal | 103,189 |
| Muirhead, Adam | Senior Auditor | 75,579 |
| Nebriada, Arlene | Senior Auditor | 80,374 |
| Nero, Kenneth | Controller | 80,577 |
| Ngai, Jacqueline | Principal | 107,218 |
| Ricard, Norman | Auditor General | 183,979 * |
| Riddell, Ryan | Manager | 82,927 |
| Sharma, Ganesh | Principal | 95,268 |
| Shyjak, Jay | Director, Corporate Services | 95,153 |
| Shtykalo, Tyson | Deputy Auditor General | 136,759 |
| Stephen, Jim | IT Specialist | 87,837 |
| Stoesz, Jonathan | Principal | 86,869 |
| Storm, David | Principal | 108,847 |
| Thiessen, Brendan | Principal | 107,177 |
| Thomas, Erika | Principal | 107,177 |
| Torchia, Philip | Principal | 107,177 |
| Voakes, F. Grant | Principal | 103,189 |
| Wainwright, Kelsey | Manager | 77,641 |
| Wright, James | Principal | 107,177 |

* The disclosed amount includes the taxable benefit for the personal use of a government vehicle during the 2018 calendar year.



Appendices

APPENDIX A

The Auditor General Act

C.C.S.M. c. A180

The Auditor General Act

(Assented to July 6, 2001)

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

PART 1 DEFINITIONS

Definitions

1 In this Act,

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

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

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

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

"recipient of public money" means

(a) a person, organization or other body

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

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

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

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

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

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

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

PART 2 AUDITOR GENERAL

Appointing the Auditor General

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

Role respecting government policy objectives

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

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

Appointment process

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

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

Recommendations of committee

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

Meetings of committee

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

No other public office

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

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

Term

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

Salary

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

No reduction in salary

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

Civil Service Superannuation Act applies

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

Civil Service Act does not apply

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

Suspension or removal

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

Suspension if Assembly not sitting

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

Deputy Provincial Auditor General

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

Duties

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

Salary in certain cases

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

No other public office

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

PART 3

RESPONSIBILITIES OF THE AUDITOR GENERAL

AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

Audit of government accounts

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

Audit of other public money

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

Audit of the Public Accounts

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

Opinion about the Public Accounts

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

Report to ministers

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

Advice to officials

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

Annual report to Assembly

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

Content of the report

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

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

Report may include recommendations

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

SPECIAL REPORT TO ASSEMBLY

Special report to Assembly

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

AUTHORITY OVER EXTERNAL AUDITORS

Scope of an external audit

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

Further directions

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

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

Audit working papers

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

Audit opinion

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

Reliance on external auditor's report

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

AUDIT OF OPERATIONS

Audit of operations

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

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

Report to ministers

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

Report to officials

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

Report to Assembly

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

AUDIT OF RECIPIENT OF PUBLIC MONEY

Audit of recipient of public money

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

No obstruction

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

Offence

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

Reliance on report of other auditor

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

SPECIAL AUDIT ON REQUEST

Special audit on request

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

Report

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

Report submitted to the Assembly

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

JOINT AUDIT

Joint audit

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

**PART 4
POWERS OF THE AUDITOR GENERAL**

Access to records

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

Access to information

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

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

No access to Cabinet confidences

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

Part V of Evidence Act powers

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

Staff in government organizations

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

Security requirements

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

PART 5
GENERAL PROVISIONS

STAFF AND OFFICE OF THE AUDITOR GENERAL

Staff appointed under Civil Service Act

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

Civil Service Superannuation Act applies

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

Office of the Auditor General

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

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

CONFIDENTIALITY

Confidentiality

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

Exception

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

Working papers confidential

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

ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

Annual audit of Auditor General's office

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

Annual report

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

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

ESTIMATES

Estimates

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

Special report

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

Money

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

Unexpended money to be paid into Consolidated Fund

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

TABLING REPORTS IN THE ASSEMBLY

Tabling reports in the Assembly

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

Distribution to members of the Assembly

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

Referral to Public Accounts Committee

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

PROTECTION FROM LIABILITY

Protection from liability

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

- (a) for any act done in good faith in the performance or intended performance of a duty or in the exercise or intended exercise of a power under this or any other Act or regulation; or
- (b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

Transitional

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

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

Repeal

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

C.C.S.M. reference

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

Coming into force

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

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

APPENDIX B

Listing of financial statement audits

Financial statement audits conducted by the Auditor General's Office

ORGANIZATIONS WITHIN THE GOVERNMENT REPORTING ENTITY

Province of Manitoba Summary Financial Statements

Community Revitalization Fund

Cooperative Promotion Board

Co-operative Loans and Loans Guarantee Board

Funeral Board of Manitoba

Liquor and Gaming Authority of Manitoba

Manitoba Health Services Insurance Plan

Public Schools Finance Board

University of Manitoba

ORGANIZATIONS OUTSIDE THE GOVERNMENT REPORTING ENTITY

Civil Service Superannuation Fund

Legislative Assembly Pension Plan

Northern Affairs Fund

Public Service Group Insurance Fund

Teachers' Retirement Allowances Fund

Winnipeg Child and Family Services

Employee Benefits Retirement Plan

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

ORGANIZATIONS WITHIN THE GOVERNMENT REPORTING ENTITY

Crown organizations:

Brandon University

Helen Betty Osborne

Memorial Foundation

Leaf Rapids Town Properties Ltd.

Legal Aid Manitoba

Manitoba Agricultural Services Corporation

Manitoba Habitat Heritage Corporation

Manitoba Housing and Renewal Corporation

Manitoba Water Services Board

University College of the North

Special Operating Agencies:

Manitoba Learning Resource Centre

Public Guardian and Trustee of Manitoba

ORGANIZATIONS OUTSIDE THE GOVERNMENT REPORTING ENTITY

Brandon University Retirement Plan

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

GOVERNMENT ENTERPRISES

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

CROWN ORGANIZATIONS

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

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

REGIONAL HEALTH AUTHORITIES

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

FAMILY SERVICES AUTHORITIES

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

SPECIAL OPERATING AGENCIES

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



Auditor General
MANITOBA

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