

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

Chairperson
Mr. Reg Helwer
Constituency of Brandon West

Vol. LXVI No. 2 - 2:30 p.m., Monday, January 13, 2014

ISSN 0713-9462

MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, January 13, 2014

TIME – 2:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Reg Helwer (Brandon West)

VICE-CHAIRPERSON – Mr. Gregory Dewar (Selkirk)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Gerrard, Hon. Ms. Howard

Messrs. Dewar, Friesen, Helwer, Jha, Pedersen, Schuler, Whitehead, Wiebe, Ms. Wight

APPEARING:

Mr. Wayne Ewasko, MLA for Lac du Bonnet

Ms. Carol Bellringer, Auditor General

WITNESSES:

Hon. Stan Struthers, Minister of Municipal Government

Mr. Fred Meier, Deputy Minister of Municipal Government

MATTERS UNDER CONSIDERATION:

Auditor General's Report–Report to the Legislative Assembly: Performance Audits, dated December 2010

Chapter 4 – Special Audit: Rural Municipality of St. Laurent

Auditor General's Report–Follow-Up of Previously Issued Recommendations, dated January 2013

Section 14 – Special Audit: Rural Municipality of La Broquerie

Section 15 – Special Audit: Rural Municipality of St. Laurent

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

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

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Mr. Chairperson: Good afternoon. Will the Standing Committee of Public Accounts please come to order.

This meeting has been called to consider the following reports: Auditor General's Report–Report to the Legislative Assembly: Performance Audits, dated December 2010–Chapter 4–Special Audit: Rural Municipality of St. Laurent; Auditor General's Report–Follow-Up of Previously Issued Recommendations, dated January 2013, Section 14–Special Audit: Rural Municipality of La Broquerie, Section 15–Special Audit: Rural Municipality of St. Laurent; Auditor General's Report–Rural Municipality of St. Clements, dated June 2012; Auditor General's Report–Rural Municipality of Lac du Bonnet, dated August 2013.

So, for the committee's information, notice of resignations for Mrs. Driedger and Mr. Cullen as committee member of the Standing Committee on Public Accounts has been received; therefore, I would like to welcome Mr. Friesen and Mr. Schuler as new PAC members.

Now, prior to dealing with this afternoon's business, I'd like to inform our new members, as well as those present, of the process that is undertaken with regards to outstanding questions. At the end of every meeting the research officer reviews Hansard for any outstanding questions that the witness commits to provide and answer to, and will draft a questions-pending-response document to send to the deputy minister. Upon receipt of the answers of those questions, the research officer then forwards the responses to every PAC member and to every other member recorded as having attended that meeting. At the next PAC meeting, the Chair then tables those responses for the records.

Therefore, I am pleased to table the responses provided by the deputy minister of Family Services to all the questions pending responses from the November 26th meeting. These responses were previously forwarded to all the members of this committee by the research officer.

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

Mr. Blaine Pedersen (Midland): Mr. Chair, I would suggest we sit for—'til 4:30 and then review if we're not done at that time.

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

All right, we will sit 'til 4:30 and review at that time.

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

Mr. Pedersen: Mr. Chair, I would suggest that we deal—there are two reports dealing with St. Laurent, if we could combine those two at—for the first report, and then move on to the other reports.

Mr. Chairperson: All right. We will—is that agreement of the committee? *[Agreed]*

We would deal with Chapter 4, the Special Audit: Section 15 of the January 2013 for St. Laurent, and then move on to Section 14 of La Broquerie and then deal with St. Clements and Lac du Bonnet. If that's acceptable to the committee? *[Agreed]*

All right. Does the Auditor General wish to make an opening statement?

Ms. Carol Bellringer (Auditor General): I'll introduce my staff that are here today: Brian Wirth is the assistant auditor general responsible for investigations; and he's joined by James Wright who worked on—some of—if I—I'm thinking not all of these audits; and Norm Ricard, the deputy auditor general, is hiding at the back there, with Ryan Riddell, also from my office.

I don't have an opening statement on these reports; I will on the others. The—both the—well, and both St. Laurent and the La Broquerie audits have been followed up since we issued them. As of last year, most of the recommendations, but not all, had been implemented for the—for St. Laurent, and we are currently working on the follow-up that we'll issue in March. And we are satisfied with the progress that's been made.

Mr. Chairperson: Thank you.

And, Mr. Meier, the deputy minister, do you wish to make an opening statement and can you introduce your staff, please?

Mr. Fred Meier (Deputy Minister of Municipal Government): Joining me at the table today is Laurie Davidson, the assistant deputy minister, and

on to the side here is Mike Sosiak, director of municipal finance, and Lynne Nesbitt, head of our policy group, as well.

And I have a brief opening statement. I do also have opening statements for each of the independent—each of the individual audits as well, so I'll start with my general comments and then an introduction to St. Laurent, as well, since that's the first one to go.

Mr. Chairperson: That would be fine.

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

Before we begin, I would like to take a few minutes to provide the committee with the context for considering these audits. The context includes Manitoba's provincial-municipal relationship, the municipal legislative framework and the department's role within that relationship and framework. The department's mission is to support the building of healthy, safe, sustainable and resilient communities. Strong, viable municipalities are a foundation. The department works in partnership with municipalities and others to achieve this goal.

The Municipal Act, which was renewed in 1997 with broad public input, provides the legislative framework that enables municipalities to govern and operate efficiently and effectively in a modern environment. The act treats municipalities as mature and responsible governments and provides them with broad, enabling powers and authorities. The new legislative framework meant a change in the department's role from one that emphasized provincial oversight to one that emphasizes supporting municipalities to conduct their own affairs. Manitoba's approach is consistent with that of other provinces. Municipalities have considerable autonomy and flexibility to manage their own affairs and to make decisions that they think will be best—will best meet the needs of their communities, the greater independence of municipalities balanced by imposing obligations of increased public accountability. We have also continued to strengthen the legislation by imposing additional accountability requirements.

Other bodies, such as the provincial Ombudsman, the Auditor General, the Municipal

Board and Public Utilities Board, also play a key role in the municipal accountability framework. The municipal legislative framework defines the department's relationship with municipalities and how we do our business. The intent of the act is that local councils are responsible to their citizens for decisions that they make. The act and citizens expect that as—as that as responsible and mature governments, municipalities comply with their legislative obligations. The department's primary role is to establish and maintain a relevant, enabling and modern legislative framework and build the capacity of municipalities to operate within that framework. We work in partnership with the Association of Manitoba Municipalities and the Manitoba Municipal Administrators' Association, as well as individual municipalities, as well as other bodies such as the Ombudsman.

Before we begin, I would like to tell you about the key legislative change. Previously, comments have been made about the accountability gap as municipalities were not required to report on how and when they intend to respond to recommendations made by the auditor. In 2012, The Municipal Act was changed to require councils to adopt a response to the Auditor General's report that will be public, including measures that will be implemented by the municipality and the timeline for implementation. Councils must report back annually to their citizens on their progress. This ensures citizens will know about issues raised by the Auditor General and the municipality's response to them. Ultimately, councils are responsible to the citizens who elect them.

In conclusion, the Department of Municipal Government remains committed to building the capacity of both elected and nonelected municipal officials to govern and administer Manitoba's municipalities in a fair and open and accountable manner. We did this through continuous improvement of our education and training programs, information supports, and monitoring and analysis processes and procedures.

*(14:40)

As mentioned previously, today we will be addressing the Auditor General's recommendations for the Department of Municipal Government with respect to the four municipalities. And further to St. Laurent, this is the first time the department has been before this committee to discuss the Auditor General's December 2010 report on the special audit of the Rural Municipality of St. Laurent or the

Auditor General's January 2013 follow-up report. The Auditor General made nine recommendations, all directed at the municipality. Generally, the nine recommendations of the municipality focused on improved tendering and procurement and administrative practices. The Auditor General's January 2013 follow-up report indicated that St. Laurent had implemented or resolved four of the nine recommendations, with the remaining five recommendations in progress as of June 2012. No recommendations were directed towards the department.

As I've previously stated, the Province does not play an oversight role over municipalities. Municipalities are responsible levels of government and accountable to their citizens. The Municipal Act has been changed that requires municipalities to report to their citizens on how they intend to respond to recommendations made by the auditor and report back to citizens on their progress. However, the department takes municipal issues seriously as part of our capacity building and monitoring role.

It would not be appropriate for me to speak for the council of St. Laurent. However, through our support role and monitoring, I can advise the municipality has taken action on the remaining five recommendations, and believe that, as a result, all recommendations are now addressed. Key actions taken by St. Laurent include implementation of comprehensive tendering and procurement policy, an accounts payable policy and a new grants administration policy.

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

Mr. Chairperson: Thank you, Mr. Meier, and welcome to the committee today. Welcome to the minister and to your staff and to the Auditor General's staff.

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

Before we get too far along into this, it is, I would imagine, very tempting to ask questions about

amalgamation, but those issues were not discussed in these reports and I would caution the committee that I would likely have to rule those out of order.

So we will first be dealing with the Auditor General's Report—the Report to the Legislative Assembly: Performance Audits, dated December 2010—Chapter 4—Special Audit: Rural Municipality of St. Laurent; and the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated January 2013—Section 15—Special Audit: Rural Municipality of St. Laurent.

The floor is now open for questions.

Mr. Pedersen: The five remaining recommendations, which in your report have now all been addressed, I was wondering, in terms of the tendering policy, can you give me an update as to what the RM of St. Laurent is using generally as a tendering process now?

Mr. Meier: The information we have is that the RM adopted a procurement policy outlining its practice and processes to ensure that all supplies, equipment and services are acquired in a consistent manner and provides the RM with the greatest possible value. So it's the implementation of that procurement policy, and our understanding is that it was passed by resolution in December of 2012. And our review is that the policy is consistent with the sample provided in the procedures manual and satisfies the OAG recommendation for that part.

Mr. Pedersen: And is there a minimum amount that's excluded from tenders, or is—not all—depending on the size, it—depending on the size of the tender as to whether it needs to go to tender or have multiple tenders, or is there some parameters for tendering?

Mr. Meier: We have, as part of our Municipal Act requirements, never identified the specific amount, but it's part of, my understanding, the MASH Annex, which is 502; there are some thresholds that are there about public advertising of opportunities, and that threshold is that the value of goods and services exceeds a hundred thousand or where construction exceeds 250,000. So that's the guidelines that we've provided.

Mr. Bidhu Jha (Radisson): Well, actually, and the follow-up with Mr. Pedersen's question was similar, but let me be very specific in asking two questions. Firstly is that the recommendation that implement a tendering policy, which includes a lot of things, are we there or we are not there yet?

Mr. Meier: The simple answer to that is that the municipality has implemented, and we do have a copy of the procurement policy that they have implemented, and we have reviewed it against what our recommendations and our guidelines are, and it meets the test of that as well.

Mr. Jha: Sorry—is this done or is it circulated or is it established or it's in process of being done?

Mr. Meier: It's been passed by resolution of the council in the municipality.

Mr. Jha: Now, second question is, specifically, Mr. Chair, is on this audit report, on one—page 155, I see the councillor indemnities and expenses, 2006 to 2009, it has jumped so many folds, that makes me wonder: 2008, it was—mileage was 16,373; 2007 was 16,037, which is not bad, closer; 2009, it is 27,000. So what makes that difference? Just curious to know.

Mr. Chairperson: Mr. Jha, is that for the deputy minister or the Auditor General?

Mr. Jha: Yes, to the deputy minister.

Mr. Chairperson: For the deputy minister.

Mr. Jha: There must be a reason why this has gone so high. Is this known, or it's random?

Mr. Meier: We don't have the specific breakdown as to why there would be that variance in that. The municipality would set their own guidelines associated with how they're budgeting for mileage and those types of things. So we don't have that specific information.

Mr. Chairperson: Mr. Jha, a follow-up.

Mr. Jha: Just to follow up on that, what my question was: If it had almost doubled in 2008-2009, so there could be either change in policy that allows mileages which were not allowed at one time, or something which is unknown, why this would be so high in a year's time? I'd like to know if the specific answers can be done; next meeting, it would be nice to know. That's it.

* (14:50)

Hon. Stan Struthers (Minister of Municipal Government): Maybe I can be helpful here. That's clearly a decision that the council needs to make itself. It needs to have its discussions. It needs to keep in contact with the people, its—their own constituents, then, in turn, be accountable for those kinds of decisions. The RM would need to then explain to any of its constituents why it is that they

decided to set their rates at whatever rate that is set at. That's not—that's a policy issue that this department doesn't get involved in, but certainly the RM would need to provide rationale to their own voters on that.

Mr. Chairperson: Madam Auditor General, would you care to respond to this?

Ms. Bellringer: One thing I would probably—and this won't be a new—something new, that you've heard me speak to before. When I've referred to the accountability gap, this is probably right at the heart of it, because you have a report now coming to you, and I totally appreciate the department's perspective in the municipalities needing to be operating on a day-to-day basis themselves, and yet they're not able to come back to this—they're not on your witness list to come to this committee to provide the answers that would, you know, give you all of the detail that you're looking for. You've certainly considered that in the discussions around how to improve the Public Accounts Committee, so I'd suggest that would be an appropriate place to have the discussion further, because, certainly, having the RM officials present would provide you with additional information, and also to reflect upon how it is you'd like our reports to be going to the Legislature without the ability for the Legislature to really be able to scrutinize them without that additional assistance.

Just on some of the detail, we did have a comment from the RM in—when they—when we were following up some of the recommendations and they are telling us that they're tendering over \$5,000, which is certainly a fairly low threshold but makes some sense at the level of expenditure for the RM. We also recall, but are not prepared to confirm, that the increases in the 2009 expenses were—that was a flood year and there were additional meetings and costs that the individuals incurred.

Mr. Chairperson: Thank you, Madam Auditor General, and, indeed, I do understand your comments and it will be frustrating for committee members to not be able to ask the questions directly of the municipalities. We were trying to figure out how to best deal with these particular reports without being allowed to call witnesses. It would be very nice if we were able to call witnesses from the municipalities as a Public Accounts Committee, not only to answer questions such as we just had but also in a timely manner that—certainly, municipal officials are elected on a different time frame than we are, and if there is a report that comes to this committee, we—

and we were allowed to call witnesses, it would have to be in a timely manner because some of those reeves or councillors may not be re-elected or may not choose to stand for re-election. So it'll be, I would imagine, only while they were serving as municipal officials, if we were ever allowed to call them as witnesses, that indeed would be the case.

So we'll keep working on that, and we'll hope somewhere down the road we are able to call those individuals that may be able to respond better to members' questions.

Mr. Struthers: I don't want it to be left on the table, though, that there's not an—a form of accountability happening here. Any of the residents of this RM can go to any council meeting knowing the information that we're talking about here, and they can hold to account the people who are actually responsible for that policy.

I understand the debate that we can have about whether we should call witnesses or not, but I don't want this committee to leave on the table that the RM of St. Laurent—that there's no process there to make them accountable for their decision making. They are in—that the municipal level of government is an elected, fully accountable level of government, and there are processes in place, and public processes, to make sure that they—that residents who pay those taxes can get some answers from the people that they elect to those bodies.

So I just didn't want it to be left out there, the thinking that there's—that that accountability isn't there. It may not be there the way we're talking about it here today, and that's another debate that I don't—I think we should have, but I don't want it to be left in the minds of people in St. Laurent, or any other municipality, that there's no accountability.

Mr. Pedersen: If I could just move back to the tendering. Just so I can understand here, you—the deputy minister mentioned a hundred thousand dollars on purchases, \$250,000 on construction, that tenders are required. Now, was that what St. Laurent has decided on, or is that coming out of your operating procedures manual?

Mr. Meier: Those were our thresholds. They have looked at—the RMs looked at the agreement on international—or internal trade, pardon me, and MERX, and reflected that inside of their policy, and their policy has different thresholds. So, for example, St. Laurent established its threshold, it says in the policy, of \$250,000 to \$1 million and up for all

items, services and construction projects, and it's chosen MERX as a system, and the policy goes through a number of different things.

As the auditor had indicated as well, they do have a point in the back here where they talk about a threshold for procurements of goods and services of \$5,000. So they have different thresholds for different activities. The goods and services is at \$5,000 as indicated before. Some of the larger threshold for construction projects and that are set at different thresholds inside of the policy. So it's a fairly detailed policy that they've passed, and it reflects the guidance that we provided through our documents as well.

Mr. Pedersen: Now, on these tendering—and I'm not so much about the \$5,000 on goods and services, but I'm thinking more in terms of the hundred thousand and \$250,000 thresholds—does your operating procedures manual include the requirement for multiple tenders, more than one tender or more than one competitive bid on a tender? Or is—what does your manual say in terms of the number of bidders required on any one particular bid?

Mr. Meier: To respond to the specific question of, you know, three bids or four or more, it's not that the policy that we provide or the guidance that we provide in the financial administration as it pertains to tendering and procurement doesn't say specifically two or three. It defines what a fair and equitable process is, and how you would go about that. How you'd go about selecting the best tender is part of the process as well.

So it doesn't specifically say a number, but it does provide the guidance documents for the municipality to implement a tendering procedure and procurement policy that is in line with practices in many other organizations as well.

Mr. Pedersen: So then it's based on the individual municipality if they want to set some sort of criteria in there in terms of tendering processes. And do you have any feedback, oversight on such tendering processes by individual municipalities?

* (15:00)

Mr. Meier: As indicated earlier, the word oversight was used in the past. We work closely with the municipalities to provide, sort of, the framework and work with them in the support role by developing those policies and all the rest. We do work to ensure that they have procurement policies in place and that

they meet the general guidelines and the intent that we put out in place.

But I think the important thing to remember is that municipalities are of various different sizes, from small all the way to large, such as Brandon, for example. So the type of policy that's implemented needs to suit the needs of those municipalities. So they are different, although we do look to see that they're in line with the policies and procedures that we've implemented as well.

Mr. Pedersen: I'd like to move on. Recommendation No. 9, that's on page 82 of the book that I have here was—and it's—talks about requiring grant recipients of more than a specified amount to provide the RM with an audited financial statement promptly or stop requiring it.

What is the department's recommendation in terms of grant recipients having audited financial statements, because this goes far beyond just St. Laurent? This is something that all municipalities are faced with and it has come back as a real detriment to municipalities. So I'm just wondering what the department's position is on this.

Mr. Meier: When it comes to those internal operations of the municipalities we don't have a specific oversight on or direction on the grants and the need for audited financial statements primarily because the grants can vary in different sizes from anything very small to something larger. We do ensure that they have the proper processes in place around due diligence to ensure that that's done ahead of time. Audited financial statements are to require that those grants are listed as part of that as well. So that's part of the accountability framework that we've implemented, but not a specific requirement to have audited financial statements for each grant that's provided by the municipality.

Mr. Pedersen: If I could ask, generally, the same question of the Auditor General, then. And I know this—and again, this isn't necessarily specific to St. Laurent because this happens in all municipalities, but they have grants. They give organizations, large and small, some of them very small, to—within their municipality. Does the audited financial statement that every municipality must submit or must complete, have completed, do these grants show up within the audited statement? The—and, specifically, do the—does the destination of the grant show up in the audited financial statement or is it just generally X dollars is grants?

Ms. Bellringer: I haven't looked at any of those, but I would be surprised if it's anything more than just the total for the grants that were given out. It wouldn't be a normal disclosure in a financial statement to show the detail of where it was given to. On this particular issue, what we were—what we found when we did the audit is that there was a requirement for audited financial statements from each of the organizations that the municipality was giving grants to, and yet some of them had not been submitting those. So we weren't saying that—because some of them were small amounts, we weren't suggesting that it was appropriate that each of those organizations get an audited financial statement, but that the requirement then be adjusted to take that into account. And they have—the municipality did tell us that they put a policy in place that makes the distinction between those over a certain threshold that do continue to have to submit audited financial statements and others that are just asked for certain documentation. And that's an appropriate resolution to that from our perspective.

Mr. Pedersen: Then I think that would take the questions that I have about St. Laurent, but I just wanted to add, Mr. Chair, that since this report and 2011, the severe flooding within St. Laurent, I just want to commend the municipality on really pulling through. And they were subjected to an audit which was required or which should have happened, but, at the same time, they have endured a lot of stress since then. So I just want to commend the RM of St. Laurent and the current reeve on doing such a good job of holding their community together.

Mr. Chairperson: Thank you.

Any—Honourable Dr. Gerrard?

Hon. Jon Gerrard (River Heights): Yes, just a couple of short follow-up questions. On recommendation 3, under the work in progress, that the RM tender all gravel purchases and maintenance projects above the dollar value in the proposed tendering policy, and if hourly rates are used for a project, a maximum dollar amount be set for each project.

In your reply that you received from the RM, did they specify the dollar amounts that they were going to use?

Mr. Meier: A quick review of the policy shows that they've taken out a broader approach and have formed it in such a way that when the projects are letted, they're tendering it out in such a way that it's

not by hour, but for the entire project overall to gain the—to structure the tenders in that format.

So, not specific inside of the policy, from what we've seen, have they implemented it from that perspective.

Mr. Gerrard: So, in terms of the first part, which was the dollar value in the proposed tendering policy, if it was done *in toto*, in that they are talking about two options, one which is an hourly option and one which is a total option, but, you know, what was requested was that, you know, there'd be some sort of a dollar value for the overall project. And—but it's not clear whether or not that they indicated that they will use a dollar value for the overall project.

* (15:10)

Mr. Meier: Mr. Chair, in—to ensure that we still have time, we have to review the policy to look for that specific issue.

As I said earlier, the policy was reviewed against the procedures that we've recommended, the guidelines that we've recommended, and it met those. So we'll commit to review the policy in detail to find a specific response.

Mr. Gerrard: You know—and on point No. 9 which was, again, work in progress that the RM require grant recipients of more than a specific amount either to provide the RM with audited financial statements promptly or to stop requiring it. What was the proposal, that they would require the audited financial statements promptly or would they not require it? Which direction did the RM decide to go?

Mr. Meier: Mr. Chair, perhaps I'll rewrite from the RM of St. Laurent and what they've implemented as it has to do with those grants. They require that all organizations that receive annual funding as per budget are included in the RM of St. Laurent, an annual audited consolidated statement, so that's the first one. Any festivals that run through organizations must supply the RM with a detailed financial account when reviewed by members. Any approved grant may be released. Council may, by resolution, earmark any grant monies designated to an organization and request a financial statement of the same. And then they say all small grants, so typically in the amounts between \$25 and \$250 given to graduation students et cetera, will only require a resolution from council proving the expenditure. So that's the way the council is held accountable.

Mr. Chairperson: Any other questions regarding the RM of St. Laurent? Seeing none, we will then move on to the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated January 2013—Section 14—Special Audit: Rural Municipality of La Broquerie.

Does the Auditor General wish to make a comment?

Ms. Bellringer: The only recommendation that remains outstanding—there were two that remained outstanding in the 2013 follow-up. One on the analysis of financial information provided to the department by the municipalities, and the department can fill you in on changes since that report. But that is now, as of today, considered, from my perspective, to be resolved.

But the one that does remain outstanding, and it's an across-the-board issue, if you will, not specifically to La Broquerie, and it's that the department in consultation with municipalities and external auditors review the supplementary audit report requirements to ensure that appropriate information and assurances about the administration and operations of municipalities are provided. It's a concern that we had when we did that audit, but it's a requirement in The Municipal Act for the auditors of the various municipalities to also submit a supplementary audit report.

Our concern is that there is inappropriate and too much assurance being derived from that, that there is some indication and, as a result of receiving that that you're getting comfort, whereas those that we've reviewed—those supplementary audit reports—the auditors really are not doing additional work. And it's a very minimal—they're, in effect, providing what we call negative assurance that nothing's come to their attention. So it's a caution not to take too much from those, but also the spirit of the act at the time that it was written many, many years ago is probably not being met currently.

Mr. Chairperson: Thank you, Ms. Bellringer.

Mr. Meier, do you have an opening statement to this audit?

Mr. Meier: Yes, I do, and maybe what I'll do is I'll just ship—jump down to the one recommendation that's outstanding and just speak to that one as well.

As the auditor had mentioned, it relates to supplementary audit report requirements to ensure appropriate information and 'ensurances' about the

administration in operation of municipalities are provided. So, the department has developed a preliminary plan to respond to this recommendation. The department, in considering its implementation, has taken to an account the significant challenges that municipalities and auditors have encountered relating to the introduction of PSAB, and the department intends to undertake an external review on the requirements for supplementary audits this year. The department will establish a working group comprised of key stakeholders, including municipal auditors, the Association of Manitoba Municipalities and the Manitoba Municipal Administrators' Association, to make recommendations for implementation, ensuring implementation is in a practical and cost-effective manner.

And I'd like to also note that the Auditor General also made several recommendations directed at the Rural Municipality of La Broquerie and the Auditor General's January 23rd follow-up report indicated that La Broquerie has implemented or resolved all those recommendations as well. Thank you.

Mr. Chairperson: Thank you, Mr. Meier.

Any questions?

Mr. Pedersen: Mr. Chairman, whenever it was—in 2007, '08, '09—whatever year it was we first reviewed La Broquerie, the Auditor General's first report on La Broquerie, La Broquerie was a mess. And we broke off that PAC meeting because we weren't getting any answers from the department. And, of course, that's no reflection back on you because you weren't there or the 'minist'—present minister either.

But I'm just wondering, La Broquerie, there's been a change in council since then. It appears that it's been running much better. I'm just wondering what steps the department takes without over-managing a municipality. But what assurance do we have that the department has gone back and looked at La Broquerie and the mistakes that happened in La Broquerie, and what actions the department is taken to make sure—to at least try to prevent those in the future?

Mr. Vice-Chairperson in the Chair

Mr. Meier: As mentioned, I wasn't around at the time of La Broquerie, but I've heard inside of the department, you know, how public accounts went to that point in time. And, you know, I am pleased to report that there were a number of things that were implemented as a result of the recommendations from the Auditor General, as well. And overall the—a

formal monitoring framework and policies have been in place to monitor operating deficits in municipalities overall, which was a large piece.

* (15:20)

Some of the other things that were added, and I'll just list them off for the accounts—or the committee's benefit: In 2011, the department added a new schedule, schedule 17, to the municipal financial reporting template, which provides additional detail on municipalities' year-end surplus or deficit; in 2012, the department hired a new municipal service officer who has a specific responsibility for following up with municipalities where necessary to ensure that municipalities are providing clear reasons for incurring deficits and are taking appropriate measures to eliminate these deficits, so this is a specific individual working on that; the department is placing additional focus on examining the deficit history of a municipality and the inherent reasons for the deficit. A one-time occurrence will be treated differently from ongoing deficits as well. And then, if a municipality has a history of deficit requests, further examination of the municipality's financial position is undertaken. And then, if the review uncovers systemic issues, these issues will be brought forward to senior management for action, which could involve meeting with the CAO or council.

And we believe that the original recommendation, with these measures that were put in place, is implemented. Thank you.

Mr. Pedersen: So is this new hiring of a municipal services officer—this is the primary task of this person, then, is to work with any municipality, then, across the province who is facing deficit or posting deficits, or is this just part of the overall municipal services officer's job?

Mr. Meier: So municipal service officers do have the responsibility of ongoing monitoring and they do this throughout Manitoba among the different officers that are there. However, when it's flagged by one of the officers that there may be an issue through our monitoring framework, we have a focused individual, one specific municipal service officer, that is focused on looking at the audited financial statements and the specific deficit issues.

So there is—it's a bit of a combination. There's sort of the preliminary work that every MSO does and then we have a specific individual that, should there be issues on the deficit side of things, that they

have a skill set that allows them to work through that.

Mr. Pedersen: Every municipality—and, obviously, we're talking about La Broquerie municipality here, but using La Broquerie as an example—they have their—they hire an auditor to do—complete an audited financial statement that the auditor then signs off. That statement is sent to the department. Can you tell me what happens to that statement then?

Mr. Meier: So the department has always had a process to monitor the receipt of audited financial statements, but based on the officer general's recommendation, the department has developed a more formal process to monitor and follow up on audited financial statements in the auditor's supplementary report, so as per that. So upon receipt of audited financial statements, department officials review the documents using a checklist for completeness and consistency in accordance with PSAB and to ensure financial information balances.

The department also maintains a tracking system to document any issues identified, any required follow-up with municipalities. Some of the more common issues include incorrect reporting of liabilities or accruals, and bank reconciliations not completed. Any issues or concerns identified by the auditor or her department officials are recorded in the tracking system and are immediately brought to the attention of the municipal officials or the auditor, and the department continues to follow up on the issue until it's resolved.

In some cases, the auditor's comments will indicate the issue has already been resolved by the municipality. The issue and its resolution are entered into a tracking system, and no further follow-up is required at that time. For issues that have not been addressed by the municipality, the department will ask the CAO how the municipality intends to address it, and these discussions are tracked. If multiple issues are identified, or similar issues are identified, in more than one year, municipalities are asked to provide a written explanation to the director of Municipal Finance and Advisory Services outlining how the matter will be resolved. Department officials then monitor future financial information provided by the municipality to ensure the proposed resolution has been carried out, and if the department's review uncovers systemic issues these issues are brought forward to senior management for action which could involve meeting with the CAO or council. So that's a bit of a summary of the steps that are taken.

Mr. Pedersen: What are the qualifications of the people who are reviewing these statements? Whether they be MSOs or whether they be department officials, what are their qualifications for reviewing an audited financial statement?

Mr. Meier: Mr. Chair, both of the individuals that are the ones that review the audited financial statements are CMAs. So those are the qualifications that they hold.

An Honourable Member: Must be, or are?

Mr. Vice-Chairperson: Order. Mr. Pedersen.

Mr. Pedersen: Must be, or are? The two individuals you said do have a CMA certification?

Mr. Meier: Yes, Mr. Chair, they both have a CMA designation.

Mr. Pedersen: I'll ask the Auditor General: Is that a qualification—the audited financial statements are signed off by an auditor, and his signature is on the line when—he or she—when they sign off on this. Is being reviewed by a CMA acceptable?

Ms. Bellringer: So, yes, the CMA's a—it's certified management accountant. In fact, the CMAs and CAAs and most of the CGAs across the country have just merged to form CPAs. So you won't have that confusion going forward on what all these various designations are.

The—you know, the auditor's job is to tell you whether the numbers and the statements are reflected accurately and completely. So you've got—once they go to the department it could tell you that they accurately reflect a significant deficit. So that next step. It would be important to—for the department to be analyzing it for other purposes, to now decide how they're going to deal with that. So that person would have, I mean, generally speaking, the appropriate qualifications, yes.

Mr. Chairperson in the Chair

Mr. Pedersen: Well, then, I'd just like to tell the deputy minister, in the spirit of a new year, I'm really amazed at that answer because I asked for three pages worth of questions in Estimates this summer for the qualifications of who was overlooking, over-reviewing these financial statements, audited financial statements, and the previous minister and his deputy couldn't answer that. And I was promised two pages worth of promises that I would hear back, and I never did. So thank you very much for that answer,

and there is a quality of PAC committee that we actually get some answers here, so.

However, Mr. Chair, if I still have the floor, this was not a reflection on the current minister; this is only a reflection on the deputy minister, so.

But if I may, I will get to a question here. You said that you have a preliminary plan in dealing with these supplementary audited reports; you have a preliminary plan; you're doing an external review, including the AMM and the administrators association. I think that someone calls it M2, A2 or something like that, but what is the review date? Or when does the department plan on having results and implementing this plan?

* (15:30)

Mr. Meier: Our intent is to tender for this contract in 2014 and also complete it in the next fiscal year, so '14-15.

Mr. Pedersen: In your parameters for your review of this, is—and the Auditor General had some comments earlier about whether it, like, either you should have it or you shouldn't; there's kind of grey area as to how it's implemented here. Is one of your recommendations for this review is to see whether it is—whether it should be scrapped totally, or is—have you given direction to this committee?

Mr. Meier: I think that there aren't any, I think, biases going into it, overall, if we were going to scrap it or not. I think it would bring the committee together to look at the recommendation and to come up with the best path forward. So I—you know, there's no sort of feeling one way or the other at this point in time.

Mr. Pedersen: I'm just wondering why—when you have municipal service officers that know how municipalities operate, is it really necessary to go to this extensive review? Can you—obviously, you haven't consulted municipalities for other things, but I—[interjection] But I'm just wondering why—

An Honourable Member: Going so well, Blaine.

Mr. Pedersen: It's still going well, don't worry. I'm just wondering why you need to do a review that's going to be a year down the date when you have people within your system that do know municipalities and are familiar with the supplementary audit report. Why—is it really necessary to do that, or can you not do it with in-house?

Mr. Meier: I think that, in the spirit of following up with the recommendation to look at supplemental audits, you know, I would say that internal staff are very experienced and all the rest, but sometimes it's important to have an outside look at things as well and to bring together groups like this to look at recommendations such as these. So I think that's why we're leaning—instead of just, you know, straight on implementing with the expertise we have in-house, it's good to work with organizations and to bring in some of this outside expertise as well to implement this. So that's why we're choosing to do it that way.

Ms. Melanie Wight (Burrows): I was just wondering, more on a general basis, sometimes the municipality, especially the little ones—and I'm very new to this, so I don't really know, but—I don't have any history to go on—sounds like they don't really have, sometimes, the information just on sort of the very basics, like, you know, what you need before you pay expenses or tendering or those kinds of things, because they may just not have the, you know, people with those skill sets. Is there something offered where, you know, there's training or there's some kind of, I don't know, someone who helps them figure all this stuff out if you're new or—so that it's more proactive at the front end and not us going, at the other end, you know, how come you didn't do this, after the fact? Is there also some sort of upfront proactive, we're going to, you know, help people understand? I know if you're on a board, for example, you get all kinds of things on how to do governance. They don't expect you to just know how to do it, all kinds of courses and that sort of thing are offered, and I was just wondering if there's anything like that, upfront, so that people have a better idea of what they're doing?

Mr. Meier: Mr. Chair, I think in my opening statement I talked about the role that the department has in supporting municipalities in building capacity, and what I'll do is I'll list off some of the roles we have in doing that, some of the documentation that's provided, as well.

So we provide comprehensive supports to assist municipalities in understanding and meeting their legislative requirements. So the department has developed Municipal Act procedures manual, an administrative companion to The Municipal Act that provides municipalities with practical advice on Municipal Act and requirements. The procedures manual includes template bylaws and policies and checklists that municipalities can adapt for their own use. And the procedures manual also contains a

section on the municipal council conflict-of-interest requirements as well. The department's also provided all councils with a new council guide, and I think it's this one, right—that document there, which provides councils with information on key legislative requirements, including a focus on conflict-of-interest requirements.

We also work with the bodies, such as the provincial Ombudsman, and provide support to municipalities such as the fairness guide. And what this really is, is to prepare the new councillors and mayors and Reeves and others on, sort of, providing the, sort of, basic work and information required to do their work on an ongoing basis, especially if you're brand new to it, as well. And then department officials typically make presentations at municipal conventions, including the annual Association of Manitoba Municipalities, the Municipal Officials Seminar and Manitoba Municipal Administrators' Association convention. Presenters—presentations are also made on a variety of topics including conflict of interest, as I mentioned earlier, and implementation of new legislative requirements. And then, as indicated earlier, the municipal services officers are a point of contact for municipalities and provide municipalities with advisory support on specific issues, as well as providing individual municipalities with advisory supports and the basics for good practices.

There's a number of written resources that we provide and update on a regular basis, such as a new council members guide, as I talked about; once elected, Municipal Act procedures manual, the PSAB reference manuals, statistical information for municipalities, and many others as well. And then an ongoing and past presentations that we've had at municipal amalgamation workshops is developing the amalgamation plans, is one of the things at the annual convention, the legislative requirements and providing that. So there's a number of different and ongoing seminars and courses that we work with municipalities on, so.

Mr. Cameron Friesen (Morden-Winkler): My question for the deputy minister is still on the subject of the supplementary audit report requirements. And further to the questions posed my colleague, I just wondered if the deputy minister could also indicate—he had mentioned earlier that this was a preliminary plan to respond to the Auditor General's recommendation—I wondered, could he indicate if there are other ways in which the department is intending to address the concerns of the Auditor

General with respect to the supplementary audit report requirements or if this is the whole of the initiative that will be directed to address this?

* (15:40)

Mr. Meier: Although we indicated that it's a preliminary plan, it wasn't to indicate that there were sort of other options to—implemented. That's sort of the preferred plan as we move forward is to contract out, as we indicated earlier, for some expertise, as well as to work very closely with some of the organizations we were talking on that committee to work towards it. So that is our sort of preferred plan as we move forward to implement that recommendation.

Mr. Friesen: Just further on the same subject to the deputy minister. Could he indicate also—mentioned that the recommendations for implementation would be focused on making sure they were practical and cost-effective. Are there other values or other priorities that the deputy minister is going to task this group with that they'll also have to bear in mind, or is the principal focus on making it practical and cost-effective?

Mr. Meier: Mr. Chair, practical and cost-effective were used as qualifiers, but that doesn't sort of constrain the intent of the initiative. Obviously, we'll be looking at accounting standards, and there is some interest in looking at expanding it to include some of the key governance issues such as the procedures bylaw and other things such as that. So it's not just from a practical and cost-effective manner, but also to ensure that we're capturing the recommendation completely, and the guidance that comes out of the committee that's established will be helpful in that as well as the outside expertise as well.

Mr. Friesen: Just a few more questions with respect to this. I know that the Auditor General's office has done a lot of work, which is evidenced by the number of recommendations on this file. I wondered, built into this exercise, will there be a strong suggestion for this working group to be in contact with the Auditor General's office to make sure that whatever recommendations they are bringing forward for review and possible implementation will also flow through the Auditor General to make sure they're going in the right direction as per the Auditor General's office and their concerns as originally stated?

Mr. Meier: The first thing Laurie said to me was absolutely, so it's quite unequivocal as well. But, on

an ongoing basis, we work closely on all of our outstanding recommendations to ensure that we're following a process to implement and then lead to a solution that's going to sort of meet the original intent of that recommendation, and that would be our intent in this one as well.

Mr. Friesen: My final question for the deputy minister on this subject is just this, that he mentioned that this will be done not in-house but through a contract. I wonder if he would indicate for the committee: What's the value of the contract?

Mr. Meier: Sure. The terms of reference will still have to be established for that, and then we'll have to go through a tendering process before we can establish a value for the contract as well.

Mr. Gerrard: Yes, I note that this review was—or the audit was originally done in 2008 and that the relook at what happened was done in June 30th, 2012. And after the first look, there were some 21 outstanding recommendations. And of those 21, all 11 of the recommendations which called for action by the municipality were now completed and signed off, and all the recommendations that dealt with the community development corporation were either signed off or completed or no longer needed, but as of June 2012, which was four years after the initial, only one of the three recommendations to the department had been completely signed off. And, you know, clearly in the past there has been some slowness in getting things done.

Now, this last recommendation, which we've been talking about, which was 35, when do you anticipate that it will be fully implemented?

Mr. Meier: Mr. Chair, in response to the implementation of the recommendation, I think I indicated earlier that it's our intent to look at implementation for '14-15 fiscal year, so in response to that.

And the question as to one of three recommendations and the timeliness of it, I think it's important also to understand that the implementation of PSAB and some of the financial requirements on that side were happening at the same time, so ensuring that, you know, we bring everybody up to speed on that and ensure a good implementation of PSAB, that's also delayed, my understanding, the implementation of some of the recommendations as well. So just making sure the capacity of the municipality was there to undertake, sort of, all these

changes at once. So that's part of the explanation on the timing.

Mr. Gerrard: Yes, in the recommendation No. 15, which deals with overseeing of the accounting, it appears that there will be quite a different procedure if a municipality has a deficit versus a municipality that does not. Is that correct? And what would be the difference in the approach?

Mr. Meier: The process is the same for all municipalities. When a deficit is identified, it sort of takes it into another track where we have this sort of greater level of scrutiny in working with the municipality, as well, to work through it as well. So that's sort of what I identified there, and it isn't a separate process. It's just one that takes it down a different track, as well, to ensure that we're monitoring on the deficit side as well.

* (15:50)

Mr. Gerrard: Yes, in recommendation No. 34, which deals with citizens' complaints, we're told that this has been fully implemented, and I'm just wondering precisely what the department is now dealing—doing to deal with citizen complaints. And, for example, can we know whether there were—how many citizen complaints there were in the last two years?

Mr. Meier: Mr. Chair, there is a new electronic monitoring system that's been implemented which all appropriate staff have access to as well. So on an ongoing basis we record the contacts as they come in as well, and we put them into different categories: is it a citizen complaint or ones we hear from councillors? This improves our ability to respond and identify systematic issues if we notice—or trends—if there are, you know, a number of contacts that are coming in that indicate there is issues. That's how we track it. And there is a municipal services officer that's been assigned to maintain this monitoring system and to generate weekly reports of calls received and monthly summary of reports to management which allows for the early identification of ongoing issues.

Mr. Gerrard: And, you know, how many such, you know, concerns were raised in the last two years? Do you have that information?

Mr. Meier: Mr. Chair, we'd have to return with that number and we can provide that. We've just got a—one monthly report here, so we don't have the entire two-year period that you're requesting. Are you

requesting it for a specific municipality or just generally?

Mr. Gerrard: I was looking generally. Perhaps you could give us the specific month and the number of concerns that there were.

And I would also ask, maybe you could clarify, is there a specific—does the department advertise the, you know, availability of citizens to call in concerns, and there—is there a specific place that they would come to?

Mr. Meier: I guess the important thing to remember is that a lot of times when calls come in they are referred back to the municipality. The municipality is a responsible level of government that should be responding to these. Should there be no resolution to that they come back to us and they are on that monitoring report, as we talked about before. There is a question of, you know, is the public aware of the role of municipal government as well? And as I talked about the training programs and the awareness programs that are out there, does make that public awareness occur as well.

And the other thing is that sometimes the issues are not issues for us to resolve, but are more appropriately done by the Ombudsman as well, and that type of advice is provided as well to the public when they contact us.

Mr. Gerrard: Did you have the information from one month, just to give us an idea?

Mr. Meier: That is the benefit of sitting at this end of the table. For example, when it comes back to the numbers, in the month of December of 2013 we had 13 points of contact that sort of came in to us from citizens.

Mr. Wayne Ewasko (Lac du Bonnet): Thank you, Mr. Chair, and deputy for supplying a little bit earlier on about the wide range of support materials in regards to—that the department provides to newly elected council or reeves or even those that have been sitting for quite some time.

Is there also a—within the department, is there a division of, I guess, boundaries or jurisdictions within the province that particular reps within the department sort of oversees? Like, is there a certain amount of municipalities that are designated to one or more department officials?

Mr. Meier: There is not a specific division of boundaries. The department, to my understanding, was previously arranged in that manner. But based

on my earlier comments with regards to skill sets and that the MSOs are some that have stronger financial skill sets and others that have other skill sets, we found that the service to municipalities is best served by having MSOs with the stronger skill sets to address those issues that may come up in the various municipalities.

I think it's important to indicate that there is service locations both in Brandon and in Winnipeg of our municipal support officers as well. So they're located in those two different areas.

Mr. Ewasko: Roughly how many people service those centres in Brandon and Winnipeg?

Mr. Meier: When it comes to municipal support officers that we've been talking about earlier, there are four of them inside of Manitoba to provide that support, but there is an integrated team of people inside of the department that provide the publications and the training and some of the other supports that we had indicated previously.

Mr. Chairperson: Any further questions regarding the RM of La Broquerie?

We will then move on to the Auditor General's Report—Rural Municipality of St. Clements, dated June 2012.

Does the Auditor General wish to make opening comments?

Ms. Bellringer: A coalition of citizens approached our office several times over the last couple of years with concerns in the RM. And we actually decided to just focus on one project, and we chose to look at Destination Grand Marais. This is the name given to a project in the area of Grand Marais, Manitoba. The original project included a visitor centre building, an RV park and a recreation area. The project in its final form was somewhat scaled down and included the visitor centre building, the RV park and a public washroom facility. The visitor centre building includes a heritage component which provides a history of the area and three retail store spaces available for lease.

We found that the rural municipality followed the requirements of The Municipal Act in completing the construction of the building and RV park. The RM, however, did not tender for the construction manager of either the building or the RV park, did not prepare a detailed feasibility study and does not have a disposition-of-assets policy.

*(16:00)

Mr. Chairperson: Thank you, Madam Auditor General.

Does the deputy minister wish to make 'omening'—opening comments?

Mr. Meier: This is the first time the department has been before this committee on this particular audit. This audit examined how well the municipality managed one large capital project, as we heard. And there were two recommendations for the department that came out. The first, to make it mandatory for municipalities to undertake a feasibility study for large capital projects, and the second, make it mandatory for municipalities to have a disposition of surplus assets policy.

The department supports and expects municipalities to adopt good business practices, including feasibility studies and disposition of surplus assets policy so that municipalities operate efficiently and effectively and citizens are getting good value for money. The department encourages and supports municipalities to adopt these good business practices with respect to feasibility studies. Requirements for feasibility study or a business plan are a standard requirement for several provincial grant programs, such as funding through the Manitoba Water Services Board.

Also, the department has implemented a Recreational Feasibility Study Grant Program which provides cost-shared funding to municipalities wishing to develop or expand their recreational facilities. The department has also recommended that municipalities include disposition of surplus assets guidelines in their tendering and procurement policies, which are a legislative requirement. In keeping with the municipal legislative framework, the department will continue to examine ways to support municipalities to undertake feasibility studies and implement disposition of surplus assets policies as best practices.

The Auditor General also made three recommendations directed to the municipality and, as previously stated, The Municipal Act has been changed to require municipalities to report to citizens on the measures they are taking in response to the Auditor General's recommendations.

This audit was released after the legislation was changed, and I'm pleased to advise that the municipality has reported to its citizens on how the municipality will be responding to the

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

Mr. Chairperson: Thank you, Mr. Meier.

Are there questions for the deputy?

Mr. Pedersen: So, in your remarks here, the department has implemented a Recreational Feasibility Study Grant Program which I would take affects any provincial grants going into a project, so were they—was this implemented after the Grand Marais project was started?

Mr. Meier: The examples that were provided to the Manitoba Water Services Board and the Recreational Feasibility Study Grant Program are examples of programs that provide funding and require feasibility studies or business cases or business plans to ensure that the—when the funding is flowed, those points were raised to say that when projects apply to provincial grants such as those, they are required to have business plans in place or feasibility studies as part of grant application process, and that's the reason why they were identified in those comments.

Mr. Pedersen: So in this particular project it was 306,000 coming from provincial grants, there was no requirement for a feasibility study or any other financial measurement before granting this money?

Mr. Meier: The—as part of the audit the Auditor General indicated that there was a feasibility study that was done as part of this project overall. I don't have the specific feasibility study in front of me, but I think some of the recommendations were that a more fulsome—or some components were missing from that feasibility study when it was submitted, but there was a feasibility study associated with this project.

Mr. Pedersen: In the Auditor General's recommendations the department agrees with the Auditor General's recommendation that all municipalities should be undertaking feasibility studies for capital projects. The municipality, however, disagrees with this. So what is the department's position in terms of St. Clements municipality and their somewhat refusal to accept the Auditor General's recommendation for feasibility studies?

Mr. Meier: As indicated, the department does support the recommendation that they should be undertaking feasibility studies for capital projects—those—especially those of a significant scale and cost. It's our expectation that municipalities adopt good business practices and undertake the appropriate

due diligence when planning, prioritizing or implementing large-scale capital projects. And many of the documents that I was indicating earlier, the guidance documents, indicate that this is the case and that we support that, and the intent there is that it ensures that public resources are used efficiently and effectively. And our understanding is that most of the municipalities undertake these feasibility studies and that, in fact, many of the grant programs to which they are applying, which I indicted earlier, make it a requirement as part of the application process that a feasibility study or a business plan—and I think that's common practice as well. I believe that the—part of the audit indicated that Western Diversification required this, as well, from the federal government's perspective to put funding into this as well as part of the program.

* (16:10)

So the other existing processes that ensure municipalities are giving due regard for best use in resources fall under existing Municipal Act requirements, including requirements for the development of comprehensive local improvement plans and Municipal Board approval of borrowing and capital projects and ensuring that municipalities have considered both the short- and long-term costs and benefits of implementing such capital projects.

As well, municipalities were required to provide detailed project information when applying for funding, as I indicated earlier, under various different programs, and that in 2011 the Province implemented a new provincial feasibility study grant program to fund feasibility studies for large-scale recreation projects, and to date we've supported four of those through that program.

Mr. Pedersen: This report is dated June 2012, so obviously it was completed somewhat before then. We're talking about the RM of St. Clements in this report. Has the department been in contact with the RM of St. Clements? In this report, they said they don't agree with this, but have you had correspondence or your MSOs had correspondence with the RM of St. Clements? Have they now implemented a process of feasibility studies within their municipal bylaws?

Mr. Meier: The important thing to note is that this municipality's—and this audit came out after the legislative changes we made where there's a requirement for them to report back through their council. And we can indicate that, in the minutes of July of 2012, that the Auditor General report was a

resolution that was brought to council and that council accepted the report and tabled it and that the responses of the municipality were included in the report as well. So they've gone through the process that we've talked about previously so that that accountability is there.

The RM has specifically said that they've partially accepted the recommendation and that they think there needs to be some discretion that not every project, just the major or the larger projects, require feasibility studies. And we continue to speak to the municipality about that as well in our regular contact through our MSOs and others.

Mr. Pedersen: Well, based on your response, that's fine. They've included the report in their minutes of their council meeting. The question was, more specifically, have they adopted a process for feasibility studies within their municipal bylaws?

Mr. Meier: We'd have to go back and go through the bylaws to see if they've passed a specific bylaw as it pertains to that. So we can do that work and return. We don't have that answer in front of us right now.

Mr. Pedersen: So that will be a outstanding question, then. That'll be—

Mr. Chairperson: My understanding of that would be an outstanding question that the deputy would answer after we forward those questions to the department.

Mr. Pedersen: Then, moving on to the other recommendation about disposition of assets, does the municipality—and perhaps this will be another question to take on record—does the municipality now have a disposition of assets policy?

Mr. Meier: On that one we can indicate that council adopted a disposition of assets policy on November 20th, 2012. The policy addresses disposition of vehicles, equipment and land and other surplus materials and equipment. And the RM's disposition of assets policy is consistent with proposed disposition of assets section included in the template, procurement and tendering policy provided to all municipalities under The Municipal Act procedures manual which was updated in October 2012.

Mr. Pedersen: In terms of Destination Grand Marais project itself, does—has the department had any correspondence with the municipality in terms of its completion, in terms of its return on investment or the current situation as to the specific project itself? Is this something that the department has looked into,

because that was the focus of this audit and to have an update as to the actual project.

Mr. Meier: I don't have—sorry, Mr. Chair. I don't have that—the update on the status of the project or its completion as part of the material in front of me.

Mr. Pedersen: Would that be possible to have that in a—take it as a written question to submit back to the Public Accounts Committee?

Mr. Meier: Mr. Chair, we can follow up on that request as well.

Mr. Chairperson: Other questions of the RM of St. Clement?

Mr. Gerrard: Yes, the situation with regard to the land swap. In this report we don't have a final result of what happened, to whether, in fact, the landowner was given a hundred and thirty thousand or whether there was an alternative piece of property. I wonder if, you know, what the final outcome was.

Mr. Meier: We don't have information on the land swap. It's, I believe, not carried through this department. It would be through Crown lands that we'd have to get that update.

Mr. Gerrard: I wonder if we could have that as a question, that we could get an answer from—for next time.

Mr. Meier: We can look into that information as well.

Mr. Gerrard: Yes, in the Grand Marais destination project part of the money was allocated for a commercial building. What was the nature of the commercial building and do we have any indication of whether that was commercially successful or not?

* (16:20)

Mr. Meier: I think it was indicated earlier, around having the municipality sort of report on some of these recommendations, as well. The financial viability of the sort of commercial interests and that, is something that we normally don't sort of deal with. It wasn't our project to manage overall, so it's not information that we have at our disclosure at this point in time.

Mr. Gerrard: A question to the Auditor General. I mean, the financial outcome of a project seems to be an integral part of, you know, whether or not this money was well spent or not. And I wonder if the Auditor General's office has followed up to know

whether, you know, this expenditure of public money produced beneficial results or not.

Ms. Bellringer: So, we haven't followed this report up at all yet. We normally wouldn't, but I have to admit my curiosity is definitely on the same page as the honourable member.

Mr. Gerrard: Well, I thank you. And I hope we've got, in due course, some follow up.

Ms. Bellringer: And, sadly, it won't be me personally, but hopefully you'll have a new Auditor General to do so.

Mr. Gerrard: Thank you.

Mr. Ewasko: Going back to the feasibility study, Mr. Deputy, in regards to one of your responses, you shared that the feasibility study should be done and completed and—in regards to significant scales and costs of the project, do you have some sort of benchmark in your own mind or does the department have some sort of benchmark that they're thinking that a feasibility study should be done with a certain scale or cost to that?

Mr. Meier: We haven't identified a specific threshold or I haven't identified a specific threshold, but looking at the granting programs, those programs that provide funding for these types of projects, they would have thresholds built inside of them. For example, the Manitoba Water Services Board, for water and waste water projects, would have specific thresholds whereby business plans or feasibility studies would be required on application grants that would go forward to that organization. And it would be the similar situation for other funding agencies that—or granting agencies that provide that as well.

Mr. Ewasko: In regards to earlier, I know the member from Burrows had asked, in regards to the resources available to council and reeves and that, is there a specific—for lack of a better term, a how-to develop the feasibility study, and is there an avenue or sector of the department that's allocated to helping municipalities out with those plans?

Mr. Meier: Mr. Chair, the question was are there resources available inside of the department that would provide that. And generally it's part of the MSO's role, working with municipalities and CAOs, on developing sort of that relationship moving forward. They certainly would provide guidance to municipalities around, you know, where to contact for support for feasibility studies. Or if they were to contact, for example, the Manitoba Water Services

Board, they would indicate, as well, feasibility studies required for projects that go forward to the board as well. But we're not familiar of a specific guide or a document that provides that information.

Mr. Ewasko: So I'm not sure if this is a—well, I guess it's partially a question, maybe more so a comment that there seems that—to be quite a few resources that the deputy has stated, whether that's made-to, how-to manuals, or what have you, around those different concerns or questions that the municipalities would have. It sounds to me, though, as if the deputy is—and correct me if I'm wrong for putting any words in your mouth, Deputy—but it's basically up to the municipalities to ask. And at times, if we are at a great sort of arm's-length approach from dealing with municipalities sometimes, whether they're new municipalities or not necessarily new municipalities but smaller municipalities as the member from Burrows had mentioned, I would think that sometimes, whether it's councillors or reeves, sometimes you just don't know what you don't know. And I would sure hope that many of the councillors and reeves know to possibly pick up that phone or send an email into the department to ask for that help if they do feel that they need that or any information going forward as well.

Mr. Chairperson: Mr. Meier, would you care to comment?

Mr. Meier: As indicated before, there is that ongoing relationship and it's a very close relationship between the MSOs and the municipalities and the CAOs or their administrative officers. So I think that, you know, the—one of the first calls would be to an MSO for that type of support because of the relationship they've built with those administrators in the municipalities to provide that support. You know, this was—there was a question in regards to is this a specific document that's a guide or something like that, and in this particular case there isn't. Although I would say that there are a lot of other lending agencies or granting programs that make this a standard practice when applications come forward as well. So I think that relationship overall with the MSOs is one in which we're—municipalities would reach out for that support.

Mr. Chairperson: Given that it is approaching 4:30, which is the time we agreed to revisit our schedule, is—what is the will of committee?

Mr. Pedersen: I think we could use a half an hour to wrap up this and the next report.

Mr. Chairperson: What is the will of committee?
[Agreed]

All right, we will sit 'til 5 o'clock.

Mr. Pedersen: Given—

Mr. Chairperson: And revisit at that point, sorry.

Mr. Pedersen: The Grand Marais—Destination Grand Marais project was \$3.6 million. Is there a cap on the amount of capital that a municipality can borrow, and what is the formula on that?

* (16:30)

Mr. Meier: You know it's a good guide when I'm going to refer to it as well, and it's—the answer's right inside of the book, but there's a lot of pretext here as well. But the guideline for borrowing is 7 per cent of the municipality's taxable assessment and 20 per cent of the municipality's revenue. So that's the guideline that's used. There are exceptions for health and safety reasons or emergencies such as environmental emergencies or others, but that's the guideline that's used.

Mr. Pedersen: So does it—and I am assuming, and maybe I shouldn't do that, but I'm assuming the department monitors this through their—through the financial statements, through capital budget projections. How does the department monitor this? And I'm—I guess I'm a little more concerned in St. Clements' case, when they—refusing to do a feasibility study. How do you monitor this in the case of using St. Clements as an example?

Mr. Meier: The borrowing of a municipality, we do track it. We talked about earlier about the deficits and the other things, and I won't repeat all of that. But the other thing is that under the legislation there's a requirement that borrowing must be forwarded to the Municipal Board, which takes a—sort of a broader view and looks at the guidelines and the other spending and the wherewithal, really, of the municipality overall to borrow this amount and its ability to pay back, as well. So there is that oversight view which involves the Municipal Board as well.

Mr. Chairperson: Any further questions regarding the RM of St. Clements?

We will then move on to the Auditor General's Report—Rural Municipality of Lac du Bonnet, dated August 2013.

Does the Auditor General wish to make an opening statement?

Ms. Bellringer: In March 2008, we began receiving allegations about poor administrative practices in the RM. We reviewed the more significant allegations. Our findings support many of them. Administrative practices in the RM and in the Lac du Bonnet planning district were inadequate. Overall, practices need to be improved, and the Department of Local Government should increase its oversight of the RM and the planning district to ensure the improvements occur, and we made a recommendation to both of them.

Lastly, we draw the Province's attention to sections 3, 5 and 6 of this report for follow up. Section 3's on a conflict of interest that existed. Section 5 is on a ditch that was improperly built, and the Emergency Measures Organization paid for the repair. And section 6 on—the RM violated The Municipal Act when it wrote off taxes.

The other sections of the report cover a water project; The Municipal Act was not followed, zoning bylaws were not followed and work was inadequate. The RM did not follow tendering policy, and we also found that the councillors' expenses did comply with the indemnity bylaw.

Mr. Chairperson: Thank you.

Does the deputy minister wish to make an opening statement?

Mr. Meier: Just quickly—the audit examined the need for the improvement of administrative practices, and, as stated, the auditor made two recommendations for the department.

The Auditor General recommended the department monitor the progress of how the municipality's improving its administrative practices. To this, the department has assigned a municipal services officer to liaise with the municipality and provide support to the municipality as required. And I can report that the municipality of Lac du Bonnet has made significant progress and has taken several actions, including updating of bylaws, updating their tendering and procurement policy and implementing a new filing system as well.

And the Auditor General has also recommended the department follow up on property taxes that the municipality wrote off on a tourist camp. And I'm pleased to advise that the department has followed up with both the municipality and Manitoba Conservation and Water Stewardship, and we continue to follow up on that matter as well.

And there was one more recommendation directed to the RM of Lac du Bonnet. And, as I previously stated, The Municipal Act has been changed to require that they report through their citizens on the measures they're taking in response to the recommendations as well. And the audit was released after The Municipal Act was changed, and I'm pleased to advise that the municipality has reported to its citizens on how it will be responding to the recommendations, and we will continue to support the municipality as they complete the implementation and continuing to report to their citizens as well.

Mr. Chairperson: Thank you.

Questions regarding this report?

Mr. Pedersen: There are a number of—as has been stated, there are a number of discrepancies, if I may call them that, that happened in the RM of Lac du Bonnet. I'm just wondering what has been the role—if you could expand on the role that I would expect your MSOs have taken in helping. Obviously, through a lot of this there was, whether what's a lack of experience or just not understanding the rules, whatever it was. What role has the department taken in making sure that the RM of Lac du Bonnet carries out the due diligence and does not have these type of problems happen again?

Mr. Meier: In regards to the action the department took—and I'll get into a little bit more of the specifics. In my opening comments, I indicated that a municipal services officer has been assigned to monitor the RM's progress in improving its overall admin practices. The MSO regularly contacts the RM, at minimum monthly, to provide the RM with advisory support as required. And also, a single MSO, we find, ensures that a consistent point of contact for the RM is reached.

Since receiving the report from the auditor, the RM has taken action to address the auditor's recommendations, and key actions have included reviewing and updating the bylaws as required.

To date, the following bylaws have been updated: organizational in March 2013; FIPPA designate bylaw in July 2013; civic addressing in September 2013; flood conditions reserve in April of 2013; council indemnity in April 2013; they have a cemetery bylaw, increased plot fee in 2013; fire department bylaw in 2013; election officials, increased wages in July; campaign finance bylaw in September 2013.

So the RM continues to review its bylaws and is in the process of preparing a new zoning bylaw, a building bylaw and a lot grade bylaw, and also being drafted to co-ordinate with the new zoning bylaw. And they've also updated their tendering and procurement policy in March of 2013, in addition to those.

* (16:40)

Mr. Pedersen: So the MSO is working closely with the RM, given on that—given that answer, that response. But what I'm concerned about is that prior to this going to the Auditor General, there were numerous complaints from citizens within the municipality, you know, and some of them seemed to be somewhat obvious here. You have a building inspector that was also elected as reeve, and if that isn't a flag for a conflict of interest or just poor management, I'm just wondering where the department was—why did it have to end up getting this bad before the department, the MSO or your department got involved in helping the municipality with—where they obviously needed some guidance?

Mr. Meier: Mr. Chair. In fact, prior to the OAG review as well, the department did meet on an ongoing basis with the CAO, the council, also with AMM to work with the—work on these complaints that were raised. As a result of that, in July 2012, legislation was amended to address the situation of conflict of interest similar to the one that we had in Lac du Bonnet so that such situations will not occur again as it moves forward. So there was the ongoing work and then the legislative change to provide that such a conflict of interest doesn't arise again.

Mr. Pedersen: And legislation was changed; I can appreciate that. But what process, without being—overburden the municipalities, what process does the department have in place to make sure that this type of thing doesn't happen elsewhere? You have the experience of what happened in Lac du Bonnet. Without micromanaging municipalities do you have systems in place to make sure that this doesn't happen again?

Mr. Chairperson: Mr. Wiebe—or sorry, Mr. Meier.

Mr. Meier: It's been a long day. My name's even changing.

I've reviewed earlier, I think, when we were talking about La Broquerie as well, how the department has strengthened the way it tracks information about the queries that we've received and the issues raised and the follow-up actions that are taken as a

result of that, and I think if you look at the time frame, my understanding is between when issues were raised in La Broquerie and dealt with versus when they were in Lac du Bonnet, the response is much quicker.

I've indicated that the department met with the council at various different levels, bringing in different groups, including the AMM, to highlight the issues that were raised there as well, and those recommendations were brought to council. And I think in your comments that you had indicated as well that there is this delicate balance, and we've talked about it before, that, you know, we don't run those councils. We provide the guidance and the support mechanisms to allow them to function overall and—however, if those recommendations that are brought forward to council are not adopted, and in this case, you know, I was made aware that, you know, all the way up to the deputy minister meeting with the council as well was done, which is a very senior level inside of the department, but if it's not adopted, there's, I mean, it's just, you know, the council doesn't move it forward. So there were a number of those conversations and interventions that were done along the way as well.

Mr. Pedersen: Just a question under the AG, based on the deputy minister's answer, we've dealt with a group of municipalities this afternoon, does this give you any comfort that the department is actually, perhaps, a little bit more on top of problems as they show up or are we destined to head into the same thing?

Ms. Bellringer: Well, I don't have a crystal ball, so I don't know where it will go. I have seen more activity in the last year than if I look back over the last eight. Has it increased? Yes, it has. I've, you know, I've always felt on the 99 per cent of the issues that come to the department that the process that they've always followed over that period was going to be sufficient, and the education piece is significant and the association's involvement is also significant.

There are a few consultants who are out there helping troubled municipalities, so, you know, there are other tools available. The Ombudsman's office has certainly taken an active role and issued some proactive pieces around fairness monitoring and so on. But, in that 1 per cent where you know there is a problem, I have to admit, I still lean towards intervention. While I also respect the fact that that's not necessarily—it's probably entering into a policy

discussion, and so I leave it to you, but I can't help but have an opinion on it.

Mr. Ewasko: To the deputy: who is the MSO, right now, assigned to liaison with Lac du Bonnet?

Mr. Meier: Mr. Chair, the MSO is Linda Baleja.

* (16:50)

Mr. Ewasko: Part of the comments that the deputy has made over the last few reports from the various municipalities is the fact that you do not necessarily govern over the municipalities, and I don't think that's anything that anybody here is wanting you to do. On more than one occasion you've mentioned how you work—how you'd rather choose to work with the municipalities, and, as the Auditor General had mentioned about the preventative action, when the various concerns, issues, complaints come to the department in regards to a said municipality, how many of those complaints go on to the MSO who is charged, I guess, with the liaison with the municipality? How many of those concerns or complaints actually get in front of council or reeve or the CAOs, and actually try to come up with a solution to the issue or the problem before it does have to get to a stage where the municipality gets some sort of audit?

Mr. Meier: To my understanding, the citizen complaints that are raised to the department proper are passed on to the MSOs that are responsible.

The question, I think, went further to how many of those go in front of council. And I think that's an important aspect, is that we encourage council to deal with these types of issues that are raised. And they should be raised to the appropriate level of government, and we encourage that. And that's the support of a mature and properly functioning level of government as well, which we fundamentally support through our MSOs and much of the other information that we were indicating today. So it's encouraging those to be raised at council for council members to deal with as part of their ongoing business. But, when they are raised to us, the MSOs are made aware of them as well.

Mr. Ewasko: The MSO is—and I apologize, I didn't quite catch the name of the MSO that's liaison with the RM of Lac du Bonnet—but their responsibility—they're continuing to follow up on these recommendations.

Do we see any timeline, or is this going to continue on throughout this—the rest of this term for

the municipal councillors and reeves? Is this going to continue after the fact? Is there going to be—again, these are some of the issues that had happened in the past, some history lessons type of stuff. But what is the plan going forward?

Mr. Meier: As I indicated earlier, there's a number of others—there is really the two different issues. One of them is the administrative practices inside of the municipality. And I indicated that there were a number of different updated procedures and bylaws and an ongoing work that's happening at the municipal level, with the support of the MSO as well.

When it comes to the conflict of interest on that one, there has been a change that's addressed that overall. But I think that, you know, the ongoing work that we do through the MSO provides that sort of understanding going forward as well.

Mr. Gerrard: One of the parts of this audit report which drew my attention was that which dealt with the Emergency Measures Organization, and the money—public money—that was spent. And it appears—I mean, what we're told is that this ditch repair did not work. Not only did it not work, but the quote is that wherever the contractor was, the erosion got worse instead of better. It looks to me like it was total waste of taxpayers' money, and yet there's no recommendations.

And so I'm going to ask the Auditor General: Why are there no recommendations to, you know, eliminate such waste?

Ms. Bellringer: We didn't make a specific recommendation, but it is one of the three sections that we asked the government to follow up.

Mr. Gerrard: I would ask the Auditor General if she would care to, you know, provide a suggestion as to what could be done to avoid such waste in the future.

Mr. Chairperson: If I could just interject for a minute, I know there are some discussions going on around the table. Perhaps they could remove themselves to elsewhere to have those discussions, so we can hear the questions and the answers.

Ms. Bellringer: While we didn't call it a recommendation, and we didn't actually word it in that way, we did point out that the Emergency Measures had not made it a condition of the payment, that the RM—they went through a discussion with the RM, saying that the RM alone is

responsible for its relationship with the contractor and, if the contractor was negligent, that the municipality should either ensure that it was done right or sue the contractor.

My suggestion would be, if you have the—if you have any doubt over that, that Emergency Measures should make a condition of the payment that it be pursued by the municipality or whichever organization that they're funding in any of the disaster financial assistance.

Mr. Gerrard: Yes, my question to the deputy minister, just in terms of following up on this situation, which I think is a significant issue because when you're dealing with Emergency Measures there are—I mean it's public dollars and sometimes there are, you know, when a municipality is getting public dollars, either from the provincial or the federal government, and what measures are going to be taken to prevent these sorts of problems in the future?

Mr. Meier: Mr. Chair, from the municipal perspective they do work on their policies and procedures, as we've talked about before. On the EMO side, we don't, in this department, have direct responsibility for this section of the report. I would take it that, you know, as with any auditor general report, recommendations and comments that are made, these are being followed up by the department that's responsible for that to ensure that any exposure on this side would be covered off in the future moving forward.

Mr. Gerrard: Yes, I would ask, just while we're on this, that when this comes back next time that the—we see if we can have a representative from the Emergency Measures Organization, the department responsible, because I think this is a significant issue which warrants some follow-up.

In this circumstance, we're dealing with fixing a drain. In my experience working with a number of municipalities and looking at what they've done where you're trying to manage water, one of the failures often has been just more and more drains instead of looking at how you can retain water and decrease the problem often more effectively, and I wonder whether, from a municipal point of view, whether this was explored at all from the department's point of view when they saw this problem.

Mr. Meier: The support we talked about earlier through the MSOs is just general support for the

municipalities through the administrative side. The municipalities also work very closely with other departments. Drainage is a complex issue that involves the departments of MIT and the departments of Conservation and Water Stewardship as well that look at those overall impacts of drainage and the benefits and I know there's a—you know, based on past practice, there is a whole guideline around when drains are approved and maintained and many of the things you talk about, such as retaining water on the land and drainage and all that's looked at when something's approved. I'm not sure of the particulars in this case and what that went through, but that's generally the decisions and the review that's done when drains are approved to move forward or licensed moving forward.

Mr. Chairperson: Before we move on, we're now approaching five o'clock, which was the time we would revisit to see what was the will of committee.

Hon. Jennifer Howard (Minister of Finance): Well, I say we see if there's a will to pass any of these reports and then adjourn.

Mr. Chairperson: So shall we extend the time, say, 'til 5:30 and revisit at that point?

Ms. Howard: No. If you want to put the questions now about passing these reports, I think we're prepared to [*inaudible*] those.

* (17:00)

Mr. Chairperson: I have further questions about the reports though, so I need to see if the committee would wish to have those questions asked or extend the time.

An Honourable Member: Well, then, I guess we come back another time.

An Honourable Member: Committee rise.

Mr. Chairperson: Well, hearing nothing further, committee will then rise and we will revisit this another—[*interjection*—we will go back to the ones that we did consider.

Does the committee agree that we have completed consideration of Chapter 4—Special Audit: Rural Municipality of St. Laurent, of the Auditor General's Report—Report to the Legislative

Assembly: Performance Audits, dated December 2010? [*Agreed*]

Does the committee agree that we have completed consideration of Section 14—Special Audit: Rural Municipality of La Broquerie, of the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated January 2013? [*Agreed*]

Does the committee agree that we have completed consideration of Section 15—Special Audit: Rural Municipality of St. Laurent, of the Auditor General's Report—Follow-Up of Previously Issued Recommendations, dated January 2013? [*Agreed*]

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

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. The report is not passed.

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

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. Therefore, the report is not passed.

Thank you to the minister, deputy minister and staff, the Auditor General and her staff and to our Clerk and researcher and Hansard staff and to our page. That concludes the business before us.

The hour being 5 o'clock, what is the will of committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Before we rise, it would be appreciated if members would leave behind any unused copies of reports so they may be collected and reused at the next meeting.

Committee rise.

COMMITTEE ROSE AT: 5:02 p.m.

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