

Second Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Jim Maloway
Constituency of Elmwood

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, June 25, 2020

TIME – 4 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jim Maloway (Elmwood)

VICE-CHAIRPERSON – Ms. Janice Morley-Lecomte (Seine River)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Messrs. Johnston, Lamont, Lindsey, Maloway, Michaleski, Mses. Morley-Lecomte, Naylor, Messrs. Smith, Teitsma, Wasyliv, Wishart

APPEARING:

Mr. Tyson Shtykalo, Deputy Auditor General

WITNESSES:

Hon. Sarah Guillemard, Minister of Conservation and Climate

Mr. Blair McTavish, Acting Deputy Minister of Conservation and Climate

MATTERS UNDER CONSIDERATION:

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

Section 16 – Managing Climate Change

Auditor General's Report – Follow-up of Previously Issued Recommendations, dated May 2015

Section 1 – Managing Climate Change

Auditor General's Report – Managing Climate Change, dated October 2017

Auditor General's Report – Forensic Audits, dated October 2018

Thompson District Office: Special Audit of Missing Licences and Cash Management Practices

Auditor General's Report – Follow-up of Recommendations, dated March 2020

Managing Climate Change

Thompson District Office: Special Audit of Missing Licences and Cash Management Practices

* * *

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

Before I begin, I would like to draw everyone's attention to the public gallery. Joining us this afternoon, we have the new pages who will be joining the Assembly for the upcoming school year. This is their first time watching proceedings of the Assembly and I hope you will all join me in wishing them the best of luck for when they start their new position.

This meeting has been called to consider the following reports: the Auditor General's Report–Follow-up of Previously Issued Recommendations, dated May 2014, Section 16–Managing Climate Change; (2) the Auditor General's Report–Follow-up of Previously Issued Recommendations, dated May 2015, Section 1–Managing Climate Change; (3) the Auditor General's Report–Managing Climate Change, dated October 2017; (4) Auditor General's Report–Forensic Audits, dated October 2018, the Thompson District Office: Special Audit of Missing Licences and Cash Management Practices; (5) the Auditor General's Report–Follow-up of Recommendations, dated March 2020, Managing Climate Change and then the Thompson District Office: Special Audit of Missing Licences and Cash Management Practices.

For the committee's information, I have before me the resignation of Mrs. Smith, Point Douglas, as a committee member of the Standing Committee on Public Accounts. Therefore, I would like to welcome Ms. Naylor as a new PAC member.

Prior to dealing with this afternoon's business, I'm pleased to table the responses provided by the Deputy Minister of Infrastructure to the questions pending responses from the June 10th, 2020 meeting. These responses were previously forwarded to all the members of the committee by the research officer.

And, before we get started, are there any suggestions from the committee as to how long we should sit this afternoon?

Mr. Andrew Smith (Lagimodière): Until 6 p.m.

Mr. Chairperson: Okay. Yes, the suggestion was we sit 'til 6 p.m.

Is that agreed? *[Agreed]*

And, now, it's my understanding that there's a willingness to deal with the outstanding follow-ups from 2014 and '15 titled Managing Climate Change first. Is that agreed? *[Agreed]*

Are there any questions or comments on these reports?

An Honourable Member: No.

Mr. Chairperson: None?

Does the committee agree that we have completed consideration of Section 16—Managing Climate Change of the Auditor General's Report—Follow-up of Previously Issued Recommendations, dated May 2014? *[Agreed]*

Does the committee agree that we have completed consideration of Section 1—Managing Climate Change of the Auditor General's Report—Follow-up of Previously Issued Recommendations, dated May 2015? *[Agreed]*

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

Ms. Lisa Naylor (Wolseley): Can we globally consider the Managing Climate Change from October 2017 with the Follow-up Recommendations from March 2020—oh, and then the Thompson district special audit of missing and cash management practices?

Mr. Chairperson: *[Agreed]*

At this time, I—*[interjection]*—pardon? Oh, okay.

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

Mr. Tyson Shtykalo (Deputy Auditor General): I would first like to introduce some of the staff members I have with me today. I have Stacey Wowchuk, assistant auditor general for the performance audit area, and Grant Voakes, who was a principal on the climate change audit.

Mr. Chair, climate change refers to the change in long-term weather patterns over decades and centuries. The potential impacts of climate change pose a threat to infrastructure, human health and well-being, the economy and our natural environment, both in Manitoba and globally.

* (16:10)

Recognizing the significance of these threats, we initially looked at climate change in 2010, examining the management of Manitoba's climate change

initiative, including systems and practices for planning, project management, selecting and funding individual climate change projects and reporting.

Our 2010 report contained 15 recommendations. We followed up on the status of these recommendations for three consecutive years. At the conclusion of this process in 2015, we found that only two of our 15 recommendations had been implemented.

In 2017, we re-examined whether the Department of Sustainable Development was adequately leading the Province's response to climate change. This work was part of a collaborative audit initiative involving most provincial legislative assemblies—or, sorry, most provincial legislative audit offices, and the Auditor General of Canada.

The offices agreed to work together to determine the extent to which federal, provincial and territorial governments were meeting commitments to reduce greenhouse gas emissions and adapt to climate change.

Mr. Chair, as with our previous audit, we found several gaps in the planning, monitoring and reporting processes for initiatives aimed at reducing greenhouse gas emissions and at adapting to climate change impacts.

Our recommendations essentially mirror the findings of the 2010 report and highlight the minimal progress that has been made. More specifically, our 2017 audit found that there had been little change in Manitoba's greenhouse gas emission levels over the past decade. At that time, Manitoba had no updated emissions reduction target or concrete plan for reducing emissions. We found the department had been working since 2011 to identify and assist—assess the risks associated with climate change impacts in Manitoba. However, this work was not completed and the Province could not prioritize identified risks and develop a provincial adaptation plan.

Further, Manitoba's climate change plan had only high-level strategies and lacked accompanying details and estimates of emission reductions and associated costs. While we found the government departments were generally aware of potential climate change impacts such as increased severe weather events and were beginning to plan for these on their own, we noted a more co-ordinated response was required.

Mr. Chair, I'm pleased that the department has accepted our recommendations and we will continue

to follow up on the status of these recommendations for two more years.

Thank you, Mr. Chair.

Mr. Chairperson: Thank you.

And does the deputy minister wish to make an opening statement?

Mr. Blair McTavish (Acting Deputy Minister of Conservation and Climate): I'd like to begin by thanking—again thanking the Office of the Auditor General for their continued assistance in working with our department on the recommendations of the government's response to climate change and the oversight of the licence and cash management practices.

The recommendations of the audit report have assisted Manitoba Conservation and Climate in improving the implementation of the Made-in-Manitoba Climate and Green Plan, as well as in the administration of the licence and cash management and the development of the department. I understand we'll talk about that later.

The OAG recommendations in the Managing Climate Change audit provided valuable guidance to the department in the development of A Made-in-Manitoba Climate and Green Plan: Hearing from Manitobans, which was released in 2017. The plan is a comprehensive and dynamic document that proposes a strategy for addressing climate change as well as a blueprint for Manitoba to build a prosperous, green economy, protect our valuable water resources and conserve natural and healthy ecosystems.

The Climate and Green Plan Act was passed in November 2018, and the law provides the department with the legislative tools to implement our made-in-Manitoba green plan and our carbon-pricing system. Significant progress has been made towards the implementation of the 2017 plan, supported by recommendations of the Expert Advisory Council and a unique carbon savings account—sorry, unique carbon savings account mechanism and target, both created through the act. Manitoba will be the first jurisdiction in North America to introduce this model for greenhouse gas target-setting at governance.

The carbon savings account—that's a five-year cumulative emissions reductions budget, opposed to setting a target for the year end—for end year on the—of the account period. Cumulative emissions budgets limit the total emissions over a given period, while emission targets do not. Based on

the recommendations of the Expert Advisory Council, Manitoba adopted a carbon savings account goal of 1 megaton emission reductions for the period of 2018 to 2022. If a target is not met at the end of the five-year period, a debit function will ensure that the shortfall is carried over—excuse me—into the next carbon savings account period.

The carbon savings account approach to setting and achieving ongoing five-year reduction targets, as well as illustrated scenarios and assessments of projected emissions reductions from potential measures, is significantly more effective in setting a long-term goal, particularly if there is no plan to achieve such a goal, as previously noted in the Auditor General report in October 2017.

The government's commitment to increasing emissions reductions over each carbon savings account period implies a high level of sustained ambition and more deterministic pathway. In addition, the Manitoba government signed the—into the Pan-Canadian Framework on Clean Growth and Climate Change in February 2018. The framework concludes that the federal, provincial and 'terrial' governments will work collaboratively to grow the economy, create good-paying and long-term jobs and reduce greenhouse gas emissions in support of meeting or exceeding Canada's 2030 target. The path to achieve the current carbon savings target is also supported by work of the Expert Advisory Council and its recommendations to government from June 2019.

The goals—to ensure the goals outlined in the plan are met, Manitoba is already taking action. Significant progress has been made, including—excuse me—the shutdown of Manitoba's last coal plant in twenty thousand—2018, ahead of schedule; the 'efficiency' trucking program, a financial program to assist heavy equipment owners in—to install fuel-savings technologies; the program is a partnership with the federal Government of Canada; the launch of Efficiency Manitoba in its first three-year efficiency plan on April 1st, 2020; and a plan to implement higher renewable fuel targets in Manitoba, increasing the minimum ethanol content in gasoline to 10 per cent and a renewable diesel content in diesel fuel to 5 per cent; the launch of the GROW and Conservation Trust, with a total investment of \$204 million; and continued funding for climate mitigation and adaptation projects through the Manitoba climate and green fund, with an allocation of \$40 million to support the implementation of the plan.

The Manitoba government has also taken steps to implement a green levy, which it will be more effective at reducing emissions than the federal carbon tax, at a lower cost to Manitobans. The made-in-Manitoba Green Levy is—consists of two elements: a flat \$25 per ton carbon price and a separate outbased pricing system. The outbased pricing system, or OBPS, is a emission-compliance scheme for industrial facilities competing in emission-intensive, trade-exposed sectors of the economy.

The aim of the OB—the outboard—outbased pricing system is to protect the business 'competinive' for Manitoba industries while retaining the incentive to reduce carbon emissions. The made-in-Manitoba carbon pricing system is based on sound data and analysis; extensive modelling was undertaken to provide emissions of greenhouse gas—estimates of greenhouse gas emission reductions from a wide range of carbon-pricing scenarios as well as the potential economic impacts. The results of the modelling show that the Made-in-Manitoba Climate and Green Plan, including its flat rate of \$25 per ton on carbon, prepared with the outbased pricing—paired with the outbased pricing system for large industrial emitters will 'redrust' provincial greenhouse gas emissions by almost twice the amount of the federal carbon tax: 2 million megatons—2 megatons versus 1 megaton.

At the end of the five-year carbon-saving period, the government must prepare a final report on emissions during that period, including estimate—assessment on whether the goal was achieved. The Expert Advisory Council supports these efforts by establishing the methodology and benchmarks to measure the carbon savings progress. In addition, progress towards meeting the carbon-savings targets and the actions were taken—that were taken are being reported on an annual basis. For each significant initiative undertaken, the report will include the emissions reductions realized, the related costs, and whether any secondary goals were achieved. We expect the first annual report to be released in the near future.

Our goal—our plan is to include important measures to help Manitoba adapt to the climate—the changing climate. For example, a key action proposed in the plan is to—for the provincial vulnerability and risk assessment. The assessment will increase understanding of climate impacts and adaptation, enhance adaptive capacity and promote the use of climate information and decision making within the government and across Manitoba. Excuse me.

Manitoba participates in the Prairies Regional Adaptation Collaborative: Alberta, Saskatchewan and Manitoba share information on a partner—or partner on projects for better understanding of adaptation needs. And, most notably, Manitoba was instrumental in working with environment—Environment and Climate Change Canada in the creation of a regional—prairie regional climate data and service hub called the prairie climate service network. Manitoba was successful in attracting that work sector to Winnipeg.

* (16:20)

Finally, the government has made progress towards finally defining its roles and assigning responsibilities to the implementation of the different aspects of the plan as recommended by the Auditor General.

The creation of the Climate and Green Plan Implementation Office is a key milestone in achieving this recommendation. The office reports centrally to the Clerk of the Executive Council, understanding the whole of government approach to the climate and green plan. This approach is necessary to address the urgency of climate change and recognizes that addressing climate change requires actions across all government departments.

Together, these initiatives will encourage us to keep track of our progress on an ongoing basis just as required. Climate change is a pressing global issue. We know that there will be challenges ahead and we look forward to the opportunity to work with our partners in the province to show that Manitoba can be leaders. The department will continue to use these insights to guide our work in this important initiative. Thank you.

Mr. Chairperson: Thank you. Before we proceed further, I'd like to inform those who are new to the committee of the process that's undertaken with regards to outstanding questions.

At the end of every meeting, the research officer reviews the Hansard for any outstanding questions that the witness commits to provide an answer and will draft a questions-pending-response document to be—to send to the deputy minister.

Upon receipt of the answers to those questions, the research officer then forwards the responses to every PAC member and to every other member recorded as attending the meeting.

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 wants to defer to the minister to respond to, that is something that we would consider.

The floor is now open for questions.

Ms. Naylor: So, in the 2017 report, the Auditor General called for the use of scientific and economic analysis to help it set short, medium and long-term targets for reducing greenhouse gas emissions in recommendation No. 2.

Then, on June 11th, 2019, the government released a press release saying they had set a realistic achievable greenhouse gas emission reduction goal and that they have relied on their expert advisory committee.

Yet in the March 2020 follow-up report the Auditor General says that the establishments of targets is still a work in progress.

So, from this, it seems that the government claimed last year that they'd set the goals and talked to experts to meet the recommendation, yet the Auditor General is saying that, in fact, this wasn't done.

So can the Auditor General explain why this recommendation remains outstanding?

Mr. Shtykalo: So, when we looked at our follow-up in September 30th, 2019, we did see that there was definite work being made to set short, medium and long-term targets based on scientific and other analysis.

However, what we saw at the time didn't go through the process of setting, like, a long-term goal supported by several shorter term goals making up to it. So, at that point, while it definitely is in progress, we didn't see this completely implemented.

Ms. Naylor: So, can you—from your perspective, what do you feel that the government announcement achieved, then, in regard to these goals?

Mr. Shtykalo: The question was when—they?

Ms. Naylor: What was achieved by that announcement?

Mr. Shtykalo: I believe that they had started some significant work towards setting targets but more

work was necessary to complete a shorter time frame to support those longer term goals.

Ms. Naylor: So what would it take to fulfill this obligation, then?

Mr. Shtykalo: Well, I'll remind the Public Accounts Committee that we are actually very shortly going to be starting our second follow-up, which will be as at September 30th. So we will be reaching out to the departments, and this is something that we will definitely be taking a look at for that report.

Ms. Naylor: So the—my next question, then, is that the government has departed from setting hard targets for reducing greenhouse gases, preferring instead the use of what they call a cumulative savings account and the establishment of what they call a carbon savings account.

Can the Auditor General explain these terms?

Mr. Shtykalo: Unfortunately, I won't be able to explain them. It's not something that we have done an analysis of, so I wouldn't be able to give you any clarification on that.

Ms. Naylor: Okay, but does the Auditor General feel that this approach, the cumulative savings account, carbon savings account, satisfy the recommendations of using scientific and economic analysis to help it set short-, medium- and long-term targets for reducing greenhouse gas emissions?

Mr. Shtykalo: We haven't concluded that as of September 30th, and that's what we're reporting, so in absence of doing any further work, I wouldn't make a comment on that.

Ms. Naylor: So, okay, the approach the government seems to be taking doesn't take responsibility for increased greenhouse emissions, due to population growth or economic activity. It only counts the government's activity and puts it into a savings account.

So this could mean that the government could talk about its so-called savings, while Manitoba's actual emissions grow even higher. Does the Auditor General think this is appropriate, and what concerns do you have, if any?

Mr. Shtykalo: And without having looked at it and done any analysis on it, I'm—I don't have a comment on that.

Ms. Naylor: Looking at recommendation No. 3, the department supports plans for reducing emissions with comprehensive analysis of the benefits, risks and

costs of different approaches and policy tools. Why is this recommendation still a work in progress?

Mr. Shtykalo: When we're doing our follow-up process, what we do is we—we'll send out to the departments the outstanding recommendation, ask them to report back on their status of those recommendations. When we receive back the report from the department with that recommendation, particular they had reported it was—as work in progress, unless a government—or, sorry, if the department indicates that they feel they've implemented it, we usually report it as in progress. We don't then go and look to see if maybe it should be implemented. So, in that case, that was the status that we had received from the department, as at September 30th, 2019.

Ms. Naylor: Manitoba put forward several proposals in its green plan and included one model on the impact of carbon pricing. So can you explain why that doesn't satisfy the recommendation?

* (16:30)

Mr. Shtykalo: I cannot.

Ms. Naylor: Information we found laid out that the government had included one model for carbon pricing that supported its conclusion but also excluded a model that didn't support its conclusion.

So does the Auditor General feel that such an approach leads to good public policy?

Mr. Shtykalo: I don't have a comment on that.

Mr. Ian Wishart (Portage la Prairie): Just following up on different methodology, I note you do a comparison of these briefly across Canada on how the different provinces are doing. And the methodologies do vary from province to province. Ontario, which has now withdrawn from an offsets trading system, but Quebec remains in an offset trading system.

Because of the different methodologies, do you feel that we're getting a consistent cross-Canada evaluation of where each province stands?

Mr. Shtykalo: The report that we issued in 2017, and what we're following up on, is based on our work that we did on what's going on in Manitoba. And while I acknowledge that other provinces have other methodologies and approaches, comparing results—there may be different factors for differences and results, and I acknowledge that.

That being said, I can't answer to what, you know, is going on in other jurisdictions or what methodologies they're using. But I do acknowledge that, you know, any look at any comparisons should take differences in methodologies into consideration.

Mr. Wishart: So, sort of. And I appreciate your comment that you're not looking at the other provinces' numbers, you're looking at Manitoba's numbers.

But, in Manitoba's numbers, you do show agriculture as 31 per cent of the total, and yet agriculture, for instance, in Ontario—which is roughly the same size in terms of number of acres—shows only a very small percentage of their total, not just because of the size—the relative size, but because they count their offsets and so their net amount contributed towards the total is a fraction of ours, even though they are roughly the same size.

So I think it's fairly evident that different methodologies do lead to relatively different emphasis on which sectors you're focusing on, and I think that that's very true in Manitoba, where agriculture is a big portion of our emissions profile, where it's almost nothing in a province that probably has a similar amount of emissions.

Fair comment?

Mr. Shtykalo: So I will just point out that including this in our report—figure 3, which mentions 31 per cent—in absence of going and doing the calculations ourselves, what we did was go from the national inventory report as our source for that, as well as the data for the other jurisdictions.

So we didn't really take it any further than that.

Ms. Naylor: Just back to my line of questioning about recommendation No. 3, can the Auditor General tell me what steps need to be taken to consider recommendation 3 resolved?

Mr. Shtykalo: I will simply say on this one, when we send out the questionnaire to the department this year, we will evaluate the response. If it comes back as they have considered it recommended we will go back to the department and ask to see their plans for reducing emissions and ask to see the analysis of benefits, risks and costs of different approaches. And if we see that that's in place, we would report it as implemented.

Ms. Naylor: I'd just like to go back to recommendation 2. I had previously asked about, I guess, the definition or meaning of the words cumulative savings account and carbon savings account, and I

hear that you couldn't give me an explanation of that, so I'm wondering if the deputy minister would be able to describe what's intended by those terms.

Mr. McTavish: Before I start, I'd just also like to apologize. I didn't introduce two staff members. We have Matt Wiebe, the deputy–assistant deputy minister for Finance and Shared Services within Conservation and Climate, and Neil Cunningham, who is the assistant deputy minister responsible for the Climate and Green Plan Implementation Office, so I apologize for that. Can I just confer with staff for a second?

I guess we'd like to refer you to, sort of, page 48 of the Climate and Green Plan document–Manitoba's Climate and Green Plan. It describes the carbon savings account. But what we can say is that the carbon savings account is a cumulative impact, and, for example, if you decide to switch out–instead of assuming a long-term target of certain amount of reduction, if you do something simple as changing your furnace account, that's a cumulative impact and that's going to impact for years–for three to five years out, and so we'll be able to measure that out as a savings itself, as opposed to just one sort of stretch target.

Ms. Naylor: So that was the explanation of the term cumulative savings account.

Can you also explain the term carbon savings account?

Mr. McTavish: It's the same effect.

Ms. Naylor: So then I have another question. Hearing the explanation of those terms, can the Auditor General now say if this satisfies the recommendation in No. 2 about using scientific and economic analysis to help it set short, medium and long-term targets for reducing greenhouse gas emissions?

Mr. Shtykalo: We will look at that as part of our follow-up as at September 30th this year.

Ms. Naylor: Thank you for that.

I'd like to look at recommendation No. 5. The recommendation 5 calls for clearly defined roles and responsibilities for the department, and the original 2017 report explained that an appropriate climate change governance structure would be developed with the new plan. So this recommendation remains a work in progress.

* (16:40)

My question is specific just to the department. Can the Auditor General explain how he understands the current roles and responsibilities in the department?

Mr. Shtykalo: So, when we received our status update from the department that the department had marked 5(a) specifically as implemented. Our work at the time, however, noted that it was not sufficiently clear that the roles and responsibilities for all key players were clearly identified.

I mean, it's clear to us that being responsible for the act that the department is taking the lead role, but there was insufficient documentation to conclude that various committees, for example, the expert advisory committee, was functional despite the announcement of its formation.

Ms. Naylor: Can you tell us who is the point person in the department and who is the interface with the Auditor General's office?

Mr. Chairperson: The Deputy Auditor General.

Mr. Shtykalo: My key point of contact–well, the key point of contact for the Auditor General is the deputy minister–

Mr. Chairperson: The Deputy Auditor General.

Mr. Shtykalo: So my key point of contact or the–for any auditor general is the deputy minister. All our correspondence goes through the deputy minister. I know there's conversations at the staff level but, you know, it would be the Deputy Auditor General for–or the deputy minister for me.

Ms. Naylor: So is the deputy minister tasked with managing the implementation of the Province's green plan?

Mr. Shtykalo: I would say that that question's probably best directed towards the department.

Ms. Naylor: Can I ask, did the office of the Auditor General work with David McLaughlin during the course of the original audit report in 2017?

Hon. Sarah Guillemard (Minister of Conservation and Climate): I just wanted to point out that what we're discussing today is the Auditor General's report that was actually assessing the previous government climate and green plan and bringing forth recommendations that we have responded to with the new Manitoba Climate and Green Plan.

And I think that when we're discussing the questions that we're looking at here, this particular

question might be slightly out of scope, as it pertains only to the new Climate and Green Plan and how it's managed, as opposed to what we're assessing here, and that's the previous government's climate and green plan.

Ms. Naylor: I just want to remind the committee that recommendation 5 of the 2017 report and 2020 follow-up report call for clearly defined roles and responsibilities for the department, and that's why I believe this line of questioning is entirely in scope.

Mr. Shtykalo: My primary point of contact with the department is the deputy minister. Questions on contracts or consultants are best directed to the department.

Ms. Naylor: Okay, so has—I mean, this was for you, but perhaps the department wants to answer it. Had the Auditor General had contact with David McLaughlin about these matters since November of 2019?

Mr. Shtykalo: Our working papers and conversations that we have are confidential. We keep them confidential. The only thing that I would speak to is anything that we report publicly.

Ms. Naylor: So just in getting back to the clearly defined roles and responsibilities for the department, can you describe what was David McLaughlin's role from November 2019 until currently in ensuring that the Manitoba green plan met the Auditor General's recommendations?

Mr. Shtykalo: I have no comment on that. Yes.

Ms. Naylor: For the deputy minister, then: What was David McLaughlin's role from December 2019 until currently in ensuring that the Manitoba green plan met the EG's recommendations?

Mr. McTavish: What—sorry, can I pause it. Can I repeat the question please?

Ms. Naylor: What was David McLaughlin's role from November 2019 until currently in ensuring that the Manitoba green plan met the AG's recommendations?

Mr. McTavish: All I can comment on is the fact that there was two separate, different roles. One was an adviser to the—prior to his appointment as the Clerk, and, as the Clerk, I think he's overseeing the implementation of all policies within the government, not just the Climate and Green Plan.

Ms. Naylor: I'd like to know, then, what work was performed or what reports were generated during that time.

Mr. McTavish: The report that was released on June 2019 was the Expert Advisory Council to the ministers of Sustainable Development.

All reports that were produced are online and can be accessed through that process.

* (16:50)

Mr. Dougald Lamont (St. Boniface): What I was wondering was—I know we were talking about the recommendations. Can the department just explain why only one of the recommendations has been completed since the 2017 report? [*interjection*]

Of the several recommendations that were made, can you explain why only one has been completed since the 2017 report?

Mr. McTavish: I think, as the Deputy Auditor General indicated, I mean, the—a lot of the discussion on whether something is completed or not completed is a discussion between the Auditor General and the department, and so that process that continues. And as we go through this whole implementation of the green plan, we think that there's a lot of work that continues to be in progress and changes made and analysis made as we move forward.

Ms. Naylor: So, continuing along my questions about recommendation No. 5, as of December 2019, all but one of the Auditor General's recommendations were still considered works in progress. Was Mr. McLaughlin working to address any of the recommendations in the Auditor General's report?

Mr. McTavish: So the question, again, was Mr. McLaughlin involved in the implementation of the recommendations? Was that—is that what you're asking?

Ms. Naylor: The Auditor General's report, as of September 29th, reported that all but one of the recommendations were still a work in progress. So my question was: Was Mr. McLaughlin working to address any of the recommendations in the Auditor General's report?

Mr. McTavish: In Mr. McLaughlin's previous role, he was the technical adviser to the Expert Advisory Council, and I think in that role he was involved in trying to implement some of the recommendations, yes.

Ms. Naylor: The Premier (Mr. Pallister) had said that a sole-sourced contract was used because we needed Mr. McLaughlin to help with implementation of the green plan. That was a quote. So I'm specifically

asking again—under the scope of defined roles and responsibilities of the department, I'm asking, what did Mr. McLaughlin help to implement, and what recommendations from the Auditor General did he address specifically?

Mr. McTavish: You know, I'd like to repeat that David McLaughlin was—Mr. McLaughlin was the technical adviser to the EAC, the Expert Advisory Council, and in that role he supported the executive advisory council in making recommendations to the minister.

Mr. Lamont: To be clear, when I asked the question before, I was expecting an answer.

As it stands only one recommendation has been fulfilled and that was to come up with a new plan, and that new plan has also not been fulfilled, so I would like to have some clarity on this.

What—can you actually provide details on all the recommendations that are currently a work in process—or, in progress? So, of these, where are we at with the recommendations for 2, 3, 4, 5, 6, 7 and 8?

Mr. McTavish: That's a fairly lengthy undertaking, right, but we could undertake to demonstrate in each of those what steps we've taken to implement and we could provide that back.

Ms. Naylor: So, back to just clarifying a little bit more about Mr. McLaughlin's role. So, from what I hear you saying, it sounds like he would make recommendations to the council.

So were these recommendations or was his role to help support the implementation of the Auditor General's recommendations?

Mr. McTavish: Just for clarity, Mr. McLaughlin provide advice, not recommendations to the—Mr. McLaughlin would provide advice to the Expert Advisory Council, not make recommendations.

Ms. Naylor: So his role wasn't to support the implementation of the Auditor General's recommendations?

Mr. McTavish: Again, I think his role is to provide advice. The undertaking of the Expert Advisory Council was to provide recommendations to the minister to implement a new—a Made-in-Manitoba Green Plan.

Ms. Naylor: So whose role in the department was it to support the implementation of the Auditor General's recommendations?

Mr. Chairperson: The Deputy Auditor General—oh, the deputy minister—sorry.

Mr. McTavish: The light's not on. Okay. I mean, ultimately, I guess, it's the assistant deputy minister responsible for the Climate and Green Plan Implementation Office.

Ms. Naylor: I just want to go back a little earlier in the discussions. The Auditor General mentioned that the expert advisory committee wasn't really functioning—I think that's the words that were used despite that announcement. So I'm wondering if—I'd like to understand more about that, why that's not functioning and what we should expect based on the Auditor General's recommendations.

Mr. Shtykalo: So, again, our follow-up report was as at September 30th, and at the time there wasn't an announcement of the expert advisory committee. We were unclear at the time of, you know, the exact role and function that it would play. Anything that's transpired since then, we haven't looked at or noted.

Ms. Naylor: I'm going to ask about recommendation 6 now that the department publicly report on Manitoba's progress in reducing greenhouse gas emissions annually and that for each significant initiative this include reporting the emissions reductions realized related costs and whether any secondary goals such as job creation goals were achieved.

Can the Auditor General explain what he understands the progress to date has been for recommendation No. 6?

* (17:00)

Mr. Shtykalo: So again, for this recommendation, when we asked for the status update as at September 30th, we were provided the information from the department that it was a work in progress. We didn't do any further work to determine if it was—how far along it was or complete. We took it and reported it as work in progress.

Ms. Naylor: On page 15, the green plan says that it will report on its progress in 2022.

So does that mean that the Province is refusing to do annual reporting now as required in The Climate and Green Plan Act, or is that in addition to what the auditor has proposed?

Mr. Shtykalo: Could I get you to repeat the question one more time, please?

Ms. Naylor: So the green plan says on page 15 that it will report on its progress in 2022. However, there is—the law around climate and green—The Climate and Green Plan Act requires more frequent reporting.

So is the Province refusing to do annual reporting as required in that act, or is that reporting in addition to what the auditor has proposed?

Mr. Shtykalo: I couldn't speak to that. I think that's a question that would better be directed towards the department.

Mr. Smith: I would maybe ask the folks here in the Public Accounts to maybe consider going on to the next report, given the line of questions seems to be out of scope with the intent and purposes of being here today.

Ms. Naylor: I think I'll continue this because it's completely, in terms of the line of questioning—the specific recommendation asks for a public report on Manitoba's progress in reducing greenhouse gas emissions annually and that for each 'significant' initiative this includes reporting the emissions reductions realized, related costs and whether any secondary goals such as job creation goals were achieved.

So my question is about why the government—and this is a question for the department—is saying on the green plan it will report on its progress in 2022 when the Auditor General's clearly asking for an annual report?

Mr. McTavish: So I think there's two different reports that the department will be providing.

One is an annual report. The act was passed in November 2018. As I mentioned previously, there will be a report coming out. It'll actually be a report for about a year and a half, just the first 18 months, as opposed to an annual report, because of the timing of the—of when the act was passed. That'll be coming out very soon, and from there on annual reports will be coming out—will be followed.

As well, the 2022 date is for the five-year cumulative impact.

Ms. Naylor: So can we expect to see that 2019 annual report soon?

Mr. McTavish: Yes, we do expect it to be out fairly soon.

Ms. Naylor: I just have a couple other questions.

The original 2017 report says on page 4 that department officials chose not to share any analysis done to support the development of the new—the post-2015 plan, citing Cabinet confidence.

Since then, the government released its green plan, so has the Auditor General now gotten good feedback from the department?

Mr. Shtykalo: So, in the course of our 2017 audit, we did ask to see the analysis supporting the plan that we knew was coming out. Cabinet confidence was cited and we did not.

The plan has since come out. Our audit has concluded, so we do not, as a matter of course, go back and continue to ask for the analysis supporting the plan.

Ms. Naylor: On page 6 of the auditor's 2017 report, the responsive official said that its forthcoming review would incorporate recommendations by Manitoba's Office of the Auditor General, including regular reporting, use of evidence for policy and a review of tools available.

The plan was released, and yet these matters are still all being cited as works in progress in the most recent report. So why is this?

Mr. Shtykalo: Again, the status reported—I mean, the status reported to us at our September 30th follow-up was work in progress, so for more information on exactly what stage of progress it's in would be a question better directed at the department.

Mr. Lamont: This is a question for the deputy minister.

This is in reference to the green plan itself. It was originally presented as a discussion paper, and it does not appear to have commitments to actually implementing the ideas. It lists a number of pillars, but asks whether they're suitable or not. It actually often repeats on a number of pages. It talks about ideas that could be promoted or are being considered, and, in terms of goals and targets, those are supposed to be picked through input from online polls.

So have those online polls been implemented, and have goals and targets actually been set for carbon emission reductions?

Mr. McTavish: Well, from what—in response to one question on the—in the targets, we have the carbon savings account, which we've identified as 1 megaton. That was—came out of the Expert Advisory Council.

With respect to the other pillars that we're working towards, the report of the Expert Advisory Council on June 2019 identified action on a number of those things, like the efficiency trucking program, and identifying those areas where we can target. And so we're—continue to work towards those.

Mr. Lamont: Those goals have not been set? Or those targets have not been set? They're—you're working towards setting those goals?

Mr. McTavish: Our carbon savings account target has been set at 1 megaton cumulatively over five years.

Ms. Naylor: Page 8 of the auditor's 2017 report said that, from the period 2005 to 2015, emissions saw little change. I would note that this was a period of pretty significant economic and population growth in Manitoba, so can the Auditor General tell us what happened to emissions since that time, like, since—between 2015 and the most recent report?

Mr. Shtykalo: I do not have that information.

Ms. Naylor: Is that information that we could get at a later time?

Mr. Shtykalo: I mean, if that's something that the public committee—accounts committee wants to receive, we could put that together. I don't see it falling within the scope of the audit that we've presented. It's information beyond that, but I mean—

Ms. Naylor: Is that a question we need to ask the committee for?

* (17:10)

Mr. Shtykalo: The information that was requested is—was obtained through Environment Canada. It's publicly available information. So, I mean, is there a request that we undertake to provide that?

Ms. Naylor: I'm not making that request. Thank you for telling me where I can locate that information.

Mr. Lamont: One of the other issues that the plan and being able to achieve goals—as I understand it, the made-in-Manitoba green plan only measured reductions in emissions but not increases. Are we actually—and correct me if I'm wrong about that, but are—is the department—has it implemented its green plan measuring net or—net reductions in greenhouse or just absolute without actually looking at the ways in which we might be increasing emissions at the same time?

Mr. McTavish: It's on a net basis.

Ms. Naylor: Does the Auditor General feel that the government has an adequate plan in place to achieve emissions reductions?

Mr. Shtykalo: In order to provide a conclusion, we would need to undertake, like, a complete audit. Our work right now is limited to following up on the recommendations, so I couldn't speak to whether the current plan is adequate in any sense.

Ms. Naylor: Can the Auditor General explain, then, what was achieved in the latest follow-up report, because many of the recommendations are still outstanding and I guess we're—I'm wondering what's achieved from that, what can the government do to fulfill them?

The Manitoba Climate and Green Plan had been enacted for nearly a year when that follow-up report was conducted, so there must have been some discussions with the department to see what the status was in implementing those recommendations.

Mr. Shtykalo: We reported one of the recommendations were implemented, and that was the first one—the first recommendation that we had, that they promptly review and update the plan. And by issuing the plan shortly after the audit, we had considered that implemented. Now, the rest of the recommendations that we make, some of them, you know, involve a bit of work in—and we acknowledge that, you know, some will take longer than others.

During our follow up of this—or the past year as at September, you know, we were satisfied that they were working on all the remaining recommendations. We report—we put our report out in part to assist Public Accounts in monitoring the actions of the department against our recommendations. In practice, for us—we follow up for three years. This was our first follow-up. We know we're going to be back in looking at the status of the recommendations two more times.

And usually on the third and final follow-up we will take a closer look at what—at when they are reporting things in progress so that we can give a better sense as to where we think they are—like, how far, how significant of progress they are making and indicate that in our follow-up report. But, because it's a three-year process, you know, what we've put out publicly is, you know, acknowledgement that they are working on the remaining recommendations. But I have no comment as to kind of how far along or how much more they have to do for each of the recommendations. Any of those questions can be and probably should be directed towards the department.

Ms. Naylor: So I guess that is a question for the department, then.

If it was a year into the new green plan, what actions were the department doing during that follow-up review?

Mr. McTavish: I think over the last couple of years the department has undertaken a number of initiatives to demonstrate that we're try—we're working in progress. As the deputy auditor 'genen' indicated, it's an agreement between the—you know, a discussion between the two, the department and their—the Auditor General's office whether or not something is considered complete or not. But we continue to make progress on a number of areas.

If it's the low—the trucking initiatives or investment in the Conservation Trust, GRowing Outcomes in Watersheds, the different initiatives that we've undertaken. And I think when we indicated we'd provide that back to the Chamber so that we can—and when we do that, I think you could—it will show significant work that we've done towards that.

Mr. Lamont: I'm just wondering the scientific basis of—or what is in place to actually measure the sort of before-and-after of what our carbon emissions are and how they're being reduced, or—and the same for greenhouse. Since it's not just carbon, it's also other greenhouse gas emissions.

I understand that there's some difficulties or other challenges around actually measuring this, so I was wondering what the department had been doing to set a baseline to understand exactly what our emissions are so that we're able to measure and understand whether we're succeeding or not.

Mr. McTavish: So we had our annual outcome—outputs that—federally, through the national inventory that was mentioned earlier. So that's how we're measuring right now on an annual basis. And then we also undertake modelling on our own within the department or using experts to assist us in that. And that modelling helps us identify where we're making progress.

Mr. Lamont: I was just wondering what measures are be—is the department taking in order to reduce nitrous oxide, and in the agricultural sector especially, if there are any—if there have been initiatives that are either have been introduced or are being planned in order to reduce that particular greenhouse gas, since it's not affected by the carbon tax.

* (17:20)

Mr. McTavish: Yes. That wasn't the—one of the recommendations of the Auditor General report. Having said that, though, we are working with counterparts in Agriculture and Resource Development. They are undertaking a number of initiatives to address that through some of their activities, and we could get—undertake to get back to you with some of those projects.

Mr. Chairperson: Okay, does that conclude your questions, then, Mr. Lamont? Okay, thank you.

Agreed we're going to deal with the Thompson office, and does the deputy minister have a—the Deputy Auditor General have a statement?

Mr. Shtykalo: Firstly, I'd like to introduce another staff member that I have with me today. Jeff Gilbert was a principal on this particular audit.

This audit stems from a special audit request that we received from the former minister of Finance. The request was to conduct a forensic audit of the cash deposits and cash management processes of the department's Thompson District Office. When we use the term special audit, we're referring to an audit undertaken pursuant to section 16 of The Auditor General Act, which permits the Lieutenant Governor-in-Council, Minister of Finance or the Public Accounts Committee to request a special audit of the accounts of a government organization recipient of public money or other person or entity that receives, pays or accounts for public money. As far as I'm aware, my office has never refused a special audit request.

Mr. Chair, the Thompson office is one of 50 district offices operated by the department. These offices play an important role in communities across the province. It's where individuals can go to purchase hunting, angling, commercial fishing licences, timber permits, provincial park passes, special event permits and more. The special audit request was made after the departments discovered a missing deposit and missing licences at the Thompson District Office. Department officials performed some preliminary investigation work and terminated the employee they suspected was responsible for the missing items.

Mr. Chair, our investigation included two primary objectives: (1) to determine the extent of the missing licences and funds in the Thompson District Office; and (2) to assess the adequacy of the department's control framework over licence inventory, revenues, receivables and receipts. We found a number of

irregularities that suggest funds were misappropriated, but we could not estimate the amount because of weaknesses in the documentation maintained by the branch. Our audit revealed many gaps in internal controls that increase the risk of funds being misappropriated. This included a lack of risk assessments, inadequate segregation of duties, no periodic inventory counts, records not being properly completed, bank reconciliations not done on a timely basis and an outdated paper-based system.

The issuance and sale of licences and permits is currently a manually intensive process; greater use of computerized systems would provide opportunities to re-engineer the process, gain efficiencies in transaction processing and allow for a stronger control environment.

Mr. Chair, the findings in this report highlight what can occur in weak control environments. Our report includes five recommendations. We conducted our first follow-up and reported on it in March of this year. We reported that all recommendations were in progress. We will continue to follow up on the recommendations for two more consecutive years.

Thank you, Mr. Chair.

Mr. Chairperson: Does the deputy minister have any opening comments on the Thompson District Office: Special Audit of Missing Licences and Cash Management Practices?

Oh, the deputy minister.

Mr. McTavish: The Office of the Auditor General recommendations for the licence and cash management include improvements to our comprehensive risk assessments, including fraud exposure, 'segregation' of duties and internal controls. And, as the Deputy Auditor General indicated, as of June 2020, the five recommendations are considered to be in progress, and we consider that we're making significant action towards implementing those.

The department has implemented a new e-licensing system to significantly reduce the impact and risk related to manual licence and cash transactions and remittances that were identified by the Office of the Auditor General. The new licensing system is currently operational, with phase 1 launched in April 2020. The transactions have been successfully processed and recorded electronically. We are pleased to report that over 70 per cent of all the sales this fiscal year have been done by customers directly online, which has therefore seen a large reduction in sales done at—by our district offices.

Not having manual licence inventory in district offices and campgrounds and having substantially less volume of transactions done at district offices and campgrounds has reduced our risks significantly.

The department continues to implement the various phases of the system and the implementation—and implement the actions identified by the Office of the Auditor General's report.

Thank you.

Mr. Chairperson: The floor is now open for questions.

Hearing none—Mr. Johnson.

Mr. Scott Johnston (Assiniboia): Mr. Chairman, I would like to ask a question on recommendation No. 2 in regards to the responsibilities—the segregation of duties in the remote areas. The auditor identifies that this was a problem in regards to this particular situation and I just wanted to ask the department where are they in regards to dealing with that particular issue.

Mr. McTavish: So we've undertaken a number of new policy procedural documents that—to try to identify that separation. It is difficult in some of our district offices because we may only have one or two staff in those locations, so it makes it difficult for us.

However, we've required our regional financial staff to take on a bigger role in making sure there's oversight and that process is undertaken. So that's a continued process but we have implemented and we do—we have undertaken the training necessary for our staff to ensure that that—those activities and those roles and responsibilities are understood.

Mr. Brad Michaleski (Dauphin): I guess my question has to do with distribution of these licences and the private sector vendors. According to the report, there is—most of the vendors are private businesses and this problem happened at a district office. So I just—I guess my question is, is the process different for the private sector versus the district offices in terms of acquiring and distributing the licences?

I understand the E-licence is online now, but I'm just trying to get a handle on just what happened here and, you know, was the private sector—had the same checks—were the checks in place the same for the departments or the district offices as it was for the private sector? I'm just trying to get a handle on that. And, again, was one way riskier than the other?

Mr. McTavish: Generally, the process is the same in the sense that for the private sector we send out so many licenses and then the private sector has to remit the money back on the same number of licences, on the number of licences sold or repeat back—reply back the—provide back the unsold licences.

So that process is very similar to it. This was an in-year process, so it didn't get captured in the year, I think.

Mr. Michaleski: So, again, I'll just go back to—again I appreciate the E-licence step that's been taken to improve the system, because in reading this report, again it did appear, like I said, as a very risky process and lengthy, and so I appreciate the efficiencies that were made.

But the MRO package, again, that was required for private sector or the private vendors, I should say, versus the district offices, that process was similar for both. Is that correct?

Mr. McTavish: Similar is correct, yes.

* (17:30)

Mr. Chairperson: So, hearing no more questions, we're going to move on to passing the report.

Auditor General's report titled Managing Climate Change, dated October 2017—pass.

Does the committee agree that we have completed consideration of Thompson District Office: Special Audit of Missing Licences and Cash Management Practices of the Auditor General's Report—Forensic Audits, dated October 2018? *[Agreed]*

Does the committee agree that we have completed consideration of Managing Climate Change of the Auditor General's Report—Follow-up of Recommendations, dated March 2020? *[Agreed]*

Does the committee agree that we have completed consideration of Thompson District Office: Special Audit of Missing Licences and Cash Management Practices of the Auditor General's Report—Follow-up of Recommendations, dated March 2020? *[Agreed]*

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

The hour being 5:31, what is the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 5:31 p.m.

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