

INTRODUCTION

This brochure is a brief version of volume II of the *Report of the Auditor General to the National Assembly for 2001-2002*. This abbreviated form brings together the main observations arising from our work and summarizes the results of the mandates that our audit teams have carried out in recent months.

In providing this shorter version, we want to give readers access to information that is both concise and effective. We hope that the Members of the National Assembly and citizens who are interested in the subjects that we address will appreciate this quick reference designed to meet specific needs.

Of course, this text in no way replaces the full report, but is only meant as a supporting tool. The Auditor General invites readers to examine the full report, which makes a detailed presentation of the results of the audits and follow-up, in addition to offering the point of view of the entities that were audited. The *Report of the Auditor General to the National Assembly for 2001-2002* is available on the Institution's web site.

Please note that the masculine gender, when used in the text, designates both women and men.

You will find the French version of these highlights and the full report, also in French, at the following Internet address:
<http://www.vgg.gouv.qc.ca/HTML/Rapports.html>

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1. OBSERVATIONS OF THE ACTING AUDITOR GENERAL

INTRODUCTION

- 1.1 The Québec National Assembly has entrusted the Auditor General with the mandate of fostering, through audit, parliamentary control over public funds and other public property. This mandate comprises, to the extent deemed appropriate by the Auditor General, financial audits, audits to ensure the compliance of operations with statutes, regulations, policy statements and guidelines, as well as value-for-money audits. The Auditor General's field of jurisdiction mainly encompasses the government, its agencies and its corporations; the Auditor General is also responsible for auditing funds transmitted in the form of grants.
- 1.2 In the annual report that the Auditor General submits to the National Assembly, he draws attention to any topic ensuing from his work which deserves to be brought to the attention of parliamentarians. This report is published in two volumes, one in June, the other in December.
- 1.3 Chapter 1 of each volume gives the Auditor General the opportunity to establish a more personal contact with readers and share observations and concerns about his mission and the directions taken in government administration; moreover, the reader will find a brief presentation of the questions addressed in the publication.

INTERIM TERM OF OFFICE

- 1.4 On December 16, 2001 the non-renewable ten-year term of office of Mr. Guy Breton ended. On that same date, the President of the National Assembly designated me to perform the duties of this office on an interim basis until the National Assembly appoints the next Auditor General.

CONDITIONS FOR THE CARRYING OUT OF LEGISLATIVE AUDITS

- 1.5 In recent years, the Auditor General has taken several steps to consolidate the conditions for carrying out legislative audits. The outcome of the steps pertaining to the level of resources made available to the Auditor General has been favourable, as related in the previous volume, published in June of this year. Two other steps concern the revision of the Act that governs our activities. As part of the mandate that I have been entrusted with, I am making sure that continued progress is achieved regarding these questions.

Revision of the legislative mandate of the auditor general

- 1.6 In the report that he published in December 2000, my predecessor presented the main elements of the assessment that he had made of 15 years of application of the *Auditor General Act*. His reflection led him to propose amendments to the Act in order to overcome major difficulties encountered in the performance of the Auditor General's mandate and to enable him to adequately assist parliamentarians. On September 6, 2001, the Commission de l'administration publique examined this

question.

- 1.7 In its December 2001 report, the Commission asked the Auditor General to table draft legislative amendments to follow up on the recommendations that he had made. Moreover, the members of the Commission expressed a keen interest in seeing the question of the environment and sustainable development become a priority for the Auditor General and invited him to give consideration to a more explicit inclusion of an environmental component in his mandate.
- 1.8 This question was dealt with at greater length in September 2002 during two sessions of the Commission. At these meetings, the Commission explored, in particular, the role of an environmental commissioner reporting to the Auditor General.
- 1.9 Following this encouragement from parliamentarians concerning the revision of certain aspects of the mandate of the Auditor General, I am continuing to prepare draft legislative amendments that reflect their concerns in particular.

Bill concerning the immunity of Persons designated by the National Assembly as regards compellability as witnesses

- 1.10 On June 15, 2001, the National Assembly agreed to take up Bill no 39, *Act amending various legislative provisions concerning the immunity of Persons designated by the National Assembly as regards compellability as witnesses*. It adopted this Bill in principle on November 6, 2001 and entrusted the Commission des institutions with the in-depth examination thereof.
- 1.11 In light of the pressing need having motivated the request for legislative amendments, I feel that it is appropriate to briefly recall why such amendments are required.
- 1.12 In May 2001, the Court of Appeal of Québec considered that the immunity of the Auditor General allowing him to not have to testify with respect to information obtained in the performance of his duties did not extend to his recommendations. The effect of this interpretation is to risk distorting my role by transforming it into that of an expert witness; indeed, I could be compelled to appear at the volition of opposing parties in disputes involving the organizations that I audit for parliamentary control purposes.
- 1.13 Such a prospect could undermine the collaboration of the persons concerned by my work; this collaboration is essential if I am to adequately carry out my mandate. It is also vital that I be able to freely express my observations and recommendations, with the assurance that I will not be caught up in legal proceedings. At stake is the very independence required to carry out my duties on behalf of the Members of the National Assembly and citizens. The restrictive interpretation made of my immunity with respect to compellability may reduce the effectiveness of my work.
- 1.14 The proposed legislative amendments seek to clarify the formulation of this immunity from the standpoint of the Courts' power to compel, without affecting the power to compel of the National Assembly which is the recipient of my reports and which can question me on them. Moreover, the Bill stipulates that the Auditor General will be required to testify on his recommendations when a judge is of the opinion that this testimony is necessary to avoid irremediable prejudice being caused to a party involved in legal proceedings.

- 1.15 I very much hope that the process to pass the Bill respecting immunity will be brought to successful conclusion. I remain at the disposal of the Commission des institutions to answer any questions concerning this Bill.

APPOINTMENT OF AN OTHER AUDITOR FOR A SUBSIDIARY OF THE CAISSE DE DEPOT ET PLACEMENT DU QUÉBEC

- 1.16 The Caisse de dépôt et placement du Québec has advised me that the audit of the books and accounts of Cadim inc., a subsidiary of its real estate group, has been entrusted to a private firm for the fiscal year ending on December 31, 2002. The Caisse has not informed me of the reasons for this change and, despite my request, has not reversed its decision. As the Auditor General has been conducting the audit of this subsidiary for 20 years, I feel that it is important to inform the National Assembly of this decision. Indeed, it is unusual to substitute another auditor for the Auditor General in this way.
- 1.17 The Caisse is entitled to proceed in this manner given that Cadim inc. is incorporated under the *Companies Act*, which provides for the appointment of an auditor chosen by its shareholders. In the case of Cadim inc., the Caisse is the only shareholder. When another auditor is appointed, the law grants the Auditor General the right to examine the work of the other auditor. However, the fact remains that exercising the right to examine never provides the same level of knowledge about the entity as when one audits the books and accounts directly.

APPLICATION OF THE *PUBLIC ADMINISTRATION ACT*

- 1.18 The enactment of the *Public Administration Act* in May 2000 represents a marked shift towards modernizing the management of the affairs of the State. Such a major operation requires substantial efforts on the part of the ministries and agencies subject to this Act.
- 1.19 In March 2002, the Minister of State for Administration and the Public Service and the Chair of the Conseil du trésor prepared an initial assessment concerning the application of this Act. This report, which focuses on the activities carried out, indicates in particular that 84 ministries and agencies had tabled a multi-year strategic plan by the stipulated deadline and that 67 organizations offering direct services to the public had published a Service Statement to Citizens.
- 1.20 The extent of the shift in direction and its marked impact on the management of public funds require that a regular follow-up be done on this major undertaking. It was in this spirit that I lent my assistance to the Commission de l'administration publique, which heard the Secretary of the Conseil du trésor on this first assessment.
- 1.21 The tabling in the National Assembly of new annual management reports of several entities will give parliamentarians other opportunities to take part in the follow-up on and hopefully contribute to the success of this change in direction. Indeed, the examination that they will make of these reports, which are geared to the achievement of results, will help motivate the officials in charge within the entities to keep up the efforts required to prepare these documents.
- 1.22 In 2001, I carried out pilot projects in two entities to certify the performance information found in their annual management reports. Based on this experience, I

have concluded that the entities subject to this Act had not yet made sufficient progress for this type of intervention to fully bear fruit. As a result, I have decided to experiment with other approaches and to determine the most appropriate strategy for assisting parliamentarians in the examination of reports.

HUMAN RESOURCES PLANNING IN THE PUBLIC SERVICE

- 1.23** Chapter 2 of this volume deals with a question that I consider essential for ensuring the continuity of public services: human resources planning in the public service.
- 1.24** I examined the preparations that the Secrétariat du Conseil du trésor (SCT) and the ministries and agencies have been making in order to have sufficient human resources, in a timely manner, to offer the public the services that are required, in a context where demographic changes point to a dwindling work force.
- 1.25** A look at what is happening elsewhere in the world reveals the importance that many countries are placing on succession planning in their public service. This is not surprising when one considers that in several cases the workforce of public administrations is getting older.
- 1.26** I observed that there has been little structured planning. My predecessor, Mr. Guy Breton, had made this same observation ten years ago. The public service cannot wait another decade to take action. Even if the SCT and the audited entities are working on devising an approach to address this problem, they are often doing so individually and according to their own vision; as a result, tangible results associated with human resources planning have been very slow in coming. This insufficient coordination in the respective efforts of the entities has resulted in a lack of effectiveness on a government-wide scale. The leadership of the SCT needs to be developed if this organization is to provide assistance in resolving problems that affect several entities and if the global results are to be coherent. We are far from having a strategy to limit risks on an organizational or even a government-wide scale.
- 1.27** I also found that the audited entities have a fragmentary knowledge of their work force, that their management information is deficient and that they have not made a comprehensive assessment to determine if there is a balance between their human resources needs and the labour supply.
- 1.28** Some people will say that at a time when we are promoting greater responsibility on the part of ministries and agencies, it should be up to each deputy minister or organization director to plan their resources. The role of the SCT is nevertheless decisive in the human resources planning field. Indeed, the SCT is a key stakeholder in the negotiation of conditions of employment, in determining staffing levels, in the development of management information systems and, above all, in the drafting of rules and standards governing the management of human resources. Consequently, the SCT must be adequately informed about the risks, difficulties and needs that are common to entities.
- 1.29** I would also like to insist on the fact that while I felt that the impetus given to the management function was tangible throughout the course of my audit, this impetus remains fragile. Indeed, human resources planning requires significant efforts, whereas the benefits are not always discernible over the short term. It may be tempting in the chaos of day-to-day activities to put off those activities associated with this management function and which offer a glimpse of what lies beyond the daily routine. In order for the recently demonstrated enthusiasm to bear fruit, the

adherence and contribution of senior officials of ministries and a strong leadership by the SCT are required. Consequently, the necessary time and energy must be devote to this question.

SUMMARY OF THE CONTENT OF THIS VOLUME

- 1.30 The following paragraphs summarize the topics dealt with in the other chapters.
- 1.31 **Chapter 3** reports on the results of an audit concerning the **success plans of public elementary schools**. The aim of these plans is to increase the success of students, in addition to allowing the ministère de l'Éducation to extend to the school network the application of management based on results. I conclude that an important step has been taken towards implementing this type of management in elementary schools. However, some work still needs to be done before accountability to the public, an obligation ensuing from the greater powers attributed to school boards and schools, becomes a reality.
- 1.32 For example, the Ministry, school boards and schools do not agree on the indicators used to evaluate the results obtained by schools. Moreover, while all the institutions visited have prepared a success plan, several schools do not receive any feedback from their school board on this subject. Yet without a significant improvement in the quality of the plans, it will be difficult to assess the work accomplished and to ensure adequate accountability.
- 1.33 **Chapter 4** presents the results of my audit of the **management of forest resources** carried out with the ministère des Ressources naturelles (the Ministry). Forests occupy more than half of Québec's territory and are of inestimable value from several standpoints. Indeed, approximately 100,000 jobs are directly dependent on this resource, which is inexhaustible provided that the harvest rate does not exceed the natural regeneration and growth capacity. My work has led me to conclude that there are shortcomings in the allowable annual cut calculations which are used to determine the volumes of timber that may be harvested in public forests, as well as in the oversight of forest management practices. In addition, there is no comprehensive ministerial action plan integrating all major facets of managing the sustainable development of public forests. These shortcomings increase the risks of timber overcut, of non-preservation of biodiversity, of non-conservation of soil and water resources, as well as of non-maintenance of the condition and productivity of forest ecosystems.
- 1.34 In others respects, the Ministry does not have the assurance that it is collecting all the dues for the timber harvested provided for in the legislation, or that the granting of credits for silvicultural treatments is made only for eligible expenditures. Finally, the information that the Ministry has and its accountability do not always provide an adequate and continuous portrait of its management of forest resources.
- 1.35 **Chapter 5** deals with the results of an audit of the **governance of information resources in the health and social services sector**. A minimum of \$230 million is invested each year with respect to these resources in order to better support the delivery of services to the public. My work reveals that there are significant shortcomings in the governance of information resources, despite the efforts made in recent years to improve this aspect.
- 1.36 These shortcomings concern in particular the planning and coordination of these resources as well as the management of investments, which often proves to be rudimentary. Furthermore, too little attention is paid to the changes ensuing from a more marked use of information resources. Finally, the management information

held by the officials responsible does not facilitate decision-making, and the accountability of the entities does not allow the Ministry or the National Assembly to assess their performance. I conclude that the governance of the information resources of the health and social services sector requires greater attention as well as the commitment of the authorities in question.

- 1.37 As for **Chapter 6**, it presents the results of three **follow-ups on value-for-money audits**. The first follow-up underscores the action taken in response to the recommendations concerning the length of stays and the relevance of hospitalizations in long-term general and specialized hospital centres, the second deals with the Régie des marchés agricoles et alimentaires du Québec (Québec Agricultural and Food Markets Board), whereas the third concerns vocational and technical education in public institutions.
- 1.38 In general, the audited entities found solutions to most of the shortcomings identified at the time. It is important to bear in mind that 93 percent of my recommendations have given rise to tangible steps on the part of managers. In other words, my recommendations do not go unheeded. The Commission de l'administration publique, which examines my reports and interviews managers, plays an important role in these results.
- 1.39 However, the progress achieved is satisfactory for only 68 percent of our recommendations: this rate can be improved. Indeed, several of the actions initiated by the ministries and the agency in question have only partially addressed our recommendations, or only limited progress has been made in their application. These entities should intensify their efforts to implement the recommendations and thus correct the shortcomings that persist in the management of the activities that I examined.
- 1.40 **Chapter 7** describes the observations, recommendations and comments ensuing from the **certification of the health indicators** published by the Minister of State for Health and Social Services. These indicators are presented in the *Comparative Study on the Health of Québec's Population and on the Performance of its Health Care System - Indicators and Trends*, made public on September 30th of this year. This report follows a commitment made by the federal, provincial and territorial premiers in September 2000. The audit report certifies without reservation 35 health indicators, but expresses reservations for 12 others.
- 1.41 **Chapter 8** presents my comments ensuing from the financial information certification work carried out in recent months.
- 1.42 The **Annual Management Report of the Auditor General for 2001-2002**, accountability required pursuant to the *Auditor General Act*, makes up **Chapter 9**.
- 1.43 Finally, the reader will find additional information in the appendices. **Appendix A** presents the list of entities falling under my field of jurisdiction and whose financial statements have been audited during the fiscal year ended on March 31, 2002. **Appendix B** reproduces the *Code of ethics of the Auditor General of Québec*, prepared for his employees. As for **Appendix C**, it reproduces the text of the Act that governs my activities.
- 1.44 The reports of the Auditor General deliberately draw attention to deficiencies and propose avenues to rectify them. This approach allows parliamentarians to focus their discussions with managers on the improvements that should be made to public services.
- 1.45 However, I would like to underscore the competence and dedication of the

managers and employees of the entities that we audit. Québec benefits from a highly professional public service. The improvements, even substantial ones, which must be made to the operation of public services must not allow us to lose sight of the quality of services that we already enjoy.

- 1.46** The management of the government administration requires constant efforts to strike a balance between limited resources and the needs that at times seem to be unlimited. This is no easy task.
- 1.47** Finally, I would like to thank all the persons who cooperated in the carrying out of my work and in the preparation of this report.

2. HUMAN RESOURCES PLANNING IN THE PUBLIC SERVICE

- 2.1 For 2001-2002, Québec's public service had a staff of 66,300 full-time equivalents (FTE), including 13,300 having a casual or student status. These employees work in some one hundred government ministries and agencies. For the 2000-2001 operating year, the government devoted \$3.5 billion to the remuneration of its employees.
- 2.2 The public service is currently undergoing major changes, which are having an impact on the management of its personnel. Among these changes, mention should be made of the modernization of the government apparatus, which is geared to the achievement of results, as well as demographic changes that will lead over the next few decades to an ageing of the population in unprecedented proportions and to a reduction in the available work force. In the public service, people 45 years of age and over represented 59 percent of the regular staff as of March 31, 2002. The latest forecasts of the Secrétariat du Conseil du trésor (SCT) show that 44 percent of the regular staff will leave their job by March 31, 2012; in the case of supervisory staff, this rate climbs to 63 percent.
- 2.3 Within this context, meticulous human resources planning is needed if the government is to be able to have, in a timely manner, high-quality personnel in sufficient number to offer the public the services that are required.
- 2.4 The purpose of this audit was to obtain the assurance that the SCT and the ministries and agencies have evaluated if there is a balance between the human resources needs of the public service and the labour supply, if these organizations have determined the related risks, and if they have adopted a strategy to ensure that they have the required staff at the appropriate time. Another objective of our audit was to see if the roles and responsibilities assumed by the various stakeholders promote efficiency in human resources planning. Finally, our audit sought to determine the extent to which the entities in question have been adequately informing the National Assembly on this subject. Our audit ended in June 2002.
- 2.5 In 1992, we had informed the National Assembly that there was little structured planning with respect to manpower in the ministries and agencies. Our work leads us to reformulate basically the same message 10 years later, this despite the fact that a number of significant changes, which had been foreseeable for several years, have begun to take place. Yet such planning has always proven essential to try to anticipate the consequences of major changes and to take the appropriate steps to provide for the next generation of employees.
- 2.6 Nevertheless, it is important to recognize that the SCT and the entities that we visited are aware of the need to carry out human resources planning and that generally they are working on devising an approach to address this question. However, they often act in parallel and according to their own vision, such that their respective actions are neither structured nor part of a common approach. Indeed, in the absence of a general framework, each entity develops specific tools, which results in a lack of efficiency on a government-wide scale. The leadership of the SCT needs to be strengthened if the overall results are to be coherent. Furthermore, the SCT is putting in place measures intended to renew the labour force in the public service.
- 2.7 We noted that the entities have a fragmentary knowledge of their personnel. The

management information is deficient, particularly with respect to the qualitative aspect and the positions held on an interim basis. In addition, the entities have not made a global assessment to see if there is a balance between their human resources needs and the labour supply. Among other things, the analysis of “vulnerable” positions, namely those that should they become vacant, would risk compromising the organization’s performance, is almost non-existent. Yet this is a crucial step in any human resources planning operation. The analyses that we obtained result from sector-based initiatives of entities confronted with shortage or succession problems, like the study concerning the structural design specialists of the ministère des Transports (MTQ) and that dealing with the correctional service officers of the ministère de la Sécurité publique (MSP). Hence, we are far from having a strategy to limit the risks on an organizational or even a government-wide scale. Yet risks related to the real or eventual availability of manpower are present in certain sectors or jobs, such as actuaries and civil engineers. Similarly, in some regions managers have difficulty recruiting and retaining the necessary human resources.

- 2.8** Moreover, the government operation carried out in order to reduce job insecurity for casual employees who have held a job in the public service for an extended period lacked proper planning. Indeed, the SCT underestimated the number of registrations for the various public competitions that it held and did not evaluate the related costs prior to the start of the operation. In addition, indicators point to significant difficulties from the standpoint of efficiency and effectiveness for those entities wishing to hire casual employees. For example, the persons deemed fit to hold a job in the public service are mainly seeking a regular position. Because information on the interest that candidates show in casual positions is lacking, 50 calls are occasionally required to fill a position. However, at the present time there are no indicators to evaluate the efficiency and effectiveness of government actions taken in this field and to report on them.
- 2.9** Furthermore, parliamentarians are not adequately informed about the risks associated with an imbalance between staffing needs and the labour supply or about their potential effects. The information that is conveyed to parliamentarians by the entities in their annual management reports, deals more with quantitative data on personnel than with the problems encountered and the anticipated risks. What is more, the SCT does not provide parliamentarians with comprehensive information on these aspects; instead, it reports on the work undertaken to renew the public service.

3. SUCCESS PLANS OF PUBLIC ELEMENTARY SCHOOLS

- 3.1** The foundations for school success are laid at the preschool and elementary levels. For several years now, school success has been a source of concern for society due to the high dropout rate before students manage to obtain a high school diploma.
- 3.2** The Success plan operation was launched in the spring of 2000. It seeks to increase the school success of students, in addition to allowing the ministère de l'Éducation to extend to the school network the application of management based on results.
- 3.3** The responsibility of public elementary schools in this respect consists of analyzing the situation of students from the standpoint of learning and school progress, of setting measurable objectives to improve their performance over a three-year time period, of putting in place means to achieve these objectives and finally, of evaluating the results and reporting on them.
- 3.4** The aim of our audit was to obtain the assurance that the ministère de l'Éducation had defined its orientations, its objectives and its expectations regarding the success plans and that it had made them known to the school boards and public elementary schools. We also sought to ascertain the presence and implementation of a process making it possible to draw up success plans as well as to evaluate the results and ensure accountability taking into account the roles of each entity.
- 3.5** The Success plan operation refocused all parties – Ministry, school boards and elementary schools – on the means that should be used to improve students' performances. However, the conditions that could have helped rally everyone behind this activity and behind management based on results were not put in place. Due to the quick launching of this operation, it was not possible to meet the information and training needs or to arrive at a consensus on the role of success plans and on the indicators used to measure the achievement of the objectives.
- 3.6** An observation is in order here: success plans are often incomplete and devised in parallel with other plans; examples include activities related to the reform, special education, and information and communication technologies. Only a few schools have integrated their success plan in their global planning. As a result, success plans do not include all the means introduced by schools to promote school success. Given the fact that the evaluation and accountability requested will focus only on the plan's content, the process seeking to improve success will be incomplete.
- 3.7** The 30 schools visited have prepared a success plan, most of the time in cooperation with the school team, namely management, educators and non-teaching staff. However, our work indicates that the concepts underlying this initiative were not understood and applied equally, which in turn influenced the quality of the plan (relevance of the assessment, objectives, targets and indicators) and its usefulness.
- 3.8** The need to improve this tool may partly be explained by the lack of expertise in schools concerning management based on results. Moreover, close to half of the schools visited received no feedback from the school boards following the preparation or updating of their success plan. As a result, it was not possible to promptly take the corrective actions deemed necessary.
- 3.9** For its part, the Ministry has been slow in convincing its partners to adopt and

implement an evaluation and accountability process.

- 3.10** In summary, an important step has been taken in terms of the implementation of management based on results in public elementary schools. However, the actions need to be better coordinated if the operation is to bear fruit. Without a significant improvement in the quality of the success plans, it will be difficult to evaluate the work accomplished and to ensure adequate accountability.

4. MANAGEMENT OF FOREST RESOURCES

INTRODUCTION

- 4.1** In 1986, Québec put in place a new forest management policy by enacting the *Forest Act*. Québec subsequently revamped this legislation in May 2001. The purpose of this Act is “to foster recognition of the forest as a common heritage and promote sustainable forest development in order to meet the economic, environmental and social needs of present and future generations while giving proper consideration to other potential uses of the territory”. During the 2000-2001 fiscal year, the ministère des Ressources naturelles spent over \$150 million of its operating budget for the management of forest resources and earmarked some 1,800 person-years for this management. The Ministry also collected some \$350 million in dues for the timber harvested and granted \$167 million in credits for silvicultural treatments.
- 4.2** This audit, which was completed in May 2002, had several objectives. First, we wanted to evaluate if the Ministry makes sure that the allowable annual cut is established within a perspective of ensuring the sustainable development of public forests. We also wanted to obtain the assurance on the one hand, that all the dues for the timber harvested provided for in the legislation are collected and, on the other hand, that the credits for silvicultural treatments are only granted for eligible expenses. Finally, we wanted to determine if the information that the Ministry has and if its accountability provide an adequate and continuous portrait of the management of forest resources. With these objectives in mind, our work involved, among other things, meeting with close to 150 people working in the central offices of the Ministry as well as in 4 of the 10 regions.
- 4.3** Our work dealing with the establishment of allowable annual cut calculations included in the last general plans revealed that the Ministry had insufficient knowledge regarding several aspects and that the tools used were not always adequate. We also detected flaws in the information from the ten-year inventory, which is the starting point for these calculations, as well as in the hypotheses used for the calculations or the adjustments relating to these hypotheses. Moreover, the framework for reviewing and approving forest management plans does not ensure that these plans are of good quality.
- 4.4** As a result, the Ministry is not able to determine if the allowable annual cut calculations are over-evaluated and consequently, if there is an overcut of timber in public forests.
- 4.5** We also ascertained shortcomings in the oversight work done by the Ministry concerning forest management activities. As a result it does not have the assurance that the activities stipulated in the forest management plans are carried out, that they produce the anticipated results, and that the standards of forest management, stipulated by regulation, are respected when these activities take place. The following risks ensue from these shortcomings: delay in planning corrective silvicultural treatments, poor knowledge of the anticipated yield for the next allowable annual cut calculations, degradation of the soil, water and ligneous resources and finally, failure to preserve biodiversity.
- 4.6** While the Ministry has published various documents dealing with sustainable forest development, it has not adopted a systematic approach to manage this development. or a comprehensive action plan integrating all major facets of this management. The

Ministry has yet to take a position on important subjects that deal with the sustainable development criteria found in the Forest Act or has done so in an incomplete manner. In addition, we noted that there are problems in the application of these criteria. As a result, there is a risk that public forests are not managed in a sustainable development perspective.

- 4.7** In addition, our work reveals that the Ministry does not have the assurance that it is collecting all the dues for the timber harvested provided for in the legislation. Indeed, regarding cut and measured timber, there are shortcomings in the Ministry's risk management, its controls, its audit objectives and procedures, as well as in its management of irregularities and violations.
- 4.8** Furthermore, the Ministry does not exercise the necessary controls on applications for credits for silvicultural treatments, a shortcoming that was also mentioned by its internal auditor in August 2001. This auditor pointed out that for this reason credits have been granted for non-eligible expenses.
- 4.9** Finally, the information held by the Ministry does not provide a reliable, clear and continuous portrait to support those who manage forest resources. It, consequently increases the risks of making bad choices or of delaying decision-making. This situation does not help improve the Ministry's reporting which, for now, only permits a partial evaluation of the Ministry's performance with respect to the management of this resource.

5. GOVERNANCE OF INFORMATION RESOURCES IN THE HEALTH AND SOCIAL SERVICES SECTOR

- 5.1** The performance of the health and social services sector is now largely dependent on the ability of the various stakeholders to have access to and exchange information and knowledge. Within this context, the delivery of services to the public must be able to rely on high-quality information resources available in sufficient quantity. The Government of Québec devotes a minimum of \$230 million per year to this component.
- 5.2** The purpose of this audit was to obtain the assurance that the governance of information resources of this sector promotes a wise and efficient use of such resources. As part of our audit, we examined the most critical aspects of the planning of activities, their coordination, the management of investments funded by the health and social services sector or by third parties, as well as change and risk management. We also assessed the management information that supports decision-making and accountability.
- 5.3** We carried out our work with the ministère de la Santé et des Services sociaux, three regional boards, the Régie de l'assurance maladie du Québec and the Société de gestion informatique SOGIQUE inc. This work ended in September 2002.
- 5.4** Whether it is in relation to structures, processes or management information, governance elements have been put in place and others are being progressively implemented in the wake of the modernization of the public service. However, given the scope and the vital nature of information resources, this governance is not adequately structured, which results in adverse situations.
- 5.5** First, we noted that planning is incomplete. Both in the case of the affairs of the network and in the case of their own activities, the Ministry, the regional boards and the Régie de l'assurance maladie du Québec do not have a business plan in the field of information resources. Some entities have taken steps in this direction, but several have yet to put in place all the elements needed to oversee the preparation and use of such plans.
- 5.6** In addition, certain important dimensions of the coordination of information resources need to be improved, in particular with respect to the supervision carried out by ministerial officials, the action taken by senior-level committees and the supervision of information resources. This coordination must also be better assured at the regional level.
- 5.7** As for the management of investments, it is often rudimentary. Overall, the choice and control of investments as well as the evaluation of results leave much to be desired, except for the Régie de l'assurance maladie du Québec where the situation is satisfactory. In addition, no pre-established standard or rules governs investments financed by institutions or third parties.
- 5.8** Moreover, the audited entities do not have a structured approach for change management that is capable of supporting the carrying out of their plans in the field of information resources. This approach would make it possible to contribute to the progress of and to equip the persons affected by the changes to come, based on a given strategy and at a given pace. Furthermore, the management of risks

associated with surveyed planning elements is far from being institutionalized.

- 5.9** Finally, the Ministry, the regional boards and the Régie de l'assurance maladie du Québec generally do not have appropriate management information, and their accountability does not give the Ministry, where applicable, and the National Assembly the possibility to evaluate their performance.

6. FOLLOW-UP ON VALUE-FOR-MONEY AUDITS

INTRODUCTION

- 6.1** After an interval of a few years, we do a follow-up on our audit work. Our objective is to see if the recommendations originally made have been taken into account and if the audited entities have remedied the shortcomings that we had identified with respect to their management.
- 6.2** This exercise, which completes the initial audit, allows us to inform parliamentarians about the actions that have been taken to remedy the problems that we reported. When problems subsist, we once again determine their nature and scope.
- 6.3** Table 1 presents the list of follow-ups examined in this volume, with the reference to the initial audits.

TABLE 1

FOLLOW-UPS EXAMINED IN THIS VOLUME	
Original audit	Report for the year concerned
Ministère de la Santé et des Services sociaux (Ministry of Health and Social Services), two regional boards and two hospital centres – Length of stays and relevance of hospitalizations in general and specialized hospital centers	1996-1997, volume II, pages 103 to 121
Régie des marchés agricoles et alimentaires du Québec (Québec Agricultural and Food Markets Board)	1997-1998, volume I, pages 109 to 131
Ministère de l'Éducation (Ministry of Education) – Vocational and technical education in public institutions	1997-1998, volume II, pages 141 to 159

- 6.4** As part of this work, we did a follow-up on 28 recommendations. Table 2 specifies their level of application. Globally, 93 percent of our recommendations have given rise to tangible actions on the part of managers. However, we are satisfied with the progress achieved in only 68 percent of the cases.
- 6.5** This latter rate is too low. The ministries and the agency audited will have to step up their efforts to implement our recommendations and to correct the shortcomings that continue to cast a shadow over the management activities that we examined.

TABLE 2**RESULTS OF THE FOLLOW-UPS AND LEVEL OF APPLICATION OF THE RECOMMENDATIONS**

	Number of recommendations				Total
	Applied	Partially applied		Not applied	
		Satisfactory progress	Unsatisfactory progress		
Ministry of Health and Social Services, regional boards, hospital centres	0	1	6	2	9
Québec Agricultural and Food Markets Board	2	7	1	0	10
Ministry of Education	0	9	0	0	9
Total	2	17	7	2	28
Percentage	7%	61%	25%	7%	100%

LENGTH OF STAYS AND RELEVANCE OF HOSPITALIZATIONS IN GENERAL AND SPECIALIZED HOSPITAL CENTRES

- 6.6** We did a follow-up on the value-for-money audit conducted in 1996-1997 with the ministère de la Santé et des Services sociaux (MSSS) (Ministry of Health and Social Services), two regional boards and four hospital centres. We completed our work in August 2002.
- 6.7** The aim of the initial audit, the results of which were published in Chapter 5 of Volume II of the *Report of the Auditor General to the National Assembly for 1996-1997*, was to obtain the assurance that the Ministry, regional boards and hospital centres had put in place the means to promote the optimum use of short-stay beds in hospital centres, whether it involved the length of stays or the relevance of hospitalizations. We had examined the steps taken by the hospital centres in these fields and the support that they received from the Ministry and the regional boards. We also made sure that the services offered in the regions examined were complementary and continuous. Finally, we examined the accountability of the three levels of the network as well as the management information that was supposed to support decision-making.
- 6.8** Our follow-up reveals that many tangible actions still need to be accomplished to remedy the problems initially identified. Of the nine recommendations made in 1996-1997, seven have been partially applied. We consider that the progress achieved is satisfactory for only one of these recommendations and unsatisfactory for the other six. As for the remaining two recommendations, they have yet to elicit corrective action. The following table presents the status of each of the recommendations.

STATUS OF RECOMMENDATIONS

	Recommendation			
	Applied	Partially applied		Not applied
		Satisfactory progress	Unsatisfactory progress	
Use of beds in hospital centres				
Hospital				
Improve their management of the length of stays.			X	
Intensify their efforts to make sure of the relevance of hospitalizations and to choose the most appropriate alternative solutions.			X	
MSSS and regional boards				
Provide more tangible support to hospital centres to help them improve their performance.		X		
Regional organization of services				
Regional boards				
Make sure that the services offered in their region are complementary and continuous.			X	
Accountability of the three levels of the network				
MSSS				
Put in place, in cooperation with the regional boards and centres, an accountability framework.			X	
MSSS, regional boards, hospital centres				
Revise the content of their annual activity reports to provide comprehensive information on their performance.				X
Set specific objectives regarding the relevance of hospitalizations and the length of stays.			X	
Management information on hospitalizations				
MSSS				
Improve the quality of the data of the hospital stay information system, and make sure that the management information that it produces meets the needs of users and is available at the right time.			X	
Management information on outpatient services				
MSSS				
Acquire sufficient information to be able to evaluate services offered on an outpatient basis.				X

RÉGIE DES MARCHÉS AGRICOLES ET ALIMENTAIRES DU QUÉBEC (Québec Agricultural and Food Markets Board)

- 6.55** We did a follow-up on the value-for-money audit carried out in 1997-1998 with the Régie des marchés agricoles et alimentaires du Québec. Our work ended in June 2002.
- 6.56** The objective of the initial audit, the results of which were published in Chapter 6 of Volume I of the *Report of the Auditor General to the National Assembly for 1997-1998*, was to determine if, on the one hand, the Régie evaluated the efficiency of joint plans and if, on the other, it fostered the development of harmonious relations and the settlement of disputes between the various parties in question. We had also

checked if the Régie examined the mechanisms for guaranteeing payments to producers, if it evaluated the risk it was assuming and if it took the necessary steps to minimize claims and costs. Moreover, we had made sure that the Régie reported on its activities in an appropriate and timely manner.

- 6.57** Following our report, the Régie took quick action. Indeed, our follow-up work shows that 100% of our recommendations prompted tangible steps by the managers of the Régie. Furthermore, we are satisfied with the progress achieved in 90 percent of the cases. The following table presents the status of each of the recommendations, namely if it has been applied, if it has been partially applied or if it has not been applied.

STATUS OF RECOMMENDATIONS

	Recommendation		
	Applied	Partially applied	Not applied
		Satisfactory progress	
Periodic examination of joint plans			
Revise joint plans at least every five years in accordance with the law.		X	
Collect the necessary information to report on their performance.		X	
Ensure the follow-up on all its interventions.		X	
Compliance with the requirements of the Act			
Ensure compliance with all the terms and conditions of its incorporating Act.		X	
Management of the Régie			
Show greater transparency in its operations.	X		
Acquire the necessary resources for the economic and financial analysis of joint plans.		X	
Acquire an appropriate management information and documentary management system.		X	
Milk payment insurance fund			
Specify the Fund's rate-making objective to take into account the evolution of the risk and to limit claims and costs.			X
Evaluate eventual losses related to claims and list them in the Fund's results.	X		
Accountability			
Revise the content of its annual report to provide more comprehensive and meaningful information on its activities and its performance in a timely manner.		X	

VOCATIONAL AND TECHNICAL EDUCATION IN PUBLIC INSTITUTIONS

- 6.102** We followed up on the value-for-money audit carried out in 1997-1998 with the ministère de l'Éducation as well as four school boards and five Cégeps (public colleges), located in five regions. Our work ended in May 2002.
- 6.103** The objectives of the initial audit, the results of which were published in Chapter 5 of Volume II of the Report of the Auditor General to the National Assembly for 1997-1998, were to determine if, on the one hand, the supply of vocational and technical

education is adapted to the needs of the work market and if, on the other, the ministerial management framework promotes the optimum use of human resources and infrastructures for vocational and technical education.

- 6.104** It should be noted that we had not made recommendations to the actual institutions, as our comments basically concerned the orientations and actions of the Ministry.
- 6.105** In light of the work carried out during this follow-up, we are able to conclude that satisfactory progress has been made for all of the recommendations since the initial audit, as shown in the next table. With a view to managing the teaching map more efficiently, the Ministry undertook in 2001 an analysis to streamline the education supply. More concretely, this involved determining the study programs to be offered and the number of institutions authorized to give them. As for the number of students granted admission, the Ministry, as it had mentioned in its comments at the time of our initial report, decided to abandon quotas and is seeking instead to foster the accountability of teaching networks in this respect.
- 6.106** A major change has taken place with respect to the recognition of academic achievements. Indeed, all universities now give students the possibility of obtaining university credits for some of their academic achievements in the technical education field.
- 6.107** The Ministry has also taken steps to promote the optimum use of its real estate facilities. Finally, it has pursued the objective of increasing the latitude of Cégeps in the organization of instruction.

STATUS OF RECOMMENDATIONS

	Recommendation			
	Applied	Partially applied		Not applied
		Satisfactory progress	Unsatisfactory progress	
School map				
Manage the school map by seeing to the application of minimum performance criteria that study programs would have to meet.		X		
Manage the school map by evaluating the relevance of maintaining existing authorizations, in particular when revising programs.		X		
Cientele quotas in certain programs				
Specify the criteria that warrant the imposing of a quota.		X		
Give greater consideration in the application of a quota, to the balance between the number of students studying and the likelihood of obtaining a full-time or part-time job related to these studies. ¹		X		
Coordination of admissions between vocational education and technical education				
To reduce unprofitable stays at the college level, make sure that there is a better coordination of the admission process between vocational education and technical education.		X		
To reduce unprofitable stays at the college level, promote the evaluation by institutions of the weakest candidates to direct them towards education programs that is better suited to their aptitudes.		X		
Recognition of educational achievements by institutions of higher learning.				
Make sure that educational institutions recognize relevant educational achievements.		X		
Use made of the real estate infrastructures of Cégeps				
Promote the optimum use of the properties made available to Cégeps.		X		
Management of the workload of teachers				
Pursue the objective of increasing the latitude of Cégeps in the organization of instruction.		X		

* As for the programs dealing with the health sector, the Ministry removed the quotas affecting the programs in question.

7. CERTIFICATION OF HEALTH INDICATORS

- 7.1 This report is tabled in the National Assembly to follow up on the *Comparative Study on the Health of Québec's Population and on the Performance of its Health Care System - Indicators and Trends* made public by the Minister of State for Health and Social Services on September 30, 2002.
- 7.2 This chapter contains the observations, recommendations and comments resulting from our audit work on the health indicators presented in Schedule 4.2 of the report of the ministère de la Santé et des Services sociaux (MSSS). It accompanies our audit opinion which, appended to the report of the MSSS, is reproduced in one of the appendices under the name of *Report of the Auditor General on health indicators*.
- 7.3 On September 11, 2000, the federal, provincial and territorial First Ministers reaffirmed the importance of being accountable to citizens by producing clear public reports on the health of their population and the quality of their health care systems.
- 7.4 The First Ministers presented their joint vision in the *Communiqué* on health issued on that occasion. Moreover, they mandated their respective minister of health to collaborate on the development of a comprehensive framework, using jointly agreed comparable indicators on the basis of which governments should report on their activities in September 2002. The Conference of Deputy Ministers subsequently defined the specific indicators that should regularly be reported to the public.
- 7.5 In light of the commitment of the First Ministers, the Government of Québec entrusted the Auditor General of Québec, by order, with the mandate of auditing and certifying the quality of the information published by the MSSS concerning each of the 67 indicators examined in its accountability to the Québec public.
- 7.6 Our audit was conducted in accordance with the standards for assurance engagements of the Canadian Institute of Chartered Accountants. These standards require that the audit be planned and performed in such a way as to obtain reasonable assurance that the health indicators are free of significant misstatements.
- 7.7 Our work sought to determine if the health indicators presented in Schedule 4.2 entitled "Information audited by the Auditor General of Québec according to the stipulated requirements concerning the indicators mutually agreed upon by the federal, provincial and territorial First Ministers", which is included in the report of the MSSS, met the criteria stated in Appendix A of our report. These criteria deal with the completeness, the accuracy and adequate disclosure of the information. Our audit included examining, on a test basis, evidence supporting the health indicators and their disclosure. It also included assessing significant judgments made by management of the MSSS. However, our responsibility does not extend to the assessment of the performance achieved or the relevance of the indicators. Furthermore, our work is limited to the information relating to the most recent year in which each indicator was reported.
- 7.8 In our audit report, we conclude that 35 of the 47 health indicators included in Schedule 4.2 present fairly the situation in accordance with the criteria stated in Appendix A.
- 7.9 However, we express reservations for 12 indicators pertaining to compliance with

the audit criteria defined in Appendix A. They concern:

- The absence of controls ensuring the reliability of the data of the information system Maintenance and processing of data for the study of the hospital clientele, commonly known as MED-ÉCHO;
- The methodology used for calculating indicators dealing with relative survival probabilities after five years, adjusted for age, for various types of cancer, which differs from the methodology approved at the Conference of Deputy Ministers;
- the Québec Registry of Cancers, which does not include all the cases diagnosed;
- the indicator “adjusted rate for the prevalence of diabetes”, which does not respect the approved technical characteristics.

7.10 We also draw attention to the non-publication of 20 indicators, 7 of which are optional for Québec.

8. CERTIFICATION OF FINANCIAL INFORMATION

INTRODUCTION

- 8.1** Each year and pursuant to his mandate, the Auditor General does financial information certification work, the results of which are recorded in a document known as the “auditor’s report”. This work deals with the financial statements of the government, its agencies and its enterprises. Over the course of 2001-2002, the Auditor General produced more than 155 auditor’s reports.
- 8.2** The certification of financial information is carried out using recognized techniques. It includes tests of the various elements in support of the financial data and other information, an evaluation of the accounting policies used and the financial estimates produced by the directors of the entity. Moreover, the auditor makes an overall assessment of the financial statements. As is established in the accounting field, the purpose of the certification of financial information “is to provide a reasonable assurance as to the absence of material misstatements” in the financial statements.
- 8.3** When the auditor ascertains a departure from the generally accepted accounting principles (GAAP) of Canada or from the appropriate accounting policies, or if a limitation was imposed on the scope of his work, he must express a reservation in his report.

The reservation may take one of the following forms:

- a qualified opinion, when the auditor has a favorable opinion of the financial statements taken as a whole, but then qualifies the opinion by a departure from GAAP or from the appropriate accounting policies or by a limitation of his auditing work;
 - an adverse opinion, when the auditor is of the opinion that the financial statements do not give a fair presentation according to GAAP or to the appropriate accounting principles;
 - a denial of opinion, when the auditor is unable to give an opinion on the financial statements following a limitation of his auditing work.
- 8.4** Within the context of financial information certification work, the Auditor General also audits the compliance of operations having a financial impact with statutes, regulations, policies and guidelines. It may happen that non-compliance situations are detected. Moreover, the nature of the work that the Auditor General does may lead him to ascertain shortcomings related to management. In such circumstances, the Auditor General conveys to the interested parties his observations and his recommendations in a “management report”.
- 8.5** This chapter presents the main reservations, observations and recommendations made following the financial information certification work carried out in recent months.
- 8.6** Turning to another subject, this chapter presents, when applicable, the comments of the Auditor General on the audit of the consolidated financial statements of the Government of Québec.

8.7 However, the Public Accounts for the fiscal year ended on March 31, 2002 had not yet been tabled in the National Assembly when this volume was published. We invite the reader to refer to the separate report that will be tabled, where applicable, in the National Assembly at the same time as the government's consolidated financial statements. In a way, this report will be the continuation of this chapter and will be appended to Volume One of the *Report of the Auditor General to the National Assembly for 2002-2003*.

TRANSITION COMMITTEES OF THE MERGED CITIES

8.8 Pursuant to the *Auditor General Act* (R.S.Q., c.V-5.01), we proceeded with the certification of the financial information found in the financial statements prepared by the transition committees mentioned below for the fiscal years ended on the following dates:

-
- Comité de transition de l'Outaouais, December 31, 2001
 - Comité de transition de la Ville de Lévis
 - Comité de transition de la Ville de Longueuil
 - Comité de transition de la Ville de Montréal
 - Comité de transition de la Ville de Québec
 - Comité de transition de la Ville de Sherbrooke

-
- Comité de transition de la Ville de Saint-Jérôme January 31, 2002
 - Comité de transition de la Ville de Shawinigan
 - Comité de transition de la Ville de Trois-Rivières

-
- Comité de transition de la Ville de Saguenay February 17, 2002
-

8.9 The audits ended over a period extending from February to October 2002. We issued unqualified opinions regarding the financial statements produced by nine transition committees. However, in the case of the Comité de transition de la Ville de Longueuil, we expressed a reservation in the auditor's report accompanying his financial statements.

- 8.22** We also ascertained the absence of a clear definition of what constitutes an operating expense. As the MAMM [ministère des Affaires municipales et de la Métropole] did not specify this concept, it was difficult to determine the type of expenses (operating, election or transition). [...]
- 8.27** Our work reveals that the committees subject to the regulations did not always sign a contract in due form with their suppliers prior to carrying out certain projects.[...]
- 8.44** The mission of the transition committees was to make sure, within a limited time period, that the activities of the former cities continued in a harmonious manner at the time of the creation of the new cities. We are forced to conclude that the committees did not show enough meticulousness from the standpoint of the closing of their books, the awarding of contracts, the liability for the sales tax and the preparation of employment income statements. However, the committees had to carry out their activities within an unusual context, where the stakes associated with the transition were both complex and major. As for the MAMM, we ascertained that it did not always provide the necessary support to the committees for the closing of their books.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES (Pension and Insurance Plan Administration Board)

- 8.47** [...] Our work allowed us to issue 13 opinions on the financial statements of retirement plans. We issued 6 qualified opinions concerning these financial statements. In addition, we submitted a few observations to directors.
- 8.51** According to the *Act respecting the Pension Plan of Elected Municipal Officers*, the portion of the surplus distributed to a municipality having adhered to the plan as of December 31, 2000 must be in proportion to the total sums paid, with interest compounded annually, which it paid up to that date to the Commission in relation to those paid, with interest compounded annually, by all the municipalities and bodies referred to in section. [...]
- 8.55** The errors that we detected influenced the distribution of the sums paid to municipalities. Some municipalities received too much and others, not enough.
- 8.61** We found that for 7 of the 13 financial statements of the retirements plans, the evaluations of actuarial obligations or a portion thereof were based on data dating back 5 to 7 years. In the case of one of the plans, no actuarial evaluation had been made since its inception. Moreover, CARRA [Commission administrative des régimes de retraite et d'assurances] did not generally verify if major adjustments had to be made to the results of its projections. In the absence of reliable information, we were unable to make sure with a reasonable effort that the obligations did not contain material misstatements. This situation led us to issue a reservation in our auditor's report accompanying 6 of the 7 financial statements in question for the fiscal year ended on December 31, 2001. [...]
- 8.62** Furthermore, the laws or the regulations that govern the retirement plans administered by CARRA provide in particular for the preparation of three-year actuarial evaluations for most of these plans. Since the evaluations used by CARRA date back more than 3 years, the legal and regulatory provisions of 13 plans or portions of plans were not respected.

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

(Québec Construction Board)

- 8.66** [...] The auditor's report that we issued on the financial statements of this entity contain a reservation dealing with compliance with the legislative provisions of the supplemental pension plan.
- 8.67** The *Act amending the Act respecting supplemental pension plans* (2000, c. 41), which entered into force on January 1, 2001, made amendments to the *Act respecting supplemental pension plans*. The supplemental pension plan for employees of Québec's construction industry, which is administered by the Commission, is subject to this Act.
- 8.70** As the Commission did not evaluate the impact of the application of this Act, we were unable to determine the effect of the adjustments that should have been made to the commitments of the supplemental pension plan for employees of Québec's construction industry as of December 31, 2001.

CANADA-QUEBEC LABOUR MARKET DEVELOPMENT IMPLEMENTATION AGREEMENT

- 8.75** As was the case last year, the Auditor General had to include in his report for the fiscal year ended on March 31, 2002, a reservation indicating that the governments of Québec and Canada do not agree on the eligibility of one of the active employment measures presented in the statement of income and expenditures and funded from Canada's contribution, namely the manpower training measure as a support measure for the National Employment Service.
- 8.76** The expenditure incurred by Québec with respect to this measure and the corresponding income are included in the financial statements. They represent \$20,147,000 for the fiscal year ended on March 31, 2001 and \$16,981,000 for the fiscal year ended on March 31, 2002.

INSTITUT DE LA STATISTIQUE DU QUÉBEC (Québec Statistics Institute)

- 8.80** Section 38 of the incorporating Act of the Institute stipulates that it "may not make payments or assume obligations, except those provided for in section 36, for an amount that exceeds, in the same fiscal year, the sums at its disposal for the year in which the payments are made or the obligations assumed". Since the organization's first fiscal year in 1999-2000, we have issued each year a reservation concerning the non-compliance with section 38 of its Act. Indeed, the Institute's deficit was \$874,808 as of March 31, 2000 and \$683,750 as of March 31, 2001. For the fiscal year ended on March 31, 2002, the excess of expenses over revenues totals \$218,532, which brings the accumulated deficit to \$902,282.
- 8.81** Hence, the Institute made payments or assumed obligations the cost of which exceeded the sums that it had at its disposal for the 2001-2002 fiscal year. As none of the exceptional reasons provided for by the Legislator can be invoked, the Institute violated its incorporating Act for a third year in a row.
- 8.82** The fact that the Institute does not have all the necessary information to do the follow-up on its operations clearly contributed to this situation.[...]
- 8.84** Moreover, [...] our work indicates that the Institute's staff, for the fiscal year ended on March 31, 2002, was 276.2 FTE [full-time equivalents], which represents an

excess of 42.2 FTE in relation to what had been authorized.

RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC (Québec Health Insurance Board)

- 8.87** [...] Our work allowed us to issue an unqualified opinion concerning the financial statements of the Régie. As for those of the Fonds de l'assurance médicaments, we included in our opinion a comment on the non-compliance with its incorporating Act. We present the results of the follow-up dealing with the four elements to which we had drawn attention during the audit of the books and accounts of the Régie for the fiscal year ended on March 31, 2001.
- 8.88** We had recommended to the Régie, at the time of the audit of the books and accounts for the fiscal year ended on March 31, 2001, that it apply a prescription drug oversight and monitoring mechanism to all of the clientele served by the public plan.
- 8.92** During the fiscal year ended on March 31, 2002, the Régie did a feasibility study showing that the measure is applicable to all insureds. However, our recommendation has yet to be applied.
- 8.95** We had recommended that the Régie make sure that the number of visits made within the context of audit work carried out with the establishments concerned be sufficient to guarantee compliance with the agreement reached with the Association québécoise des pharmaciens propriétaires. This agreement stipulates the terms and conditions for the management of the public prescription drug insurance plan.
- 8.97** In 2001-2002, eight visits were made. Their number does not allow the Régie to ensure compliance with the agreement with the Association québécoise des pharmaciens propriétaires.
- 8.100** We had recommended to the Régie that it ensure that the calculation of contributions is fair for all insureds, as some of them, and in particular those who travel outside Québec, obtain prescriptions covering in full a treatment, the length of which exceeds 30 days. As the deductible and co-insurance are calculated on a monthly basis, these persons pay an annual contribution that is lesser than that of other insureds.
- 8.102** We noted that our recommendation has been applied as the *Act amending the Act respecting prescription drug insurance and various legislative provisions*, assented to on June 13, 2002, will rectify the situation when the provision pertaining to the calculation of contributions goes into effect.
- 8.103** We had noted in 2000-2001 that the annual budget forecasts of the Fonds had not been approved by the government. This was in violation of the Act as the latter stipulates that these forecasts must be approved not later than December 1st preceding the fiscal year to which these forecasts apply.[...]
- 8.104** Given the fact that no tangible step was taken during the fiscal year ended on March 31, 2002 to remedy this situation, we mentioned this case of non-compliance in the auditor's report on the financial statements of the Fonds for the fiscal year ended on March 31, 2002.
- 8.105** A legislative amendment, assented to on June 13, 2002 and entering into force on July 1, 2002, stipulates that the budget forecasts will henceforth have to be tabled by the Régie with the Minister for Health and Social Services not later than June

1st following the start of the fiscal year to which these forecasts apply.

RÉGIE DE L'ÉNERGIE **(Energy Board)**

- 8.109** [...] The auditor's report that we prepared on the financial statements of the Régie as of March 31, 2002 contains a reservation dealing with the non-adjustment of the surpluses and deficits by energy sector presented in the supplementary information. This information, appearing in the schedules of the financial statements of the Régie, concerns the allocations of revenues and expenditures among the energy sectors: electricity, natural gas and oil products.
- 8.111** For the fiscal year ended on March 31, 2002, the Régie adopted a recognized method for allocating expenditures that reflects the cost of the activities. However, it still has not adjusted the surpluses and deficits by energy sector.
- 8.113** As the Régie did not adjust the surpluses and deficits by energy sector as of March 31, 2001, the effect of this situation is, as of March 31, 2002, to have a given sector support expenditures attributable to another energy sector and to distort the determination of the next duty rate by energy sector. The principles of fairness and accountability in the Regulation respecting the rates and terms and conditions of payment of the annual duty to the Régie de l'énergie are thus compromised.

RÉGIE DU CINÉMA **(Cinema Board)**

- 8.118** [...] The auditor's report that we prepared on the financial statements of this entity contains a comment regarding the non-compliance with the Regulation respecting the fees for examination and duties payable under the *Cinema Act*. This regulation provides for duties of 50 cents to obtain the attestation of a filing certificate (sticker placed on each video-cassette). Since April 1, 2001, the Régie has been charging 40 cents per attestation, thereby depriving itself of \$1.6 million in video material control revenues for the fiscal year ended on March 31, 2002.
- 8.119** The Régie applied this reduction following the 2001-2002 Budget Speech without proposing the appropriate regulatory or legislative amendments to the government. Yet the announcement of the reduction in the duties related to the attestation of a filing certificate at the time of the budget speech, did not exempt the Régie from having to submit this amendment in due form and from having to obtain the required legal authorizations.

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC **(Québec Automobile Insurance Corporation)**

- 8.123** [...] For the period from April 1, 2001 to March 31, 2002, the Société had a regular staff of 2,534 positions and a total staff (regular and casual) of 2,759 full-time equivalents (FTE) duly authorized by the Conseil du trésor.
- 8.124** Our work indicates that the regular staff of the Société for the last pay of the period under consideration comprised 2,719 positions and that for this same period the total staff was 2,893 FTEs. These figures represent an excess of 185 positions and 134 FTEs respectively, in relation to the staff that had been authorized by the Conseil du trésor.

SOCIÉTÉ NATIONALE DU CHEVAL DE COURSE (Horseracing Corporation)

- 8.127** The *Act respecting the Société nationale du cheval de course* (R.S.Q., c.S-18.2.0.1), assented to on June 19, 1999, came into force by order-in-council on September 1, 1999. On that date, the name of the Société de promotion de l'industrie des courses de chevaux (SPICC) inc. was changed to that of the "Société nationale du cheval de course" (SONACC). The Société continued to be a government organization as the minister appoints more than half of the directors sitting on the board of directors.
- 8.130** The SONACC did not hold an annual meeting of members in 2000 and in 2001. Moreover, the annual reports of the SONACC, including its financial statements for 1999 and 2000, were sent to the Minister of Finance tardily. For example, the annual report of 2000 was sent in November 2001. These two reports were tabled in the National Assembly on March 28, 2002. We are of the opinion that parliamentarians did not receive the information recorded in these documents at the appropriate time.