OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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Operations of the Office

for the year ended March 31, 2015

September 2015

Our vision

The Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.

Our values

- Respect
- Honesty
- Integrity
- Openness

Our priorities

- Strengthen the management systems and practices of government organizations
- Provide Members of the Legislative Assembly with relevant information
- Manage our internal business effectively

Our critical success factors

- Independence from government
- Reliable audit opinions and conclusions
- Relevance of audit work performed
- Knowledge, skills and abilities of our staff

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OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Septe nber 2015

The onourable aryl Reid
Spea er of the House
Room 244, Legislative Building
450 Broadway
Winn peg, Manitoba R3C 0V8

Dear ir:

I am leased to present my report titled: *Operations of the Office or the year ended Marc 31, 2015*, to be laid before the Legislative Assembly in ac ordance with Sections 26(2) and 28 of *The Auditor General Act*.

Respectfully sub itted,

Original docum nt signed by:
Nor n Ricard

Norm Ricard, CP , CA
Auditor General

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Table of contents

Message from the Auditor General……1

1. What we do……4

2. How we carry out our work……7

3. Critical success factors ……12

4. What we delivered in 2014/15 ……20

5. Our planned activities for 2015/16……30

6. Financial results ……32

Appendices ……39

Appendix A – The Auditor General Act……41

Appendix B – Listing of financial statement audits……50

Web Version

Message from the Auditor General



I am pleased to provide the Legislature with our annual *Operations of the Office* report for the year ended March 31, 2015.

On June 10, 2015, I was appointed Auditor General for the Province of Manitoba. I look forward to serving the Legislative Assembly in this new capacity.

In preparation for the departure of our former Auditor General on March 31, 2014 the Office pushed hard to release reports for as many of the audits conducted under her direction as possible. This resulted in the 10 chapters included in our March 2014 report, but also meant we started fiscal 2014, for the most part, with only recently initiated projects. As a result, no project audit reports were ready for release in 2014/15.

Operationally, we continued to focus on our critical success factors: independence from government, reliable audit opinions and conclusions, relevance of audit work performed and the knowledge, skills and abilities of our staff. In the fall of 2015 we will embark on a strategic planning process and revisit our vision, mission, priorities and critical success factors.

This year I received several requests from members of the Legislature to conduct specific audits. We appreciate and value all such requests. These requests were for audits of:

- Manitoba Hydro's Bipole III project, including Hydro's capital planning and budgeting processes
- Government advertising
- Provincial Nominee Program
- Procurement process for flood fighting equipment
- Investors Group Field.

Most of these requests were widely covered by the local media. While we generally put all such requests on our list of potential audits, we believe there is value in having the requests discussed at a Public Accounts Committee (PAC) meeting. Section 16 of the Auditor General Act states:

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

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As such, any audit requests that were to come to me as a resolution of the PAC would be considered a priority (as envisioned by Section 16), whereas other audit requests not forwarded to PAC, or discussed at PAC but not supported by a resolution, would remain on our list of potential audits and may eventually be selected and scheduled. In either scenario, however, discussion at PAC would inform how a requested audit should be structured or identify some of the topics the audit should cover. This information helps us ensure that members will find any resulting audit useful. So I encourage all MLAs who want my Office to conduct a particular audit to submit their request at a PAC meeting.

I would also like to draw attention to our citizen concern line available on our website at oag.mb.ca. If you are a public servant or a resident of Manitoba and suspect fraud, or have evidence of mismanagement, at one of our public institutions we are interested in what you have to say. While we do not advocate on an individual's behalf, your issue or concern can help us identify possible systemic issues and program areas that would benefit from an audit.

I would like to take this opportunity to thank all of my staff members for their hard work and dedication. It is a pleasure to work with such talented people!

Original document signed by:
Norm Ricard

Norm Ricard, CPA, CA
Auditor General

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Our Team



Back ro ɾ: Britta ıy Hilton, Corey Charman, Dallas Muir, Graham Hic ɕman, Robert Ivison, Jeff Gilbert, Fraser McLean, Shane Charron, Grant Voakes, Leah Lin

Third ro ѵ: Jame ɜ Wright, Kelsey Wainwright, Bradley Keefe, David Storm, Adam Muirhead, Larry Lewarton, Chris Nowell, Tiffany Beyer, Gene Edwar ds

Second ow: Reema Sohal, Melissa Emslie, Erika Thoma ɜ, Jo Johnson, Brendan Thiessen, Doug Harold, Errol Kavanagh, Jim Stephen, Ryan Riddell, Shirley Richardson, Susa ı Hay, Bryden Boyechko

Front ro ѵ: Catherine Gier, Wendy Tang, Shondell Babb, Jacqueline Ngai, Tyson Shtykalo, Norm Ricard, Greg MacBeth, Sandra Cohen, Maria Capo ƶzi, Ye Tu, Dingding Song

Missing: Natalie Bessette-Asumadu, Catherine Cai, Benjami ɳ Janzen, Arlene Nebrida, Ken Nero, Lisa Selchen, Jan Smith, Jon Stoesz, Erica Suderman, Phil Torchia, Melanie Torre-Cabacungan, Brian Wirth, Angela Y ıng

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1. What we do

As an independent officer of the Legislative Assembly, the Auditor General provides the Manitoba Legislature with audit reports on accountability information and on government operations.

Our mandate

The Auditor General Act (Act) establishes the Auditor General as an independent officer, reporting to the Legislative Assembly. A copy of the Act is in **Appendix A**.

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

- Financial statement audits (Section 9).
- Project audits, including special audits on request (Sections 14, 15, 16).

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

Financial statement audits

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

The Auditor General is also responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise. In 2014/15 the Office of the Auditor General (Office) conducted financial statement audits for 23 entities within the government reporting entity (13 because their Acts specify that the Auditor General is the auditor of the organization). All other public sector entities within the government reporting entity are audited by external audit firms.

The government reporting entity includes all organizations controlled by the government. These organizations are listed in the Province's Public Accounts Volume 1.

Although not part of the government reporting entity, we also audit 7 pension plans. The Acts for 3 of these pension plans appoints the Office as their auditor.

See **Appendix B** for a listing of financial statement audits conducted by our Office and **section 4** for a more detailed discussion of the financial statement audit service line.

Project audits

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

- Operations of a government organization (Section 14).
- Use of public money by recipients of public money (Section 15).

We use the term project audit to include the following types of audits: value-for-money, investigations (including special audits), information technology and governance.

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Project audits are designed to examine any of the following matters:

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

To select project audits, we consider a number of factors, including the significance of the subject matter, potential impact of our audit work, public interest, and staff availability.

Section 16 of the Act permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the Public Accounts Committee to request a **Special Audit** of the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. We must accept these requests unless they interfere with our primary responsibilities. This is an important opportunity for the Legislature to use the skills in our Office.

See **section 4** for a more detailed discussion of the project audit service line.

What we strive to achieve

In the fall of 2015 we will be undertaking a strategic planning process. We will be revisiting our vision, operating priorities, desired outcomes and operating principles **(section 2)**, as well as our critical success factors **(section 3)**.

Our vision

Our vision of what we want and need the Office to be is:

> **The Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.**

Our operating priorities

To support the realization of our vision, we adhere to our operating principles **(section 2)**, manage 4 critical success factors **(section 3)**, and focus on the following operating priorities:

- Strengthen the management systems and practices of government organizations.
- Provide Members of the Legislative Assembly with relevant and useful information on the performance of government entities.
- Manage our internal business efficiently, effectively and economically, and
- Support the Public Accounts Committee in its efforts to improve the performance of government organizations.

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Our outputs

Our outputs include reports to the Legislature, audit opinions, audit advice, and management letters. Beyond providing observations and recommendations, our reports identify good management practices and lessons relevant to public sector organizations.

Our desired outcomes

In providing quality services and products to the Legislative Assembly, we believe we are contributing toward the following outcomes:

- Government organizations that focus on results.
- Government organizations that produce meaningful, user-friendly performance reports for the public.
- A Public Accounts Committee that closely monitors the spending of public funds.

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2. How we carry out our work

To be effective the Office must manage its affairs in an appropriate manner. In this section we discuss our:

- Operating principles.
- Office structure.
- Reporting obligations.
- Budget and expenditure management practices.
- Human resource management practices.
- Information technology.

Operating principles

Our operating principles guide how we conduct our business, both externally and internally.

Independence and objectivity

Being independent and objective means being free of influence, conflict of interest and bias.

See our **critical success factor** discussion on **Independence from government** in section 3.

The Office requires annual conflict of interest declarations from all its staff members and manages all audit jobs to ensure assigned staff have no conflicts or that conflicts are appropriately mitigated.

Balanced perspective

Within the context of our audit objectives we report on strengths as well as weaknesses.

Teamwork

We work together cooperatively and in a coordinated manner to achieve a common goal.

Accountability

We are each accountable for the quality and quantity of our individual contributions to the products and services we provide.

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Valuable work

We provide the Legislative Assembly with reports on significant programs and promote efficient and accountable government.

See our **critical success factor** discussion on **Relevance of audit work performed** in section 3.

Professional excellence

We maintain sound audit methodology and meet the professional standards for the types of audits we conduct.

See our **critical success factor** discussion on **Reliable audit opinions and conclusions** and **Knowledge, skills and abilities of our staff** in section 3.

Financial Stewardship

We make only defensible expenditures and seek to maximize the value obtained from every dollar spent.

Honour our values

We conduct ourselves in a manner consistent with our values of respect, integrity, honesty, and openness.

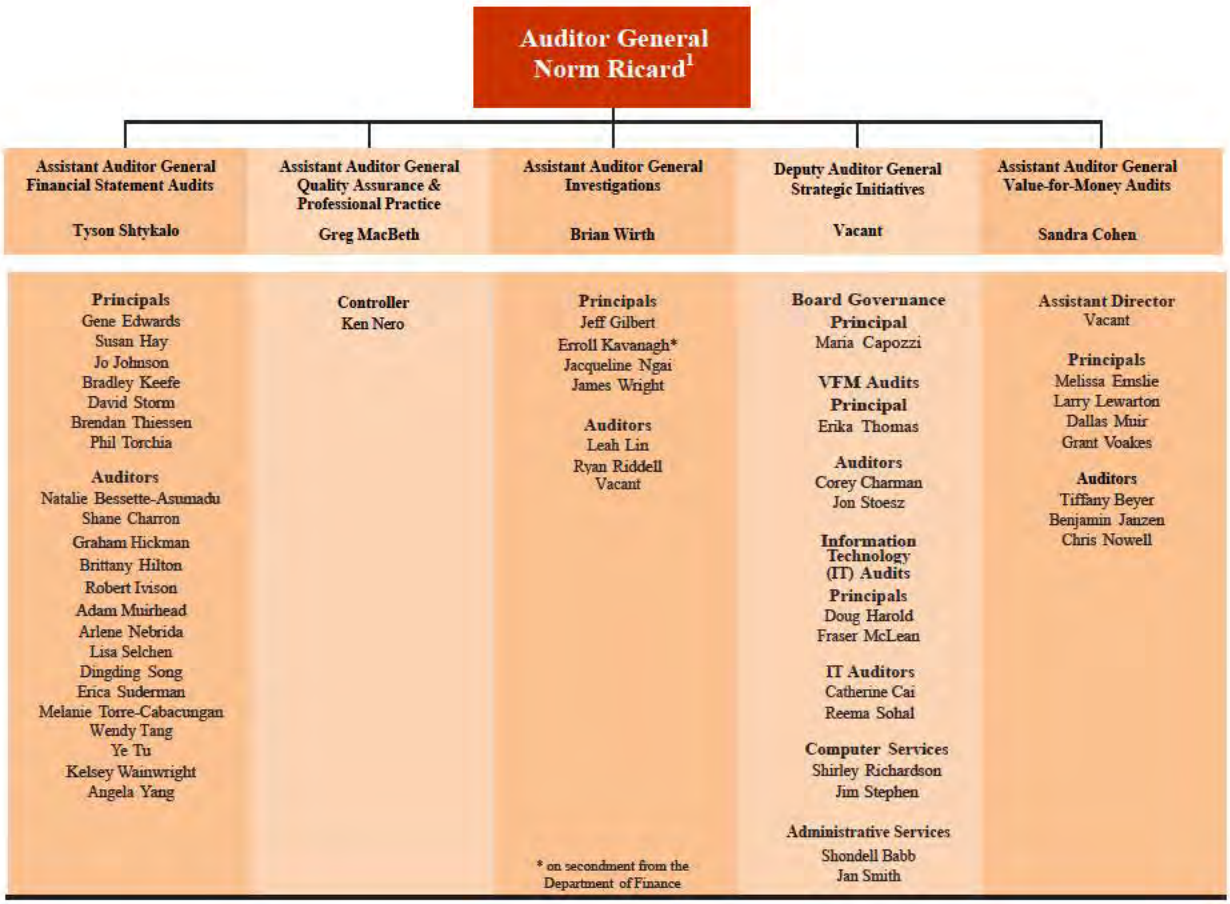
Office structure

The Office employed approximately 52 regular staff during the year and was organized into 5 service groups (see **Figure 1**).

While all staff are assigned to a service group, the cyclical nature of workflows provides opportunities for staff members to participate in audits within other service groups. This integration of skills and knowledge ensures more effective results than could be achieved if each service group operated in isolation.

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Figure 1: Organization chart as at March 31, 2015



Reporting obligations

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

Audit of Public Accounts and other financial statements

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

Special report

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

[1] Appointed as Auditor General on June 10, 2015

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Project audits

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

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

Special audits

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

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

Operations of the Office

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

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

In **section 4** we discuss our role in Public Accounts Committee meetings.

Budget and expenditure management practices

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

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

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

The expenditures of the Office are reflected in the Public Accounts of the Province. On a monthly basis, we provide the Province with a detailed transaction spreadsheet so that Office expenditures can be recorded within the Public Accounts.

In **section 6** we present our financial results.

Human resource management practices

The Legislative Assembly Management Commission approves the number of staff resources assigned to the Office, currently set at 55 full-time equivalent (FTE) positions (2 of which are term positions). Because our staff are hired under the Civil Service Act, the human resource policies and practices of the Civil Service Commission and the classification and compensation rules of Treasury Board Secretariat are imposed on our Office. As such, the Civil Service Commission oversees our hiring efforts, and the Labour Relations division of Treasury Board Secretariat oversees the classification of our positions and related compensation decisions. (See our critical success factor discussion on independence from government in **section 3.)**

All of our managers, senior auditors, auditors and certain corporate support positions are represented by the Manitoba Government Employees Union. Of note is that all of our senior management positions (Principals) who are not Chartered Accountants (CA) are also represented by the Union. All other positions in the Office, including Principals who are CA's, are excluded from Union membership. The provisions of the collective agreement between the Government and the Union define the terms and conditions of employment for staff of the Office who are Union members.

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

Information technology

The Office operates its own computer network. Two staff members ensure our network operates reliably and securely, our various software tools are regularly updated and supported, and our hardware functions properly and is renewed at appropriate intervals. We continuously review and update our information security practices.

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3. Critical success factors

We have identified four factors critical to the Office's success. These factors are:

- Independence from government.
- Reliable audit opinions and conclusions.
- Relevance of audit work performed.
- Knowledge, skills and abilities of our staff.

Independence from government

Above all else, the Office must be, and be perceived to be, independent from government and the government organizations we audit.

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

A long unresolved matter impacting our actual and perceived independence from government is our relationship with the Civil Service Commission and the Labour Relations Division of the Treasury Board Secretariat. This was discussed at length in our "Operations of the Office for the year ended March 31, 2014" report to the Legislative Assembly.

Enabling the Office to function independently of the Civil Service Commission and Treasury Board Secretariat will likely require amendments to various Acts, including the *Auditor General Act*. Such amendments should:

- Explicitly grant to the Auditor General all necessary authorities to hire, set wages and set the terms and conditions of employment for staff needed to carry out the Auditor General's mandate.
- Require compliance by the Auditor General with a classification system that sets salary levels which are comparable to those in the Manitoba civil service.
- Require annual accountability by the Auditor General to the Legislative Assembly on how authorities related to the management of human resources were exercised.

As part of our 2015/16 budget submission to the Legislative Assembly Management Commission, we requested an additional staff position for a newly created position that would be responsible for our corporate support services (excluding computer services) with a significant focus on human resource management services. Such a position is needed to help us proactively manage human resources, ensure we appropriately deal with any human resource issues that may come up, liaise with the Civil Service Commission and Treasury Board Secretariat on staffing related matters, and free up executive time so they can focus on their audit responsibilities. Ultimately

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any legislative amendment that provides the Office with independent authority over its staffing decisions, as noted above, would require such a position. Unfortunately this request was denied by the Legislative Assembly Management Commission.

During the year we engaged a human resource management consulting firm to help us create a roadmap for transitioning to an in-house human resource management function. We will provide the Legislative Assembly Management Commission with this information as part of our 2016/17 budget submission.

In 2015/16 we will begin the process of determining how best to seek amendments to legislation to grant the Auditor General the staffing authority needed to function independently of the Civil Service Commission and the Treasury Board Secretariat.

Office staff should not be represented by the same union representing most government employees.

As noted in **section 2** about half of the Office's staff are represented by the Manitoba Government Employees Union. While we respect the right of our employees to organize, having our staff represented by the Manitoba Government Employees Union is problematic for two reasons:

- In addition to the Office being directly impacted by Civil Service Commission and Treasury Board Secretariat decisions related to hiring, classification and compensation, the Office must also comply with the provisions of the collective agreement between the government and the Union. In our view, compromising our independence from government.
- Given that the Office is responsible for auditing all government departments, including the Civil Service Commission and Treasury Board Secretariat, this arrangement means that our unionized staff, where required by an audit objective, would have access to confidential documents related to labour relations. This is information that is generally not accessible by union members. This creates a conflict of interest situation for our assigned staff.

Appendix A to the Collective Agreement includes guidelines that are to be considered when negotiating classification exclusions. We have attempted during the last three collective bargaining sessions to have our staff excluded using the guidelines in the Collective Agreement. All three requests were rejected.

In conversations with select staff within the Civil Service Commission, the Treasury Board Secretariat, and long serving members of our Office, we were unable to determine the rationale or logic for the representation of Office staff by the Manitoba Government Employees Union. Knowledge of how it came to be is effectively lost.

Of particular note is that staff employed by Manitoba Internal Audit, a branch within the Department of Finance, are excluded. We agree that Internal Audit staff should not be represented by the Manitoba Government Employees Union because of their access to confidential labour relations information. This is **one** of the reasons why we believe our staff should be excluded.

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We are continuing to explore opportunities to resolve this structural issue.

Reliable audit opinions and conclusions

Our opinions and conclusions are reliable when they are based on sufficient appropriate audit evidence and sound professional judgments. We do this by having have a strong quality control program.

Key aspects of our quality control program include:

- Staff that are qualified and that continuously update their professional skills.
- Audit manuals that guide audit staff in conducting audits that comply with Office policies and professional standards.
- Supervision and review throughout the audit process to ensure conclusions are supported by sufficient appropriate audit evidence, reports are fair and balanced, and Office policies and professional standards are met.
- Obtaining independent quality assurance reviews of files and reports:
    - The Institute of Chartered Accountants of Manitoba routinely conducts inspections of audit firms involved in the practice of public accounting as defined in the General Provisions of its By-laws. Although we are not an audit firm and as such are not required to undergo an inspection, we voluntarily participate in this process. In April 2015, the Institute conducted an inspection of the Office's financial statement auditing practice and concluded that we are operating in a manner consistent with professional standards. The next inspection is scheduled for 2018.
    - In addition, we participate in peer reviews facilitated by the Canadian Council of Legislative Auditors (see page 20). In 2014/15, 2 such reviews were conducted (a financial statement audit file and a value-for-money audit file). For both files we received reports which stated that the audit engagements were carried out, in all significant respects, in accordance with the assurance standards of CPA Canada.

Relevance of audit work performed

For our work to benefit the Manitoba Legislature, we must ensure that our reports are meaningful to the Members and to the public. We do this by ensuring our audits deal with significant public sector issues and by communicating our audit results clearly.

We strive to be aware of areas of strategic importance to the Province and to the public service in general. For instance, we maintain contact with Members of the Legislature and government officials, hold discussions with members of the Public Accounts Committee, monitor Hansard and media reports, and maintain contact with our colleagues in other jurisdictions and various professional associations we belong to.

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There are far more programs, issues and financial statements within the government reporting entity than we have the resourcing capacity to audit in a year or even over several years. It is crucial therefore that we focus our audit work on areas of strategic importance to the Legislative Assembly. A key decision for the Office is how much of our resources to devote to financial statement audits versus project audits. The allocation of the Office's staff resources between financial statement and project audits is currently affected by the priorities of the Auditor General, the number of Section 16 audits the Auditor General is asked to conduct, and the Acts of various organizations that appoint the Auditor General as their financial statement auditor.

For the past several years, our goal has been to spend equal time on financial statement audits and on project audits (see **Figure 2** for actual results). This allocation enables us to present the Legislature with a wide array project audits while meeting our statutory obligations to conduct specified financial statement audits. The use of agents to conduct financial statement audits on our behalf helps us move toward a more equal allocation as we are able to redeploy some financial statement audit staff to work on projects (see **section 4**).

Figure 2: Allocation of staff time to audits

	2011/12	2012/13	2013/14	2014/15
Financial statement audits	52%	53%	57%	49%
Project audits	48%	47%	43%	51%
Total	**100%**	**100%**	**100%**	**100%**

We believe that a 50/50 split continues to be an appropriate target. We are concerned, however, that our time spent on financial statement audits is not focused on the best mix of entities.

Many of the financial statement audits our office performs are the result of a legislative requirement rather than importance or significance within the government reporting entity. As noted below, this has resulted in our office resources being used to audit entities that may be considered of lower importance relative to other government entities.

Figure 3 shows by expense level (a measure of importance) the financial statement audits we conduct versus those conducted by external auditors. Of the 7 financial statement audits that we conducted for entities with expenses in excess of $250 million, 3 were flow-through funding entities (the Manitoba Health Services Insurance Plan, the Public Schools Finance Board and the Council on Post-Secondary Education (dissolved in 2014)). The primary purpose of these entities is to fund other government entities. As a result, the usefulness and relative importance of these financial statements is limited.

The Office performs financial statement audits directly or uses a public accounting firm as its agent. The remaining financial statement audits within the government reporting entity are conducted externally by a public accounting firm hired directly by the organization.

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Figure 3: Financial statement audit responsibility

Expenses (in millions)	Auditor General	External auditor
$0 to $5	7	39
$5 to $50	6	63
$51 to $250	3	19
Greater than $250		
• **Flow through entities**	3	0
• **Government business enterprises (ie. Hydro, MPI)**	0	5
• **Other**	4	4
Total	**23**	**130**

We are required to conduct the audits of 3 pension plans (the Civil Service Superannuation Plan, the Teachers' Retirement Allowances Fund and the Legislative Assembly Pension Plan). We audit 4 other pension plans because of their association with an organization within the government reporting entity. Pension plans are not part of the government reporting entity. As such, the time needed to audit these funds may not be of strategic importance to the Legislative Assembly (of note, however, is that the Office does bill the pension plans for our services and returns the revenue to the Consolidated Fund, in effect, passing the cost of the audit on to the pension plans).

Figure 4 shows the number of pension plan financial statement audits we conduct versus those conducted by external auditors.

Figure 4: Pension plan audit responsibility

Auditor General	7
External Auditor	4
Total	**11**

We are working on an analysis to identify which financial statement audits we should conduct because of their strategic importance to the Legislative Assembly. As part of our strategic planning process this fall, we will develop an action plan to move us toward this more optimal mix of financial statement audits.

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Knowledge, skills and abilities of our staff

The quality of our work depends on the knowledge, skills and abilities of our staff. To succeed, we need to recruit and retain qualified professionals, invest in professional development, and provide a work environment that maximizes opportunities for our staff to exercise and develop their skills while enabling them to maintain a proper work-life balance.

Most audit staff have designations from one of the following organizations: The Institute of Chartered Accountants of Manitoba, Certified General Accountants of Manitoba and the Certified Management Accountants of Manitoba. Other certifications held by some of our staff are: Diploma in Investigative and Forensic Accounting, Certified Fraud Examiner, Masters in Public Administration, Certified Information Systems Security Professional, Certified Information System Auditors, Certified Internal Auditor, and Certified Government Auditing Professional.

At the conclusion of our financial statement audits we survey our clients for their feedback on the services we provided. The results of these surveys are shared with the audit team conducting the audit in order to continually enhance our services. In 2014/15, we obtained a 36% response rate to our survey and found that most respondents indicated that our Office provides good value for billings and are satisfied with the skills and knowledge of the audit team that worked with them.

We are currently considering how best to get feedback from organizations where we conduct a project audit.

Training future accountants

We support students seeking a professional accounting designation and are recognized by the Institute of Chartered Accountants of Manitoba as an audit training office. We provide an environment of continuous learning that reinforces professional skill development. Our Student Recruitment and Development Committee offers motivated, knowledgeable and engaged mentors to assist students as they transition from the academic world into the accounting profession.

Our Office is well positioned to expose students to a wide range of diverse, challenging and rewarding assignments across the provincial public sector. This unparalleled experience creates a unique career opportunity to train professional accountants choosing a career that serves the people of Manitoba.

We take great pride when our students achieve their academic goals. We had 2 students pass the uniform final examination in September 2014. We currently have 3 students, 1 will write her uniform final exam this fall.

Our focus on professional development

Every year our Professional Development Committee prepares a program of in-house training sessions for all our audit staff. This committee is made up of staff from all staff levels and service groups. Their primary focus is to determine and deliver the training opportunities that staff

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believe would benefit them on-the-job. In addition, the Executive Committee may direct that the Professional Development Committee organize a workshop, typically using external resources, to satisfy an office-wide training need.

Supplementing the role of the Professional Development Committee is the expectation that all staff will manage their own skills development and monitor their progress against the competency model developed by the Office. Training needs identified by a staff member are discussed and reviewed with their executive member. Training requests are approved if they are consistent with Office priorities and our competency model, costs are reasonable and allocated training dollars are available. Every effort is made to ensure that staff assignments also contribute to their professional growth.

Staff frequently attend development activities offered by the following organizations: Institute of Chartered Accountants of Manitoba, Institute of Internal Auditors, Financial Management Institute, Institute of Public Administration of Canada, Institute of Corporate Directors, the Association of Certified Fraud Examiners, the CCAF and the Canadian Council of Legislative Auditors.

The Canadian Council of Legislative Auditors

The Office is a member of The Canadian Council of Legislative Auditors, which consists of the Auditors General from each jurisdiction across Canada. We meet twice a year to discuss emerging issues and share practices in carrying out our mandate as legislative auditors. The Council has established several working committees and groups (listed below) on which many of our staff participate. Sitting on these committees and groups gives us access to the knowledge, information, and expertise of professionals in other legislative audit offices.

In 2014/15 we ensured at least one staff member participated on each of the Council's committees and groups.

Committee	Group
Planning and Coordinating	Education
Strategic Matters	Environment, Energy & Natural Resources
Training Oversight-FS	Governance
Training Oversight-PA	Health
Peer Review	Justice
Human Resources	Information Technology Administration
	Information Technology Audit
	Infrastructure

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In 2011, the Auditors General of each province entered into a memorandum of understanding with the Office of the Auditor General of Canada to benefit from the services of a National Professional Practices Group. This Group provides us with accounting and auditing advisory services and training support, on an as-requested basis.

Retaining our work force

We seek to retain our staff by keeping them engaged and professionally challenged and by supporting work-life balance. We formally gauge how well we are doing by monitoring our turnover and by periodically conducting employee satisfaction surveys. An employee satisfaction survey was conducted in June 2013, with 94% of staff members participating. The survey indicated that:

- 76% are satisfied overall to be working with our Office, and 71% would recommend it as a great place to work.
- 80% feel they have positive relationships with their co-workers.
- 83% know what is expected of them, and 82% know how their work contributes to the success of the Office.
- 78% feel the Office allows for good work-life balance.

As part of our strategic planning process this fall, we will conduct an employee satisfaction/engagement survey.

Web Version

4. What we delivered in 2014/15

Our services are delivered primarily along the following lines:

- Financial statement audits.
- Project audits.
- Attending Public Accounts Committee meetings.
- Following-up on the implementation of our recommendations.

Financial statement audits

Strong financial stewardship by government organizations is critical. One of the central ways we support financial accountability is through the annual audit opinions we provide on the financial statements of government organizations and the Public Accounts of the Province.

Financial statement audit activities include:

- Performing the necessary examinations to provide audit opinions on annual financial statements and other financial information, including claims and public sector compensation disclosures.
- Issuing management letters to the organizations we audit. These letters include recommendations on financial management, internal control, compliance, and general operations.
- Performing external auditor review procedures on the auditors of government entities included in the Province's Summary Financial Statements. This includes communications with private sector auditors and may encompass file reviews of the work conducted.
- Reviewing compliance with select Acts or provisions within Acts and regulations.
- Working with private-sector audit firms that we have hired as our agents to conduct some of our financial statement attest audits. We hire agents to conduct audits for us when this helps with scheduling.
- Reporting to the Legislature about the examinations and audits under Section 9 of The Auditor General Act, including anything resulting from the work that the Auditor General considers should be brought to the Assembly's attention.

Web Version

In 2014-15 the Office issued the following:

Work product	Conducted by	
	Office	Agent
Financial statement audit opinions – organizations within the government reporting entity (see Appendix B)	10	13
Financial statement audit opinions - pension plans (see Appendix B)	7	1
Audit opinions on other financial information (including public sector compensation disclosures)	20	16
Compliance opinions	2	2
New management letter recommendations	18	6
Follow-up of previous years management letter recommendations	123	49
External auditor communications	130	

In September 2014 we issued an unqualified audit opinion on the Province's Summary Financial Statements for the year ended March 31, 2014. This means that the summary statements present fairly, in all material respects, the financial position and results of operations and cash flow in accordance with Canadian public sector accounting standards.

Project audits

Project audits consist of value-for-money audits, investigations (including special audits), information technology audits, and governance reviews.

In preparation for the departure of our former Auditor General in March 2014, the Office pushed hard to release reports for as many of the audits conducted under her direction as possible. This resulted in the 10 Chapter March 2014 Report to the Legislature, but also meant that we started fiscal 2015 with mostly only recently initiated projects. As a result, no project audit reports were ready for release in 2014/15.

Value-for-money audits

Value-for-money audits examine programs and services to measure performance and opportunities for improving operations and ultimately results. In carrying out value-for- money audits, we examine management practices, operating systems, processes, and control mechanisms. Some of our value-for-money audits are cross-government. For example, we may examine a given topic of strategic importance across departments or across other types of government organizations, such as crown corporations.

During 2014/15 the following audits were in progress:

- Manitoba Home Care Program
- Management of Provincial Bridges
- Aboriginal Education Initiatives

Web Version

- Management of Manitoba's Apprenticeship System
- East Side Road Authority – Management of Community Benefits Agreements

We issued the following value-for-money audit reports since 2009:

Date	Audit Reports
March 2014	Lake Manitoba Financial Assistance program: Parts C and D
	Managing the Province's Adult Offenders
	Waiving of Competitive Bids (cross-government audit)
January 2013	Manitoba Early Learning and Child Care Program
	Manitoba eHealth Procurement of Contractors
	Senior Management Expense Policies (cross-government audit)
January 2012	Food Safety
	MPI – Personal Injury Protection Plan
	Special Needs Education
	Taxation Division, Audit Branch
May 2011	Manitoba's Participation in Canada's Economic Action Plan
December 2010	Managing Climate Change
	Economic Development: Loans and Investments under The Development Corporation Act
November 2009	Meeting Manitoba's Obligations Under the 1997 Treaty Land Entitlement Framework Agreement
	Personal Care Homes Program
	Assessment Services Branch

Investigations

The typical reason for an investigation is to confirm or dispel allegations. In addition to investigating the allegations, these projects incorporate value-for-money considerations. Team members are experienced forensic accountants who find out what happened and why, and then recommend how to avoid similar situations.

The investigations team will typically also conduct any requested Section 16 Special Audits that the Auditor General agrees to conduct. In 2014/15, we worked on one special audit.

Matters are brought to our attention throughout the year by concerned citizens, public servants and members of the Legislative Assembly. During 2014/15, 58 such matters came to our attention (2013/14: 69 matters). We conduct a preliminary assessment of all such matters to determine which ones are within our mandate and which ones are better investigated by another organization, such as the Office of the Ombudsman.

Web Version

Concerns received were handled as follows:

Concerns received from the public	2013/14	2014/15
Full audit conducted or in progress	5 (resulting in 2 audits)	4 (resulting in 2 audits)
Limited scope audit conducted or in progress	4	3
Referred the concern to another organization	8	8
Waiting for additional information	5	2
Added to our list of potential audits (limited or full)	9	8
No action considered necessary	26	16
Not within our mandate so no further action taken	8	14
Sub-Total	**65**	**55**
Audit requests/concerns received from Members of the Legislative Assembly (excludes Section 16 requests)		
Full audit conducted or in progress	3	
Added to our list of potential audits	1	2
No action considered necessary		1
Sub-Total	**4**	**3**
TOTAL	**69**	**58**

During 2014/15 the following projects were in progress:

- Management of the Agreement with Pinaymootang First Nation
- Manitoba Hydro – Management of Keeyask Process Costs and Adverse Effects Agreements with First Nations
- Rural Municipality of De Salaberry
- Special Audit, Department of Conservation – Thompson District Office

Web Version

We issued the following value-for-money audit reports since 2009:

Date	Investigative Reports
March 2014	Citizen Concerns Helicopter Ambulance Program Northern Airports and Marine Operations (Special audit)
August 2013	Rural Municipality of Lac du Bonnet
January 2013	Citizen Concerns Office of the Fire Commissioner (Special audit) Provincial Nominee Program for Business
January 2012	Animikii Ozoson Child and Family Services Agency
June 2012	Rural Municipality of St. Clements
December 2010	Rural Municipality of St. Laurent Society for Manitobans with Disabilities
May 2010	WRHA—Administration of the Value-Added Policy
November 2009	Members' Allowances

Information technology (IT) audits

Our information technology audit team conducts IT audit projects in high risk areas such as IT governance, security, project management, systems development and changes, and business continuity. We apply generally accepted frameworks and standards as audit criteria, including the COBIT 5 framework and the ISO standards.

In support of annual financial statement audits, our IT auditors review and test IT general controls. These controls include security, access, change management, and operating controls. In addition, our auditors test application controls and system-generated reports. The primary goal is to determine if system-generated information used in support of financial statement audits is both complete and accurate. Data analysis services, using computer assisted audit techniques, are provided to all areas of the Office as needed, with a primary focus on assisting financial statement auditors.

During 2014/15 the following projects were in progress:

- Winnipeg Regional Health Authority's Management of Risks Associated with End-user Devices
- eHealth – Electronic Health Records Initiative

Web Version

We issued the following IT audit reports since 2009:

Date	Audit Reports
March 2014	Manitoba Hydro—Managing Cyber Security Risks Related to Industrial Control Systems
January 2013	Information Technology Security Management
January 2012	Wireless Network Security

Governance audits and reviews

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

During 2014/15 the following audit was started:

- Oversight of Post-Secondary Education Institutions

We issued the following governance project reports since 2009:

Date	Project Reports
March 2014	Manitoba's Framework for an Ethical Environment
January 2012	Appointment Process to Agencies, Boards and Commissions
September 2009	Study of Board Governance in Crown organizations

Attending Public Accounts Committee meetings

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

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

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

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

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

In 2014/15, the Public Accounts Committee did not make any requests for the conduct of reviews or tasks. The last and only such request was in 2008.

In 2014/15, the Public Accounts Committee met 8 times (see **Figure 5)**. The Auditor General and required staff attended all of the Committee meetings. The proceedings of all these meetings are recorded in Hansard (available on the Legislative Assembly website in the Legislative Business tab).

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Figure 5: Public Accounts Committee meetings in 2014/15

Meeting dates	Reports listed on the meeting notice
June 26, 2014	Auditor General's Report–Annual Report to the Legislature, dated January 2013 Chapter 2–Citizen Concerns–Part 2–Disaster Financial Assistance Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 9–Northern Airports and Marine Operations Auditor General's Report–Report to the Legislative Assembly: Performance Audits, dated December 2010 Chapter 1–Managing Climate Change Auditor General's Report–Follow-up of Previously Issued Recommendations, dated March 2011 Section 18–Maintenance Enforcement Program Auditor General's Report–Annual Report to the Legislature, dated January 2013 Chapter 3–Information Technology (IT) Security Management Chapter 4–Manitoba Early Learning and Child Care Program Chapter 5–Manitoba eHealth Procurement of Contractors Chapter 8–Senior Management Expense Policies
July 9, 2014	Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 4–Helicopter Ambulance Program
August 27, 2014	Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 6–Managing the Province's Adult Offenders
September 3, 2014	Auditor General's Report–Annual Report to the Legislature, dated January 2013 Chapter 1– Accounts and Financial Statements: Section 10 Annual Report Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 1–Accounts and Financial Statements: Section 10 Annual Report Chapter 3–Government Deficits and Debt Public Accounts for the fiscal years ending March 31, 2011, 2012 and 2013 Volumes 1, 2, 3 and 4
September 8, 2014	Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 7–Manitoba's Framework for an Ethical Environment
December 8, 2014	Auditor General's Report – Operations of the Office for the fiscal year ending March 31, 2014 Auditor General's Report – Follow-up of Previously Issued Recommendations, dated January 2013

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Public Accounts Committee Meetings in 2014/15 (cont'd)

January 28, 2015	Public Accounts for the fiscal years ending March 31, 2011, 2012 and 2013 Volumes 1, 2, 3 and 4 Public Accounts for the fiscal year ending March 31, 2014 (Volumes 1, 2 and 3) Auditor General's Report–Annual Report to the Legislature, dated January 2013 Chapter 1–Accounts and Financial Statements: Section 10 Annual Report Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 1–Accounts and Financial Statements: Section 10 Annual Report
February 25, 2015	Auditor General's Report–Annual Report to the Legislature, dated March 2014 Chapter 8–Managing Cyber Security Risk Related o Industrial Control Systems

Web Version

Following up on the implementation of our recommendations

A follow-up review is scheduled approximately 18 months after a project audit report is released, and annually thereafter for 2 more years (for a total of 3 years).

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

We issued the following follow-up reports since 2009:

Date	Number of recommendations followed-up
May 2015	Implementation status as at June 30, 2014 for 296 recommendations from 19 reports
May 2014	Implementation status as at June 30, 2013 for 244 recommendations from 23 reports
January 2013	Implementation status as at June 30, 2012 for 198 recommendations from 17 reports
September 2012	Follow-up of our December 2006 Report: Audit of the Child and Family Services Division Pre-Devolution Child and in Care Processes and Practices – 29 recommendations (status determined as at May 2012)
January 2012	Implementation status as at June 30, 2011 for 249 recommendations from 17 reports
March 2011	Implementation status as at June 30, 2010 for 140 recommendations from 20 reports
March 2010	Implementation status as at June 30, 2009 for 237 recommendations from 29 reports
March 2009	Implementation status as at June 30, 2008 for 489 recommendations from 35 reports

Web Version

5.0 Our planned activities for 2015/16

Financial statement audits

Over the next year, we will provide the Legislature with our annual report on the results of our audits of the accounts and financial statements. We anticipate no changes to the list of financial statements that we will audit in 2015/16.

Project audits

We plan to issue reports on project audits as and when each is ready to be published. On July 29, 2015 we released our report on "WRHA's Management of Risks Associated with End-user Devices" and on August 5, 2015 our report on the "Manitoba Home Care Program". Other projects on the go include:

Value-for-Money audits

- Bridge Infrastructure Management - Manitoba Infrastructure and Transportation's processes for planning, maintaining, inspecting, and reporting on bridges and related structures
- Manitoba Apprenticeship Program - Manitoba Jobs and the Economy's processes for supporting and overseeing this Program, as well as other types of employer-based training
- East Side Road Authority – Management of Community Benefit Agreements
- Aboriginal Education Initiatives
- Magnetic Resonance Imaging (MRI) Scan Management

Investigations/Citizen concerns

- Manitoba Hydro – Management of Keeyask Process Costs and Adverse Effects Agreements with First Nations
- The Province's Management of the Agreement with Pinaymootang First Nation
- Rural Municipality of De Salaberry
- Special Audit, Department of Conservation, Thompson District Office

Information technology

- eHealth – Management of the Electronic Health Records Initiative
- Student Financial Aid Information System

Governance

- Oversight of Post-Secondary Education Institutions

Web Version

Attending Public Accounts Committee meetings

We will attend all scheduled meetings to which we are invited.

Follow-up of previously issued recommendations

We will conduct a follow-up of outstanding project audit recommendations as at June 2015. The report will be released in early 2016.

Web Version

6.0 Financial results

Basis of reporting

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

Overview of 2014/15 financial results

Our bank balance at March 31, 2015 was $99,806.

We finished the 2014/15 fiscal year $752k (11%) under budget and returned the unspent balance to the Consolidated Fund (as required under Section 27 (4) of *The Auditor General Act*).

Salaries and benefits were under budget by $595k (11%) due to staff vacancies and maternity leaves. Because we were awaiting the appointment of an Auditor General, vacancies were not filled unless absolutely necessary. This was in order to give the new Auditor General the ability to effect change after being appointed.

Operating expenses were under budget by $157k (11%).

Web Version

Management's responsibility for financial statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2015 are the responsibility of management of the Office. Management has prepared the financial statements to comply with *The Auditor General Act*. The financial statements are prepared in accordance with the basis of accounting described in the notes to the financial statements and, where appropriate, reflect management's best estimates and judgments. The financial information presented elsewhere in this report is consistent with that in the financial statements.

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

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

Original document signed by:
Norm Ricard

Norm Ricard, CPA, CA
Auditor General
August 6, 2015

Web Version

Independent Auditors' Report and our financial statements

CRAIG & ROSS
CHARTERED ACCOUNTANTS

August 6, 2015

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of Office of the Auditor General of Manitoba, which comprise the statements of revenue and expenditures for the year ended March 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the revenue and expenditures of the Office of the Auditor General of Manitoba, for the year ended March 31, 2015 in accordance with the basis of accounting described in Note 2.

Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

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OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Revenue

Year Ended March 31, 2015

	2015	2014
Audit fees - for financial statement audits conducted by the Office		
Audit fees deposited in bank account	$ 420,366	$ 502,166
Prior year fees revenue deposited in the current year	(242,618)	(332,103)
Work in process	205,565	229,481
Audit fees (accrual basis)	383,313	399,544
Contract audit fees revenue - for financial statement audits conducted by our agents (accrual basis)	482,660	501,389
Total revenue (accrual basis)	$ 865,973	$ 900,933
Comparison of audit fees (excludes contract audit fees revenue) to voted revenue in the main estimates		
Audit fees deposited in bank account	$ 420,366	$ 502,166
Timing difference in transferring to the Consolidated Fund	(18,721)	(103,341)
Audit fees transferred to the Consolidated Fund	$ 401,645	$ 398,825
Main estimate - audit fees	$ 400,000	$ 450,000

Web Version

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Expenditures

Year Ended March 31, 2015

	2015	2014
Expenditures per appropriation		
Salaries and benefits	$ 4,846,583	$ 5,335,603
Operating	1,284,046	1,292,714
Total expenditures per appropriation	6,130,629	6,628,317
Appropriation draws less (more) than recoverable expenditures	(32,585)	16,436
Total (accrual basis)	6,098,044	6,644,753
Professional fees - contract audits	475,666	501,389
Total expenditures (accrual basis)	$ 6,573,710	$ 7,146,142
Comparison of actual expenditures per appropriation to voted expenditures in the main estimates		
Actual - Expenditures per appropriation	$ 6,130,629	$ 6,628,317
Main estimate - Expenditures	6,883,000	6,869,000
Variance	$ (752,371)	$ (240,683)

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OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2015

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

The Statement of Revenue is prepared on an accrual basis. An accrual adjustment of $445,607 has been recorded to reflect $242,618 of 2013/14 audit fee revenue deposited in 2014/15, $205,565 in work in process revenue not yet billed and $482,660 in contract audit fee revenue. Contract audit fees are deposited directly to the Office's bank account and used to pay auditors engaged to conduct audits on behalf of the Office of the Auditor General.

Expenditures

The Statement of Expenditures is prepared on the accrual basis, except for pension, vacation, severance and overtime costs which are prepared on the cash basis. An accrual adjustment of $443,081 has been recorded to reflect $32,585 drawn from the appropriation more than the recoverable expenditures and $475,666 of contract audit costs. $475,666 of contract audit costs were incurred and recovered through fees charged to the clients.

Web Version

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Appendices

Appendix A - The Auditor General Act

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C.C.S.M. c. A180

The Auditor General Act

(Assented to July 6, 2001)

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

PART 1
DEFINITIONS

Definitions

1 In this Act,

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

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

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

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

"recipient of public money" means

(a) a person, organization or other body

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

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

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

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

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

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

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

PART 2
AUDITOR GENERAL

Appointing the Auditor General

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

Web Version

Appendix A (cont'd)

Role respecting government policy objectives

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

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

Appointment process

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

(a) the office of Auditor General is vacant;

(b) the term of the Auditor General in office will expire within 12 months; or

(c) the Auditor General has resigned and the resignation takes effect within 12 months.

Recommendations of committee

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

Meetings of committee

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

No other public office

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

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

Term

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

Salary

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

No reduction in salary

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

Civil Service Superannuation Act applies

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

Civil Service Act does not apply

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

Suspension or removal

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

Suspension if Assembly not sitting

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

Web Version

Appendix A (cont'd)

Deputy Provincial Auditor General

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

Duties

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

Salary in certain cases

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

No other public office

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

PART 3

RESPONSIBILITIES OF THE AUDITOR GENERAL

AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

Audit of government accounts

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

Audit of other public money

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

Audit of the Public Accounts

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

Opinion about the Public Accounts

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

Report to ministers

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

Advice to officials

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

Annual report to Assembly

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

Web Version

Appendix A (cont'd)

Content of the report

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

(a) required information was not provided or was not provided within a reasonable time;

(b) accounts were not properly kept or public money was not fully accounted for;

(c) essential records were not maintained, or the rules and procedures applied were insufficient, to

(i) safeguard and control public property,

(ii) secure an effective check on the assessment, collection and proper allocation of revenue, or

(iii) ensure that expenditures were made only as authorized;

(d) public money was expended for purposes other than those for which it was appropriated by the Legislature;

(e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Report may include recommendations

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

SPECIAL REPORT TO ASSEMBLY

Special report to Assembly

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

AUTHORITY OVER EXTERNAL AUDITORS

Scope of an external audit

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

Further directions

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

(a) give the Auditor General a copy of the proposed audit opinion, the financial statements, and any recommendations arising out of the audit of the financial statements; and

(b) conduct additional examinations relating to the financial statements.

Audit working papers

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

Audit opinion

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

Reliance on external auditor's report

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

Web Version

Appendix A (cont'd)

AUDIT OF OPERATIONS

Audit of operations

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

(a) whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;

(b) whether public money has been expended with proper regard for economy and efficiency;

(c) whether the Assembly has been provided with appropriate accountability information;

(d) whether the form and content of financial information documents is adequate and suitable.

Report to ministers

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

Report to officials

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

Report to Assembly

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

AUDIT OF RECIPIENT OF PUBLIC MONEY

Audit of recipient of public money

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

No obstruction

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

Offence

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

Reliance on report of other auditor

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

SPECIAL AUDIT ON REQUEST

Special audit on request

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

Web Version

Appendix A (cont'd)

Report

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

Report submitted to the Assembly

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

JOINT AUDIT

Joint audit

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

PART 4

POWERS OF THE AUDITOR GENERAL

Access to records

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

Access to information

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

(a) any person in the public service or formerly in the public service;

(b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or

(c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this Act.

No access to Cabinet confidences

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

Part V of Evidence Act powers

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

Staff in government organizations

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

Security requirements

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

Web Version

Appendix A (cont'd)

PART 5
GENERAL PROVISIONS

STAFF AND OFFICE OF THE AUDITOR GENERAL

Staff appointed under Civil Service Act

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

Civil Service Superannuation Act applies

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

Office of the Auditor General

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

(a) establish office policies and procedures consistent with practices followed by the government;

(b) charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council;

(c) delegate to any person employed under the Auditor General any responsibility or power that the Auditor General has under this Act, other than the responsibility to report to the Assembly;

(d) maintain an independent bank account; and

(e) contract for professional services.

CONFIDENTIALITY

Confidentiality

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

Exception

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

Working papers confidential

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

ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

Annual audit of Auditor General's office

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

Annual report

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

(a) information on the performance of the office; and

(b) the report on the annual audit under subsection (1).

Web Version

Appendix A (cont'd)

ESTIMATES

Estimates

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

Special report

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

Money

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

Unexpended money to be paid into Consolidated Fund

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

TABLING REPORTS IN THE ASSEMBLY

Tabling reports in the Assembly

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

Distribution to members of the Assembly

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

Referral to Public Accounts Committee

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

PROTECTION FROM LIABILITY

Protection from liability

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

(a) for any act done in good faith in the performance or intended performance of a duty or in the exercise or intended exercise of a power under this or any other Act or regulation; or

(b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

Transitional

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

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

Web Version

Appendix A (cont'd)

Repeal

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

C.C.S.M. reference

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

Coming into force

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

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

Web Version

Appendix B – Listing of financial statement audits

Financial statement audits conducted by the Auditor General's Office

Organizations within the government reporting entity

Summary Financial Statements
The Funeral Board
Cooperative Promotion Board
Manitoba Gaming Control
Commission Manitoba Health
Services Insurance Plan Public
Schools Finance Board
Special Operating Agencies Financing Authority
University of Manitoba
University of Winnipeg
University of Winnipeg Collegiate

Organizations outside the government reporting entity

Civil Service Superannuation
Fund Legislative Assembly
Pension Plan Public Service
Group Insurance Fund
Teachers' Retirement
Allowances Fund
University of Manitoba Pension Plans (2)
Winnipeg Child and Family Services Employee Benefits Retirement Plan

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

Organizations within the government reporting entity

Brandon University
Council on Post-Secondary Education Economic
Innovation and Technology Council
Helen Betty Osborne Memorial Foundation
Leaf Rapids Town Properties Ltd.
Legal Aid Manitoba
Manitoba Agricultural Services Corporation
Manitoba Habitat Heritage Corporation
Manitoba Housing and Renewal Corporation
Manitoba Text Book Bureau

Web Version

Appendix B (cont'd)

Manitoba Water Services Board
Public Trustee
University College of the North

Organizations outside the government reporting entity

Brandon University Retirement Plan
Northern Affairs Fund

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

Crown organizations

Addictions Foundation of Manitoba
Assiniboine Community College
Cancer Care Manitoba
Le Centre culturel franco-manitobain
Collège universitaire de Saint-Boniface
Communities Economic Development Fund
Crown Corporations Council
Diagnostic Services of Manitoba Inc.
First Nations of Northern Manitoba Child & Family Services Authority
First Nations of Southern Manitoba Child & Family Services Authority
General Child and Family Services Authority
Insurance Council of Manitoba
Manitoba Arts Council
Manitoba Cattle Enhancement Council
Manitoba Centennial Centre Corporation
Manitoba Combative Sports Commission
Manitoba Community Services Council Inc.
Manitoba Development Corporation
Manitoba Film and Sound Recording Development Corporation
Manitoba Floodway and East Side Road Authority
Manitoba Hazardous Waste Management Corporation
Manitoba Health Research Council
Manitoba Horse Racing Commission
Manitoba Law Reform Commission
Manitoba Opportunities Fund Ltd.
Manitoba Potash Corporation
Manitoba Trade and Investment Corporation
Métis Child and Family Services Authority
Red River College
5 Regional Health Authorities and 33 other health entities

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Appendix B (cont'd)

Rehabilitation Centre for Children Inc.
38 School Divisions
Sport Manitoba Inc.
Taking Charge!
Travel Manitoba
Venture Manitoba Tours Ltd.

Government enterprises

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

Special operating agencies

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

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Executive management

Auditor General
Norm Ricard

Assistant Auditor Generals
Sandra Cohen
Greg MacBeth
Tyson Shtykalo
Brian Wirth

Desktop Publisher
Shondell Babb

Corporate services
Shondell Babb
Ken Nero
Shirley Richardson
Jan Smith
Jim Stephen

Photographer
Tracey Goncalves

Cover design
Cocoon Branding Inc.

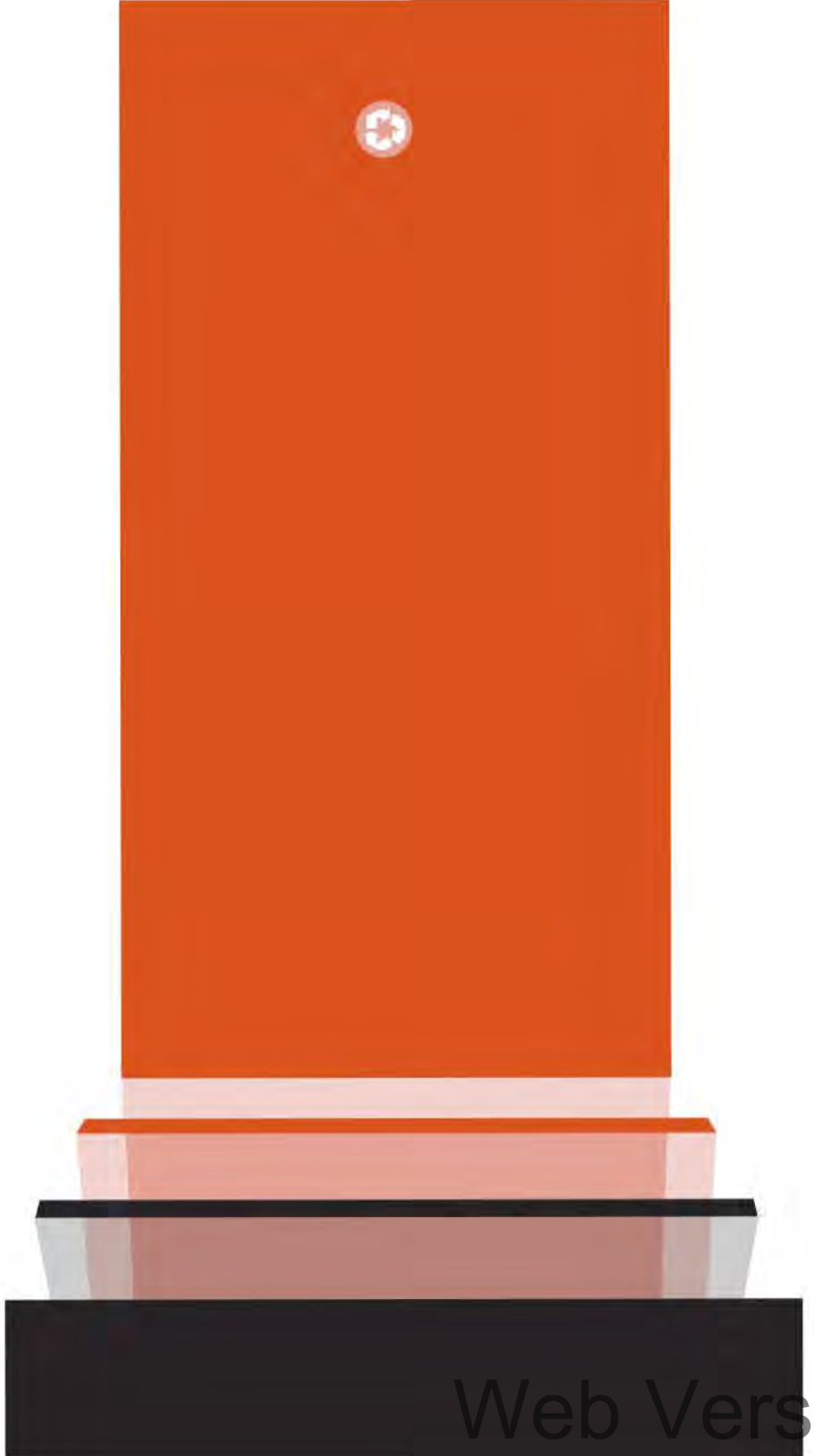
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