



Report of the Auditor General
of Québec
to the National Assembly
for 2015-2016

Value-for-Money Audit
Highlights
Spring 2015

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1 Introduction

1 The Québec National Assembly has entrusted the Auditor General with the mandate of facilitating, through audit, parliamentary control over public funds and other public property. This mandate comprises, to the extent deemed appropriate by the Auditor General, financial audits, audits to ensure the compliance of operations with statutes, regulations, policy statements and directives, as well as value-for-money audits. The Auditor General's field of jurisdiction mainly encompasses the government and its agencies and also includes funds paid in the form of subsidies.

2 In the annual report that the Auditor General submits to the National Assembly, he draws attention to any topic arising from his work that deserves to be brought to the attention of parliamentarians. The document is published in several volumes. The current volume is devoted to the value-for-money audits carried out over the last 12 months. It contains, among other things, the related findings, conclusions and recommendations.

3 The first chapter gives the Auditor General the opportunity to establish a more personal contact with the reader. In this chapter, I discuss the new mandate that the National Assembly gave me regarding the pre-election report that will be prepared and published by the Minister of Finance of Québec.

2 Appointment of the Auditor General¹

4 On March 16, I started a 10-year term of office as Auditor General of Québec. I was proud to accept this function, and I would like to thank the members of the National Assembly for putting their trust in me. I am driven by the will to improve management in the Public Administration, and I will actively assist the National Assembly and its committees in exercising parliamentary control.

5 When I took office, I noticed that competence, professionalism and rigour were values that still flow across the organization, just as during my first experience over 20 years ago. These values have helped achieve recognition for this institution, whose credibility is well established. Also, I would like to acknowledge the work of Mr. Michel Samson, Assistant Auditor General, who guided the organization with great leadership for over three years as Acting Auditor General.

6 The coming years will involve many challenges, whether for value-for-money audits in state-owned enterprises or the new mandate concerning the pre-election report. I am looking forward to tackling them, especially with the knowledge that I am surrounded by a team of experienced professionals.

3 Pre-Election Report

7 The Act *mainly to implement certain provisions of the Budget Speech of 4 June 2014 and return to a balanced budget in 2015-2016*, assented on April 21, 2015, entrusted the Minister of Finance with preparing and publishing a pre-election report.

8 This Act also provides that I prepare a report in which I express my opinion on the plausibility of the forecasts and assumptions presented in the pre-election report. I will have the opportunity to share comments that I deem appropriate in my report. I will also indicate whether I received all the requested information and documents.

9 The purpose of these changes is to create a fair portrait of the government's finances before elections are called. The work related to my new responsibilities will be done with the rigour, objectivity and neutrality that characterize all the work of the Auditor General.

1. The reader will find Ms. Guylaine Leclerc's presentation in the appendix.

10 The work I will carry out on the pre-election report will help strengthen the level of confidence users have with regard to these documents. To do this, I can count on the Auditor General's staff, who has the experience, skills and knowledge required for this type of mandate with a high standard of quality. In addition, as with all my value-for-money audits and certain financial audit work, my staff will be accompanied by experts in relevant fields, such as economy.

11 To fully exercise my new responsibilities, I will need every year to do work on different components of the budgeting process. As a result, I will be able to provide an informed opinion on the plausibility of the forecasts and assumptions presented in the pre-election report within the allotted time. The reporting entity of the Government of Québec is vast and includes over 500 entities, several of which are accountable for their forecasts and assumptions. I am currently planning my intervention strategy and the schedule of the work that I expect to begin in the coming months. As the work is completed, I intend to make recommendations to the stakeholders concerned, if needed.

12 Furthermore, I intend to intensify my work in the months preceding the publication of the pre-election report, planned for August 2018, in order to comply with the schedule provided for in the Act and to meet the needs of parliamentarians in a timely manner.

4 Summary of Volume's Content

13 In this volume, I provide the results of six engagements that we conducted over the past several months. The following paragraphs provide an overview of each of the subjects.

14 In Chapter 2, I examine whether Loto-Québec administers its purchasing process economically, in accordance with the regulation in force and sound management practices. During fiscal years 2011-2012 to 2013-2014, the purchasing activity volume reached approximately \$1.5 billion. Loto-Québec has adopted a framework that promotes good contract management, namely a clear policy in that regard. Despite this, the ensuing overall results raise questions regarding the efficient use of free competition and the fair treatment of suppliers. Moreover, the available management information is insufficient to identify areas for improvement and to complete an assessment of Loto-Québec's performance in the acquisition of goods and services.

15 Chapter 3 is devoted to the Université du Québec à Trois-Rivières (UQTR). I first address its management of real estate projects, namely the construction of the Drummondville campus and the centre for the development of excellence in sports. Deficiencies were found with regard to the management of these projects, such as the absence of a complete business plan and insufficient follow-up to the board of directors. In addition, the UQTR did not always respect the regulation and sound management practices in the awarding and management of professional service contracts. I also took an interest in certain components of the institution's governance. I conclude that the board of directors and senior management did not fully assume their governance role. The interventions of the Université du Québec and the Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche did not allow to mitigate the deficiencies observed.

16 In Chapter 4, I address the Commission de la santé et de la sécurité du travail's activities related to the compensation and rehabilitation of workers who sustain an employment injury. As in the previous chapter, I took a close look at governance. I underline, among other things, that the Commission does not sufficiently play the expected role of change agent. Among the causes, I target structural elements as well as the organization of the board of directors' work. More specifically for activities related to compensation and rehabilitation, I explain that improvements are necessary regarding intervention practices to ensure a sustainable return-to-work for the workers concerned. I also mention

the need to review performance indicators to measure the most crucial elements, as well as the importance of asking questions about certain regional disparities. I finish with an assessment of the Bureau d'évaluation médicale's activities, whose management falls under the Ministère du Travail, de l'Emploi et de la Solidarité sociale. I ask, among other things, about growing processing times, which contributes to increasing the risks of chronicity for the worker as well as the costs of the Occupational Health and Safety Plan.

17 Chapter 5 addresses family medicine groups (FMGs) and network clinics. I note that the preferred referral mechanism to obtain a family physician, namely the guichets d'accès (waiting lists), is neither transparent nor fair. In addition, the departmental requirements related to the financial support that the audited agencies pay to FMGs have done little to encourage physicians to take charge of additional patients, especially more vulnerable ones. Certain patients who should be taken in charge within six months can spend years waiting before obtaining it. Moreover, the Ministère de la Santé et des Services sociaux as well as the audited agencies generally continue to fund FMGs even if they do not comply with the established criteria, including the number of registered patients and business hours. This causes inequity in the division of resources between the FMGs.

18 The management of contracts presenting risk situations at the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation is the subject of Chapter 6. Several concerning findings arise from this audit. First, the information the Deputy Minister relies on does not allow him to perform his contract management role. Among other things, no information useful for analyzing the contracting process or for identifying problematic situations is shared with him. Second, the results related to the call for tenders process and the management of information technology contracts are worrisome. I found deficiencies with regard to the honest and fair treatment of competitors, transparency, reporting and good use of public funds. For example, about \$3.8 million was paid to the main supplier for a computer system that was abandoned at the start of its development. Finally, there is a lack of rigour in authorizing payments as well as deficiencies in the information disclosed. The Department does not always publish in the electronic call for tenders system the information required by the regulation. Moreover, it is often published late and contains inaccuracies.

19 As for Chapter 7, it concerns the asset recovery of the equipment of the Gentilly-2 nuclear generating station, more specifically Hydro-Québec's sale of the equipment on the metal recycling market. My work results from a motion passed by the National Assembly in December 2014 under which the government had to mandate the Auditor General to shed light on this operation. The situation related to the asset recovery of the equipment acquired under the nuclear generated station refurbishment project was exceptional, and Hydro-Québec had to act prudently and transparently in order to adequately manage the risks associated with public perception and the potential impact on its image. This was particularly attributed to the difficulty of selling the turbine's new equipment as is, when it was custom designed for the generating station, and the probability of disposing of it on the metal recycling market for an estimated value of \$75,000, while it was acquired at a cost of \$79 million. Hydro-Québec did not consider it appropriate to issue a formal call for tenders, considering a lack of interest from buyers other than the equipment manufacturer. The lack of accompanying documentation makes it difficult to assess whether the decision to not proceed as provided in the sale process was appropriate. Hydro-Québec issued a restricted call for tenders to sell the equipment on the metal recycling market based on a weak assessment of the market value of the assets. In addition, potential buyers were selected on a discretionary basis without a review by the appropriate officials.

Appendix and Abbreviations

Appendix Presentation of Ms. Guylaine Leclerc

Abbreviations

FMG Family medicine group

UQTR Université du Québec à Trois-Rivières

Appendix Presentation of Ms. Guylaine Leclerc



On February 26, 2015, the members of the National Assembly unanimously carried on the motion to appoint Ms. Guylaine Leclerc as Auditor General of Québec for a 10-year term. She took office on March 16.

Ms. Leclerc is recognized as a leader and visionary within the accounting profession. In the early 2000s, she founded the largest independent investigative and forensic accounting firm in Quebec, which merged with a big company listed on the New York Stock Exchange in 2007. Ms. Leclerc was a managing partner at the company until 2009 then she assumed the role of special advisor. For close to two years, she worked both in France and Canada.

In May 2011, she took on a new challenge and ensured Accuracy's expansion outside Europe. She opened the investigative and forensic accounting and financial consulting firm's first two offices in the province of Quebec, one in Montréal and another in the city of Québec. She was in charge of their activities until her appointment as Auditor General.

A true pioneer in her field, Ms. Leclerc is one of the founding members of the Alliance for Excellence in Investigative and Forensic Accounting, created by the Canadian Institute of Chartered Accountants. Owing to her vast experience, she has testified as an expert in court on numerous occasions to explain often complex situations in a clear and comprehensible manner. She has also lectured at several conferences on controls, auditing, fraud and corruption, in Canada as well as other Francophone countries. Throughout her career, she developed a strong knowledge of government administration; in fact, she has carried out many engagements on compliance and on control process assessment in government agencies and state-owned enterprises.

Over the past 10 years, Ms. Leclerc has served on the boards of directors and audit committees of large organizations, including the Canada Border Services Agency and the Office of the Public Sector Integrity Commissioner of Canada. In 2010, she was part of an OECD working group whose mandate was to conduct an international study entitled *Internal Control and Internal Audit: Ensuring Public Sector Integrity and Accountability*.

Ms. Leclerc began her career at a national accounting firm. She was then hired by the Auditor General of Québec, where she served notably as project manager for highly complex engagements. In the early 90s, she pursued her career at the Ministère de la Sécurité publique (notably at the Sûreté du Québec) where she used her experience for mandates related to financial investigation and money laundering.

Ms. Leclerc holds a bachelor's degree in business administration and a licence in accounting science from Université Laval and she is a chartered professional accountant. She has been awarded several honors for her contribution to the accounting profession's reach, notoriety and credibility. As such, the Ordre des comptables professionnels agréés du Québec conferred on her the title of Fellow in 2004, and the Université Laval awarded her the Gloire de l'Escolle medal at the Grands diplômés ceremony in 2013.

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Work Objective

As part of its activities, Loto-Québec can acquire goods and services. During fiscal years 2011-2012 to 2013-2014, the purchasing activity volume reached approximately \$1.5 billion, including \$1.2 billion incurred by the Direction corporative de l'approvisionnement.

This audit mainly addressed these directorate's activities and aimed to obtain the assurance that Loto-Québec administers the purchasing process economically, in accordance with the regulation in force and sound management practices.

The Report is available at www.vgq.qc.ca.

Audit Results

The following are the principal findings of our audit concerning the acquisition of goods and services by Loto-Québec.

Loto-Québec has adopted a framework that promotes good contract management, namely a clear policy in that regard. In addition, for the files examined that are related to a public call for tenders, the awarding rules were complied with.

Supplier solicitation does not allow to fully achieve the objective of free competition. The average number of tenders received that were found to be compliant and acceptable following public calls for tenders is not very high, at 1.9 out of 13 files examined.

For six of the seven examined files related to contracts extension, Loto-Québec did not conduct an analysis demonstrating that it was economically advantageous to extend these contracts.

The composition of selection committees could be improved, which would ensure the neutrality of evaluations. Loto-Québec's rules depart from sound management practices, in particular with respect to the systematic presence of a person responsible for acquisition in the sector requiring the purchase and to the evaluation of the quality of tenders by the secretary.

Loto-Québec has not established guidelines for purchasing agents in determining the weighting parameters to be granted to quality in evaluations. Yet, this could have an impact on the price to be paid and the selection of supplier.

Loto-Québec can change factors used in the evaluation of tenders when envelopes containing related information are opened. This does not promote the honest and fair treatment of competitors. We noted this situation in one file.

The available management information does not favor identification of areas for improvement and does not make it possible to evaluate performance in the acquisition of goods and services.

Recommendations

The Auditor General has made recommendations to the Société des loteries du Québec. All of them are shown to the right.

The audited entity had the opportunity to comment on the report; its comments can be found in the *Commentaires de l'entité vérifiée* Section.

We want to point out that it accepted all the recommendations.

Recommendations to the Société

- 1** Ensure the purchasing process makes it possible to efficiently use free competition and, consequently, obtain the largest possible number of compliant and acceptable tenders.
- 2** Carry out an analysis demonstrating the economic advantage before extending a contract and document the analysis.
- 3** Inform the government when extending a contract whose total term exceeds five years in order to allow government control.
- 4** Improve the composition of selection committees, among other things by avoiding the systematic presence of the requisitioner, the presence of members with hierarchical relationships and the evaluation of tenders by the secretary.
- 5** Determine guidelines for the weighting parameters to be granted to quality when establishing selection criteria.
- 6** Avoid changing factors used to evaluate tenders when envelopes containing related information are opened.
- 7** Refine management information to allow identification of areas for improvement and to evaluate performance in terms of acquisitions.
- 8** Improve documentation regarding needs assessment and determination of the procurement strategy.
- 9** Analyze, for the contract to be awarded, the difference between the initial estimate amount and the accepted tender amount, as well as the differences between compliant and acceptable tenders' amounts.
- 10** Strengthen the monitoring regarding the execution of contracts in order to make sure that the requirements are met and ensure that the contract is signed before work starts.
- 11** Complete a formal evaluation of suppliers to promote the quality of services.

Highlights

Work Objectives

The Université du Québec à Trois-Rivières (UQTR), which has over 14,000 students, has an operating budget of nearly \$160 million. Aside from its board of directors and members of its senior management team, the other key actors in its governance are located at the Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche (MEESR) and the Université du Québec (UQ).

In recent years, the UQTR has undertaken several important real estate projects, whose estimated cost amounts to over \$100 million. The objectives of our work were to obtain the assurance:

- that the organizational structure and mechanisms in place promote the good governance of the UQTR's activities, namely its real estate projects;
- of the sound management of the UQTR's real estate projects.

The Report is available at www.vgq.qc.ca.

Audit Results

The following are the principal findings of our audit concerning the governance and the management of real estate projects at the Université du Québec à Trois-Rivières.

Key steps related to the sound management of real estate projects have not been followed by the UQTR for important projects carried out in recent years. These projects were launched without a complete business plan being developed and presented to the board of directors. In addition, they were not the subject of a regular follow-up to the board and did not always obtain the necessary authorizations.

The UQTR's management of the Drummondville campus project presents deficiencies. First, it did not adequately justify the need for a campus of this size and did not sufficiently take into account important risks related to its financial situation, project completion times and the awarding of contracts. Secondly, its financial forecasts aimed at demonstrating the financial balance of the project are not supported by strong foundations, and there are ambiguities in the management structure with regard to the responsibility for project ownership.

The UQTR did not always respect the regulation and sound management practices in the awarding and management of certain professional service contracts. It divided its needs by simultaneously awarding six contracts to the same firm by mutual agreement amounting to \$266,000 for services of the same nature. Furthermore, during a public call for tenders that led to the award of a \$412,000 contract, it took actions that did not promote the fair treatment of competitors.

For the elements that were the subject of our work, the board of directors and senior management of the UQTR did not fully assume their governance role. The rector did not follow all the relevant sound management practices during the administrative reorganization undertaken. In addition, there were deficiencies in the way an ethics file concerning her was handled. Furthermore, documents are often directly presented to the board of directors during its meeting, and the information is sometimes incomplete.

Considering the existing hierarchical relationship, the UQ does not exercise sufficient control over the UQTR's activities. For example, with regard to the Drummondville campus, the UQ's authorization process did not allow to identify deficiencies in the project that might have slipped by the controls of the other authorities.

The MEESR did not follow up on problems that were raised many times concerning the governance of universities. Among other things, it still has not adopted a policy to supervise the delocalization of university activities.

Recommendations

The Auditor General has made recommendations to the UQTR, the UQ and the MEESR. They are shown, in part, to the right.

The audited entities had the opportunity to comment on the report; their comments can be found in the *Commentaires des entités vérifiées* Section.

We want to point out that they accepted all the recommendations. However, some comments from the UQTR have generated a reaction from us, which appears at the end of the *Commentaires des entités vérifiées* Section.

Recommendations to the Université du Québec à Trois-Rivières

- 1** Ensure that each real estate project is subject to a business plan, based on complete and reliable information, which clearly presents each of the necessary elements.
- 2** Obtain the necessary authorizations from the concerned authorities before incurring expenditures related to a real estate project or making significant changes to such a project, and receive confirmation of financing from partners, where applicable.
- 3** Exercise a rigorous follow-up of each real estate project and report regularly and in a timely manner to the concerned authorities, based on complete and reliable information, by focusing on risk assessment and management, as well as compliance with the budget and schedule.
- 5** Comply with the regulation when awarding contracts.
- 8** Apply good practices for the planning and implementation of an administrative reorganization project to promote its success and minimize negative impacts on the organization.
- 9** Ensure that managers and members of the board of directors comply with the regulation, act consistently with ethical rules and do not place themselves in a conflict of interest situation.
- 10** Provide to the board of directors a complete and reliable information in a timely manner, and ensure that their requests and decisions are the subject of rigorous follow-up.

Recommendation to the Université du Québec

- 11** Specify the nature of the controls that it must exercise on the activities of its constituents and apply them rigorously.

Recommendations to the Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche

- 13** Conduct appropriate follow-up of the various recommendations that have been made in recent years, namely those concerning composition (number of internal and external members, skill profile, etc.), appointment of members, and duties and responsibilities of boards of directors, in order to improve the governance of universities.
- 14** Adequately supervise the services offered by universities, namely with regard to delocalization of university activities.

Highlights

Work Objectives

The Commission de la santé et de la sécurité du travail (CSST) is the organization to which the government entrusted the administration of the Occupational Health and Safety Plan. In 2013, 88,368 workers were admitted to the plan, and nearly \$1.9 billion was paid in benefits.

The Bureau d'évaluation médicale (BEM) oversees the application of the medical assessment procedure provided for in the *Act respecting industrial accidents and occupational diseases*. Its administration has been entrusted to the ministère du Travail, de l'Emploi et de la Solidarité sociale (MTESS).

The objective of our audit was to obtain the assurance that:

- the structure and mechanisms implemented by the CSST ensure good governance;
- the CSST efficiently, effectively and fairly manages activities related to compensation and rehabilitation;
- the MTESS administers the medical assessment mechanism efficiently.

The Report is available at www.vgq.qc.ca.

Audit Results

The following are the principal findings of our audit concerning the compensation and rehabilitation of workers who sustain an employment injury.

The CSST does not sufficiently play the expected role of change agent with respect to updating the Occupational Health and Safety Plan in relation to modern labour market issues. Some elements of its governance structure complicate the reaching of agreements and the breaking of deadlocks on important issues. In addition, the organization of the board of director's work is inadequate, notably concerning its planning and follow-up.

The CSST must put more effort into education and promotion among employers and workers to encourage the implementation of interim return-to-work solutions.

Return-to-work intervention practices must be improved. The return-to-work plan does not ensure the coordination desired by the CSST and does not provide an overall view of the file, which would facilitate the choice of actions to be implemented. In addition, despite the major impact that determining suitable employment for the worker could have, the supervision measures do not make it possible to ensure just and fair interpretation of the five criteria provided for in the *Act respecting industrial accidents and occupational diseases* nor compliance with them.

The presence of many performance indicators can result in confusion about the CSST's priorities in addition to being a source of inefficiency. Conversely, certain essential components are not sufficiently followed up on, namely the component related to the sustainable nature of workers' return to work.

Some right-holders of workers who died from an employment injury have not received all of the indemnities they were entitled to. Based on our assumptions, the amount not paid by the CSST to right-holders in the files examined is at least \$2 million.

At the BEM, a major lengthening in the processing time of medical assessments has been observed since 2007-2008, which notably contributes to increasing the risk of chronicity for the worker and the costs of the plan, while hampering its effectiveness. In 2013-2014, the average time between the date the CSST made its request and the medical opinion was sent was 88 days, an increase of 29% since 2007-2008.

The recruitment practices in place at the BEM have not been revised in depth since 1998, despite the decrease in the number of designated members and the scarcity of health professionals in some specialties.

Recommendations

The Auditor General has made recommendations to the CSST and MTESS. They are shown, in part, to the right.

The audited entities had the opportunity to comment on the report; their comments can be found in the *Commentaires des entités vérifiées* Section.

We want to point out that they accepted all the recommendations.

Recommendations to the Commission

- 1** Continue modernizing its governance principles based on sound practices, namely with regard to internal management rules, the code of ethics and rules of professional conduct for directors and the assessment of the board's performance; if structural elements determined by the Act are detrimental to this modernization, analyze the situation and make the required proposals to the government.
- 2** Organize the board's work in a way that optimizes efficient and effective decision-making related to the evolution of the plan, notably by:
 - determining priority issues and establishing a work schedule as well as a timeframe for making decisions about them;
 - providing greater supervision of the work of technical committees by establishing clear mandates and objectives, determining a work schedule and obtaining reporting at regular intervals;
 - ensuring appropriate mechanisms are in place to break deadlocks.
- 4** Improve the use of intervention practices which support a sustainable return to work, namely by better implementing interim solutions, developing return-to-work plans and determining suitable employment.
- 5** Determining key performance indicators as well as the necessary management information to monitor key reparation issues, including the sustainable nature of a return to work.
- 6** Ensure greater coherence among the regions for how files are processed, notably through the clarification of directives, a better application of these directives and an improvement in decision-support tools.
- 8** Set up the necessary processes and controls to ensure that all right-holders receive the death benefits provided for in the Act in a timely manner.

Recommendations to the Department

- 11** Improve the management of timelines and reporting on the subject by determining clear objectives, compiling reliable and complete management information, carrying out an adequate follow-up and taking the necessary corrective measures.
- 12** Review the recruitment practices for members of the Bureau d'évaluation médicale and establish a structured recruitment plan based on the needs anticipated in different specialties.

Highlights

Work Objectives

As at March 31, 2014, Québec had 258 family medicine groups (FMGs) and 51 network clinics. The expenses related to them and funded by the State totalled more than \$107 million in 2013-2014. Our audit work had the following objectives:

- To obtain the assurance that the governance and management of resources allocated to FMGs and network clinics by the Ministère de la Santé et des Services sociaux (MSSS) and by the audited health and social services agencies and centres (CSSSs) enable a fair and efficient division of resources, according to clear parameters, and take the needs of the population into account.
- To assess to what extent the Department, the audited agencies and CSSSs monitor guidelines and control compliance with agreements signed with the FMGs and network clinics to ensure the achievement of results and the economic and efficient use of resources.

The Report is available at www.vgq.qc.ca.

Audit Results

The following are the principal findings of our audit concerning family medicine groups and network clinics.

The preferred referral mechanism to obtain a family physician, namely the guichets d'accès pour la clientèle orpheline (waiting lists), is neither transparent nor fair. Certain patients who should be taken in charge within six months can spend years waiting before obtaining it. Aside from network clinic services, people who are waiting only have the emergency room as a place of care.

The departmental requirements related to the financial support that the audited agencies pay to the FMGs have done little to encourage physicians to take charge of additional patients, especially more vulnerable ones. The average number of patients registered with a physician in an FMG has increased by only 5.9% over the past 5 years; it went from 821 to 869 patients.

The MSSS does not require from FMGs that the scope of services be adjusted based on the volume and type of patients registered. It also has not set requirements for the extent and accessibility of services in FMGs. In terms of accessibility, for 180 FMGs (70.6%), a maximum of 80% of patient visits took place at the clinic where their family physician practices.

The agencies allocate financial support to FMGs by essentially relying on the willingness of physicians to practice under this organization model. On the one hand, they do not consider the geographic sector and, on the other hand, the needs of the population as well as the proximity of first-line services are little considered.

The audited agencies and the CSSSs do not sufficiently supervise or monitor the activities carried out by the FMG clinical staff that they remunerate. The use of clinical staff skills could be optimized.

The Department did not establish guidelines for results to be obtained and does not ensure that the use of sums dedicated to computerizing FMGs is effective.

The MSSS and the audited agencies generally continue to fund FMGs even if they do not comply with the established criteria, including the number of registered patients and business hours. This causes inequity in the allocation of resources between the FMGs.

Recommendations

The Auditor General has made recommendations to the Ministère de la Santé et des Services sociaux, three health and social services agencies and three health and social services centres. They are all shown to the right.

The audited entities had the opportunity to comment on the report; their comments can be found in the *Commentaires des entités vérifiées* Section.

We want to point out that they accepted all the recommendations.

Recommendations to the Department and the audited agencies

- 1** Review the mechanisms concerning referrals for orphan clientele, namely those registered in the guichets d'accès (waiting lists), to ensure access to a family physician is fair for patients.
- 2** Measure and publish the results obtained concerning access to a family physician, including those related to the guichets d'accès (waiting lists).
- 3** Review the modalities for financial support of family medicine groups to encourage them to take charge of more patients, especially the most vulnerable ones.
- 4** Adjust the service offer required of family medicine groups based on the volume and type of patients registered, and specify the level of accessibility to services in agreements with these groups.
- 6** Ensure a better alignment of financial support for family medicine groups with the needs of the population, and ensure that the distribution of medical staff promotes balance between medical clinics and institutions.
- 7** Revise the accreditation and renewal process for family medicine groups by clarifying in the agreements the roles of the Department, agencies and institutions, and by documenting this process.
- 8** Specify anticipated results in agreements with family medicine groups for their computerizing, namely the degree of use of the funded computer tools.
- 9** Implement monitoring mechanisms to ensure compliance with agreements and adopt corrective measures to fairly allocate financial support between family medicine groups.
- 10** Establish a management framework to ensure optimal utilization of resources and periodically assess the achievement of anticipated results in relation to the funding granted to family medicine groups and network clinics.

Recommendations to the audited agencies and the institutions

- 11** Review and clarify in agreements the roles expected of each type of funded professionals, and implement controls to ensure that the skills of clinical staff are used optimally in family medicine groups.

Recommendations to the audited institutions

- 5** Improve the transparency of the process for accessing a family physician and the quality of information provided to orphan patients.

Highlights

Work Objective

Since October 1, 2008, the contract awarding process in the public sector has been governed by the *Act respecting contracting by public bodies*. The purpose of this Act is to establish conditions for contracts entered into between public bodies and suppliers.

Our audit focused on the management by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) of contracts presenting risk situations. For the last three fiscal years ended March 31, 2014, the MAPAQ awarded 318 contracts of \$25,000 and over, for a total value of \$68.3 million.

The purpose of our audit was to obtain the assurance that the MAPAQ manages, in accordance with the regulation and sound practices, the core risk elements related to the contract awarding process.

The Report is available at www.vgq.qc.ca.

Audit Results

The following are the principal findings of our audit concerning the management by the MAPAQ of contracts presenting risk situations.

Insufficient information provided to the Deputy Minister. The information the Deputy Minister relies on does not allow him to perform his contract management role. Among other things, no information useful for analyzing the contracting process or for identifying problematic situations is shared with him.

Mutual solicitation method often used by the MAPAQ. The assessment done to determine whether a natural person operates a sole proprietorship lacks rigour. In addition, contrary to what is provided for in its directive, the MAPAQ used the mutual solicitation method for all files of this type that we audited whose total exceeded the threshold for invitations to tenders.

Worrying results with regard to the call for tender process and the management of information technology contracts. Deficiencies were found with regard to the honest and fair treatment of competitors, transparency, reporting and good use of public funds. Among other things, about \$3.8 million was paid to the main supplier for a computer system that was abandoned at the start of its development. This represents over 50 % of the \$7.2 million allocated to complete the project.

Inadequate processing of contract changes. Contract changes are not always processed as required by the regulation, which is why the required authorizations are not always sought and additional expenditures are not presented.

Lack of rigour in authorizing payments. Differences were noted between what was paid and the terms provided for in the contract. The amounts billed and the billing periods differed from what was provided for.

Deficiencies in the information disclosed. The MAPAQ does not always publish in the electronic call for tenders system the information required by the regulation. It is often published late and contains inaccuracies. In addition, the information sent to the Conseil du trésor is incomplete and inaccurate in some regards.

Recommendations

The Auditor General has made recommendations to the MAPAQ. All of them are shown to the right.

The audited entity had the opportunity to comment on the report; its comments can be found in the *Commentaires de l'entité vérifiée* Section.

We want to point out that it accepted all the recommendations.

Recommendations to the Department

- 1** Adjust the plan for the delegation of signatures in order to establish, by type of contract, a maximum financial limit for each of the hierarchical levels authorized to sign.
- 2** Produce, in a timely manner, reliable and sufficient management information to be able to monitor, assess and correct, if applicable, the contracting process.
- 3** Adequately support authorizations that the Deputy Minister and officers grant as part of contract management.
- 4** Use the Conseil du trésor's criteria to determine the supplier's actual status and implement the applicable regulation.
- 5** Review its contract management so that, in accordance with its internal directive and the regulation, the use of invitation to tender or public calls for tender is given priority.
- 6** Analyze the results of calls for tender and take steps so that the evaluation of tenders and the selection of suppliers promote their honest and fair treatment, in accordance with regulatory requirements.
- 7** Adequately process changes to a contract; to do so, establish additional expenditures so they are authorized by the competent authorities, published in the electronic call for tenders system and, where required, sent to the Conseil du trésor.
- 8** Ensure that authorized payments meet the conditions established during the contracting process with regard to the rate and nature of the work.
- 9** Publish in the electronic call for tenders system all the information relating to contracts in an adequate and timely manner, in accordance with the regulation.
- 10** Ensure that the information sent to the Conseil du trésor in accordance with regulatory requirements is accurate and complete.

Highlights

Work Objective

Following the government's decision to cease operating the Gently-2 nuclear generating station and to terminate its refurbishment project, Hydro-Québec undertook, starting in 2013, an asset recovery process for the equipment that had become surplus assets.

In December 2014, the National Assembly passed a motion under which the government had to mandate the Auditor General to shed light on the sale of Gently-2 equipment to a scrap metal dealer that was completed by Hydro-Québec.

With the intention of following up on this motion as a priority, the purpose of our audit was to obtain the assurance that Hydro-Québec complied with the guidelines in effect and sound management principles in order to optimize the asset recovery of the equipment of the Gently-2 nuclear generating station, and more specifically the equipment sold on the metal recycling market. The Report is available at www.vgq.qc.ca.

Audit Results

The following are the principal findings of our audit concerning the sale of equipment on the metal recycling market during the asset recovery of the equipment of the Gently-2 nuclear generating station.

The situation related to the asset recovery of the equipment acquired under the refurbishment project was exceptional, and Hydro-Québec had to act prudently and transparently in order to adequately manage the risks associated with public perception, among others. This was particularly attributed to the difficulty of selling the turbine's new equipment as is, when it was custom designed, and the probability of disposing of it on the metal recycling market for an estimated value of \$75,000, while it was acquired at a cost of \$79 million.

Hydro-Québec has not specified the criteria selected to support the decision to stop looking for potential buyers. It has not fully implemented the recommendations addressed to it by a firm of independent experts during a review of its sale process for the turbine's new equipment.

It is difficult to assess whether the decision to not proceed as provided in the sale process was appropriate considering the lack of accompanying documentation. Hydro-Québec did not consider it appropriate to issue a formal call for tenders, considering a lack of interest from buyers other than the equipment manufacturer.

Hydro-Québec issued a restricted call for tenders to sell the equipment on the metal recycling market based on a weak assessment of the market value of the assets. In addition, the buyers were selected on a discretionary basis without a review, by the appropriate officials, of the relevance of and compliance with the criteria established. Finally, the proposals received electronically were opened for classification purposes before the date and time set for opening the tenders.

Hydro-Québec did not perform a follow-up with sufficient rigour of compliance with certain contract clauses. Namely, the follow-up was deficient with regard to the clauses related to the mandatory destruction of certain pieces and the use of subcontractors by the successful tenderer.

Recommendations

The Auditor General has made recommendations to Hydro-Québec. They are all shown to the right.

The audited entity had the opportunity to comment on the report; its comments can be found in the *Commentaires de l'entité vérifiée* Section.

We want to point out that it accepted all the recommendations.

Recommendations to Hydro-Québec

- 1 Document the decisions made in the key steps of the asset recovery process of surplus equipment, in situations similar to those mentioned in this report.**
- 2 Specify, at the start of the asset recovery cycle, in situations similar to those mentioned in this report, the criteria and the schedule that will guide the decision to move from the step of looking for potential buyers for surplus equipment, whether new or used, to the step of its final sale regarding what is not covered by blanket contracts.**
- 3 Produce a list of assets with an appropriate level of detail and a rigorous estimate of their market value during the planning step of the marketing of surplus assets for sales outside of blanket contracts.**
- 4 Promote an open competitive bidding mode during the sale of new or used equipment for metal recycling, especially when the situation can impact Hydro-Québec's image.**
- 5 Validate the selection of potential buyers and compliance with the relevant criteria in the case of restricted calls for tenders during the sale of new or used equipment on the metal recycling market.**
- 6 Apply a procedure that ensures the confidentiality of the content of tenders that will be received electronically during sales on the metal recycling market until the date and time for opening tenders.**
- 7 Establish compliance controls in the calls for tenders step and the contract administration step for sales outside of blanket contracts:**
 - Specify the content of calls for tenders with regard to the documentation to be produced, namely which permits, licences and other authorizations are required to perform the work;
 - Conduct a rigorous follow-up of compliance with contract clauses, namely those relating to the use of subcontractor services by the successful tenderer.



Significance of the Logo

An easy-to-recognize building, the Parliament, where the National Assembly sits. It is this authority which has entrusted the Auditor General with his mission and to which he reports.

Three dynamic lines, illustrating:

- the three types of audits carried out by his staff, namely financial audits, audits of compliance with statutes, regulations, policies and directives, as well as value-for-money audits;
- the three elements that are examined during value-for-money work: economy, efficiency and effectiveness;
- the three fields—social, economic and environmental—related to the stakes concerning sustainable development.

A truly distinctive sign, the logo of the Auditor General clearly illustrates that this institution, which is in constant evolution, aims to assist elected members in their desire to ensure the sound management of public funds, for the benefit of the citizens of Québec.

This publication
was produced by



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