



Report of the Auditor General  
of Québec  
to the National Assembly  
for 2010-2011

Annual Performance Report  
Excerpts



## Message from the Auditor General



I am pleased to submit to you the *Annual Performance Report* for 2010-2011 of the institution that I head. It gives the year's financial results and results related to the *Strategic Plan for 2009-2012*.

Since my mission is to facilitate parliamentary control over public funds and other public property, the credits that are allocated to me by the National Assembly are mainly used for performing financial and value-for-money audits.

In the course of the year, the credits allocated by the National Assembly were used in a proportion of 69 percent for auditing and 31 percent for support activities. Those percentages are essentially the same as in 2009-2010.

It is important for the Auditor General's work to have an impact on public management, for the benefit of Québec's citizens. The important events that occur following our work or sometimes even during our work are evidence of that impact. The following paragraphs describe significant events that took place this year.

In Volume One of the report to the National Assembly for 2010-2011, we had recommended to the Ministère de l'Éducation, du Loisir et du Sport that it ensure that the school boards exercise cost-effective management of their administrative expenditures and to the school boards that they ensure that their processes and practices make such management possible with respect to their administrative costs. During the year, the government passed *An Act to implement certain provisions of the Budget Speech of 30 March 2010, reduce the debt and return to a balanced budget in 2013-2014*, which is aimed at limiting government expenditures. Under this Act, school boards must reduce certain expenditures related to their administration (training, travel, advertising, etc.). Thus, for administrative personnel, boards may hire only one replacement for every two departures. Moreover, in a press release dated August 2011, the Fédération des commissions scolaires du Québec committed to analyzing its ways of doing things in order to renew the governance and management of school boards. One of the lines of the Fédération's work is to simplify public administration. The Fédération expects to submit an action plan to the school boards at the end of October.

Moreover, in the *Special report dealing with the watch over the projects to modernize Montréal's University Health Centers*, we repeated some of the recommendations contained in one of the chapters of the volumes published in 2009-2010. We had recommended to Infrastructure Québec that it ensure that the assumptions put forward for the evaluation of the reference project (public-private partnership) are appropriate and reasonably founded. We had also recommended to the Secrétariat du Conseil du trésor (SCT) that it ensure that business cases include a critical, expert and independent assessment of their quality. For each major project, the SCT now appoints a diligent review committee whose mandate is to review business cases in an independent manner. This committee will, among other points, validate the quality of the sensitivity analyses that accompany business cases. Furthermore, in accordance with our recommendation, the Ministère des Finances du Québec will approve the main economic and financial assumptions or variables, including the actualization rate required for developing a business case.

Moreover, as we carried out our auditing work on the business projects enabled by information resources and their governmental supervision, four initiatives were undertaken. First, the SCT updated the *Directive sur la gestion des ressources informationnelles*. Then, Bill 130, which abolishes the Ministère des Services gouvernementaux and transfers the Department's responsibilities to the Conseil du trésor, was tabled. Finally, the SCT introduced Bill 133, which concerns the governance and management of the information resources of public bodies and government enterprises, and it published an overall policy on the same subject. Bills 130 and 133 were adopted by the National Assembly in June 2011.

All these events highlight the impact on public management of the work and recommendations that we present to the National Assembly and the managers of entities. The implementation of these recommendations shows the willingness of government officials to always do better, which is beneficial for citizens.

However, to carry out our work, maintain a high standard of quality, strengthen our organization's performance and enrich its expertise, we must be able to rely on an experienced and professional staff. Yet, we are faced with a high turnover rate and recruiting difficulties. In fact, attracting, retaining and developing our human resources so as to be an efficient, expert and leading-edge institution is currently one of our greatest challenges.

With respect to the *Strategic Plan for 2009-2012*, we reached 18 of the 25 targets related to the objectives that we had set for 2010-2011, that is, 72 percent of them. We reached 12 of the 13 targets whose results depend directly on the Auditor General's actions. However, we reached only 6 of the 12 targets whose results are affected by both the Auditor General's actions and those of other stakeholders.

I hope that you will find in this report all the information needed to understand the Auditor General's mission and to evaluate its performance.

I want to thank all of those who, through their commitment and skills, contributed to our institution's performance in 2010-2011.



Renaud Lachance, FCA  
Québec, September 12, 2011



	Auditor General	Auditor General and others
<ul style="list-style-type: none"> <li>all of the financial and VFM audit work evaluated met the certification standards of the Canadian Institute of Chartered Accountants (CICA) (5.1.1);</li> <li>the average professional fees for financial audits entrusted to accounting firms of the private sector with regard to renewed contracts were 6 percent lower than those of the previous contracts (5.2.2);</li> <li>all the staff assigned to financial audits received basic training on International Financial Reporting Standards (IFRS) and Canadian Auditing Standards (CAS) and 98 percent received specialized training (5.3.3);</li> <li>2 greening measures were implemented to reduce the environmental impacts of our activities (5.4.2).</li> </ul>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p>
	<b>12</b>	<b>6</b>
<b>Targets not reached</b> <ul style="list-style-type: none"> <li>41 percent of the reports published over the last 2 years were examined by a parliamentary committee, whereas our objective was 45 percent. However, compared with 2009-2010, we note an improvement of 9 percentage points. The achievement of this target is dependent on the hearing time of parliamentary committees (1.1.1);</li> <li>no meeting was held with members of parliamentary committees, other than the CPA, to raise the awareness about the concept and principles of sustainable development, although we had intended to meet with the members of at least two committees (2.2.1);</li> <li>99 percent of the auditor's reports dealing with financial statements contained no reservation regarding compliance with CICA standards. Our target was 100 percent (3.1.1);</li> <li>56 percent of the recommendations that were the subject of a follow-up gave rise to satisfactory progress, while our target was 70 percent (3.2.2);</li> <li>47 percent of the financial audit interventions with a history of 3 years or more were carried out with a 5 percent saving of the hours of work compared to the previous year, while our target was 50 percent (5.2.1);</li> <li>47 percent of the VFM audits were carried out within the forecasts concerning the hours of work. The target was set at 50 percent. It must be noted that, when additional work is required, it is carried out even if there is a resulting budget overrun (5.2.3);</li> <li>the new staff assigned to VFM audits has, on average, 12 years of work experience. We had wanted the new staff to have at least one more year of experience than the 12 years of experience of the staff hired in 2008-2009 (5.3.2).</li> </ul>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>
	<b>1</b>	<b>6</b>

[...]

**Table 3**  
**Use of financial resources**

	2010-2011		2009-2010		2008-2009 <sup>1</sup>	
	In thousands of dollars	%	In thousands of dollars	%	In thousands of dollars	%
<b>Financial audit<sup>2</sup></b>	<b>10,530</b>	<b>41.7</b>	<b>10,049</b>	<b>41.9</b>	<b>9,658</b>	<b>41.1</b>
<b>Value-for-money audit</b>						
Standard audits	5,870	23.2	4,105	17.1	4,540	19.3
Watches	252	1.0	605	2.5	601	2.5
Other works	626	2.5	1,138	4.7	815	3.5
Special audits	–	–	329	1.4	335	1.4
Follow-ups on recommendations	196	0.8	506	2.1	295	1.3
	<b>6,944</b>	<b>27.5</b>	<b>6,683</b>	<b>27.8</b>	<b>6,586</b>	<b>28.0</b>
<b>Subtotal</b>	<b>17,474</b>	<b>69.2</b>	<b>16,732</b>	<b>69.7</b>	<b>16,244</b>	<b>69.1</b>
<b>Support activities</b>						
Professional support	1,607	6.4	1,312	5.5	1,268	5.4
Training	1,019	4.0	1,050	4.4	1,355	5.8
Supervision and management <sup>3</sup>	2,008	8.0	2,107	8.8	1,920	8.2
Administration <sup>4</sup>	3,135	12.4	2,789	11.6	2,730	11.5
<b>Subtotal</b>	<b>7,769</b>	<b>30.8</b>	<b>7,258</b>	<b>30.3</b>	<b>7,273</b>	<b>30.9</b>
<b>Total</b>	<b>25,243</b>	<b>100.0</b>	<b>23,990</b>	<b>100.0</b>	<b>23,517</b>	<b>100.0</b>

1. Some data were reclassified to make their presentation comparable to that of 2009-2010.

2. The costs for the work presented in the volume about the audit of financial information and other related work are included under this heading.

3. This category excludes the costs related to auditing activities of supervisory and management personnel.

4. This category brings together legal affairs, communications and the following services: human resources, financial and material resources, computer resources.

[...]

## Reporting on Strategic Plan

[...]

### Orientation 1. Maximize the use of the work of the Auditor General by the National Assembly

Our auditing work must retain the attention of parliamentarians in order to regularly be the subject of in-depth examinations and to contribute to the quality of the debates that parliamentarians hold.

In fact, the Auditor General aims to submit relevant work to parliamentarians. Table 8 presents the results in regards to the objectives of Orientation 1.

**Table 8**  
**Summary of results associated with Orientation 1**

Objective	Indicator	Target	Results		
		2010-2011	2010-2011	2009-2010	2008-2009
1.1.1 Make sure that the auditing work contributes to parliamentary control.	Percentage of reports published over the last 2 years and that are examined by a parliamentary committee.	45%	41%	32%	13%
	Percentage of reports used or mentioned by the National Assembly in the 3 years following their publication.	75%	75%	83%	74%
1.1.2 Inform the National Assembly of the unfolding of major capital asset projects undertaken by the government.	Number of reports published.	1	4	2	1

[...]

## Orientation 2. Work in collaboration with parliamentarians and make sure of their satisfaction

As the Auditor General is a close collaborator of the CPA, he shares with this committee the concern about improving management practices at a government-wide level. The other parliamentary committees also participate in the control of the public administration, and some of the Auditor General's work may be useful to them for this purpose. It is therefore essential to make sure that their respective work are harmonized and, in so doing, to maximize the joint efforts seeking to foster parliamentary control. Table 9 shows the results associated with this orientation.

**Table 9**  
**Summary of results associated with Orientation 2**

Objective	Indicator	Target	Results		
			2010-2011	2009-2010	2008-2009
2.1.1 Analyze the action plans required from entities by the Committee on Public Administration following our work.	Number of action plans analyzed.	All	33 out of 33	35 out of 35	30 out of 30
2.1.2 Do an appropriate follow-up concerning the application of the recommendations made by the Committee on Public Administration.	Percentage of the recommendations of the Committee on Public Administration that are the subject of a follow-up.	55%	68%	53%	n/a
2.1.3 Explain the Auditor General's role to the new members of the Committee on Public Administration.	Number of new members informed in the 6 months following their appointment.	All	3 out of 3	4 out of 14	2 out of 9
2.1.4 On an annual basis, make sure that the members of the Committee on Public Administration are satisfied with the Auditor General's work by meeting with one third of them.	Number of members met with who say that they are satisfied.	All	4 out of 4	7 out of 7	n/a
2.2.1 Raise the awareness of parliamentarians about the concept and principles of sustainable development.	Number of parliamentary committees whose members took part in an information meeting.	At least 2	–	2	n/a
2.2.2 Stimulate the interest of parliamentarians in the Auditor General's work.	Number of parliamentary committees that are the subject of an intervention in this respect, other than the Committee on Public Administration.	At least 2	4	3	n/a

[...]

### Orientation 3. Foster rigorous management and reporting by public administrations

Loyal to his commitments, the Auditor General is very interested in the reporting of government authorities in relation to finances and management of resources, given the powers that are delegated to these authorities by the National Assembly. The results concerning the objectives of Orientation 3 are presented in Table 10.

**Table 10**  
**Summary of results associated with Orientation 3**

Objective	Indicator	Target	Results		
		2010-2011	2010-2011	2009-2010	2008-2009
3.1.1 Ensure parliamentarians that the financial statements comply with the standards of the Canadian Institute of Chartered Accountants and with International Financial Reporting Standards (IFRS).	Percentage of auditing reports that contain no reservation.*	100%	99%	99%**	100%**
3.2.1 Make sure that the entities adhere to the Auditor General's recommendations in order to increase the likelihood of their application.	Percentage of the recommendations receiving the support of the entities.	90%	100%	99%	99%
3.2.2 Increase the level of application of the recommendations made by the Auditor General.	Percentage of the recommendations giving rise to satisfactory progress.	70%	56%	70%	60%
3.3.1 Evaluate the reporting of the entities in relation to their sustainable development action plan.	Number of value-for-money auditing reports published and dealing with this aspect.	2	2	n/a	n/a

\* The indicator has been changed.

\*\* We have revised the comparative results to reflect the fact that the indicator has been changed.

[...]

## Orientation 4. Take up the challenges ensuing from recent legislative amendments

Recent legislative amendments have given us the opportunity to turn our expertise to good account with new entities and to use different approaches with those entities that already fall under our jurisdiction. Table 13 presents the results associated with this orientation.

**Table 13**  
**Summary of results associated with Orientation 4**

Objective	Indicator	Target	Results		
		2010-2011	2010-2011	2009-2010	2008-2009
4.1.1 Carry out work geared to performance with entities associated with the health and social services network as well as with the education network.	Number of reports published.	1	4	–	n/a
4.1.2 Conduct financial audits in entities associated with the health and social services network and with the education network.	Number of new entities subject to a financial audit.	None	n/a	7	n/a
4.1.3 Conduct in an effective manner the joint auditing of Hydro-Québec's financial statements.	Time period for submitting the auditor's report.	No later than March 12	February 18	n/a	n/a
4.2.1 Integrate the principles established by the <i>Sustainable Development Act</i> in the evaluation criteria used in value-for-money auditing.	Percentage of reports published that take these principles into account in the evaluation criteria.	50%	80%	n/a	n/a
4.3.1 Check on an annual basis that the entities subject to the <i>Act respecting the governance of state-owned enterprises</i> comply at the appropriate time with its requirements concerning the measures to assess the effectiveness and performance.*	Number of entities complying with these requirements.*	All of the entities concerned	8 out of 8	8 out of 8	s.o.

\* The objective and the indicator were reformulated in 2009-2010.

[...]

## Orientation 5. Strengthen the organization's performance and enrich its expertise

The Auditor General is continually seeking to perfect his auditing methods while making sure that they meet the requirements set by standard-setting bodies.

In addition, as the many achievements of the Auditor General are based on the know-how of his employees, he makes diligent efforts to offer them a stimulating workplace, conducive to each employee's self-fulfillment and to the development of their skills.

Table 14 highlights the results relating to Orientation 5.

**Table 14**  
**Summary of results associated with Orientation 5**

	Objective	Indicator	Target	Results		
			2010-2011	2010-2011	2009-2010	2008-2009
5.1.1	Maintain the quality of work by evaluating compliance with the relevant criteria during financial audits and value-for-money audits.	Percentage of work evaluated that meets certification standards.	100%	100%	100%	100%
5.2.1	Devote fewer hours of work than in the previous year to carrying out financial audit interventions having a history of 3 years or more.	Percentage of interventions carried out with a 5 percent savings of the hours of work.	50%	47%	48%*	n/a
5.2.2	Limit the increase of professional fees for financial audits entrusted to auditing firms from the private sector.	Average percentage of increase of the professional fees pertaining to renewable contracts.	Increase less than or equal to 3%	Decline of 6%	Decline of 9%*	n/a
5.2.3	Respect the forecasts concerning the hours of work required to complete value-for-money audits.	Percentage of audits carried out without exceeding the budgeted hours of work.	50%	47%	20%	n/a
5.3.1	Increase the expertise of the staff assigned to value-for-money audits by hiring specialists in the following fields: education, project management, health and transportation.	Number of specialists hired in the identified fields.	None	n/a	n/a	n/a
5.3.2	Increase the average number of years of work experience of the new staff assigned to value-for-money audits.	Average number of years of work experience of the staff in question.	At least one more year of experience than in 2008-2009**	–	5 more*	n/a

\* The result was revised on the basis of the calculation method used in 2010-2011.

\*\* The target was specified. The average number of years of experience of new staff in 2008-2009 was 12.

**Table 14**  
**Summary of results associated with Orientation 5 (continued)**

Objective	Indicator	Target	Results		
		2010-2011	2010-2011	2009-2010	2008-2009
5.3.3 Develop the expertise of the staff assigned to financial audits when it comes to International Financial Reporting Standards (IFRS) and Canadian Auditing Standards (CAS).	Percentage of staff concerned receiving adequate training.	At least 100% in the case of basic training	100%	79%	n/a
		At least 70% in that of specialized training	98%	30%	n/a
5.4.1 Maintain the satisfaction of employees concerning the work environment, training and professional challenges.	Employee satisfaction index regarding the aspects concerned.	None	n/a	n/a	8 out of 10
5.4.2 Reduce the environmental impact of the organization's activities through greening measures.	Number of measures implemented.	2 new measures	2	2	4

[...]

