



**Report
to the National Assembly
for 2003-2004**

Volume I

Highlights



Québec, June 2004

This brochure is a brief version of Volume One of the *Report of the Auditor General to the National Assembly* for 2003-2004. It brings together the main observations arising from the work that our audit teams have carried out in recent months.

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

Of course, this brochure in no way replaces the full report, which I invite readers to consult. It makes a detailed presentation of the results of the audit engagements and follow-ups, in addition to offering the point of view of the entities.

Doris Paradis, FCA

A handwritten signature in blue ink, reading "Doris Paradis". The signature is written in a cursive style.

Acting Auditor General

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1. The numbers of the chapters as well as those of the paragraphs used in this brochure correspond to those of the full report.



1

OBSERVATIONS OF THE ACTING AUDITOR GENERAL

INTRODUCTION

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

INTERIM TERM OF OFFICE

- 1.4 On December 16, 2001 the term of office of my predecessor ended. At that time, the President of the National Assembly designated me to perform the duties of this office on an interim basis until the National Assembly appoints the next Auditor General.

REVISION OF THE AUDITOR GENERAL ACT

- 1.5 In November 2003, I sent to the government proposals for amendments to the *Auditor General Act* for tabling in the National Assembly.
- 1.6 These proposals follow the assessment of the application of this Act which was presented in Volume II of the *Report of the Auditor General to the National Assembly for 1999-2000*. Moreover, they take into account the expectations and concerns that the members of the Committee on Public Administration expressed regarding various aspects of the Auditor General's mandate during work sessions and public sessions held in the fall of 2001 and in that of 2002.

- 1.7 Basically, the proposed amendments deal with value-for-money audits of government corporations, audits conducted with beneficiaries of subsidies or other forms of government support procuring a benefit, the immunity of the Auditor General in the field of compellability as a witness, and his role in audits in the environment and sustainable development field.
- 1.8 As for value-for-money audits in government corporations, the current Act distinguishes between those for which the Auditor General audits the financial statements and those whose financial statements are audited by other external auditors of the private sector. In the first case, the Act mandates me to audit the quality of the management of these corporations, but only after having reached an agreement with their board of directors, which has proven to be an obstacle to this type of audit. In the second case, the Act does not grant such a mandate to the auditors of private firms and it is not very explicit about the latitude given to the Auditor General in the field of value-for-money audits in these corporations.
- 1.9 The legislative amendment proposals that I have submitted to the government seek to clarify the Act in this respect so that I can carry out unimpeded and in all government corporations the work that I deem important to adequately inform the National Assembly of the use made of public funds by these corporations.
- 1.10 Nevertheless, in light of the discussions with the members of the Committee on Public Administration concerning the potential consequences of the public dissemination of the reports of the value-for-money audits conducted with certain corporations having a commercial vocation, I have proposed an exception. Under this proposal, the results of an audit of this type would not be made public if it involves a government corporation designated by a resolution of the National Assembly or some of its activities.
- 1.11 I have also proposed that I be able to be assisted in the carrying out of value-for-money audits of government corporations and agencies by the private firms that certify the financial statements of these entities, given their knowledge of the latter.
- 1.12 Moreover, the government is increasingly resorting to forms of financial support conferring a benefit which, without corresponding as such to what is understood by “subsidies”, are closely related to them. Refundable tax credits are a case in point. That is why I propose that the Auditor General be able to audit every form of financial support conferring a benefit coming from a government entity, including a government corporation, all the way up to the ultimate beneficiary of this support.
- 1.13 Furthermore, the legislative amendment proposals seek to strengthen the independence of the position of the Auditor General, a guarantee of his objectivity.



I have therefore reiterated the need to complete the immunity that my colleagues and I enjoy, to ensure that we are not compelled as witnesses in legal proceedings involving entities audited on behalf of the National Assembly, as this would distort the Auditor General's role.

- 1.14** On this subject, it is important to note that I was summoned to appear, as was my predecessor, and that we were compelled to testify, in May, in a legal proceeding instituted against the government by a group of associations representing senior managers of the Administration. Steps need to be taken to ensure that the Auditor General does not find himself in such a situation again. It would clearly be preferable that the comments that I make to the National Assembly be examined in a parliamentary committee rather than argued before a court.
- 1.15** Finally, in recent years, I have had discussions with the members of the Committee on Public Administration on the Auditor General's role regarding audits in the environment and sustainable development field.
- 1.16** The members of this Committee have indicated that they want the environment and sustainable development field to become a priority for parliamentary control purposes. Following their comments, I came to the conclusion that legislative amendments were desirable.
- 1.17** That is why the legislative proposals provide for the creation of the position of commissioner responsible for the environment and sustainable development. The latter, under the authority of the Auditor General, would conduct audits in these fields. Within this perspective, all departments as well as all government agencies and corporations designated by their Lead Minister would be required to adopt a sustainable development strategy. Each year, the commissioner would prepare a report on the results of his work, intended for the National Assembly. This report would be separate from that of the Auditor General.
- 1.18** In May 2004, the Secretary-General of the government informed me that it was difficult, even impossible, for him to recommend the tabling of these proposals in the National Assembly during the spring 2004 parliamentary session; for some proposals, he considered that it was premature to table them, whereas for others, he was of the opinion that additional discussions were needed. For example, in the field of value-for-money audits of government corporations, he would prefer to wait for the conclusions of a study that the government has commissioned on the governance of government corporations. As for the appointment of a commissioner responsible for the environment and sustainable development, he indicated that this matter would be dealt with in the Green Plan that the Minister of the Environment will submit to the government. Other questions, such as that of auditing the use made of grants or the immunity of the Auditor General, should be analyzed further. I immediately informed him that my staff was available to provide the additional information that the government might require.

CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT

- 1.19** Once again, when I published Volume Two of my annual report last December, the government's consolidated financial statements for the year ended on March 31, 2003 had yet to be published. As a result, I was unable to include in the volume in question my comments concerning this audit. The same day on which the Public Accounts were tabled by the government, namely on March 23rd of this year, I submitted to the National Assembly a separate document presenting my comments. They are reproduced in Schedule A of this volume.
- 1.20** The fact that close to a year passes between the end of the fiscal year and the tabling of the Public Accounts is unacceptable. For comparison purposes, six other provincial governments in Canada publish their financial statements before the end of September. The Minister of Finance has made a commitment to make public the 2003-2004 financial statements not later than this September. The effect of respecting this commitment will be to reduce by one half the waiting time observed this year. I will be monitoring closely the fulfillment of this commitment which represents a major challenge for the entire government administration.
- 1.21** Moreover, I was particularly delighted about a recent event that allowed me to follow up on a wish that I have expressed on several occasions. Indeed, last April, I met with the members of the Committee on Public Administration during a work session to present to them my comments regarding the audit of the government's consolidated financial statements. I feel that it is very important that parliamentarians have a good understanding of my concerns on this subject. I believe that this first work session contributed to the achievement of this objective.
- 1.22** During that meeting, I was able to explain the content of the three reservations made in my auditor's report, which result from problems that have remained unresolved for several years. These three reservations deal with the failure to recognize the government's commitments towards certain pension plans, the non-inclusion of the education network and the health and social services network in its reporting entity, as well as the inappropriate recording of the provision for losses on guaranteed financial initiatives.
- 1.23** On that same occasion, I informed the Committee members of my concerns regarding the application of the recommendations ensuing from the audit of the government's financial statements. Indeed, only 2 of the 14 recommendations made the previous year, i.e. 14 percent, were followed. This low rate explains why the number of my comments concerning the government's consolidated financial statements has not declined as fast as I would have liked. Several of these recommendations have been repeated since 1998.



- 1.24** The continuation of such exchanges with the members of the Committee on Public Administration, coupled with an action plan prepared by the government to apply my recommendations, would certainly help improve government reporting in the financial field.

RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC ADMINISTRATION

- 1.25** In its Eleventh *report on the accountability of deputy ministers and heads of public agencies* tabled in the National Assembly on December 17, 2003, the Committee on Public Administration makes seven recommendations seeking to foster the exercise of parliamentary control over the government administration. Readers will find excerpts from this report in Schedule B of this volume.
- 1.26** These recommendations call for the putting in place of conditions that will facilitate the examination in a parliamentary committee of the annual management reports prepared by the departments and agencies. Such reports, which center on the performance of services intended for citizens, are one of the key points of the *Public Administration Act* passed in 2000.
- 1.27** Indeed, the annual management report of each department or government agency should make it possible to see, by means of meaningful indicators, if the objectives set, in particular with respect to the quality and accessibility of the services offered, have been achieved.
- 1.28** Several organizations concerned by this reporting obligation make major efforts to prepare an annual management report that meets the high expectations set by the Act. However, this mobilization may only be temporary if the departments and agencies do not see the usefulness of these documents for the parliamentarians for whom they are intended. The examination of these reports and the hearing of the directors concerned in a parliamentary committee will be decisive for the lasting implementation of new reporting practices and ultimately, any operation to refocus the government administration on the performance of the services intended for citizens.
- 1.29** Beginning in 2001, a working committee mandated by the Committee on the National Assembly ascertained that there were various legal and regulatory obstacles to the systematic examination of annual management reports in a parliamentary committee. In its latest report, the Committee on Public Administration notes that the situation has not progressed since then.
- 1.30** In the fall of 2003, the Committee on Public Administration made an examination of the management report of one department and that of one agency. Following these experiences, the Committee made recommendations to ensure that the “National Assembly can assume its role in this field fully and effectively”.

- 1.31 These recommendations seek to:
- increase the number of committees that can carry out reporting mandates under the *Public Administration Act*
 - make the management reports of departments and agencies available sooner for parliamentarians;
 - ensure the annual examination of these reports and the three-year hearing of the authorities of the departments and agencies;
 - see to it that the National Assembly is able to make a decision concerning consensual recommendations made in the reports of the Committee on Public Administration.
- 1.32 I invite parliamentarians to pay special attention to this Committee's proposals. Parliamentarians will find avenues for tangible actions that would foster the lasting implementation of a management geared to enhancing the performance of the services offered to citizens.

SUMMARY OF THE CONTENT OF THIS VOLUME

- 1.33 The following paragraphs briefly describe the subjects dealt with in the other chapters.
- 1.34 **Chapter 2** reports on the results of an audit concerning **assistance for students with difficulties**. In 2002-2003, close to 12 percent of preschool and primary school pupils were deemed to be students with difficulties and \$1 billion has been allocated for their educational services.
- 1.35 While school authorities recognize the importance of prevention, I find that schools do not always follow the early detection and rapid intervention process that they have adopted for students with difficulties. The quality of the individualized education plan and its evaluation leave much to be desired. This shortcoming increases the risk of repeating inefficient actions.
- 1.36 I also note that the department's policy clearly favours the integration of these students in regular classes. Yet the rates of integration of handicapped students show surprising disparities between school boards. Moreover, the isolation of and lack of special education training given to several teachers limit them in their interventions.
- 1.37 I am of the opinion that the sums intended for services offered to students with difficulties have mainly been spent for this purpose. However, although special education services have been offered to these students for more than 25 years, there is little information allowing us to see if the services meet the needs of these students in a satisfactory manner and if these services give students the possibility to obtain greater success.



- 1.38 Chapter 3** deals with **sustainable development in the Government of Québec**. Sustainable development involves the improvement of living conditions with a concern for the harmonious integration of the following three dimensions: environmental integrity, social fairness and economic efficiency so that future generations can benefit from the same resources as the current generation enjoys. Concerns for sustainable development are shared by a growing number of stakeholders around the world. Several countries have undertaken to implement their national sustainable development strategy by 2005. The government has entrusted the ministère de l'Environnement with the mandate of preparing Québec's strategy on this subject.
- 1.39** I sought to evaluate if the current governance in the sustainable development field encourages the integration of this concept in the activities of the departments. I also wanted to gauge the extent to which departments and government agencies take sustainable development into account in their decision-making process.
- 1.40** While the government has been on the path towards sustainable development in recent years, this path is long and the results have not yet been very convincing. Much work still needs to be done to ensure that the integration of sustainable development becomes a reality in the government administration.
- 1.41 Chapter 4** deals with **computer security management**. At a time when the Government is committed to forging closer relations with citizens by banking on a more intensive use of information and communications technologies, computer security has become a key issue. Indeed, security breaches may have major repercussions on respect for privacy. They also risk having an influence on the preservation of essential services, the carrying out of day-to-day activities, and staff productivity.
- 1.42** I note that the digital information and the electronic exchanges of the three audited entities, namely the ministère du Revenu du Québec, the Société de l'assurance maladie du Québec and the Régie de l'assurance maladie du Québec, are generally well protected against the most common threats. However, the level of protection is based much more on the expertise and involvement of employees as well as technology than on well established processes, which increases the risk. Such basic activities as the classification of the information and risk management are neglected. Finally, the mechanisms used for the authentication of users should be more effective.
- 1.43** The intrusion tests that we carried out for the purpose of this audit reveal that the security set-up used by the four entities in question plays its role well for information flows via the Internet. However, these tests highlight problems at other levels. Under certain conditions, the deficiencies detected could allow individuals to engage in various inappropriate activities, such as the fraudulent viewing and use of sensitive data and the unwarranted modification of data or programs.

- 1.44 In **chapter 5**, I provide a **situational assessment concerning agencies and autonomous service units (ASUs)** set up over the last few years within the government apparatus. These names designate bodies or administrative units that have entered into special agreements promoting the adoption of results-based management practices. The agency formula, like that of the ASU, banks on the simplifications granted to directors to enable them to obtain better results. As of December 31, 2003, the 15 agencies and the 5 ASUs in activity accounted for about 20 percent of the staff of Québec's public service.
- 1.45 I first surveyed the simplifications that have been granted to ASUs and to agencies at the administrative level and found that they are broken down into 29 types. I also interviewed directors to find out their opinion regarding the effects of the change initiated by their organization. A majority of them consider that the change in the entity's status has brought about a clear improvement in their management.
- 1.46 However, the audit that I carried out with five agencies and one ASU shows that the degree of improvement of the results obtained is highly variable. Two of these entities have enhanced their performance since their transformation into agencies, but the other four organizations have not demonstrated a performance improvement to date. We did a follow-up on the recommendations made to the Centre de recouvrement of the ministère de l'Emploi, de la Solidarité sociale et de la Famille following the value-for-money audit carried out in 1997-1998. This follow-up shows that the Centre de recouvrement, which is one of the two agencies having enhanced their performance, has made satisfactory progress with respect to all of the recommendations that we had made at the time.
- 1.47 Turning to **chapter 6**, it presents the results of four **follow-ups on value-for-money audits**. The first describes the follow-ups given to my recommendations concerning the management of social services offered to young people while the second one deals with medical biology laboratories. The third follow-up concerns basic medical services, "medical" and "rehabilitation" service sectors. Finally, the fourth follow-up addresses the management of the Québec Sales Tax and the Goods and Services Tax. The results of a fifth follow-up dealing with results-based management have been included in chapter 5.
- 1.48 **Chapter 7** presents my comments ensuing from the financial information certification work carried out with three entities in recent months.
- 1.49 Finally, readers will find additional information in the schedules. **Schedule A** presents my *Report to the National Assembly concerning the audit of the consolidated financial statements of the Government of Québec for the fiscal year ended on March 31, 2003*. **Schedule B** reproduces excerpts from the report of the Committee on Public Administration published in December 2003 following, in particular, the examination of some of my work.



CONCLUSION

- 1.50** The Auditor General's reports deliberately draw attention to deficiencies and propose avenues to remedy them. This approach allows parliamentarians to focus their discussions with managers on the improvements that should be made to public services.
- 1.51** However, I would like to underscore the competence and dedication of the managers and employees of the entities that I audit. Québec benefits from a highly professional public service. The improvements, occasionally substantial, which must be made to the operation of public services must not allow us to lose sight of the quality of services that we already enjoy.
- 1.52** The management of the government administration requires constant efforts to strike a balance between limited resources and needs that at times seem to be unlimited. This is no easy task.
- 1.53** Finally, I would like to thank all the persons who cooperated in the carrying out of my work and in the preparation of this report.



ASSISTANCE FOR STUDENTS WITH DIFFICULTIES

- 2.1 The mission of schools is to educate, socialize and qualify students while preparing them to undertake and successfully complete their schooling. Students with difficulties are entitled to high-quality services to meet their special needs. In 2002-2003, 11.9 percent of preschool and primary school pupils were deemed to be students with difficulties.
- 2.2 For that same year, the department paid school boards about \$5 billion in operating allowances for preschool, primary and secondary education. Of that sum, the department estimated that \$1 billion had been used for educational services intended for students with difficulties.
- 2.3 The purpose of our audit was to make sure that school boards and public preschool and primary school institutions intervene quickly and offer services that meet the needs of students with difficulties. Another one of our objectives was to evaluate the extent to which the available sums make it possible to fund the services that are offered to such students. Finally, we wanted to check if the organizational structures promote the sound management of the services provided to them.
- 2.4 We carried out our work with the department, 7 school boards and 30 schools. We met with managers, school principals, teachers and professionals. We also collected information by means of questionnaires that were completed by 344 teachers and 103 professionals or technicians employed in the schools visited. Finally, we examined 144 special assistance files that include an individualized education plan, i.e. a document in which are determined the actions necessary to facilitate the desired learning and behaviours of students with difficulties. Our audit took place from September 2003 to March 2004.
- 2.5 In 2000, the department made changes to the classification of students with difficulties and introduced the notion of “At-risk students”. This notion is not very clear and has given rise to problems. First, the preparation of an individualized education plan is necessary for each student with difficulties, according to the *Education Act*. The special education policy does not require such a plan for all at-risk students. Secondly, the desired reduction in administrative constraints has not materialized. Finally, the point in time at which an individualized education plan is prepared differs a great deal from one school to the next.
- 2.6 School authorities recognize the importance of prevention. Yet schools do not always follow the early detection and rapid intervention process that they have adopted for students with difficulties. Moreover, since little information is recorded in the assistance files during the initial stages, it is hard to determine if all students benefited from such an early detection and if the time periods associated with the provision of services are reasonable.



- 2.7** The individualized education plan is recognized as being the preferred tool for meeting the needs of students with difficulties. Yet its quality leaves much to be desired: 30 percent of the files that include an individualized education plan are incomplete from the standpoint of the student's situation and 64 percent of the plans contain vague objectives.
- 2.8** Moreover, more than half of the plans do not contain information regarding the level of attainment of the objectives or the relevance of the means employed. Such a shortcoming, coupled with the high staff turnover rate in schools, does not contribute to ensuring the continuity of services from one year to the next and increases the risk of repeating inefficient actions.
- 2.9** Despite the existence of official agreements and reference frameworks, the collaboration with the health and social services network varies somewhat. The reaching of a new agreement in April 2003 has not given rise to any precise action with a view to having the two networks strengthen their collaboration.
- 2.10** The department's policy clearly promotes the integration of students with difficulties in regular classes. Yet the department has not set a target for at-risk students and those with serious behavioural problems. In 2002-2003, the rates of integration of handicapped students show surprising disparities between school boards and some boards have lowered their rates, instead of moving in the direction of the department's targets.
- 2.11** We also found that the choice between regular classes and special classes is not based solely on students' needs. In those schools where special classes exist, they are used. Moreover, the absence of special classes or the limited number of places has resulted in certain students being integrated into regular classes by obligation rather than by choice.
- 2.12** A number of teachers have trouble meeting the needs of students with difficulties in their class. Yet few changes are made to the intervention approaches used with students. Teamwork, which would give teachers the possibility to break their isolation and better equip themselves, is still not widely used in the classroom. Furthermore, the lack of special education training limits teachers in their interventions.
- 2.13** Moreover, school boards do not know the extent to which schools are meeting the needs of students with difficulties or the number of students requiring services and not having received them. School boards are unable to evaluate whether resources are sufficient.
- 2.14** We are of the opinion that educational and education support expenditures, which total \$1 billion, are mainly made for students with difficulties.
- 2.15** Billions of dollars have been invested and numerous actions have been undertaken over the last 25 years to meet the needs of students with difficulties and to integrate them in regular classes. Yet there is little information allowing us to see if the services meet the needs of these students in a satisfactory manner and if these services give students the possibility to obtain greater success.



SUSTAINABLE DEVELOPMENT IN THE GOVERNMENT OF QUÉBEC

- 3.1** Sustainable development involves the improvement of living conditions with a concern for the harmonious integration of the following three dimensions: environmental integrity, social fairness and economic efficiency so that future generations can benefit from the same resources as the current generation enjoys.
- 3.2** In order to ensure that the integration of sustainable development in government management becomes a reality in Québec, several foundations need to be put in place. For example, mention may be made of the pan-governmental integration of the objectives related to sustainable development along with accountability mechanisms, the consideration of the concept in decision-making processes at all management levels, the designation of a leader, and the development and dissemination of relevant information. Sustainable development also requires the commitment of Québec departments and agencies, for they all have a more or less important role to play from an economic, social or environmental standpoint.
- 3.3** Two objectives were associated with our work. On the one hand, we wanted to evaluate if the governance in the sustainable development field encourages the integration of sustainable development in the respective activities of the departments. On the other hand, we sought to gauge the extent to which departments integrate the sustainable development concept in their decision-making process. We mainly carried out our work with the following six departments: the ministère du Conseil exécutif (MCE) for governance and reporting, the ministère de l'Environnement (MENV), the ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ), the Industry and Commerce Sector of the ministère du Développement économique et régional et de la Recherche (MDERR), the ministère de l'Éducation (MEQ) and the ministère des Transports (MTQ). We did our work from October 2003 to February 2004.
- 3.4** Generally, while the government has been on the path towards sustainable development in recent years, this path is long and the results have not yet been very convincing. Much work still needs to be done to ensure that the integration of sustainable development becomes a reality in the Government of Québec.
- 3.5** At the present time, governance does not promote a true integration of the concept in the activities of departments. Because the concept is not very clear, the departments associate it more with the environmental. Moreover, the government has not designated a leader in this field and in a way, departments are left to manage on their own. Although work has been done to develop methodological tools, few have actually materialized. Tools such as a strategic



environmental assessment and accompanying guides have yet to appear. Finally, the monitoring of what is being done elsewhere has been very limited in scope. As a result, departments cannot take advantage of the experience of other administrations.

- 3.6** In order for sustainable development to be taken into account in the activities of an entity, the links between its mission, its orientations and the objectives of the strategic plan must be clearly shown. While we identified ministerial or government initiatives related to sustainable development, they are limited and do not allow the principles to become firmly rooted in decision-making processes. The level of progress of the departments that we audited on this subject is highly variable: the MENV, the MAPAQ and the MTQ have begun to move in this direction years ago. As for the other departments, they have some catching up to do. However, none of the departments has integrated the concept in their decision-making mechanisms in a satisfactory manner.
- 3.7** Given the fact that this concept is not well understood and that its application is complex, it is also important to stimulate the interest of staff so that everyone feels concerned. At the present time, the departments do not make sure that their staff members are sufficiently made aware of the concept in order to allow them to embrace it.
- 3.8** Reporting on sustainable development is insufficient. From the standpoint of the government, we found that the three documents reporting on sustainable development have shortcomings, in particular with respect to the setting of the objectives to be achieved and the measurement indicators. These documents do not enable readers to follow the evolution of the situation. Consequently, the portrait of sustainable development in Québec remains incomplete.
- 3.9** In their own reporting, departments have difficulty evaluating the extent to which the actions accomplished produce the anticipated effects in this field. More often than not, their reporting is limited to providing information on the nature of the actions undertaken.

4

COMPUTER SECURITY MANAGEMENT

- 4.1 The application of adequate computer security measures is essential for the implementation of government programs. Indeed, security breaches may have major repercussions on respect for privacy. They also risk having an influence on the preservation of essential services, the carrying out of day-to-day activities, and staff productivity.
- 4.2 The aim of this audit was to provide us with the assurance that there is appropriate supervision of computer security at the government-wide level. Moreover, we sought to evaluate if the departments and agencies had put in place the major components to protect their informational assets. To do this, our work focused on those components that most contribute to the achievement of the anticipated results and whose absence or failure is likely to result in a multiplication of incidents.
- 4.3 We conducted our work at the Secrétariat du Conseil du trésor (SCT) and five other entities to which special responsibilities have been entrusted in the computer security field. As for the protection means implemented, we audited the activities carried out in this respect by the ministère du Revenu du Québec (MRQ), the Société de l'assurance automobile du Québec (SAAQ) and the Régie de l'assurance maladie du Québec (RAMQ), as well as by two specialized directorates of the SCT. This audit ended in March 2004.
- 4.4 Generally, the digital information and the electronic exchanges of the MRQ, SAAQ and RAMQ are well protected against the most common threats. However, we did detect weaknesses that increase the risk. Indeed, the level of protection is based much more on the expertise and involvement of employees as well as technology than on well established processes.
- 4.5 The supervision offered to departments and agencies appears to be quite satisfactory, even if the SCT needs to improve certain aspects. For example, the management framework is incomplete. First, officials are still waiting for the guidelines that are supposed to support the application of the established principles. The notion of confidence region introduced to mobilize all parties to meet the same security requirements has yet to be integrated in the security directive. What is more, the government security plan does not stipulate the results that are expected. We also found that staff awareness promotion and training activities do not fall within the framework of a formal program, which would contribute to the meeting of common needs deemed a priority, when such needs are felt. Finally, to proceed with the authentication of users, the number of government certification services is growing, without the need for each service having been demonstrated.



- 4.6** As for the actions specific to the entities, we found a few deficiencies in relation to the supervision that they must put in place, in particular the lack of attention with respect to the monitoring of the performance of their security program. Moreover, several processes devoted to the protection of informational resources require improvements, in particular those used to determine the vulnerability of the entity, to plan all of the activities according to the orientations and the risks, to supervise awareness promotion and the training of users and managers, and to ensure an adequate management of the passwords necessary for the authentication of users.
- 4.7** As for the common infrastructure services, the SCT has yet to make official the security framework of the government telecommunications network and still does not exercise the necessary controls to ensure the presence and the efficiency of the measures to secure this network. Nor is the SCT able to ensure that computer processing services are maintained on all of the platforms used. Finally, the planning of the common services that we checked is badly articulated and does not lead to concrete performance indicators.
- 4.8** We carried out computer system intrusion tests in four entities in order to check the efficiency of their security system. For obvious reasons, the names of the entities concerned, the exact nature of the tests carried out and the detailed results are not presented in this report. We resorted to readily available techniques or tools, trying first and foremost to simulate the scenarios whereby a person might attempt to engage in wrongful actions, often within the security perimeter. Our work reveals that the protection of the informational assets of the four entities concerned is adequate in relation to the information flows that come from the Internet. However, it is less efficient at other levels: the resistance of security measures, the robustness of the passwords chosen by staff members, the relevance of access rights, the configuration of workstations, and the layout of workplaces. In light of the deficiencies detected, it would be possible to carry out a variety of inappropriate activities under certain conditions. An intruder could gain illegitimate access to computer systems or sensitive data, change the data or the programs, install malicious programs, and prevent the proper operation of several pieces of hardware.
- 4.9** By and large, our audit revealed that the audited entities are applying themselves to safeguard their informational resources. It also indicates that tangible steps need to be taken to ensure that their action complies with the best practices in effect. While our observations cannot be generalized to the entire government apparatus, the fact remains that computer security raises a number of concerns at a time when the Government is committed to forging closer relations with citizens by banking on a more intensive use of information and communications technologies.

5

AGENCIES AND AUTONOMOUS SERVICE UNITS: ASSESSMENT TO DATE

- 5.1 The passage of the *Public Administration Act*, in May 2000, instituted a results-based management framework centered on transparency. This management framework calls on the entire government administration to offer high-quality services to citizens at a lower cost. To do this, the administrative units of departments or bodies have the possibility to enter into, with the minister responsible, a performance and accountability agreement (PAA) which establishes in particular, the latitude granted to directors to achieve the results agreed upon. It also specifies the terms and conditions of reporting. The new entities, created under the provisions of the Act, are commonly called “agencies”. Moreover, the Minister can negotiate a management agreement with the Conseil du trésor and obtain more flexible conditions in the field of human, financial, material or informational resources.
- 5.2 The agency formula, introduced by the Act, was preceded beginning in 1995 by the autonomous service unit (ASU) formula, which in a way served as a prototype. However, in the case of ASUs, it is an agreement between the deputy minister (rather than the minister) and the director of the unit that defines the roles and responsibilities of each of the parties as well as the leeway granted to the director of the unit.
- 5.3 On December 31, 2003, there were 15 agencies created following the signing of a PAA, 8 of which initially had the status of an ASU. Moreover, 5 ASUs were still in activity and applied results-based management just like the agencies. These twenty entities accounted for about 20 percent of the staff of Québec public service.
- 5.4 Globally, our audit sought to make an assessment of the ASU and agency formula. We drew a general portrait of the situation using a questionnaire sent to all the Agencies and ASUs. We also performed auditing work in five agencies, i.e. the Bureau des infractions et amendes (BIA), the Centre de perception fiscale (CPF), the Centre de recouvrement (CR), the Centre québécois d’inspection des aliments et de santé animale (CQIASA) and the Régie du cinéma, as well as one ASU, the Laboratoire de sciences judiciaires et de médecine légale (LSJML). We had two precise objectives. The first objective was to make sure that the transformation of an administrative unit into an agency or ASU permits an improvement in terms of the achievement of the results. The second consisted of establishing if the objectives of the agency or the ASU gave rise to tangible actions that favour the carrying out of its strategic plan or that of the responsible department. Finally, we did a follow-up on the six recommendations that we had made to the CR in 1997-1998. Our audit took place from November 2003 to March 2004.



- 5.5** Although it is not necessary to be an ASU or an agency to benefit from some of the special provisions offered to this type of organization, our work indicates that 17 of the 20 entities have such leeway, namely administrative simplifications or delegations of powers. Moreover, the majority of the directors consider that the change to the status of the entity has allowed them to implement a much more appropriate management and they would like to have even greater autonomy.
- 5.6** By choosing the agency or ASU formula, officials are trying to obtain better results; however, the entity must be ready to invest the time and effort needed for such a change. The degree of improvement in the results obtained by the five agencies and the ASU that we audited is highly variable. The change in course made by the CPF and the CR did indeed help to improve their performance. The progress of the CR is particularly significant and is reflected in the level of application of the six recommendations that we had made to it in 1997-1998: five have been applied and one has given rise to satisfactory progress.
- 5.7** As for the BIA, it already has most of the essential tools for results-based management; however, its current stage of development prevents us from seeing an improvement in terms of the service delivery timeframe and a reduction in the related costs. Turning to the CQIASA, the LSJML and the Régie du cinéma, they have not managed to show that they have both enhanced the quality and lowered the cost of service delivery.
- 5.8** The setting up of an Agency or an ASU implies a change in culture within the organization. The latter must be able to put the emphasis on the establishment and monitoring of precise and measurable objectives, which will promote the achievement of tangible results. As a whole, the objectives formulated by the entities are related to the strategic plans that concern them. However, 64 percent of the 85 objectives that we examined are not worded in such a way as to gear the actions towards the achievement of results, while 51 percent are not accompanied with targets allowing officials to set expectations and to judge the degree of achievement of the results.
- 5.9** One of the main principles of the new public management is to specify what is expected of managers and to compare their performances with those expectations. In this respect, the BIA, the CPF, the CQIASA and the CR formally make known to their managers the performance that is expected. Nevertheless, only the CPF and the CR formulate their expectations in terms of measurable results and not solely by stating the activities to be carried out. It is also important to take the necessary steps to successfully move from theory to reality. The action plans of the six entities audited contain few tangible actions associated with the objectives. Finally, the CQIASA and the LSJML will have to improve the follow-up on results in order to highlight significant results, exceptions, divergences and trends.

6

FOLLOW-UP ON VALUE-FOR-MONEY AUDITS

INTRODUCTION

- 6.1.1** After an interval of a few years, we do a follow-up on our audit work. Our objective is to see if the recommendations originally made have been taken into account and if the audited entities have remedied the shortcomings that we had identified.
- 6.1.2** This exercise, which completes the initial audit, allows us to inform parliamentarians about the actions that have been taken to remedy the difficulties that we reported. When problems subsist, we briefly reiterate their causes and consequences.
- 6.1.3** Table 1 presents the follow-ups covered in this volume, with the reference to the initial audits.

TABLE 1

FOLLOW-UPS EXAMINED IN THIS VOLUME

Original audit	Report for the year concerned
Results-based management*	1997-1998, Volume II, chapter 2
Management of social services offered to young people	1997-1998, Volume II, chapter 4
Medical biology laboratories	1998-1999, Volume II, chapter 2
Basic services, "medical" and "rehabilitation" service sectors	1999-2000, Volume I, chapter 2
Management of the Québec Sales Tax and the Goods and Services Tax	1999-2000, Volume I, chapter 7

* The results of the follow-up on the recommendations made to the Centre du recouvrement are included in chapter five of this volume, which presents the results of a new audit dealing with agencies and autonomous service units.

- 6.1.4** As part of this work, we did a follow-up on 111 recommendations. Table 2 informs readers on their application by follow-up. We are satisfied with the progress achieved, namely they have been applied or satisfactory progress has been made in 100, 19, 35, 37 and 29 percent of the cases respectively. Further details are provided in the other sections of the chapter.
- 6.1.5** Aside from the follow-up on results-based management, these rates fall short of our expectations and are markedly unsatisfactory. The entities will have to intensify their efforts to implement our recommendations and in so doing correct the shortcomings that continue to cast a shadow over the management of the activities that we examined.

**TABLE 2**

APPLICATION OF THE RECOMMENDATIONS

	Recommendations				
	Number*	Applied	Partially applied		Not applied
			Satisfactory progress	Unsatisfactory progress	
			%	%	
Results-based management**	6	83	17	–	–
Management of social services offered to young people	31	–	19	62	19
Medical biology laboratories	23	9	26	48	17
Basic services, “medical” and “rehabilitation” service sectors	27	15	22	41	22
Management of the Québec Sales Tax and the Goods and Services Tax	24	12	17	46	25

* Three of the recommendations, which were not applicable, are not considered for statistical purposes.

** The results of the follow-up on the recommendations made to the Centre du recouvrement are included in chapter five of this volume, which presents the results of a new audit dealing with agencies and autonomous service units.

MANAGEMENT OF SOCIAL SERVICES OFFERED TO YOUNG PEOPLE

- 6.2.1** We did a follow-up on the value-for-money audit conducted in 1997-1998 with the ministère de la Santé et des Services sociaux, three agencies for the development of local health and social services networks (known as regional boards at the time), youth centres and eight local community centres (CLSC). Our work ended in January 2004.
- 6.2.2** The initial audit, the results of which were published in chapter 4 of Volume II of *Report of the Auditor General to the National Assembly for 1997-1998*, had been carried out to obtain an overview of the means employed to manage the social services offered to young people in the main institutions of the network that provide these services. For this purpose, we were interested in certain aspects of prevention, the coordination of the services between establishments, the steps taken to guarantee the quality of professional practice, the management of foster families, and the allocation of financial resources. Finally, we had examined the quality of the management information and reporting, which support decision-making by authorities.
- 6.2.3** This report, like the one ensuing from the initial audit, does not call into question the relevance or the quality of the services, aspects that were not the focus of our work.

General conclusions

- 6.2.4 Our follow-up reveals that improvements have been made to the management of social services offered to young people. Indeed, 81 percent of our recommendations led to tangible actions. Intervention plans are now present in 96 percent of the user files that we recently examined. Moreover, the review of the situation of the young person, a requirement of the *Youth Protection Act*, takes place according to a process that ensures an independent analysis while allowing the young person and his parents to express their point of view. Reference frameworks in the professional support field have been devised and implemented in the institutions visited. The supervision of and support for foster families have also increased.
- 6.2.5 However, a number of tangible actions still need to be taken to remedy the problems initially raised. Indeed, although the stakeholders recognize the appropriateness of our recommendations, none of the recommendations had been applied fully and we are satisfied with the progress for only 19 percent of the recommendations. We deplore the fact that the efforts made have not corrected the other shortcomings.
- 6.2.6 More specifically, the steps taken with respect to prevention and the sections of the coordination of services which we examined in 1997-1998 have not given rise to satisfactory progress. Clinical tools, as a means of promoting the quality of professional practice, are still not used, whether in CLSCs or youth centres; the latter have also been slow to adopt policies commonly known as life plans. When our work ended, no institution had yet implemented a reference framework in the performance management field for its entire staff. Finally, there has been no significant improvement in the following areas: allocation of financial resources, management information and reporting.
- 6.2.7 It should be pointed out that a large number of our recommendations ensuing from our initial audit were the subject of identical observations on the part of the department, among other things in its *Stratégie d'action pour les jeunes en difficulté et leur famille*, published in 2002.
- 6.2.8 Table 1 takes stock of the application of each one of the recommendations according to the entities referred to. In addition to the department, three agencies, three youth centres and three CLSCs were audited as part of the follow-up and these entities had all been the focus of the initial audit (which had however involved eight CLSCs). Moreover, we analyzed 118 files of users selected at random in the six institutions visited. We also conducted a survey among some one hundred employees assigned to service delivery.

**TABLE 1****STATUS OF RECOMMENDATIONS**

[Management of social services offered to young people]

	Recommendation				DNA
	Applied	Partially applied		Not applied	
		Satisfactory progress	Unsatisfactory progress		
Prevention					
Orientations and objectives					
Make sure that clear orientations and precise and measurable objectives are defined for all of the prevention activities offered to young people and their families.			Department		
Do a periodic follow-up on the orientations and objectives.			Department		
Translate the ministerial orientations and objectives according to the needs of the public that they serve for the prevention activities affecting all periods of development among young people.			Agencies		
Do a periodic follow-up on the orientations and objectives chosen.			Agencies		
Detection					
Organize and oversee the setting up of a liaison mechanism to direct future mothers towards the appropriate services.			Agencies		
See to it that the greatest possible number of young people or vulnerable families are detected to assist them, whatever the young person's development period.			CLSCs		
Continuity of services					
Periodically get in touch with young people from the most vulnerable families and monitor, without interruption, those who are actually experiencing difficulties.			CLSCs		
Frequency and length of services					
Make sure that the frequency and length of the services offered to young people of vulnerable families during the perinatal and preschool period are sufficient, and collect relevant information in this respect.			CLSCs		
Coordination of services					
Access to services					
Continue the steps taken in cooperation with the institutions concerned to build an integrated social services network intended for young people.			Agencies		
As for the descriptions deemed founded without the security or the development of the young person being compromised and for which there is an assistance need all the same, put in place a reference mechanism to inform the CLSC of the needs of this young person and his family, with their consent.			Youth centres		

TABLE 1 (CONT.)

STATUS OF RECOMMENDATIONS

[Management of social services offered to young people]

	Applied	Recommendation		Not applied	DNA
		Satisfactory progress	Unsatisfactory progress		
Complementary nature of services Encourage all the resources concerned to draw up an individualized plan of services for each young person who receives services from several institutions, each time that the conditions are conducive for concerted action.			Youth centres	Agencies CLSCs	
Means to promote the quality of professional practice Making the assessment Encourage their officers to use clinical tools, when deemed necessary, to establish their assessment, by defining orientations, by giving training and by checking from time to time the use made of such tools.			Youth centres	CLSCs	
Intervention plan See to it that an intervention plan is prepared as soon as possible for each young person cared for and whose situation requires it, and that this plan is reviewed from time to time to evaluate its results.		CLSCs Youth centres			
Review Make sure that the review is based on a meticulous and independent analysis, while allowing the young person and his parents to express their point of view.		Youth centres			
Adopt a policy on life plans for young people who cannot be reintegrated in their family permanently.			Youth centres		
Management of human resources Set up, as the case may be, a professional support reference framework that would be intended for all intervention officers.		CLSCs Youth centres			
Put in place a reference framework in the performance management field, to promote the maintaining and development of employees' skills and consequently the quality of the services offered to young people.			CLSCs Youth centres		
Foster families Give greater supervision and support to foster families.		Youth centres			
See to it that the intervention plan intended for the foster family is prepared within a reasonable time period and that it is evaluated periodically for resources.			Youth centres		

**TABLE 1 (CONT.)****STATUS OF RECOMMENDATIONS**

[Management of social services offered to young people]

	Applied	Recommendation		Not applied	DNA
		Satisfactory progress	Unsatisfactory progress		
Allocation of resources					
Allocate resources by taking into greater account the populations to be served and their sociohealth characteristics, in keeping with the wish of the legislator.			Department	Agencies	
Management information and reporting					
Acquire valid management indicators to measure the achievement of objectives, and make sure that the data needed for the production of these indicators are reliable and available at the right time.			Youth centres	CLSCs	
Improve the content of their annual activity report by providing complete information on the social services offered to young people.			Youth centres	CLSCs	
Information systems					
See to it that					
– the length of development projects is reduced to minimize the risk factors likely to result in an increase in costs and the undue postponement of the anticipated advantages;					Department
– the needs, the content, the costs and benefits of the systems to be developed and put in place are better supervised;					Department
– development and deployment projects are subject to a full and close follow-up in terms of the functions produced, the costs, the time periods involved and the benefits.					Department
Number of recommendations	–	6	19	6	3*
Breakdown	–	19%	62%	19%	
Tangible actions		81%			
Full application or satisfactory progress		19%			

* The recommendations which do not apply are not considered for statistical purposes as they did not have to be applied.

MEDICAL BIOLOGY LABORATORIES

- 6.3.1** We did a follow-up on the value-for-money audit carried out in 1998-1999 with the ministère de la Santé et des Services sociaux (MSSS), the Québec Public Health Laboratory (QPHL), three agencies for the development of local health and social services networks (called regional boards at the time) and three laboratories. The latter were part of general and specialized care hospital centres (CHSGS) located on the territories of the audited agencies. For their part, the agencies chosen reflect the situation of urban, suburban and rural areas. Using a new questionnaire, we also collected information from all of the agencies, except for three located in Northern Québec. Our work ended in February 2004.
- 6.3.2** The aim of the initial audit, the results of which were published in chapter 2 of Volume II of the *Report of the Auditor General to the National Assembly for 1998-1999*, was to provide us with the assurance that the department, the QPHL, the agencies and the institutions were working towards the optimal use of resources intended for medical biology laboratories. To do this, we had analyzed the department's strategy and the method of organization of the services, both in the regions and within the institutions, to make sure that the services were accessible and that an economic and efficient use was being made of the resources. We had also examined management information and reporting, with respect to the various levels of the network. In addition, we had evaluated the extent to which the means implemented promoted the quality and relevance of the medical biology analyses.
- 6.3.3** The department uses a system of weighted units to measure the volume of activity of public laboratories. This volume, put in relation with the direct cost of the resources, is one of the indicators making it possible to compare the performances of laboratories, even if the expenditures related to fixed assets and those concerning the remuneration of laboratory physicians are not included in this cost. In this report, the figures of 1997-1998 have been adjusted to make them comparable with those of 2002-2003. The department makes certain adjustments to ensure the comparability of the data concerning the performance of institutions. If these adjustments are taken into account, the average cost per weighted unit in 1997-1998 is \$0.82 instead of \$0.84, as we had published in our 1998-1999 report.

General conclusions

- 6.3.4** The department has carried out several actions since our initial audit and the performance of medical laboratories has improved. Our recent work shows that the average provincial cost per weighted unit declined by \$0.07 in comparison with 1997-1998. All of the regions, except for two, have contributed to this



improvement. This decline represents a savings of close to \$37 million for the volume of activities carried out in 2002-2003, i.e. more than 525 million weighted units.

- 6.3.5** However, our follow-up reveals that a number of actions still need to be taken to correct the shortcomings initially raised and to achieve additional savings. The regional redeployment, setting the number of laboratories and the services offered by each one, and the organization of the laboratories have not been completed and progress still needs to be made concerning the relevance of analyses. In addition, the deficiencies associated with management tools as well as quality controls and standards remain. We also found that there are major variations in the average cost per weighted unit between the regions. If all of the laboratories that posted an average cost exceeding the provincial average managed to lower their cost to said average, \$23 million in additional savings could be achieved. Let's suppose that the performance of each establishment was increased to reach the target set by the department for 2002-2003, namely \$0.70, the savings would be \$37 million. A \$0.01 reduction in the target represents a savings of about \$4 million.
- 6.3.6** Of the 23 recommendations made in 1998-1999, 83 percent gave rise to tangible actions. Those that were applied in full or for which the progress achieved was deemed satisfactory are equivalent to 35 percent. Table 1 indicates the status of each of the recommendations.

TABLE 1

STATUS OF THE RECOMMENDATIONS

[Medical biology laboratories]

	Applied	Recommendation		Not applied
		Satisfactory progress	Unsatisfactory progress	
Performance of the laboratories and organization of services				
Regional organization				
See to it that all agencies prepare a redeployment plan for laboratory services that clearly presents the planned measures to ensure the economy, efficiency and quality of the services as well as the implementation of recommendations.				MSSS
Do a meticulous follow-up on its requirements and recommendations.			MSSS	
Prepare, as soon as possible, a redeployment plan for the laboratory services of their region which, in keeping with what we recommended to the department, clearly presents the planned measures to ensure the economy, efficiency and quality of the services as well as the implementation of recommendations.				Agencies
Take action to ensure that the plan is followed.			Agencies	
Organization of the laboratories				
Organize the services of their laboratory to ensure an economic and efficient use of the resources.			Institutions	
Set up an information system that allows them to monitor the progress of analyses and the waiting periods for the transmission of results.		Institutions		
Management of equipment				
In cooperation with agencies, establish guidelines to better supervise the exchange of laboratory services between institutions.	MSSS			
Have a good knowledge of the laboratory equipment of their region.		Agencies		
Plan and control laboratory equipment acquisitions, in particular to avoid regional overcapacity.			Agencies	
See to it that the acquisition of laboratory equipment				
– is the subject of a formal process that aims for economy and efficiency	Institutions			
– complies with existing regulations.			Institutions	
Relevance of the analyses				
In cooperation with associations of medical professionals, produce and disseminate guides for the use of laboratory services.			MSSS	
Make sure that the analyses done in their laboratory are relevant.			Institutions	
Remuneration of physicians				
Implement measures to ensure the relevance of the analyses and the efficiency of the laboratories.		MSSS		
Management tools				
<i>Management objectives and reporting</i>		MSSS Agencies Institutions		
Set performance objectives and timetables.				
In cooperation with the agencies and the institutions, put in place a formal reporting framework.				MSSS

**TABLE 1 (CONT.)**

STATUS OF THE RECOMMENDATIONS
[Medical biology laboratories]

	Applied	Recommendation		Not applied
		Satisfactory progress	Partially applied Unsatisfactory progress	
<i>Management information</i>				
Put in place in a timely manner a systematic process concerning the production and dissemination of data.			MSSS Agencies	
Send to the department and the agencies their data within the prescribed time periods.			Institutions	
Quality controls and standards				
Quality control				
To ensure a constant quality of laboratory analysis results in Québec				
– specify the role of the Québec Public Health Laboratory;				
– extend the quality controls to the analyses done outside the laboratory and to all stages of the process;				MSSS
– look into the professional presence required in medical biology laboratories.				
Programs managed by the Québec Public Health Laboratory				
Improve the management of its external quality control program, in particular				
– by setting objectives for committees and by improving the coordination between them;				
– by establishing rules concerning the scope and frequency of controls;			LSPQ	
– by evaluating the impact of its interventions on the improvement of quality.				
Number of recommendations	2	6	11	4
Breakdown	9%	26%	48%	17%
Tangible actions		83%		
Full application or satisfactory progress	35%			

BASIC SERVICES, “MEDICAL” AND “REHABILITATION” SERVICE SECTORS

- 6.4.1** We did a follow-up on the value-for-money audit carried out in 1999-2000 with the ministère de la Santé et des Services sociaux, three agencies for the development of the local health and social services networks (covering respectively a university, peripheral and remote area) and 18 institutions. We completed our work in February 2004.
- 6.4.2** The aim of the initial audit, the results of which were published in chapter 2 of Volume I of the *Report of the Auditor General to the National Assembly for 1999-2000*, was to provide us with the assurance that the organization of basic services, “medical” and “rehabilitation” service sectors, contributed to the accessibility and the continuity of services, as well as to the economic and efficient use of resources. To do this, we were particularly interested in the orientations and supervision put forward by the department in the regions visited, the organization of the services concerned, the measures promoting a fair geographical distribution of the human and financial resources, the management information available at the department, in the agencies and establishments, as well as reporting.
- 6.4.3** We did our follow-up work with the ministère de la Santé et des Services sociaux and three agencies. We also examined the activities of a part of the institutions initially audited, namely three local community service centres (CLSC), one hospital centre and one institution including the activities of a CLSC and a hospital centre.

General conclusions

- 6.4.4** Our follow-up reveals that improvements have been made to the Info-Santé services and to the knowledge of the characteristics of the private clinics offering basic medical services. As for the organization of basic medical services and the planning of medical personnel, the actions taken by the department have led to legislative amendments and new agreements with the Quebec Federation of General Practitioners (FMOQ). Given the fact that these amendments are recent, we were unable to evaluate their spin-offs. Moreover, work is under way to gradually implement, beginning in 2004-2005, a new financial resource allocation method. For the time being, the breakdown of resources between the regions is always done on a historical basis. Finally, turning to the management objectives, the department has put in place a formal process dealing with the definition of objectives and the follow-up on results.
- 6.4.5** However, other topics have not received all the desired attention. This is the case for the determination of the criteria making it possible to measure accessibility to medical services, the management of basic rehabilitation services, as well as



management information and reporting. Although the department has attempted to prepare a few orientations concerning basic rehabilitation services, the agencies have yet to produce an organization plan. The department has defined no criterion regarding access to these services and still does not know the waiting period to obtain them. Finally, as for management information and reporting, we found that the progress made has been minimal. The managers of the network still do not have information on the ambulatory clientele, the cost of the various services and the practice profiles of general practitioners. Moreover, no improvement has been made to the content of the annual reports of agencies with respect to basic services.

6.4.6 Overall, 78 percent of the recommendations have led to tangible actions on the part of the department and the agencies. However, we estimate that the progress achieved is satisfactory in only 37 percent of the cases. Table 1 presents the status of each of the recommendations.

TABLE 1

STATUS OF THE RECOMMENDATIONS
[Basic services, "medical" and "rehabilitation" service sectors]

[Basic services, "medical" and "rehabilitation" service sectors]	Recommendation			
	Applied	Partially applied		Not applied
		Satisfactory progress	Unsatisfactory progress	
Orientations and objectives				
Info-Santé*				
<i>Accessibility of the Info-Santé service</i>				
Make sure that the organizational model used by Info-Santé is efficient and economical.	Agencies			
Evaluate the extent to which the provincial accessibility objective [for Info-Santé] has been met.			Agencies	
<i>Use of the service</i>				
Define measurement indicators regarding the use of Info-Santé with a view to permitting a better use of the sociohealth resources.		Department		
Organization of basic medical services				
From time to time, do cost-benefit analyses dealing with the methods of organization of basic health services.	Department			

* While the official name is Info-Santé CLSC, we have used Info-Santé in the text.

TABLE 1 (CONT.)

STATUS OF THE RECOMMENDATIONS

[Basic services, "medical" and "rehabilitation" service sectors]

	Applied	Recommendation		Not applied
		Satisfactory progress	Partially applied Unsatisfactory progress	
Specify the roles and responsibilities of public establishments and private clinics providing basic medical services on the territory served by each CLSC.			Agencies	
Establish a timetable for the setting up of integrated service networks with a view to improving access to the services and the continuity of care.	Agencies**			
Make sure that the provisions of the <i>Act respecting health services and social services</i> are respected concerning the establishment of regional general medicine departments and the preparation of organization plans for general medical services.		Agencies		
Accessibility criteria				
Define criteria making it possible to measure accessibility to basic medical services to ensure that this accessibility is fair all across Québec's territory.			Ministère	
Know, for each territory served by a CLSC, the number and the characteristics of the private clinics offering basic medical services.	Agencies	Department		
Planning of medical staff				
<i>Regional medical staff plan</i>				
Improve the medical staff planning process to distribute adequately, as soon as possible, physicians according to the needs of the populations to be served.		Department		
<i>Medical staff measurement units</i>				
Standardize the measurement units used to plan and monitor their medical staff.			Agencies Department	
<i>Incentive measures</i>				
From time to time, evaluate all of the incentive measures to ensure their relevance, efficiency and effectiveness in terms of the recruitment and maintaining of medical staff in regions where there are staff shortages.			Department	
Intraregional distribution				
Set measurable objectives to promote a better intraregional distribution of general practitioners and evaluate the degree of achievement of said objectives.			Agencies	
Evaluate the management of special medical activities to ensure their effectiveness as a means for achieving the intraregional distribution of medical staff.		Department		
Basic rehabilitation services				
Organization plan for basic rehabilitation services				
Prepare orientations concerning basic rehabilitation services.			Department	
Prepare an organization plan for basic rehabilitation services.				Agencies

** The recommendation was applied by the department but at the time, it was addressed to the agencies.


TABLE 1 (CONT.)
STATUS OF THE RECOMMENDATIONS

[Basic services, "medical" and "rehabilitation" service sectors]

	Applied	Recommendation		Not applied
		Satisfactory progress	Unsatisfactory progress	
Degree of accessibility of services				
<i>Services to be offered</i>				
Establish criteria defining access to basic rehabilitation services and that apply to all providers concerned.				Department
<i>Response to needs</i>				
Equip the health and social services network with adequate tools making it possible to measure, uniformly and from time to time, the waiting periods to have access to basic rehabilitation services.			Department	
<i>Planning of rehabilitation staff</i>				
Plan rehabilitation staff by taking into account the professionals working in public establishments and private clinics and take steps to distribute the staff in question according to the needs of the populations to be served.			Department	
Allocation of resources				
Allocate the resources taking into account the populations to be served and their sociohealth characteristics.			Department	
Management information and reporting				
Management objectives				
Include in the management agreements results indicators linked to the guidelines concerning basic services, "medical" and "rehabilitation" service sectors.		Department		
Information systems and reporting				
Give service providers an information system that is in harmony with the setting up of integrated service networks.				Department
Acquire means to better determine and evaluate the basic services offered to the public.				Agencies Department
Improve the content of their annual report with respect to basic services, "medical" and "rehabilitation" service sectors.				Agencies
Number of recommendations	4	6	11	6
Breakdown	15%	22%	41%	22%
Tangible actions		78%		
Full application or satisfactory progress		37%		

MANAGEMENT OF THE QUÉBEC SALES TAX AND GOODS AND SERVICES TAX

- 6.5.1 We did a follow-up on the value-for-money audit done in 1999-2000 with the ministère du Revenu du Québec (MRQ) and the Société de l'assurance automobile du Québec (SAAQ). Our work came to an end in March 2004.
- 6.5.2 The purpose of the initial audit, the results of which were published in chapter 7 of Volume I of the *Report of the Auditor General to the National Assembly for 1999-2000*, was to obtain the assurance that the department had put in place systems and mechanisms that promoted an effective, efficient and economical management of its activities to increase fiscal compliance. First, we wanted to be sure that the department had relevant management information to properly plan its fiscal compliance activities, to evaluate the achievement of its objectives and to report on its performance. We also wanted to evaluate if the department managed its activities related to providing information to, monitoring and auditing registered agents in such a way as to improve the level of fiscal compliance.
- 6.5.3 At the time, we had examined the information obtained from the department and had audited the activities of three representative regional branch offices. We had selected 200 files for examination: one half for auditing and the other for "tax analysis" (we are once again using this expression to designate the processing of tax forms with a credit balance, namely those submitted by registered agents to claim a tax refund). Except where otherwise indicated, our comments concern both the Goods and Services Tax (GST) and the Québec Sales Tax (QST).
- 6.5.4 Our initial work had not dealt with the auditing of registered agents whose tax forms were overdue, cashing activities, the applications for refund from non-registrants or the QST tax credit program, which ensued from the reform of the personal income tax system.
- 6.5.5 In February 2004, the department administered the files of close to 566,000 registered agents for the QST, the GST or both. According to the data of the MRQ for 2002-2003, the net receipts from reimbursements related to the QST represented \$8.9 billion (\$6.4 in 1998-1999) and those of the GST, \$3.0 billion (\$1.9 in 1998-1999).
- 6.5.6 To do this follow-up, we examined 75 files in the same regions as those chosen in 1999-2000: 38 for auditing and 37 for tax analysis. In 2002-2003, these regions recovered, in QST alone, \$60 million through auditing and \$27 million through tax analysis, which represents just over 30 percent of the amounts recovered in QST for all of the regions.



General conclusions

- 6.5.7** As Table 1 illustrates, 77 percent of our recommendations gave rise to tangible actions from the MRQ. However, the rate of the recommendations that have been applied or that have given rise to satisfactory progress is low: it is only 27 percent, namely 6 recommendations out of 22.
- 6.5.8** Although the department has taken into account several of our observations and our recommendations, some actions will only produce effects in a few years. Moreover, shortcomings subsist, in particular with respect to the measurement of unintentional omissions by registered agents, control and regional planning, as well as the performance evaluation.
- 6.5.9** As for the interventions by the department with registered agents, we found a satisfactory increase in the quality of auditing activities. However, the file selection process for auditing and tax analysis purposes still needs to be improved, as does the tax analysis work. Moreover, quality controls must still be established.
- 6.5.10** As for the SAAQ, it has applied one of the two recommendations made at the time. The other recommendation has not given rise to tangible action (Table 2).

TABLE 1

STATUS OF RECOMMENDATIONS – MINISTÈRE DU REVENU DU QUÉBEC

[Management of the activities related to the Québec Sales Tax and Goods and Services Tax]

	Recommendation			Not applied
	Applied	Partially applied		
		Satisfactory progress	Unsatisfactory progress	
Management of the activities related to the Québec Sales Tax and Goods and Services Tax				
Measurement of fiscal compliance				
Obtain from the ministère des Finances du Québec a more refined measurement of tax evasion.		X		
Establish that of unintentional omissions to define a comprehensive measurement of fiscal compliance that is useful for tax control purposes.				X
Use the measurement of fiscal compliance in the establishment and evaluation of its intervention strategies.				X
Control and regional planning				
Do the global and regional analysis for all income.			X	
Prepare complete regional intervention plans that are useful for tax control purposes.			X	
Assign its resources by taking into account regional plans.			X	
Performance evaluation				
Acquire measurable performance indicators to evaluate the quality of its interventions and to report on them.		X		
Review the composition and reporting related to tax recovery and respect the policies and directives in this field.			X	
Evaluate its costs and efforts related to the collection of taxes and compare them with similar organizations, to improve efficiency.			X	
Interventions by the department with registered agents				
Registration of agents				
Review the quality of the information included in the file of its registered agents.		X		
Implement more structured updating processes.			X	
Simplified accounting methods				
Examine in greater depth the causes and evaluate the consequences related to the limited use of simplified accounting methods by registered agents.				X
See to it that these methods are adapted to the needs of registered agents and promote them.			X	

**TABLE 1 (CONT.)**

STATUS OF RECOMMENDATIONS – MINISTÈRE DU REVENU DU QUÉBEC
 [Management of the activities related to
 the Québec Sales Tax and Goods and Services Tax]

	Applied	Recommendation		Not applied
		Satisfactory progress	Unsatisfactory progress	
Tax control				
<i>Tax analysis</i>				
Improve its tax form selection processes.			X	
Distribute its resources to be able to process uniformly a large volume of statements during the period.	X			
Make sure that the work carried out during tax analysis permits an adequate monitoring of registered agents.			X	
<i>Auditing</i>				
Devise a selection process for registered agents whose income is high.			X	
For registered agents who are the subject of a risk scoring, establish the risk of registered agents based on relevant information, make an on-going evaluation of the risk criteria and support the reasons justifying an intervention.				X
Increase the level of quality of its auditing interventions.		X		
Establish quality controls.				X
Application of tax laws				
Evaluate the relevance of the application of the penal measures provided under the tax laws.			X	
Collection of the tax on private sales of motor vehicles				
Do a follow-up on the agreement reached with the Société de l'assurance automobile du Québec.	X			
Number of recommendations	2	4	11	5
Breakdown	9%	18%	50%	23%
Tangible actions	77%			
Full application or satisfactory progress	27%			

TABLE 2

STATUS OF RECOMMENDATIONS – SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC
[Management of the québec sales tax and goods
and services tax]

and services tax]	Recommendation			
	Applied	Partially applied		Not applied
		Satisfactory progress	Unsatisfactory progress	
Collection of the tax on private sales of motor vehicles				
Continue its efforts to arrive at the use of the appropriate average wholesale price of the vehicle sold for the calculation of the sales tax.				X
Require proof or an attestation justifying the price agreed upon at the time of a private vehicle sale.	X			
Number of recommendations	1	—	—	1
Breakdown	50%	—	—	50%
Full application or satisfactory progress	50%			



7

CERTIFICATION OF FINANCIAL INFORMATION

INTRODUCTION

- 7.1.1** Each year and pursuant to his mandate, the Auditor General does financial information certification work. This work deals with the financial statements of the government, its agencies and its corporations. The results of each intervention are recorded in a document known as the “auditor’s report”, which is published with the financial statements.
- 7.1.2** As is established in the accounting field, the purpose of the certification of financial information “is to provide a reasonable assurance that the financial statements are free from material misstatements”. Carried out using Canadian generally accepted auditing standards, the certification includes tests of the various elements in support of the financial data and other information, as well as an evaluation of the accounting policies used and the financial estimates produced by the directors of the entity for the purposes of its financial statements. Moreover, the auditor makes an assessment of the overall presentation of the financial statements.
- 7.1.3** Furthermore, the Auditor General exercises the right to review the work done by other auditors when the auditing of the books and accounts of an agency or corporation of the government or of an administered corporation is entrusted to them by law.
- 7.1.4** When the auditor ascertains a departure from Canadian generally accepted accounting principles (GAAP) or from the appropriate accounting policies, or if a limitation was imposed on the scope of his work, he must express a reservation in his report. The reservation may take one of the following forms:
- a qualified opinion, when the auditor has a favorable opinion of the financial statements taken as a whole, but then qualifies the opinion by a departure from GAAP or from the appropriate accounting policies or by a limitation of his auditing work;
 - an adverse opinion, when the auditor is of the opinion that the financial statements do not give a fair presentation according to GAAP or to the appropriate accounting policies;
 - a denial of opinion, when the auditor is unable to give an opinion on the financial statements following a limitation of his auditing work.
- 7.1.5** Within the context of financial information certification work, the Auditor General also audits the compliance of operations having a financial impact with statutes, regulations, policies and guidelines. It may happen that non-compliance situations are detected. They are then mentioned in his auditor’s report by adding a paragraph after his opinion. It should be noted that the conformity of the activities that do not have a financial impact is dealt with in

the chapters that present the results of the value-for-money audits, insofar as this subject is included among the audit objectives or the evaluation criteria specific to each engagement.

- 7.1.6 The nature of the work that the Auditor General does for financial information certification purposes may lead him to make observations which he deems useful to bring to the attention of the management of the audited entity. In such circumstances, he conveys to the interested parties his observations and his recommendations in a management report.
- 7.1.7 This chapter presents the main reservations, cases of non-compliance, observations and recommendations made following the financial information certification work and the right to review carried out in recent months.
- 7.1.8 Moreover, Schedule A of this volume reproduces the report published following the audit of the consolidated financial statements of the Government of Québec for the fiscal year ended on March 31, 2003. This report was tabled in the National Assembly on March 23, 2004, at the same time as the government's consolidated financial statements. Paragraphs 1.14 to 1.24 of chapter 1 present the comments of the Acting Auditor General on these financial statements.

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

- 7.2.1 We audited the books and accounts of the Commission de la santé et de la sécurité du travail as well as of the Fonds de la santé et de la sécurité du travail for the fiscal year ended on December 31, 2003. The audit work was completed on March 15, 2004. Our work allowed us to express an opinion without restriction on the financial statements of the Commission and of the Fonds.
- 7.2.2 Moreover, we did a follow-up on the three recommendations that we had made following the audit of the Commission's books and accounts for the fiscal year ended on December 31, 2002; they were published in chapter 6 of Volume Two of the *Report of the Auditor General to the National Assembly for 2002-2003* [...] all our recommendations have been applied or have given rise to satisfactory progress.
- 7.2.3 We had first recommended to the Commission that it promptly determine if the reduction in the value of the investments made with the Caisse de dépôt et placement du Québec was long-lasting [...] The Commission promptly entrusted an outside firm with the mandate of carrying out a study on this subject. This study indicates that the decline in value will be temporary.[...]
- 7.2.4 A second recommendation was to the effect that the Commission should not account "Deferred gains and losses on the real rate of return assumption" in its balance sheet.[...] This item no longer appears in the financial statements as at December 31, 2003.



- 7.2.5** As for the third recommendation, which sought to reduce the delays for applying the decisions made by the Commission des lésions professionnelles (CLP), satisfactory progress has been made.

Carrying out of the decision of Commission des lésions professionnelles

- 7.2.6** [...] The Commission has begun work in order to improve the procedures ensuring the processing of all of the compensation and rehabilitation files.[...] in order to facilitate the analysis and follow-up on those files in which the decisions have been contested before the CLP, a committee of the Commission developed various tools, including some that were introduced in 2003 [...] the actions taken to date should make it possible to reduce the delays in this respect.

PUBLIC CURATOR OF QUÉBEC

- 7.3.1** We audited the books and accounts of the Public Curator of Québec for the fiscal year ended on March 31, 2003. The audit work ended on October 10, 2003. The auditor's report that we prepared on this entity's financial statements contains four reservations, three of which take up those that we had made in our auditor's reports on the financial statements of the fiscal years ended on December 31, 1999, as well as on March 31, 2000, 2001 and 2002. The fourth reservation, which ensues from the non-compliance with Canadian generally accepted accounting principles (GAAP) concerning the adoption of the accrual method of accounting, has been added to the previous recommendations in the case of the financial statements as at March 31, 2003.

Individual fund – Completeness and accuracy of assets and liabilities

- 7.3.3** Since the fiscal year ended on December 31, 1999, the number of errors detected, the number of items concerned and the importance of the misstatements have been such that it has been impossible to ensure that all of the assets and all of the liabilities have been recorded and, if they have, if they reflect their book value as of the date of the end of the fiscal year.
- 7.3.5** [...] we maintain, for a fifth fiscal year, the reservation appearing in the auditor's report, as we cannot express an opinion regarding the fairness of the balance sheet of the individual fund.

Collective funds – Follow-up on employment assistance and allowances for petty expenses

- 7.3.8** For the purposes of preparing his financial statements, the Public Curator recorded, under the item “accommodations and allowances for petty expenses paid by representatives”, outlays equivalent to the total of the employment assistance benefits paid directly by the ministère de l’Emploi, de la Solidarité sociale et de la Famille to the representatives. The Public Curator therefore assumed that these benefits were all used to meet needs of this nature. The Public Curator has no audit evidence in support of the expenses paid using these benefits, which total more than \$2 million.
- 7.3.11** Our opinion on the financial statements of the Public Curator contains a reservation with respect to all of the allowances for petty expenses, which total more than \$18 million, as, regardless of the origin of the allowances, the expenses that they support have not been duly documented.

Presentation of the financial information related to administered property

- 7.3.13** Following the audit of the books and accounts of the fiscal years ended on March 31, 2000, 2001 and 2002, we had recommended to the Public Curator that he review the presentation of his financial statements in order to provide comprehensive and understandable information on the property that he administers, in accordance with Canadian generally accepted accounting principles. As of March 31, 2003, the presentation of the financial statements remains unchanged.
- 7.3.14** According to the new Section 5600 of the CICA Handbook, the financial statements for which the date of the auditor’s report is later than October 1, 2003 cannot be prepared according to auditing procedures that differ from Canadian GAAP. Our auditor’s report dealing with the financial statements for the fiscal year ended March 31, 2003 and which is dated October 10, 2003 contains three departures ensuing from the non-compliance of those statements.

SOCIÉTÉ NATIONALE DU CHEVAL DE COURSE

- 7.4.1** The *Act respecting the Société nationale du cheval de course*, assented to on June 19, 1999, came into force by order-in-council on September 1, 1999. On that date, the name of the Société de promotion de l’industrie des courses de chevaux (SPICC) inc. was changed to that of “Société nationale du cheval de course” (SONACC). However, the Société continues to be a government organization.



Tabling of the financial statements in the National Assembly

- 7.4.4** In Volume Two of our *Report to the National Assembly for 2001-2002*, we had reported that, despite the wish of the legislator, the Société had not held an annual meeting of members in 2000 or 2001. We had also noted that the entity's annual reports for 1999 and 2000, including its financial statements, had been submitted to the Minister of Finance late. Moreover, these two reports were only tabled in the National Assembly on March 28, 2002. We were of the opinion that parliamentarians had not received the information recorded in these documents at the appropriate time.
- 7.4.5** Our recent work shows that these shortcomings continue. Indeed, the annual report of the Société for the 2001 fiscal year, including its financial statements, was only sent to the Minister of Finance in October 2002 and was not tabled in the National Assembly. For the fiscal year ended on December 31, 2002, the financial statements of the Société were only given to the Minister on August 21, 2003 and the annual report, in November 2003; as for the tabling of the annual report, including the financial statements, in the National Assembly, it took place on March 9, 2004, namely more than 14 months after the end of the fiscal year. Finally, contrary to what is stipulated in the Act, no annual meeting of the members was held in 2002 or 2003.



REPORT TO THE NATIONAL ASSEMBLY CONCERNING THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF QUÉBEC FOR THE FISCAL YEAR ENDED ON MARCH 31, 2003

- 6.7.12** This document explains the elements that were the subject of a reservation in the auditor's report on the government's consolidated financial statements for the fiscal year ended on March 31, 2003. It also contains other comments or shortcomings deemed important enough to bring them to the attention of the Members of the National Assembly. [...]

Reservations

Commitments regarding three pension plans

- 6.7.16** As was the case for the previous fiscal years, the government does not clearly recognize in its financial statements of the fiscal year ended on March 31, 2003, having contracted commitments for the financing of these plans [...]. In our opinion, the government did in fact make such commitments which amounted to \$33,390 million as at December 31, 2002 [...]. With respect to these commitments, \$24,063 million were recorded as liabilities as at March 31, 2003 [...].
- 6.7.22** [...] Although these commitments have no effect on the liabilities, the net debt, the accumulated deficits and the deficit of the fiscal year ended March 31, 2003, this information must be disclosed appropriately to enable readers of the financial statements to better evaluate the government's financial situation.

Reporting entity

- 6.7.26** We are of the opinion that the entities of the education network and those of the health and social services network are under the control of the Government of Québec and consequently that they should be included in the government reporting entity. [...]

Provision for losses on guaranteed financial initiatives

- 6.7.31** The obligations arising from the loan guarantees and other guaranteed financial initiatives are recorded as liabilities when a loss is likely. The annual variation of this provision is recorded under expenditures.



- 6.7.32** The provision for losses on guaranteed financial initiatives is not suitable. [...] We are of the opinion that the government overstated this provision by \$260.7 million. As a result, the expenditures and the deficit are overstated by \$82.3 million. [...]

Comparative financial data

- 6.7.37** [...], the comparative financial data appearing in the consolidated statement of the operating results of 2002-2003 do not take into account the effects associated with the correction of the error [on the part of the Canada Customs and Revenue Agency, which has since become the Canada Revenue Agency] concerning equalization payments. [...] Having chosen to add \$215 million to the net debt at the start of 2001-2002, the government did not modify the results of that fiscal year. In addition to not following the recommendations of the PSAB [Public Sector Accounting Board], this approach makes the analysis of the data in question more difficult with the passage of time.

Other comments

Exclusion of a government corporation from the reporting entity

- 6.7.40** During the last fiscal year, the *Act respecting occupational health and safety* was amended, [...]. The PSAB also revised the definition of a government reporting entity. Only the entities controlled by the government must be included in this reporting entity. [...]
- 6.7.41** The re-examination of the situation of the Commission de la santé et de la sécurité du travail (CSST) in light of these new elements shows that the government no longer controls it [...]
- 6.7.42** The same conclusion applies to the Fonds de la santé et de la sécurité du travail administered by the CSST.
- 6.7.43** Consequently, these two entities are excluded from the government reporting entity with respect to its consolidated financial statements as at March 31, 2003 because they are not controlled by the government.
- 6.7.46** Contrary to what the government has done this year, it had always opted over the course of the last decade for the retroactive method when it applied a PSAB standard for the first time. [...] In our opinion, the use of the retroactive method to exclude the CSST and the Fonds de la santé et de la sécurité du travail from its reporting entity would have improved the comparison with the data of the previous year. [...]
- 6.7.47** [...] We recognize that the PSAB standards authorized the government to choose the prospective method. On this basis, the government struck this balance from its books by creating \$680 million in revenue, which reduced by as much the deficit of the fiscal year ended March 31, 2003.

Environmental costs

- 6.7.52** [...], the government [...] does not have a complete list of the contaminated sites whose clean-up it is responsible for and it ignores the risks that these sites represent, as well as the related decontamination costs.
- 6.7.53** However, the ministère des Ressources naturelles, de la Faune et des Parcs has surveyed the abandoned mining sites, for which the government will have to rehabilitate the land. We estimate that the minimum cost for carrying out this rehabilitation is approximately \$67 million. As a result, the liabilities and net debt are underestimated by said amount.

Comparability of the consolidated financial statements

- 6.7.66** [...] Once again in 2002, a government enterprise, namely the Société de l'assurance automobile du Québec (SAAQ), amended one of its accounting policies, whereas it had revised accounting estimates on the same subject in 2001.
- 6.7.67** [...] The effect of the changes to the accounting estimates in 2001 was to reduce the government's deficit for the fiscal year ended March 31, 2002 by \$197 million and to increase by the same amount the "Investment in Government enterprises" account. As for the change made by the entity in 2002, its effect was to reduce this same account by \$259 million as at March 31, 2003 and to lower by \$104 million the deficit for the fiscal year ended on that date.
- 6.7.68** Even though these successive changes were made in accordance with Canadian generally accepted accounting principles (GAAP), they increase the risk of confusion when interpreting the data [...]

Application of the recommendations of the Public Sector Accounting Board

Application of the accrual method of accounting to revenue

Transfers from the Government of Canada

- 6.7.82** [...] The amounts entered should be established on the basis of the best estimate available prior to the completion of the financial statements. [...] The effect of such an approach would have been to reduce its transfer income by \$481 million for the fiscal year ended on March 31, 2003.
- 6.7.83** The Canada Health and Social Transfer (CHST) is subject to the same revisions as equalization payments, since the latter influence the calculation. If the CHST had been recorded on the basis of estimates that are comparable to the ones just mentioned concerning equalization payments, \$157 million would have been added to the transfer income in this respect.



Youth Allowances

- 6.7.85** Each year, the Government of Québec must reimburse to its federal counterpart the sums that it continues to collect for the Youth Allowances Program, [...]
- 6.7.87** If the government had applied the accrual method of accounting, the first installment due for 2002-2003, which totals \$285 million, would have modified its results for the fiscal year ended March 31, 2003 by increasing the deficit by as much. [...]

Publication of the consolidated financial statements

- 6.7.96** We deplore such a late publication [one year after the end of the fiscal year] of the financial statements as at March 31, 2003, but we are delighted by the commitment of the Minister of Finance to make these documents public within a maximum period of six months after the end of the fiscal year, beginning in 2003-2004.

Act to provide for balanced budgets in the public health and social services network

- 6.7.100** The Act stipulates that beginning in 2000-2001, a public establishment of the network must, during a fiscal year, maintain a balanced budget and not end the year by posting a deficit. [...]
- 6.7.103** During the years from 2000-2001 to 2002-2003, the aggregate of the annual operating deficits of the public establishments of the network reached \$730.1 million, if one does not take into account the operating surpluses achieved by some, which during these same fiscal years, totaled \$45.3 million.

FOLLOW-UP ON OUR RECOMMENDATIONS

- 6.7.111** A number of the recommendations that the Auditor General has made to the government since the last accounting reform of 1998 have yet to be applied. [...] only 14 percent of them have been implemented.



EXCERPTS FROM THE REPORT OF THE COMMITTEE ON PUBLIC ADMINISTRATION

INTRODUCTION

Under the *Public Administration Act* and the Regulation respecting the National Assembly, the Committee on Public Administration hears the deputy ministers or heads of agencies that it invites to discuss their administrative management and, where applicable, any matter raised in a report prepared by the Auditor General.

To enable the reader to see the contribution of the Auditor General's work to parliamentary control, we present in this schedule excerpts, mainly conclusions, from the Committee's report, tabled in the National Assembly in December 2003.

The *Eleventh report on the accountability of deputy ministers and heads of public agencies* presents notably the results of the public examination by parliamentarians of three of our reports. The reports examined are found in Volume I of the *Report of the Auditor General to the National Assembly for 2002-2003*.

Readers will also find at the end of this schedule other excerpts from the same report of the Committee. They deal with the organization of the works of the National Assembly concerning reporting done by departments and agencies under the Public Administration Act. The Acting Auditor General makes observations on this subject in chapter 1 of this volume, paragraphs 1.25 to 1.32.



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