

Report of the Auditor General  
of Québec  
to the National Assembly  
for 2016-2017

Value-for-Money Audit  
Highlights  
Spring 2016

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## 1 Introduction

1 The National Assembly entrusts 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 scope of jurisdiction mainly encompasses the government and its agencies and also includes funds disbursed in the form of subsidies.

2 In the report that the Auditor General submits to the National Assembly, he puts the emphasis on any topic ensuing from its work that deserves to be brought to the attention of parliamentarians. The document is published in several volumes. This volume is devoted to the value-for-money audits that were carried out over the last 12 months. It comprises, among other things, related findings, conclusions and recommendations.

3 The first chapter gives the Auditor General the opportunity to establish a more personal contact with the reader. In this chapter, I present my main observations regarding the picture of internal audit within the Government of Québec and I discuss the next strategic plan, which covers the 2016-2019 period.

## 2 Internal Audit: Key Element of Sound Governance

4 Since the early 2000s, the government has taken several actions to modernize its governance. The passage of the *Public Administration Act*, which imposes greater requirements for transparency and accountability on deputy ministers and chief executive officers, is an example of this. The same goes for the *Act respecting the governance of state-owned enterprises*, which strengthened the authority of the board of directors and made it possible to implement better control tools among these enterprises. These statutes have in common that they increase the accountability of chief executive officers, managers and directors. As Auditor General, I believe in the leveraging effect that such a measure can have.

5 I am also firmly convinced of the added value of the relationships that my organization maintains with those who, day after day, make this governance real. For that reason, I took a particular interest in what I believe constitutes one of the essential components of sound governance: internal audit. This function provides senior management and audit committees with the assurance that the financial, administrative and operational activities as well as the management practices of their organization are efficient and effective. It rests on certain key elements, including the independence of the audit committee itself, the supervision of audit activities, the quality of planning as well as the action plan and follow-up on recommendations made.

6 It is with those elements in mind that the picture of internal audit within the Government of Québec was drawn up. It was developed based on the responses to a questionnaire sent to 35 entities. The results are presented in detail in Chapter 8 of this report. The following paragraphs present my main observations following this exercise.

### Resources Devoted to Internal Audit

7 First, with one exception, all the heads of internal audit within the entities covered by the *Act respecting the governance of state-owned enterprises* believe they have sufficient resources to appropriately fulfill their mandate. Conversely, nearly half of the heads within the departments and other agencies consider that the resources available to them are insufficient. Whether or not as a result of this situation, several departments and agencies do not cover certain areas of intervention, such as value-for-money audit and information technology audit.



8 Since expenditures in the education sector and in the health and social services sector represent a significant portion of the government's expenditures, I took an interest in the importance that internal audit holds in the institutions of these networks. In 2014-2015, the expenditures of these sectors were respectively \$19.8 billion and \$36.8 billion.

9 It appears that institutions in the health and social services network do not have an internal audit function, whereas the scope of this activity is unknown for the education network.

10 In addition, the internal audit units of the Ministère de l'Éducation et de l'Enseignement supérieur and the Ministère de la Santé et des Services sociaux respectively devoted \$356,000 and \$346,000 to their activities, and each had four full-time equivalents staff. These units carry out work in their network's institutions only in exceptional cases. If audit mandates are carried out there by others, the units are not informed of it.

11 The efforts and sums invested in internal audit in the health and social services sector and in the education sector do not appear very meaningful to me compared to their expenditures.

## Audit Committee

12 Beyond the resources devoted to audit activities, in order to be effective, an audit committee must be able to take an external look at the management of an organization's activities. The presence of independent members on these committees is a good way to ensure this objectivity. In this regard, the situation prevailing in departments seems of concern to me. Most internal audit committees within departments actually have 50 % or less independent members, which makes it difficult to fully exercise their role. Yet, in my view, the scope alone of the budgets managed by these entities justifies the presence of effective audit committees. There is good news, however: the audit committees of the entities covered by the *Act respecting the governance of state-owned enterprises* and those of other agencies are all made up of a majority of independent members who meet frequently.

## Supervision of Activities

13 The quality of the supervision of internal audit activities can also make the difference between a limitedscope exercise and a process that is truly synonymous with improvement. According to good practices, the internal audit function should be under the authority of a sufficiently high hierarchical level, namely the chief executive officer or the audit committee. A formal management framework should also delineate the exercise. For both of these components, the results are rather positive.

14 In fact, all the audited entities have established a formal management framework. As for independence, all the functions of the entities covered by the *Act respecting the governance of state-owned enterprises* and those of other



agencies come under the authority of a sufficiently high hierarchical level. The situation is different for departments, with a third of them not respecting the orientations of the Conseil du trésor that require the head of internal audit to be under the authority of the chief executive officer. Considering the importance of the activities managed by departments, the relevance of establishing a distance between the internal audit function and the managers in charge of those activities leaves no doubt.

## Quality of Planning

15 Furthermore, to increase its effectiveness, internal audit work must be based on planning that takes into account the organization's specific risks. Unfortunately, the planning exercises are not always complete. The missing elements include the scope of the mandate, the timeline and the required resources. However, an encouraging fact, from my point of view, is that most of the internal audit units of the entities covered by the *Act respecting the governance of state-owned enterprises* have a good knowledge of the risks, controls and main systems of their organization. This is sadly not the case for several of the departments and other agencies, where there is a lower level of knowledge. In this context, it is difficult, in my view, to have the assurance that the selected mandates are the most appropriate.

## Action Plan and Follow-up on Recommendations

16 Finally, the added value of internal audit activities finds all its significance in the action plan and in the follow-up of the recommendations' implementation. With regard to this aspect, the situation is rather satisfying. Almost all of the entities that answered the questionnaire indicate that they always or usually obtain an action plan. These plans include corrective actions and specify the persons in charge and the timeline. The vast majority of entities also state that they systematically follow up on the implementation of recommendations, generally within a three-year time frame.

17 The fact that this part of the process is already well rooted in the organizations reinforces, in my opinion, the importance of working on improving other key elements of the internal audit process in order to make the best possible use of this process for the organizations and, ultimately, for Québec taxpayers.

18 Some elements of the internal audit process of four other government administrations, namely Canada, Alberta, British Columbia and Ontario, are inspiring from this perspective. This is especially so given that in its June 2011 report, the Office of the Auditor General of Canada said it was generally satisfied with how this activity was managed by the federal government. Therefore, I encourage the concerned entities, and particularly departments, to take inspiration from best practices to strengthen their internal audit function.

## 3 2016-2019 Strategic Plan

### 3.1 Context

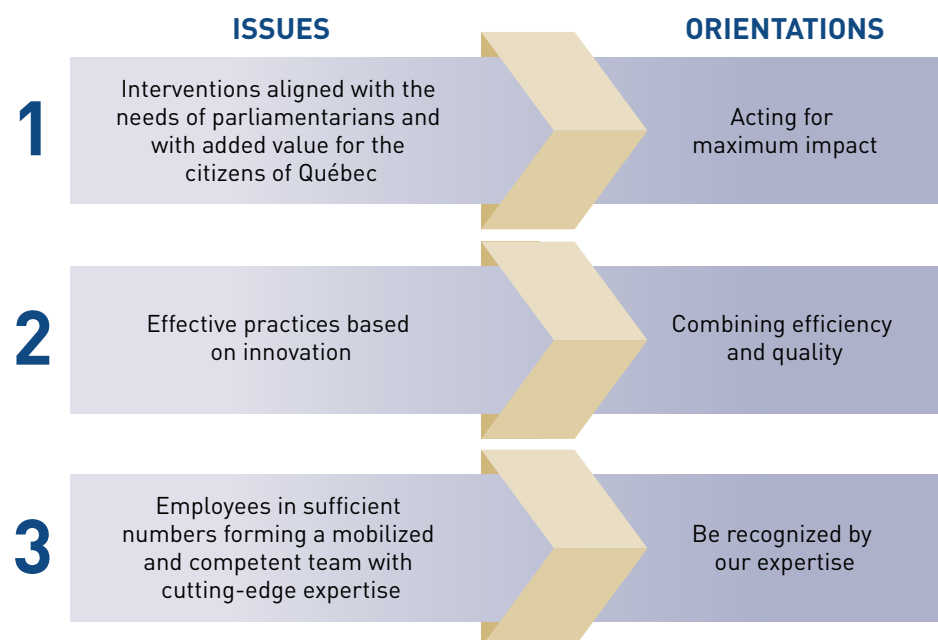
19 My first strategic plan covers the 2016-2019 period. It is the result of a rigorous reflection process that allowed me, among other things, to refine my knowledge of the organization and its environment and to clarify my vision: the Auditor General of Québec, an institution at the service of the National Assembly; a reference and a team renowned for the quality and usefulness of its work.

20 This updated vision emphasizes not only the usefulness of our work for the various stakeholders involved, including parliamentarians and entities, but also its quality. Moreover, being a reference requires us to continue looking for possible improvements we could make to our practices and our ways of doing things. Furthermore, the expertise and mobilization of the members of our team are of crucial importance for our organization. All these elements contribute to its credibility, and I would like them to continue guiding our actions in the coming years.

### 3.2 Issues and Orientations

21 Our reflections have enabled us to identify three issues. For each of them, we have defined an orientation that reflects our priorities for the next three years (Figure 1).

**Figure 1** Issues and orientations



## Acting for Maximum Impact

22 We would like our work to be useful to the members of the National Assembly so they can fulfill their parliamentary control mandate. We also want our work to have added value for parliamentarians. It is with this concern that we have established our priorities for the next few years.

23 Regarding financial auditing, we will aim to be more present in the education network and the health and social services network institutions. In the area of **performance audit**, we will carry out engagements pertaining to direct services to the population, to issues related to administrative management that are common to several departments and agencies, and to information technology.

We will now use the expression "performance audit" instead of "value-for-money audit".

24 The Sustainable Development Commissioner has a noble and important mission. In addition to continuing our work in this area, we want to integrate the consideration of sustainable development principles into our performance audits. We are therefore aiming for a more comprehensive and integrated approach.

25 The recommendations that we submit are a strategic element of our work because they enable the audited entities to start implementing changes to improve government management. Yet, these past few years, the recommendation implementation rate has somewhat plateaued. We therefore set the objective of increasing this rate, both in the context of financial audits or performance audits. To achieve this, we intend to work in closer collaboration with governance actors, such as audit committees, in departments and agencies.

26 If we want our work to have maximum impact, it must be presented in a clear manner and distributed through communication means that meet the needs of our various stakeholders including parliamentarians. We will make efforts in this regard over the next few years.

## Combining Efficiency and Quality

27 The quality of our work is one of the underpinnings of our organization's credibility; it must remain a prime concern. If we want our organization to be a reference, we must focus on both the quality of our work and the efficiency of our work methods and tools. We will therefore be on the lookout for possible improvements the organization could make, including through the use of benchmarking.

28 Furthermore, sustainable development remains a priority, both in our work and in our management practices. Thus, in addition to continuing our efforts to reduce our paper consumption, we will start a major shift toward a paperless working environment. This organizational choice will require all members of our staff to change their ways of working.

29 An efficient organization must have timely quality management information that meets its needs. However, the nature of our activities requires flexibility in the management of our resources. In this regard, we started work to put in place an integrated resource planning and monitoring system, and we will continue our efforts in this regard over the next few years.

## Be Recognized by our Expertise

30 The members of our team take our mission to heart, and this is apparent in the quality of their work and in their rigour. As a result, we want to provide them with a stimulating environment to foster their commitment to the organization and their mobilization. Our priorities for the coming years will revolve around ensuring we have adequate resources for our organizational needs, developing our expertise and mobilizing our team members. In addition to retaining our resources, these priorities aim to attract competent people who want to contribute to our mission.

31 In order to do so, we will focus on internal mobility between the financial audit and performance audit sectors. We believe that the diversification of work experiences will contribute to developing the expertise of our employees. Moreover, within the audit sectors, we will adapt the training offered to meet the needs of our staff members according to their professional journey.

32 Our organization is privileged to have competent, devoted and mobilized resources. With regard to mobilization, this is what our last employee survey revealed. Yet, we are aware that the work of an auditor is specialized and demanding. Therefore, we want to maintain the level of mobilization and demonstrate the seriousness of our commitment by obtaining a recognized accreditation.

33 The three orientations that we defined chart the course that we intend to follow over the next three years. With the guidelines that we set for ourselves, we are convinced that we will stay the course and reach our destination.

## Highlights

### Work Objective

This audit focuses on two consolidated procurement contracts of goods of the Centre de services partagés du Québec (CSPQ). It completes the special audit conducted at the request of the Conseil du trésor (C.T. 214787 dated March 18, 2015) and for which the report was submitted in November 2015.

We wanted to obtain the assurance that the audited entities manage with a concern for integrity some of the main risks associated with each phase of the process for the acquisition of goods and professional services in the area of information technology, in accordance with the rules in effect.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

The following are the principal findings of our audit concerning two information technology consolidated procurement contracts.

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**The acquisition strategy retained with regard to the two contracts examined did not always yield the desired results.** The CSPQ does not have the assurance that the departments and bodies benefited from the expected price decreases or obtained models reflecting technological development.

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**The decisions made at certain stages of the process, particularly to establish the strategy and follow up on suppliers' questions, were not sufficiently documented.** The call for tenders for microcomputers led to nearly 400 questions and 22 addenda. However, no document presenting the arguments or recommendations of the technical committee with regard to the amendments made was found.

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**The CSPQ did not put in place the mechanisms necessary to ensure that the people involved in determining needs and preparing calls for tenders have no conflicts of interest.** The situation is identical to the one we noted in our November 2015 report on professional services in information technology.

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**The controls enabling adequate follow-up of contractual clauses are insufficient.** For illustration purposes, the contracts set out that suppliers can propose only decreases in price. However, the price of 40 options increased during the contract period.

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**The addition, to the call for tenders for microcomputers, of a large number of non-mandatory options lets entities choose a specific product, which limits competition and does not always favour getting the best price.** For example, getting the tablet of a given manufacturer means adding a docking station, at a cost of \$43, thereby eliminating the two suppliers with a lower price for a tablet in the same category.

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**The controls in place with regard to the delivered products are insufficient for all the audited entities.** The internal components of microcomputers are not systematically checked to ensure that the goods obtained are actually those that were ordered.

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## Recommendations

The Auditor General has made recommendations to the audited departments and bodies. They are all shown to the right.

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

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

Recommendations to the Centre de services partagés du Québec

- 1 Evaluate the effectiveness of the current acquisition strategy on the basis of complete information, particularly with regard to the competition and obtaining the best prices, and include the result of this assessment in the analysis for the purposes of drawing up future calls for tenders.**
- 2 Acquire the necessary tools and implement sufficient controls to ensure adequate follow-up of contractual clauses, particularly those related to price changes.**

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Recommendation to all audited departments and bodies

- 3 Implement the necessary controls to ensure that the products paid for are those that are delivered.**
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## Highlights

### Work Objectives

The billing of fees to patients for medical services is an issue related to the funding of the operating costs of clinics. We focused our work on the state of the situation and the actions of the audited entities. The objectives of our audit were as follows:

- obtain the assurance that the Ministère de la Santé et des Services sociaux (MSSS) supervises the billing of fees to insured persons in compliance with accessibility, fairness and efficiency standards related to the services offered.
- assess to what extent the Régie de l'assurance maladie du Québec (RAMQ), as the administrator of the public health insurance plan, effectively, efficiently and transparently ensures compliance with legal and regulatory provisions pertaining to the billing of fees to insured persons.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

The following are the principal findings of our audit concerning the clinical fees billed for medical services.

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**The billing of clinical fees: a situation that has been ambiguous, confusing and misunderstood for many years.** Even though various actors have intervened, the legal framework does not make it possible to adequately control this billing. The amendment to the *Health Insurance Act* (Bill 20) and Bill 92 aim at improving the situation.

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**Neither the MSSS nor the RAMQ have a complete picture of the clinical fees billed to patients.** The government recently estimated those fees at \$50 million, but this assessment is not based on any analysis.

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**The MSSS does not properly fulfill its supervisory role with regard to the billing of clinical fees for medical services:** lack of tools for assessing the operating costs of clinics in order to support funding needs; little knowledge about the funding that clinics and physicians receive from the government to pay for operating costs.

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**The measures available to the Régie to control the billing of clinical fees are limited by the current legislative and regulatory framework:** several elements that limit recourses for patients; requirements that reduce reimbursement possibilities for patients; complex process for the recovery of sums owed by clinics; investigations ending with information sent to physicians and clinics, with no penalties for them.

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**There is a good practice at the RAMQ.** It carries out prevention work regarding the billing of clinical fees for medical services among physicians as part of clinical visits. However, few efforts are made to inform the population of the applicable regulation.

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## Recommendations

The Auditor General of Québec has made recommendations to the MSSS and the RAMQ. They are all shown to the right.

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

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

### Recommendations to the Department

- 1 Establish guidelines for the clinical fees that can be billed to patients for medical services.**
- 2 Assess the operating costs of clinics, determine the funding to be granted and consider the funding already paid.**

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### Recommendations to the Régie

- 3 Continue to work on proposals for legislative amendments to the *Health Insurance Act* to ensure it can properly perform its role as administrator.**
  - 4 Inform the population of the regulation applicable to the billing of clinical fees for medical services.**
  - 5 Reinforce the application of its mechanism for the declaration of the independent status of directors.**
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## Highlights

### Work Objective

In Québec, the Régie du logement is the only competent tribunal in matters of residential rental housing that can hear any application for less than \$85,000 concerning the lease of a dwelling.

The purpose of this audit was to obtain the assurance that the Régie du logement provided quality services in processing applications pertaining to the lease of a dwelling.

Our work was carried out with a concern for respecting the judicial independence of commissioners and protecting the performance of their duties. Therefore, it did not intend to assess the quality of their decisions.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

The following are the principal findings of our audit concerning the application processing by the Régie du logement.

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**The Régie has not implemented procedures to minimize processing times.** It does not calculate the average total processing time per application or the time required to clear inventories. The 40,000 or so applications included in the inventory influence the expeditiousness and accessibility of the tribunal.

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**The scheduling process does not allow an optimal use of hearing time.** For the 28-month period ending on November 30, 2015, the actual average duration of the 17,400 hearing sessions held was 125 minutes, while commissioners were available for 180 minutes. This means that 31 % of this time was not used for hearing cases, which had a definite impact on waiting times for the parties who had submitted an application to the Régie.

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**The Régie has not adopted means to minimize the effects of hearing reschedulings, in particular by improving the timeframe for sending notices of hearing.** For the period analyzed, these notices were sent an average of 29 calendar days before the hearing date, including the 7 days necessary for sending and delivering the mail. This leaves little time for the parties to prepare for their hearing or notify the Régie of a change.

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**Little use is made of the conciliation process.** The Régie's efforts to integrate it into its operations are insufficient. Indeed, it has not determined the cases that would be more appropriately settled through this process or the situations and time when it would be relevant to contact citizens.

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**The Régie has put in place a time bank that is not in compliance with the regulation.** As at November 30, 2015, 882 days had been accumulated in this time bank as a result of additional hearing sessions held by commissioners. Moreover, the Régie has not rigorously conducted performance assessments for its commissioners nor has it clearly defined certain rules to oversee hearing schedule, among other things.

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**The management information produced by the Régie is insufficient to determine the elements requiring improvements (hearing time, for example) and does not make it possible to properly assess performance in processing applications.**

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## Recommendations

The Auditor General has made recommendations to the Régie du logement. They are all shown to the right.

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

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

### Recommendations to the Régie

- 1** Target means for reducing the processing time and inventory of applications to improve expeditiousness and accessibility.
  - 2** Optimize the use of hearing time, including by determining guidelines on levels of appearance based on management information.
  - 3** Adopt means to minimize hearing reschedulings, in particular by improving the time frame for sending notices of hearings.
  - 4** Determine guidelines that promote the settlement of cases through conciliation, among other things by developing an operational framework.
  - 5** Analyze the possibility of optimizing the use of videoconferencing to promote access to justice and minimize travel time for commissioners.
  - 6** Ensure compliance with the regulation in effect regarding the remuneration and other working conditions of commissioners.
  - 7** Implement clear rules concerning, among other things, the work availability of commissioners, the management of absences, the scheduling process and the establishment of guidelines on levels of appearance.
  - 8** Refine management information to better assess performance in processing applications and make the necessary adjustments.
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## Highlights

### Work Objectives

The Société de l'assurance automobile du Québec (SAAQ) is subject to the *Act respecting the governance of state-owned enterprises*. This Act provides that the board of directors shall adopt measures to assess the effectiveness and performance of the SAAQ, including benchmarking against similar enterprises.

The objectives of our work were to obtain the assurance that:

- the SAAQ has established adequate measures to assess effectiveness and performance, including benchmarking against similar enterprises, which allows it to assess the results in relation to its mission as a whole;
- the SAAQ appropriately publishes the results of its measures to assess effectiveness and performance, including benchmarking against similar enterprises, in order to enhance its reporting.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

The following are the principal findings of our audit concerning the measures to assess the effectiveness and performance of the SAAQ.

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**The Société has adopted several governance mechanisms, including the measures required by the *Act respecting the governance of state-owned enterprises*, to assess its performance.**

- The governance structure and operation constitute one of the main means that enable the board of directors to oversee decision making.
- A dashboard makes it possible to measure and assess the impacts of the Société's activities on its stakeholders (insureds, clients, partners and team).

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**The SAAQ's board of directors has adopted performance indicators that are subject to benchmarking in order to comply with the *Act respecting the governance of state-owned enterprises*.** Note that benchmarking against similar enterprises remains the most difficult element when it comes to the measures to assess the effectiveness and performance of the SAAQ. This is explained in part by the fact that the administrative structures, the social context and the legal framework of other organizations are very different from those of the SAAQ.

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**The involvement of managers in the benchmarking exercise is a key element to effectiveness and performance assessment.** In order to raise awareness among managers of the importance of comparing oneself, the Société has adopted a "performance framework" that incorporates benchmarking. Regardless of the duration or magnitude of new projects, managers must take it into consideration.

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**Information about the Société's effectiveness and performance is periodically presented to the members of the board of directors, who can thus fulfill their roles and responsibilities in that regard.**

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**A section of the Société's annual performance report is dedicated to the evolution of the performance, including benchmarking against similar enterprises, which enables it to comply with the Act.**

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We did not make any recommendations following our work.



## Highlights

### Work Objectives

The Government of Québec's revenue from the retail market sales of alcoholic beverages by the Société des alcools du Québec (SAQ) reached more than \$1.6 billion in 2014-2015. The SAQ's sales totalled \$3 billion for the same period.

The objectives of our audit were to obtain the assurance that the SAQ:

- acquires its alcoholic beverages in an economical manner, in accordance with the regulation and sound management practices;
- sets its prices in a manner that promotes profitability and responsible consumption;
- evaluates its performance, makes the necessary corrections and adequately reports on it.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

The following are the principal findings of our audit concerning the purchase and sale of alcoholic beverages and the performance of the Société des alcools du Québec.

Although the SAQ applies expenditure reduction measures, elements that impact its performance could be improved or subjected to more in-depth analysis. Here are the main elements.

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**For the purchase of alcoholic beverages, the means put into place by the SAQ to help obtain the best prices and most advantageous conditions could be strengthened.**

- The purchasing policy includes a clause on obtaining the best warehouse price, but there is nothing on the conditions, such as discounts (receiving volume discounts) or revenue from in-store positioning.
- Some clauses that could help ensure better purchasing conditions are missing from the contracts.

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**The structure of the SAQ's markup for setting its retail prices promotes the profitability of its products.** However, the SAQ did not examine all the mechanics of its markup structure; various changes were made to the markup structure over the past 10 years, but the foundations have remained unchanged. Such an examination should take into account the following elements, among others:

- the importance of the promotions granted to consumers in 2014-2015, i.e., \$129 million;
- the basis of the retail price, which is the warehouse price;
- the differences in prices between the SAQ and other retailers for identical products.

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**The SAQ does not carry out a structured follow-up of additions and withdrawals for its speciality products.** Such a follow-up is important: the number of speciality products bought by batch continues to increase, the turnover rate of these products is lower than that of regular products and the SAQ aims to potentially offer consumers approximately 20,000 products.

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**There is an imbalance between the traffic in SAQ outlets and the hours worked by employees.** In 2014-2015, Mondays to Wednesdays represented 24% of the traffic for the year, while the hours worked was equivalent to 37%. Taking traffic into account could reduce costs and increase sales.

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## Recommendations

The Auditor General has made recommendations to the SAQ. They are all shown to the right.

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

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

Recommendations to the Société des alcools du Québec

- 1** Periodically examine the purchasing and merchandising policy to include purchasing best practices and set up means to help obtain the most advantageous purchasing conditions.
  - 2** Establish a mechanism to review its markup structure.
  - 3** Ensure that the products assortment by price bracket is linked to the sales volume and market trends to serve its customers well.
  - 4** Follow up on specialty products in order to maximize its performance according to its merchandising strategies.
  - 5** Review and optimize the mechanism to ensure an appropriate follow-up for products requiring a recovery plan.
  - 6** Consider the possibility of maximizing the use of its workforce in outlets while taking traffic into account.
  - 7** Evaluate its performance and that of its networks, through the benchmarking provided in the *Act respecting the governance of state-owned enterprises*, using performance indicators that require few adjustments to facilitate the exercise, and carry out an appropriate follow-up of results.
  - 8** Improve public reporting, particularly with regard to the achievement of targets included in the strategic plan.
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## Highlights

### Work Objective

According to data collected by the Secrétariat du Conseil du trésor (SCT), the expenses incurred by public bodies for the contracts they awarded were estimated at \$11 billion for the 2013-2014 fiscal year.

The regulation expressly provides that information on the contracts of public bodies involving an expense of \$25,000 or more must be published in the government's electronic call for tenders system (SEAO). This system is used by public bodies as well as enterprises that are interested in doing business with the State.

The purpose of our audit was to verify the completeness and exactness of the information on contracts awarded by public bodies contained in the SEAO, in accordance with the regulation.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

The following are the principal findings of our audit concerning the Government of Québec's electronic call for tenders system.

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**For the audited entities, contracts worth \$4.4 million are not entered in the SEAO.** Moreover, although the information that these entities publish in the SEAO is exact, some information is not published, and when it is, it is not always posted in a timely manner.

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**The control and monitoring mechanisms related to the publication of information in the SEAO are sometimes incomplete or missing.** This does not promote the adequate monitoring of the information posted or its timely publication. In addition, even if the SCT has put in place different procedures for verifying and validating the quality of information published in the SEAO, they need to be strengthened.

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**The business model used by the SCT for developing and operating the SEAO raises questions.**

- With the exception of the component related to the electronic tender functionality, we did not find traces of business cases, including an analysis of the risks and costs of the chosen business model, for the calls for tenders launched in 2002 and 2011.
  - There is a significant delay of nearly three years in the delivery of the electronic tender functionality to be integrated into the SEAO, which was initially planned for June 2013.
  - The SCT carries out little monitoring and few controls with the selected firm, including for risks of authorized and unauthorized access to lists of suppliers having ordered call for tender documents, which are hosted on the firm's server.
  - The business model increases the risk of dependency on the firm that won the 2002 and 2011 calls for tenders. This situation will be of greater concern at the end of 2019, when the electronic tender functionality will be integrated into the SEAO.
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## Recommendations

The Auditor General has made recommendations to the SCT, the Commission scolaire de Montréal (CSDM), the Groupe d'approvisionnement en commun de l'Ouest du Québec (GACOQ), the Ministère de l'Immigration, de la Diversité et de l'Inclusion (MIDI) and the Ministère du Travail, de l'Emploi et de la Solidarité sociale (MTESS). They are all shown to the right.

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

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

Recommendations to the Secrétariat du Conseil du trésor

- 1 Strengthen and better target its interventions with public bodies to ensure the compliance of information published in the electronic call for tenders system.**
- 4 Complete a business case in a timely manner to determine the most advantageous option for the next electronic call for tenders system.**
- 5 Ensure that the necessary controls are put in place to guarantee the security of sensitive and confidential information.**
- 6 Put in place, for the next electronic call for tenders system, measures to reduce the risk of dependency on the firm.**
- 7 Perform adequate monitoring of the contract.**

Recommendations to the CSDM, the GACOQ, the MIDI and the MTESS

- 2 Publish complete, accurate and timely information on awarded contracts in the electronic call for tenders system.**
- 3 Improve internal control mechanisms with regard to the publication of information in the electronic call for tenders system.**

## Highlights

### Objective of the Study

The first part of our study provides a picture of internal audit within the Government of Québec based on a questionnaire sent to 35 entities:

- 11 entities covered by the *Act respecting the governance of state-owned enterprises*;
- 24 departments and other agencies.

Over the course of 2014-2015, these organizations devoted 247 full-time equivalents and \$26.8 million to their internal audit activities.

This section does not intend to assess the quality of the internal audit work or that of audit committees' activities.

The second part addresses the trends observed with regard to internal audit in the following four government administrations: Canada, Alberta, British Columbia and Ontario.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Observations

The following are the principal observations arising from the responses obtained to a questionnaire.

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**Certain elements relating to the practices used are the same for almost all the surveyed entities.** Among the strengths: adoption of a management framework for the internal audit function, systematic follow-ups on the implementation of recommendations, and obtaining an action plan following each audit. As for areas for improvement: there is no external quality assurance assessment and no determination of cost per audit. For the other elements, the results are rather variable.

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**The entities covered by the *Act respecting the governance of state-owned enterprises* have implemented most of the good practices relating to their audit committee and to the management of their internal audit activities.**

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**The other agencies have integrated several of the desired elements, but their internal audit unit would benefit from deepening its knowledge of the risks, controls and main systems of its organization.** In this context, it is difficult to have the assurance that the projects included in the audit plan are the most appropriate.

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**Although good practices have been noted, most of the departments require several improvements to enable their audit committee and internal audit unit to fully play their role.** Here are some examples of elements requiring improvement:

- The audit committee does not include a sufficient number of independent members and meets rarely.
  - The internal audit unit has insufficient knowledge of the risks, controls and main systems relating to its organization.
  - The resources devoted to internal audit are deemed insufficient by the person in charge.
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**The interventions of the Ministère de l'Éducation et de l'Enseignement supérieur and of the Ministère de la Santé et des Services sociaux are limited in terms of internal audit within their network.** These two important departments devote few resources to that function.

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## Highlights

### Work Objective

In its June 2015 report, the Committee on Public Administration (CPA) asked the Auditor General to follow up on the action plan that was prepared in response to our audit of the acquisition of goods and services at the Centre de services partagés du Québec (CSPQ).

The objective was to assess the degree of implementation of the CSPQ's action plan to ensure that it will remedy the deficiencies observed during the initial audit. These deficiencies concerned its acquisition process of goods and services as well as its governance in the area of acquisitions. We completed our audit work in April 2016.

The results of the initial audit were published in Chapter 3 of the Spring 2014 Report of the Auditor General.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).

### Audit Results

Our work covered all the recommendations that we had made in spring 2014 and the six recommendations that the CPA made to the CSPQ.

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**Conclusions.** Our work led us to conclude that the implementation of the actions of the plan is satisfactory for 8 of the 11 recommendations related to the acquisition process and for 3 of the 9 recommendations related to the governance of acquisitions. As for the 6 recommendations made by the CPA, 4 present a satisfactory implementation of the actions.

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**Implementation of the action plan satisfactory for 11 recommendations.** With regard to the acquisition process, we particularly note the following elements: the CSPQ put procedures in place so that the preparation of calls for tenders is done in a way that maximizes free play of competition. It adopted a quality assurance process and took steps to improve the assessment of calls for tenders. As for governance in the area of acquisitions, progress was observed, especially in terms of better understanding of clients' expectations and the development, strengthening and maintenance of the expertise and know-how of its staff.

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**Implementation of the action plan unsatisfactory for 9 recommendations.** With respect to the acquisition process, we noted, in particular, that the Centre has not yet implemented mechanisms that enable it to obtain reliable and sufficient management information. As for governance in the area of acquisitions, improvements must be made, among other things, to the quality of service delivery (better communication on the follow-up of files and establishment of an offering that responds to clients' needs). Furthermore, the CSPQ still does not validate the information obtained from suppliers to assess the economies of scale of its consolidated procurements likely to generate significant savings. Finally, the implementation of integrated risk management is not yet achieved.

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**Implementation of the action plan unsatisfactory for 2 of the 6 recommendations of the Committee on Public Administration.** The Centre does not have integrated risk management, and its enhanced dashboard does not make it possible to assess all aspects of its performance.

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**Table 1 Recommendations from the Auditor General: Acquisition process**

	Applied	Application in progress		Not applied
		Satisfactory progress	Unsatisfactory progress	
Adopt objectives regarding the development of market knowledge and establish clear expectations in this regard toward purchasers.	√			
Put mechanisms in place so that the preparation of calls for tenders is done in a way that: <ul style="list-style-type: none"> <li>■ maximizes free competition (consolidated purchases);</li> <li>■ maximizes free competition (mandated procurements);</li> <li>■ takes into account sustainable development issues and the regional economic impact. (consolidated procurements);</li> <li>■ takes into account sustainable development issues (mandated procurements).</li> </ul>	√	√  √	√	
Take steps so that the assessment of calls for tenders facilitates the fair treatment of suppliers, in accordance with regulatory and eligibility requirements.	√			
Put tools in place to facilitate the optimal processing of acquisition files, in particular by: <ul style="list-style-type: none"> <li>■ the planning of interventions;</li> <li>■ the supervision of purchasers;</li> <li>■ an effective quality assurance process.</li> </ul>	√	√	√	
Adopt systems that make it possible to obtain reliable and sufficient management information to support managers in their decision making with respect to acquisitions.			√	
Establish a purchase history with a view to developing an organizational memory and to performing an effective and efficient follow-up of files.		√		
<b>Total of recommendations</b>		<b>8</b>	<b>3</b>	
<b>Recommendations for which the implementation of the action plan is satisfactory</b>		<b>73%</b>		

**Table 2 Recommendations from the Auditor General: Governance of acquisitions**

	Applied	Application in progress		Not applied
		Satisfactory progress	Unsatisfactory progress	
Establish a strategy for implementing its vision and its mission in the acquisitions sector in order to develop a common understanding of the means necessary to making it materialize and to ensure that actions are consistent over time.		√		
Improve, in the acquisitions domain, the quality of its service delivery and increase the satisfaction of its clientele, in particular by : <ul style="list-style-type: none"> <li>▪ a better understanding of clients' expectations ;</li> <li>▪ better communication on the follow-up of files and terms of service, in particular concerning its role and delivery times ;</li> <li>▪ the establishment of a service offering that responds to clients' needs ;</li> <li>▪ the development, strengthening and maintenance of the expertise and know-how of its staff.</li> </ul>		√	√ √	
Determine the goods and services having the best savings potential and adjust its service offering consequently.			√	
Establish, in terms of acquisitions, objectives, targets and indicators that will enable it to regularly assess its performance, in particular with respect to the quality of its services, its efficiency and the savings generated by its operations.			√	
Ensure the reliability of the data that allow it to measure its performance in terms of acquisitions.				√
Implement integrated risk management in order to ensure that risks related to acquisition activities for goods and services are adequately managed throughout the acquisition process.			√	
<b>Total of recommendations</b>		<b>3</b>	<b>6</b>	
<b>Recommendations for which the implementation of the action plan is satisfactory</b>		<b>33%</b>		



**Tableau 3** Recommendations from the Committee on Public Administration

	Applied	Application in progress		Not applied
		Satisfactory progress	Unsatisfactory progress	
That the Centre de services partagés du Québec submit to the Committee an update of the action plan prepared in response to the recommendations of the Auditor General no later than October 30, 2015.	√			
That the Centre de services partagés du Québec provide the Committee with the results of its reflection concerning the definition of its service offering no later than December 15, 2015.		√		
That the Centre de services partagés du Québec carry out a reflection exercise on the governance best practices to adopt. To do so, the organization should, among other things, take inspiration from the principles for strengthening the integrity of public procurement that are recognized by the Organisation for Economic Co-operation and Development (OECD).		√		
That the Centre de services partagés du Québec put in place an integrated risk management system in its acquisition processes.			√	
That the Centre de services partagés du Québec improve the dashboard that it has already developed and submit its final version to the Committee no later than October 30, 2015.			√	
That the Centre de services partagés du Québec continue and intensify the training offered to all its staff to deepen its knowledge and enhance its expertise, particularly in the acquisition processes.		√		
<b>Total of recommendations</b>		<b>4</b>		<b>2</b>
<b>Recommendations for which the implementation of the action plan is satisfactory</b>		<b>67%</b>		



## Significance of the Logo

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

**Three dynamic lines**, illustrating:

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

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



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