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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Thursday 5 December 2002

Jeudi 5 décembre 2002

The committee met at 1006 in room 1.

2002 ANNUAL REPORT, PROVINCIAL AUDITOR

The Chair (Mr John Gerretsen): I'd like to call the meeting to order. Let me just start off by saying that Ms Martel has notified the clerk that she will be a bit late this morning, but she has asked the committee to proceed in her absence, so we can continue.

Good morning to everybody. I'd like to first of all start off with the first item on the agenda, which is the overview of the 2002 annual report of the Provincial Auditor of Ontario. Before turning to Mr Peters, I understand that not all parties may be in a position to select their areas of further study. What I've suggested is that we have a subcommittee meeting on Tuesday afternoon right after question period and, hopefully, each caucus will then bring their three selections for further study during the intersession next year. So the second item can be taken off the agenda, then.

Mr Peters?

Mr Erik Peters: Thank you, Chair. Because not all of you were able to be at the media conference, what I thought I would do this morning is just go over some of the chapter summaries from the media conference. There are other items that were mentioned in the media conference that are well known to the committee—for example, the amendments of the Audit Act and issues of that nature. But I just wanted to provide you with a little bit of a highlight of what we said and the context in which we put it.

Since 1993, when I issued my first annual report, I have repeatedly expressed the view that the legislative auditor's role is to be a catalyst for action that will address problems identified during the audits, improve the government's delivery of programs and help ensure that value for money is received by Ontario's taxpayers. To fulfil this role, we make recommendations and obtain commitments from management to take action on our recommendations.

In many cases, we find that action is taken to address the issues we raised during our audits. In other cases, however, action to address concerns we have raised has been slow, fraught with problems or is taken only when problems arise that make action imperative. Some of our concerns reappear from audit to audit. For instance, in

my 1998 annual report, I reported our concerns about certain features of the agreement of the Ministry of Community, Family and Children's Services entered into with Accenture, then Andersen Consulting, to develop and implement the necessary and complex—and I can't underemphasize that they were necessary and complex; for example, they were necessary because my office had recommended many of these steps over a period of over 10 years—business transformation of the welfare delivery system now called Ontario Works.

Based on my 1998 report, your committee also raised concerns and put them in writing in a report to the Legislature. Also, that report exhorted the ministry to try to renegotiate the contract. At that time, the ministry made efforts to renegotiate the contract and shift some of the risks from the taxpayer to Accenture. However, the binding terms of the original contract stymied that effort. As a result, the taxpayer continued to take virtually all the financial and performance risks of this project, and the consultant continued to reap a disproportionately large share of the financial rewards.

As indicated in this report, by March 31, 2002, the ministry had paid Accenture about a quarter of a billion dollars and received a new service delivery system that we found was flawed. At the time of our audit, the system had numerous unresolved defects and was not providing the expected support for the administration of Ontario Works. More time and millions of tax dollars will be required to bring the system up to snuff. In many respects, I consider this project to have been a very costly learning experience for the ministry, and therefore also the taxpayer.

One of the ministry's intentions in engaging Accenture was for Accenture to transfer its knowledge to ministry staff so they could operate the system on their own and receive all the benefits accruing from it. However, this knowledge transfer apparently did not occur, or did not occur to the extent necessary, since Accenture has recently been engaged under a three-year contract to operate the system. The \$38-million cost of this contract will certainly eat into the ministry's benefits from the new system. There's no doubt there will be benefits. Whether they're all attributable to Accenture is really what is at question, or to the extent that they are attributable to Accenture is in question.

With respect to the administration of the Ontario Works program, we found that the requirements for

determining recipient eligibility for financial assistance and for providing that assistance in the correct amount were often not met. For example, in the case of one of the service managers—and as you know, the service managers are municipalities, largely—that we visited, 95% of the files we reviewed lacked at least one of the information requirements necessary to establish eligibility and to ensure the correct amount of assistance is paid.

We also included in our report significant observations on the government's management and use of consulting services. We selected this area for audit because we had found value-for-money problems and waste in the use of consulting services in past audits. We also noted that the amount the government was spending on consulting services more than doubled between 1998 and 2002, from \$271 million to \$662 million per annum. We selected six ministries for the audit and found that, in many respects, consulting services were not acquired and managed with due regard for value for money. Key concerns included the following.

We found a number of cases where hundreds of consultants were engaged at daily rates that were up to two to three times higher than the salaries of ministry employees performing similar duties. In one example, 40 ministry employees left a ministry and returned within a few days to work as consultants at daily rates that were more than double what their salaries had been as employees.

We found that consultants for information technology projects—and probably the biggest growth area in the consulting contracting area is information technology. These consultants were engaged, at costs of tens of millions of dollars, without open and competitive tendering processes being followed for a variety of reasons. In many cases, consultants were paid amounts that exceeded the contracted amount without evidence that the terms of the engagement had been changed. In a number of instances, the ministries engaged consultants at a daily rate instead of on the basis of a fixed price for a fixed deliverable. This is not a good practice in that it means the longer it takes consultants to complete an assignment, the more they will be paid. In following this practice, the ministries were also unnecessarily assuming the risk of missed deadlines and cost overruns. Similar problems in consulting services also figured in some of our other value-for-money audits of government programs.

Some of the other significant observations in my report this year include the following—and this is sort of the listing of some of the major chapters that I wanted to bring to the attention of the committee.

In our audit of the community services program of the Ministry of Public Safety and Security, we found that, at the time of our audit, an estimated 10,000 arrest warrants had not been carried out by the police for offenders who had failed to report to their probation and parole officers and could not be located. Some warrants had been outstanding for up to 10 years, and many were for offenders

who had committed serious offences, including sexual assault and other violent crimes. While we recognize that once a warrant is issued, the police, not ministry staff, are responsible for apprehending the offenders, the ministry and the police need to work more closely together to capture these high-risk offenders so as not to expose the community to significant risk.

On this one I just want to add a brief comment, if I may. Apparently, a scrum took place between the minister and journalists, and I was not there. Four journalists have phoned me since that scrum took place. All repeated the same words to me, that the allegation was made that the number 10,000 was considered inaccurate or misleading.

As I said, I was not there. All I can say about this is that we go through a very rigorous fact-clearing process. We communicated in writing with the ministry beginning in June 2002, and the last communication took place—a letter from us to the ministry—on November 13, 2002. In none of these cases has the ministry disputed our numbers. In fact, just to round out the record, as a result of the communication of November 13—which is the final one where we're sort of saying, "This is what we're going to say. Are you OK with this in terms of facts?"—two deputy ministers came back to us and said, "We would like you to make factual adjustments." We investigated their request and found that they were correct, and in fact our report was adjusted for those two deputy ministers' requests. We had no such request at all from the Ministry of Public Safety and Security. There was no indication from them that our facts were not accurate.

Also, I should add that the 10,000 number—the minister is right; he stated in the House that was done by extrapolation. But it was not just that we cleared the number with the ministry; we cleared also with the ministry the methodology we used to determine that number. In fact, at one stage there was a higher number being discussed and we ourselves felt that we should adjust the methodology to a somewhat lower number, and that is the number we used in the report. So the methodology was agreed to with the ministry and the final number was agreed to with the ministry and considered by the bureaucrats in the ministry to be factually correct.

So the new information that has come out, which according to Hansard came from CPIC, is of some concern to us largely because CPIC is a system operated by the RCMP, and CPIC is a system where not necessarily all police forces enter the information. On top of that, to the best of my information, CPIC is not intended to provide statistical information. CPIC is actually intended to be of use to the police forces in their investigation of individual cases.

Mr Bruce Crozier (Essex): CPIC is, for the record?

Mr Peters: For the record, I don't know. It's the Canadian police—

Mr Crozier: That's why I asked. I'm not sure either.

Mr Peters: It's the Canadian police—

The Chair: Canadian police intelligence—

Interjection: Commission?

The Chair: Commission, I guess.

Mr Crozier: OK. Never mind. It's a small point.

Mr Peters: I wish I knew. I probably have it in my data somewhere, but—

Mr Crozier: We all know what it is—

Mr Peters: I may put it on the record after.

The concern is that we would be quite satisfied if the minister had said that he provided an update, but our number was clearly cleared with the bureaucrats of the ministry and it could not be characterized in any way as being either inaccurate or misleading. We clearly identified it as an estimate, we clearly agreed upon the methodology with the ministry and we clearly had no concerns expressed to us by the ministry on repeated requests for factual clearance that we were not accurate or that this was in any way faulty.

With respect to community mental health services, we found that the Ministry of Health and Long-Term Care did not have sufficient information to assess whether mentally ill people were being adequately cared for and whether funds provided for community-based mental health services were being prudently spent. This has been, again, a long-standing concern of my office. We have raised these issues in the past.

1020

In our audit of the activity of long-term-care facilities—again, issues we have raised in the past—we noted that the Ministry of Health and Long-term Care had not developed the necessary staffing standards for long-term-care facilities to ensure that residents are receiving the appropriate quality of nursing and personal care. As well, the ministry had not taken action on the January 2001 consulting report, which stated that residents of Ontario's long-term-care facilities receive less nursing and therapy services than those in similar jurisdictions with similar populations.

With respect to our audit of the Ontario Parks program, we noted that in many respects the Ministry of Natural Resources did not ensure the sustainable use and development of park resources and did not have an overall strategy in place to manage species at risk of extinction in the province.

I'm going through the value-for-money audits. There are other issues that I consider of equal importance as well. This is not necessarily a ranking; the sequence is not a ranking of issues.

As for our audit of the tourism program, we noted the fact that at least 11 provincial ministries have a tourism objective as part of their mandates. Given the significance of tourism to the Ontario economy—the estimate we received is about \$17 billion a year—we concluded that the Ministry of Tourism and Recreation had not taken a proactive leadership role in developing a long-term strategy to coordinate the many activities of public and private sector organizations that contribute to the promotion of tourism in Ontario. In addition, there were other weaknesses relating to the economy and efficiency in the delivery of the program. For instance, we noted that the main tourist guide lists only 1,400 of the estim-

ated 8,000 tourism facilities, and the 2001-02 winter events guide was published and distributed after some of the events listed in it had already taken place.

In our audit of corporations tax, we found that the Ministry of Finance did not have adequate policies and procedures in place to ensure that corporations tax was paid by corporations in accordance with statutory requirements. Specifically, almost one in two corporations on the tax roll did not file the required tax returns. This represents a significant jump from 1996, when we noted that one in five corporations did not file the required returns. At that time, even one in five was of concern to us and, I believe, to the taxpayers.

Corporations with revenues under \$500,000, which represent 87% of the corporations on the tax roll, were virtually excluded from the ministry's field and desk audit activities. Such audits are necessary to help close the corporations tax gap, which is the difference between the amount of corporations tax that is collected and the amount that should be collected. We found evidence to suggest that the tax gap may well be substantial. The ministry did not assess or evaluate the extent to which the overall tax gap affected provincial corporations tax revenue or the collection effort.

I would like to make one comment on one of the follow-ups we conducted of the audits we did two years ago. In 2000, we had reported concerns with the costs and completion date of the Ministry of Consumer and Business Services project to automate the land registration system. The results of our follow-up indicate that we were right to have those concerns. The original plans called for the project to cost \$275 million and to be completed by 1999, and to include 100% of the properties in Ontario. In the revised plan, negotiated in 2002, the project is expected to cost \$680 million, \$405 million more than originally projected, and to be completed in 2007, eight years later than the original schedule. Furthermore, only 87% of the properties will be converted and automated under the revised plan and, as I mentioned before, the original plan was to do 100% of the properties.

As I note in this year's report, I continue to have concerns about the government's plan to recover the \$20.1 billion of stranded debt of the electricity sector from the electricity ratepayers. In my view, there is a significantly increasing risk that taxpayers and not the ratepayers will ultimately have to absorb that debt, either in part or entirely. I hold this view, first, because the stranded debt has increased by about \$700 million since the restructuring of the electricity sector in the spring of 1999 and, second, because the financial performance of the electricity sector in the 2002 fiscal year was well below expectations and resulted in Ontario's taxpayers absorbing \$341 million of electricity sector costs.

I should also mention that if you look at the public accounts, there is also a restatement of the results of the electricity sector for the preceding year, which is a significant downward revision by about \$226 million—from about \$244 million down to \$18 million. That is in the public accounts of the province.

As well, the earliest estimated date for paying off the stranded debt has been delayed by two years, from 2010 to 2012.

I should add to the last comment that I made about the \$244 million moving down to \$18 million was that that was a result of new accounting rules established by the Canadian Institute of Chartered Accountants. They were retroactively applied by the hydro company. There is nothing wrong with it; it was the right thing to do. They were new accounting rules. It's not a matter of poorer performance or anything like that. It was simply a retroactive application of accounting rules that, for example, the government itself has opted to apply prospectively, which was also allowed under those rules. So it was both ways.

My concerns about the recovery of the stranded debt have been further heightened by the potential impacts of the recently announced plan to freeze electricity rates and of the delays and cost overruns in bringing Pickering A on stream.

In future, I urge the government to carefully evaluate the impact of any planned privatization or any other changes in the electricity market on the ratepayers' ability to pay off the stranded debt and the time required to do so.

I should add, having talked about the finances on the positive side, I'm pleased to report that the government recently announced that as of April 1, 2003, the province's financial statements, budgets and estimates will all be prepared on the same basis of accounting, which is the full accrual basis of accounting. This will bring all financial reporting in line with the accounting standards which are recommended for governments by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. For several years, I have been advocating this new and consistent approach which will result in improved financial accountability and more useful information for government decision-making. I'm very pleased to note that.

That pretty well concludes the comments that I want to make as an opening. I'd be happy to answer any questions the members may have.

The Chair: Any questions or comments?

Mr Crozier: Mr Peters, on the question of figures that are in your annual report, this one in particular but others, when those figures are questioned, and particularly when they're questioned outside of the Legislature—here is where my question is going. You're an officer of the Legislature and report to the Legislature. What method do you have of responding to some comments that may be made about your report, and does it impede or frustrate your office in any way when some of these comments are made?

Mr Peters: To answer the second part first, it doesn't directly impede the work. Certainly any action that is taken that questions the credibility of the report is of concern to us. That leads to answering the first part of your question.

The best way that I have available is to raise it with you, because my report is referred to this committee for

future action and it is important for you to know what my response is to these challenges that are made to my report. That's what I've done today. I've alerted you to the challenge.

I have also alerted you to the fact that I was not there when the comments were made and that I had to react. The only point that brought it to my attention was that I had four journalists phone me and ask for my reaction. I told all of them that I was not there and that all my comments are prefaced by the fact that I was not there. What did concern me was that the wording of the statement that was referred to me was identical in all four cases. That added credibility that there was something said that I had to react to.

1030

Mr Crozier: Just as a follow-up comment—

The Chair: What I'm suggesting is that we go in rotation. Let's say about 10 minutes for each caucus for the first round. You've used about three minutes, so go ahead.

Mr Crozier: Just as a follow-up comment, this committee has always been one in which I think we have been able to approach subjects in almost a non-partisan way. I am one who feels that it is within this committee that we then can allow the auditor and ourselves to express our opinions so that the integrity of the Office of the Provincial Auditor is always maintained at the highest standard. I'll conclude my remarks with that.

Mr Dave Levac (Brant): Thank you, Mr Peters, for your clarification, because there are some things that concern me. I want to follow up on that last statement by Mr Crozier with a question to the Chair regarding that. Can this committee offer any kind of comment to the House regarding the behaviour of any other member in this place?

The Chair: Are you asking me that?

Mr Levac: Yes. Does the committee have the authority, in its reporting back to the House, to make comment on issues regarding the auditor's report subsequent to the reporting of the House? If you report to the House, which you do—the committee reports—and you're offered an opportunity by the Speaker to make comment, are there any comments from the committee? If this committee decides—

The Chair: The reports that I present to the House are reports that have been approved by this committee. They are filed with the House and comment is made on them in the House.

We don't comment on the conduct of individual members of the House, either inside or outside the House.

Mr Levac: OK. Then can I follow up with that?

The Chair: But the concern of the committee traditionally has been the integrity of the Office of the Provincial Auditor.

Mr Levac: Therefore, if this committee decides that the integrity of the auditor has been challenged or has been sullied in some way, is it permissible for this committee to stand in its place to talk about the auditor's credibility and the process that was used to do his report?

The Chair: The committee operates by way of motion and passed motions.

Mr Levac: Having said that, I want to continue, then, because I need a clarification from Mr Peters. What was the earliest date that you started to communicate with the Minister of Public Safety and Security regarding the process and the numbers that you were going to use in the report? You said the last one was November 13, 2002. What was the earliest one?

Mr Peters: In a more formal way, of course, my staff continually has discussions with the staff of the ministry. I would think that in a verbal way this was raised as early as March. But in a more formal way, and with senior management of the ministry, our communication started in about June.

The Chair: Just so there's no misunderstanding, you talked about the minister.

You always deal with the ministry, Mr Peters?

Mr Peters: The ministry. We never dealt with the minister.

Mr Levac: I'll correct my word. Instead of saying "minister," I'll say "ministry."

Mr Peters: A very good correction, because in our audits we deal with the administration, not with the political side of any ministry.

Mr Levac: Thank you. What you also indicated to me—I think you said that between March and then starting officially or more formally from June to November 13, there were no responses back regarding the dispute of the numbers used, as in the arrest warrants outstanding at 10,000, or even the process or the methodology used to come to that conclusion.

Mr Peters: I can confirm to you that the senior management of the ministry neither questioned the methodology nor the number.

Mr Levac: As far as information is concerned with regard to CPIC, it's clear that CPIC is not a statistical data bank. It is a warehouse of information provided to law enforcement officers to use in the dispensing of their job, and not all police services submitted their outstanding arrest warrants to CPIC.

Mr Peters: On the last part, to the best of my knowledge, not necessarily all police forces enter their information. But we know very little about CPIC itself, so it would be beyond my purview to comment whether it cannot be used at all for statistical purposes. All I was relating was that the principal purpose of CPIC is to aid police officers in their investigations.

Mr Levac: I would confirm that. In my discussions with that office, it's a warehouse of information for police services, led by the RCMP, to give them information to conduct their business. It's not a statistical data bank. Having said that, I personally want to tell you I have no doubt that what you provided us was a good snapshot, a clear and factual report about the concerns you were raising inside that ministry regarding arrest warrants and any other issues that come to the fore. I congratulate you on such a thorough report and thank you for keeping the communication with that ministry open

from as early as March right through to November to ensure that those numbers you are using are factual.

The Chair: That's the 10 minutes.

Ms Shelley Martel (Nickel Belt): Erik, with whom in senior management did you have discussions? Was it with the DM or ADM of that particular division? Who was your staff dealing with?

Mr Peters: My discussions are virtually all at the deputy minister level.

Ms Martel: So it would be hard to imagine that the deputy minister wouldn't advise the minister (a) of the audit going on and (b) any concerns that there might be.

Mr Peters: I have difficulty commenting. How they communicate internally is their—I should add, though, that the deputy minister who was in charge of the department when we did the audit retired and left the department in July. Since that time, the duties of the deputy minister were shared between two ADMs who were in an acting capacity. But I've communicated with both of them.

Ms Martel: In any event, the bulk of your work would have been done by March 31, 2002.

Mr Peters: That's right, the fieldwork was done.

Ms Martel: So by July they would have seen everything that had to be seen and they would have seen your draft documents in terms of the report.

Mr Peters: Yes.

Ms Martel: They would have also drafted their own recommendations at that point, I would assume, to share with you.

Mr Peters: Not only the recommendations, but they were also drafting their responses to our recommendations.

Ms Martel: Let me move to our friends at Accenture for the fourth time that they have now been before this committee. I listened to the minister's scrum after the report was tabled and after there were some questions in question period. The minister essentially said that the technology is working and that there's no problem here. Do you want to comment to the committee about what you found when you did your review of this database?

Mr Peters: Allow me to go into my report specifically. I'll just go to chapter 3.01, which you have available to yourselves, where we talk about the new delivery system, starting on about page 36. I don't need to reiterate that if the committee decides, for example, to have the ministry here, you may want to go into all the problems. But, for example, on page 37, we noticed that "When service-manager staff encounter a problem with the information technology system, they ... contact their on-site expert who reviews the problem and determines whether it can be readily resolved. If the problem cannot be resolved, it is reported to the business transformation project's help desk, which prepares and logs an issue ticket. These tickets are then referred to business analysts and technical experts for their consideration...."

"If the problem is found to be valid, the analyst or technical expert creates a system investigation report (SIR). Because particular problems are likely to be

reported by various local offices and ticketed a number of times by the help desk, duplicate tickets are consolidated into one SIR.

“As of February 2002”—and that was in the middle of our audit—“the business transformation project had accumulated 10,600 SIRs. Of these:

“Nearly half were classified as ‘system defects’”—this was agreed to with the ministry; these are facts; these were all agreed to with ministry staff—“of which 540 were unresolved at the time of our audit; and

“Approximately 5,700 were considered emergency or high-priority items of which approximately 550 were unresolved.”

1040

Ms Martel: Erik, when it says “system defects,” does that mean this is an issue that the system has to be overhauled? It’s not something that’s going to be resolved quickly.

Mr Peters: Clearly, many of them were resolved quickly, when you look at the numbers. In other words, if they had 5,700 and were able to reduce them to 550 in a relatively short period of time, that means they did resolve them. That’s actually a very good performance. If you resolve 90% of the problems in fairly quick order, that’s not a bad performance. The problem is with the 540 system defects.

Ms Martel: That’s what I mean.

Mr Peters: They may probably take a longer period of time, but that may be a good question to ask the ministry, if you have them before you.

“Based on our review of the system and discussions with service-manager staff, identified system deficiencies can be ... categorized” into three groupings: “a failure to meet ministry or service-manager needs.” Those are largely information needs. Did we overpay anybody? How much did it amount to? What is our cost to deliver services? What is the information base on which we can charge the ministry for the administration costs which the municipalities do?

“Unexplained errors and omissions.” We highlighted one of them, for example, unexplained issuance of over 7,000 payments worth \$1.2 million to ineligible people.

“Internal control deficiencies.” That one is of major concern in two respects. One is that we’re very concerned that there’s inadequate segregation of duty for individuals at ground level. They can add and delete files on their own authority and have access to the system without the checks and balances in place. We go into it at length, but this is just an initial answer to your question.

But the three intents that we have are to “reduce the time spent by caseworkers on clerical and other administrative duties thereby freeing up more time for providing services to Ontario Works recipients, including time spent on the program’s employment focus.” We found there were difficulties in that. Largely the system was put in in January, so it is fair that there was a learning curve. But at the time we did the audit, there was certainly a lot of time spent by caseworkers on becoming familiar with the system, entering data and understanding how the

system works. So the first objective at that time was at least not met.

“Provide more timely and accurate determination of recipient eligibility thus reducing overpayments, inappropriate payments and general system abuse.” That’s essentially the upfront system that they’re talking about, where people phone in and are guided through a raft of questions. There were some concerns which occurred subsequently. If we had a hearing, I would bring this out. For example, I received one letter from a municipality that claims their costs have doubled and they are therefore abandoning the front end. That was subsequent.

“Improve access to the information necessary for effective program management and ministry oversight...” That was a problem area when we did the audit. Admittedly, it was in its infancy and starting out, but the size of the problems and the complexity were such that we felt that these things would take quite a bit of time to fix up and also quite a lot of dollars.

Ms Martel: Dollars to fix.

Mr Peters: Dollars to fix, oh yes.

Ms Martel: Any idea how many?

Mr Peters: No, we don’t.

Ms Martel: The \$66 million that was paid to Accenture over the \$180-million cap—I understand where \$22 million was. It was essentially work that the ministry had agreed to do and didn’t, so Accenture did it. What about the balance? What was that money for? What were they being paid for?

Mr Peters: Walter, would you—

Mr Walter Bordne: It’s actually detailed in the report.

The Chair: I wonder if you could come forward here and take a seat.

Mr Peters: Which page are you referring to?

Ms Martel: It’s on page 31.

Mr Peters: Page 31 produces the detail: the out-of-cap payments, our production support, help desk, application maintenance, out-of-scope work, and then there was \$22 million included which was the performance of ministry work.

One of the main difficulties that we pointed out in the previous reports—and I think this committee dealt with this as well—was the lack of definition of costs that were in the cap and outside the cap. One of the difficulties we found was that, even on renegotiation, there were difficulties in defining these particular costs.

Ms Martel: Have you seen the details of the new contract that has been signed with Accenture?

Mr Peters: No, we haven’t. That only happened, I believe, in November. So that’s very recent.

Ms Martel: When you were doing your audit, did the ministry indicate at any time that they would be extending their contract with Accenture for another three years?

Mr Peters: There were indications that they were considering at the time to go for a request for a proposal,

that they would make a proposal to get assistance in operating the system.

Ms Martel: Do you have a clear idea of what Accenture is going to be doing for this \$38 million?

Mr Peters: No, we have not seen the RFP or the exact terms of the agreement.

Ms Martel: So even though you were doing work in the ministry, all you understood was that there might be an RFP. The ministry didn't tell you what their needs were, what the reason was behind actually having to go out and do an RFP on a system that should be functioning by now.

Mr Peters: It wasn't that they didn't tell us; they just had not developed the RFP. But they had recognized fully that they needed assistance to operate the system. The \$22.2 million was the first indication that the ministry could not do the work they expected to do themselves, that they needed help.

Ms Martel: Did they explain to you why that was, why they were in a situation where, after paying Accenture since 1997, they still haven't been able to learn how to use the system themselves?

Mr Peters: Yes. We deal with this on page 35: "One of the objectives of the partnership between the ministry and Accenture was to foster sufficient knowledge transfer from Accenture to ministry staff to allow the transition of the operation and maintenance of the new information technology system from Accenture to the ministry upon completion...."

So one of the key areas is certainly that, as we say in there, "...the anticipated knowledge transfer was not sufficiently advanced with the result that the ministry was not in a position to operate and maintain the information technology system. Instead, Accenture and other private sector consultants provided nearly all of the technical resources necessary for completing, maintaining, and operating the information technology system after January 2002"—which was on the completion of the system—"at a substantial cost to the ministry. For example, Accenture's services were extended from January 26, 2002 to March 31, 2002"—so there was already an original contract—"to provide technical maintenance services at an estimated cost of \$5.7 million." Then, as I indicated before, "We understand that at the time of our audit the ministry was in the process of finalizing a decision on a request for proposals for technical maintenance services...." So that's covered in the report.

I think Walter is pointing out that, in the overall response, the ministry indicated to us that they were aware of the problem. They said, "Many of the issues identified by the Provincial Auditor were known to the ministry through its rigorous feedback process with users. We are continuing to address those issues with our delivery partners. The design allows for continuous improvement over the next few years, enabling the ministry to make many modifications and enhancements, working hand in hand with our other partners—the consolidated municipal service managers."

The Chair: That's on page 29. Can we turn to the government side now.

1050

Mr AL McDonald (Nipissing): Mr Peters, I don't really want to get into the area of who said what, but just for my own interest, you used the figure of 10,000 outstanding arrest warrants and you used the word "extrapolation." That's an awfully big word. Could you tell me what your definition of that word is?

Mr Peters: Well, there are over 40 units that provide parole services. We looked at—

The Chair: When you say "units," you mean different offices?

Mr Peters: Different offices that have parole officers in them. We visited a limited number of these, but offices that had a substantial caseload, and we found in those offices that there were significant numbers of outstanding arrest warrants.

We then said to the ministry, "Rather than visiting all the others, can we, together with you, the ministry, determine a methodology? Would it be fair to say that if we took all of them into account, the population would be a certain number?" Actually, as I said, it was originally a higher number, and we stuck it back, and the ministry said, "Yes, that's a fair assessment." When we said that one of them was over two years, that was certainly in the offices we visited. There may be others or whatever, but we were quite clear on that.

That's why we carefully couched it in the words that this was an estimate at the time, but it was a mutually agreed-upon estimate between the ministry and ourselves. The ministry's concern was actually not so much the number; the ministry's concern was that they considered the execution or carrying out of arrest warrants a police responsibility and that their responsibility stopped at the point of issuing the arrest warrant, of saying, "This particular person has not reported or has done something to violate parole." Then they considered it a police responsibility.

There are difficulties for the police as well. That's why I added the words "could not be located." For example, if the arrest warrant is issued by an office in Peel but the person against whom it is issued moves to Durham, how do you—

Mr McDonald: So I guess the definition really is a best guess used in a formula and multiplied by the number of offices.

Mr Peters: That's right. It was the best estimate.

Mr McDonald: So it really is an estimate, a best guess?

Mr Peters: That's all we said. So that's my answer.

Mr McDonald: I just want to go back to your comments about CPIC. You said that to the best of your knowledge, most police forces don't input information, or that you believe that maybe not all police forces input their information. If I'm driving down the road and I get pulled over by the municipal force or the OPP, what system do they check to see if there are any warrants against me?

Mr Peters: In the province of Ontario they actually—I'm not sure whether they have advanced yet. They used to have something called OMPPAC. It was an Ontario police force system. They would actually go first—or did at the time we did the audit—to a provincially operated system.

Mr McDonald: Would all the police forces in Ontario then input that information on that system?

Mr Peters: I'm not sure where they stand on this right now, because the system itself was part of the integrated justice system project. The revision to this is really part of that integrated justice project which we dealt with in this committee a little while back. So I can't answer your question as to the current status. I believe there has been an update of the system, but that would be the system that would be used in the province of Ontario.

Mr McDonald: You said that maybe this system couldn't be used for statistics, but if I have a warrant against me and I get pulled over and there isn't a system to say, "Yes, he has a warrant against him," or the police forces aren't all required to input the information into a central data bank, which is basically what this is. It was referred to as a warehouse of information. Is that not where we can get the exact figure, then?

Mr Peters: The police officer can get information on the particular individual they're confronting or dealing with at that particular time, but the system itself does not produce at this time to say there are so many arrest warrants outstanding. It will give the information on the individual.

Mr McDonald: So all the information is inputted, then.

Mr Peters: No, I have to say, to the best of my knowledge. We were informed by an OPP officer that not all municipal forces, for example, in Ontario put information into CPIC. And also the officer informed us that the system is not designed to provide statistics, and actually they have to go through extra hoops and difficulties in providing statistics out of the system. If the minister wants to do that, that would be great. That's up to their—

Mr McDonald: OK. Mr Peters, I just want to go back to one comment you made. You said when you went to the senior staff or the deputy ministers or the ADMs, they neither questioned nor disagreed with your figure.

Mr Peters: Uh-hum.

Mr McDonald: I guess, as an individual, does that make that right, though?

Mr Peters: That means that they agreed to the figure. We write the letter specifically. We say, "This is being sent to you for factual clearance," in all respects. These are words that we specifically introduce. So we are saying, "If you consider our facts wrong, let's meet, let's discuss and we'll check what the facts are." As I indicated, this vehicle is used in our audit almost continuously, but it was not in this particular case by the ministry. The ministry never came back to us. It doesn't mean we didn't clear other facts, but certainly this fact was not challenged.

Mr McDonald: OK. Just one final question and maybe I'll let the other members have a question. It says here on page 227, "We did not rely on the Ministry's internal auditors to reduce the extent of our work because they had not recently conducted work within the scope of our audit." So you're making reference that you didn't rely on the ministry's stats, but you did ask the question.

Mr Peters: A little bit different: we didn't rely on internal audit work, because what we are trying to do is—for the efficiency of the audit, we like to rely as much as we can on internal audit work done by the ministry. What we found here is that the internal audit had not done work on this parole system. But they would certainly be involved in the factual clearing process. It's part of our rules that we involve the auditors as well.

Mr Raminder Gill (Bramalea-Gore-Malton-Springdale): In terms of family and children's services—I think we were talking about the computer system previously—are you saying that in your opinion, the computer system is inadequate and it needs to be changed, or are you saying there are some system defects that are being addressed—90% have been addressed and the rest are being addressed?

Mr Peters: Yes, I think the words we're using are that at the time when it was put into being, it was still not sufficiently tested out, and it created certainly these SIRs and, yes, they were working on them and they were clearly working on them with—they couldn't work on them on their own. That's the point we're making. They had to hire consultants to further improve.

Mr Gill: You're not saying that the system needs to be scrapped and something else needs to be done, though?

Mr Peters: No, not scrapped, but it's certainly in need of significant improvement in a number of areas: in the areas of providing information for the proper administration, in the areas of internal control and in the areas of being transparent to the people who work with it to find out what is going on inside the system. For example, why does its spew out cheques that they don't know what they're for?

Mr Gill: In terms of the cost overrun—you know, \$40 million or whatever—you're not saying this is money wasted; you're saying they just did not identify that this work has to be done.

Mr Peters: Well, there are two answers to the question. In the previous two audits, we were told that there was some measure of pride, actually—and that was expressed before this committee as well—that they would contain the costs to the \$180-million cap. There was an expectation that the \$180 million would be it. We found in this audit that that wasn't it. There were costs that were not defined. There were also changes made to the ministry, saying that work they were planning to do themselves now had to be done by the consultants. So the cap was not maintained. It was initially considered a generous cap.

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Mr Gill: Going back to the Ministry of Public Safety and Security, if you want to touch base on that, is it the

first time somebody has sort of come back and said, “You know, I don’t agree with your numbers,” or do you go through this every audit?

Mr Peters: No, it has happened before, but normally—in fact, in recent times there was one particular instance where the ministry engaged a consulting firm to attempt to contradict our numbers, and the report was filed with this committee. It was at that time an instance where, again, even the consultants’ numbers did not stand up to the test.

Mr Gill: So it’s not the first time, though, somebody—

Mr Peters: It’s not the first time. It has happened, but our process has proved to be pretty well ironclad.

Mr Gill: Thank you.

Mr Garfield Dunlop (Simcoe North): A couple of quick comments. One, I just wanted to say that I was involved this summer in a pilot project with the OPP, where they were putting computers in their vehicles. I believe there were 300 vehicles in the province that followed the 400 series of highways, basically the cellular range of them. My understanding was that in those vehicles, that system they had in place was in fact able to do CPICs and all that sort of thing. It’s sort of a pilot project for police in their cruisers so that when they pull someone over, they can identify very quickly if there have been problems. My understanding was that system wasn’t the same as that of some of the larger urban police forces, that in fact they have different ones across the province. I just wanted to put that on the record, that that is a pilot project the Ontario Provincial Police are working on. I think they are planning on expanding it across the province.

I’m always curious with the Provincial Auditor reports and the Auditor General reports, because my whole life I’ve been waiting for one to come out and say good things about the government.

The Chair: Oh, he did. You didn’t listen to the last part of his speech. He also said something good about the Audit Amendment Act, Bill 5, that it should be passed.

Mr Dunlop: Oh, I see. I wasn’t going to get into Bill 5. But I’m curious, with the size of government—and in particular this week when we had the Auditor General in the federal system and yourself here in the provincial system both release your reports, on maybe the same day, I think it was. How much contact do you actually have, or do you have any at all, with the Auditor General when we talk about the transfer of funding between so many different agreements that exist between the province and the federal government?

Mr Peters: Well, our contact is on a collegial basis. To talk to the date—actually, Sheila Fraser and I were in communication about the date, but by that time, my date had been cast in stone. I had written to the Speaker saying we were going to do it on a certain day. They were in a position where they just had to file, because I believe the federal Parliament is rising at the end of this week. So they had to get their report in on the calendar

year and that was the last date they could. So we finally said, “Let it take its course,” and we filed the same day.

As far as working together, in the report there’s actually one example where we worked together very strenuously, and for my office to work very strenuously on behalf of the province, and that was a result of the CCRA error that was made. If you recall, there was an error made by the Canada Customs and Revenue Agency. We agreed that we would work together with the Auditor General actually in the examination of the CCRA records to try to determine the extent of the error.

Mr Dunlop: So there definitely is contact, is what the point is.

Mr Peters: There is contact by the score. We talk to each other where we have overlapping programs or similar programs or similar problems. For example, in this report I raised the Ontario Innovation Trust again. Our problem is now in the \$1.1-billion range. The federal government’s problem is in the \$7-billion range.

The Vice-Chair (Mr Bruce Crozier): Former Chair, is that round finished?

Mr John Gerretsen (Kingston and the Islands): I think that was 10 minutes. We may want to do another one.

The Vice-Chair: Just for the committee’s information too, I have been doing a little bit of investigating. OMPPAC is the Ontario Municipal and Provincial Police Automation Co-operative. That’s almost out of use now.

Mr Peters: That’s right.

The Vice-Chair: It’s old-fashioned. CPIC is the Canadian Police Information Centre. So there you go, a couple of acronyms and we now know what they mean.

Would the committee like to do another round, say, of 10 minutes each on this? We’ll move on to the Liberal caucus.

Mr Gerretsen: I would like to go back to the whole issue relating to the Ministry of Public Safety and Security. What concerns me more than anything is the position of your office on this, sir. I think one of the most progressive moves that has been made by government over the last 10 years or so is to set up various offices of the Legislative Assembly, such as the Environmental Commissioner. I know that your office has been around ever since Parliament started back in the 1870s. It’s the notion that you report to the Legislative Assembly. You don’t work for the opposition, the way I understand it. You don’t work for government. You report on how you, as an independent agency, as such, see the finances of the province or how you see the money being handled by the different ministries and the integrity of the office. Let me just ask you point-blank: if what is reported to have been said by a minister of the crown was actually said, and that is that somehow the report was misleading in some respect—

Mr Gill: He didn’t say that.

Mr Gerretsen: I said “if”—would you feel that that would, in effect, attack the integrity of your office?

Mr Peters: I would certainly feel an obligation to set the facts straight. It would be of concern, yes.

Mr Gerretsen: Let me get into a totally different area, because the government member is somewhat nervous about this, I take it.

Mr Gill: It was a hypothetical question: "If this happened, then what?"

Mr Gerretsen: There are allegations out there from the media that this is what a minister of the crown has said: that this report was misleading.

Mr Gill: Yesterday in the House the minister said, "I didn't say it."

Mr Gerretsen: That's OK.

The Vice-Chair: Order. Let's keep this to comments between members and the auditor.

Mr Gerretsen: It remains to be seen whether the evidence is out there.

Let me ask you about the corporations tax situation. I find it incredible that apparently almost half of the Ontario corporations out there don't file an annual report, whereas it used to be one in five, which, as you stated, is quite high as well. Do you have any opinion as to why this is happening? Is it a question that there just isn't enough manpower or human resource power within the ministry to, in effect, send out the regular notices that used to be sent out? Do people have to file? Is that the main reason behind it?

Mr Peters: There are two that come to my mind. Walter, if you want, you can add. Walter Bordne was on that audit as well, so I'm glad he's here. As you can see, my guys are doing double duty. There are two answers. One is a matter of effort that is made to follow up with these entities. The other is, potentially, rule changes. The one rule change that comes to mind—Walter, again, jump in if you want to correct me—is that corporations were, in the past, entitled to file an exempt-from-filing certificate of some sort. That certificate was good for life, virtually; they didn't have to renew it. The procedures have changed. The corporations now have to file an annual information return that they're exempt from filing. That was one of the documents that was missing. Many corporations have not filed this exempt-from-filing. So we don't know and the ministry does not know whether these corporations are still active, whether they're inactive, whether they're still exempt from paying corporation taxes or whether they should still be paying corporation taxes. Can you think of any others?

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Mr Bordne: No, those are the two main ones.

Mr Peters: Those would be the two main reasons.

Mr Gerretsen: So what conclusion did you come to, then, from the fact that the corporation taxes from the economic statement that was filed yesterday in Ontario have actually gone down from some \$9 billion to just slightly over \$6 billion? I think there's about a \$2.6-billion difference in the corporation taxes that were collected last year over this year. Is there any connection in the fact that it has gone down by \$2.6 billion? Do you attribute that completely to the fact that the filings weren't done?

Mr Peters: No. At least the official reason that we received, and we had no basis for challenging the original one when we did the public accounts, was that there was in fact an economic downturn. I believe some element of reducing the rates at which corporations paid taxes was also involved in the year-over-year decline. There's no question that more appropriate effort in following up on these filers that are in default would probably increase the collection of taxes. There's an element in there, but how much of it pertained to that particular aspect neither the ministry knew nor did we know.

Mr Gerretsen: I have one other issue, very quickly, and that deals with the stranded debt of Ontario Hydro. If I read your report correctly, you're saying that as a result of the revenues not being as high as anticipated, in effect another \$341 million has been added to the stranded debt of the province.

Mr Peters: No, \$341 million of costs were absorbed by the taxpayer. This gets fairly complex. What was happening—let me back you into this for a minute. When the restructuring took place, the government also allowed the new companies to split their total debt into two portions: an equity portion and a debt portion. The equity portion was close to \$9 billion, about \$8.885 billion. The interest on that debt is absorbed as a cost by the taxpayer. So \$520 million is provided for in the public accounts annually. The decision was made that if the net income of the successor companies of Hydro were to exceed the \$520 million, every excess available would go to pay off the stranded debt. What happened in the year 2002 is that the combined income of both entities was only \$179 million, so it fell short. The government, therefore, did not recover all of the \$520 million from the electricity sector. Therefore, the difference between \$520 million and \$179 million was charged against the operating result, if you will, of the province.

Mr Gerretsen: So basically the debt of Ontario Hydro, in one way or the other, whether it's stranded debt, taxpayers' debt or ratepayers' debt, went up by an additional \$340 million. There's \$340 million more debt now than there was at the beginning of the year as a result of—

Mr Peters: This is a question that's open for debate, whether the \$341 million was met by issuing new debt or was taken out of the revenue for that particular year. It does not necessarily mean that the debt increased by that amount. It gets very complex, but the \$341 million had to be met somewhere. But I cannot point with certainty to the fact that it was met out of new debt or whether it was met out of tax revenues we earned in that year.

Mr Gerretsen: It could have been paid for last year, in effect, out of the general revenues of the province.

Mr Peters: Absolutely, that's the answer.

Mr Gerretsen: All right, that's all I wanted to say.

The Vice-Chair: You have about two and a half minutes or two and three quarter minutes.

Mrs Lyn McLeod (Thunder Bay-Atikokan): I'll just ask a quick couple of questions in areas that we might not get to.

You do follow-up reports on ambulance services and you cite the fact that the ministry has said that they have now put response time templates in place. Do you have any access to the information that would tell you, first of all, whether or not the response time templates meet or exceed the 1996 standard that was in place—or was supposed to be in place—when your last report was done? Second, your concern two years ago was that even that 1996 standard was not being met in I think about 50% of areas. Do you have any up-to-date data on whether the new response time standards are being met across the province?

Mr Peters: In this follow-up review we didn't get into that sort of detail, but it is certainly on our plate to look at in the future.

Mrs McLeod: You will be coming back to it?

Mr Peters: Yes.

Mrs McLeod: That's good.

I'm just going to touch on a number of areas, just to sort of flag them. The child welfare services program: again, in your report two years ago, you had made a number of recommendations about the need to provide support—at least that was my interpretation—for child welfare agencies to be able to meet at least the minimum standards of child protection that were required under the law. The ministry responded by saying, "We're going to take corrective action." Again, I guess you're not able to get in enough depth to find out whether the corrective action was taken or to deal with the ongoing deficit financing that CASs are having to do?

Mr Peters: I would have to go to the specific response. Do you have the page?

Mrs McLeod: They start at page 326, or on 328, the recommendations that directives be issued. There were directives around the compliance.

Mr Peters: Let me just take a very quick look. Is it the licensing you're referring to?

Mrs McLeod: It's more the context of your concern two years ago that there was not an assurance that the protection needs were being addressed. You made a number of recommendations for the ministry to ensure that the protection standards and services were being provided in a timely way.

Mr Peters: The key to that answer is actually at the top of page 328. "The ministry is planning to conduct child protection reviews in all children's aid societies commencing in October 2002...." So at the time we did the audit, that was still a planned activity.

Mrs McLeod: Could you just remind me, when you did the report two years ago—and I apologize for not having gone back to it—did you get into the whole issue of the in-year deficit financing of CASs and the requirement that they seek a line of credit from the bank in order to carry on their mandated activities?

Mr Peters: No, we didn't. The concern of virtually all of these organizations is that funding is provided on what is called a block funding basis as opposed to individual needs and service requirements of individual CASs. That has been a continuous theme of my reports. We really

feel that a lot of work needs to be done by the government to relate its funding to the actual level of services provided and the cost of those services.

Ms Martel: I have a final question on Andersen and then I'll move to some other areas. The taxpayers have now paid about \$246 million to this outfit. We have a product that is at least two years behind schedule in terms of the original completion date and we have a product that isn't working. Did we get value for money here?

Mr Peters: To date—

Ms Martel: It's not a trick question.

Mr Peters: That's why we're raising it. We do question the value for money. I can question it already from a very basic concept, and the basic concept is that under the original agreement Andersen was able to set the rate of pay that they were getting virtually for the life of the contract, without the ministry being able to do much about it. So that is questionable value for money.

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There was also questionable value for money in the fact that the original concept of common purpose procurement was that the consultant would invest the money and would only be paid if the benefits were actually earned. What has happened is that a special task force was agreed to by the early opportunities project, was agreed to by the ministry, so the consultant took virtually no risk and was paid quite a bit of money right off the bat.

I can answer your question that with those two aspects alone, did we get value for money? Did we get a fully working system on January 24, 2002? No. We got a system that is in need of quite a bit of work. We also did not have the knowledge transfer that was expected. We don't have a situation where the ministry is able to operate the system with its own resources. It requires continuous consulting. So all these factors, to name a few, lead me to conclude that there is a serious question whether we received value for money.

Ms Martel: The Chair of Management Board, in responding to questions about your concerns on consulting services of ministries, essentially said that Management Board has developed some new and different directives for ministries to now follow. When I look at your report, on page 181, you say, "We found numerous instances in which the ministries did not comply with the directive requirements." So it's not a question of not having the directives; they're not listening to them or they're not following them.

In terms of what you've found, the fact that the ministries' response or the Chair's response is essentially, "We're going to develop some new and different ones," does that give you any sense of hope that this situation is going to change?

Mr Peters: Well, twofold. In one area it may do, but we haven't looked at it. One of the concerns we had is that there was a conflict between the so-called vendor of records process and the ministry directives. So if that is fixed, that will be good news.

On the other hand, you're quite right. Our main observation is that essentially the directives are not bad; they're just not being adhered to. There is also very little mechanism in place by Management Board to ensure that they're being adhered to. Ministries seem to have quite a bit of leeway in their application of them.

For example, one of the cases we cite is that ministries have taken major projects—in one case a \$10-million project—and broken them into little pieces so that they didn't have to follow all the provisions of the guidelines for the little pieces. So it carved it up, in a sense.

Ms Martel: Let me ask you a question about long-term care, page 117. In the overall audit conclusions you say, "The ministry had still not developed either standards to measure the efficiency of facilities in providing quality care or models for staff mixes for providing nursing and personal care and, therefore, did not have a sufficient basis for determining appropriate levels of funding." And then you note that the ministry did not address the results of that very shocking 2001 report.

In terms of what you found, can you tell us, can the Minister of Health or the Associate Minister of Health actually guarantee that residents in long-term-care facilities are getting the care they need?

Mr Peters: That depends very much on the standard against which they measure.

Ms Martel: Well, there isn't a standard.

Mr Peters: And if there is not a standard, then you have no criterion to determine that. That's what you need the standard for, in order to assess that the care is provided the way it should be.

As regards the 2001 report, we point out that they have not yet taken action on that report. That report, of course, was fairly critical and truly required immediate action.

Ms Martel: In view of what you noted, which is that there isn't any standard—so the ministry is not in a position to determine if care is being provided because they have nothing to measure it against—the minister announced \$100 million in July and has done quite a song and dance to say that this is going to increase or improve quality of care. If there is no standard already in place, how can we know whether or not that \$100 million is going to do anything to improve the quality of care for residents in long-term-care facilities?

Mr Peters: I think that would be very difficult for them to assess on that basis because, if I remember correctly, the \$100 million really reflects more an increase in the per diems that they are providing. In other words, they're bumping up the dollars.

Ms Martel: In the nursing and personal care envelope?

Mr Peters: That's right. So the various mechanisms that they should have in place, for example, the inspection process, which was a concern to us, should include some sort of assessment, whether the money that is earmarked for nursing and personal care or program and support services or raw food or other accommodation costs is actually spent for the purpose intended. As we

noted on the inspection process, we had significant problems because there seemed to be no senior management review of the findings of the inspectors.

Ms Martel: And no mechanism to monitor compliance for nursing homes that regularly or routinely were out of compliance?

Mr Peters: At the senior management level, yes. I'm not sure I can answer as to what the individual inspectors actually do when they go in. What we did find, though, is that while we mention dieticians going in and finding more problems in the dietary area, once they went in, there's a similar concern—and I'm not sure whether we have it in the report—about how schooled and how trained inspectors were in the financial area, if they could actually examine the books and relate what was being spent on the individual categories of spending. So that would be an additional concern, as to what the training level of inspectors is.

Ms Martel: Great. Thank you.

Mr McDonald: I have just two quick questions and then Mr Hastings has a few as well. Back to the arrest warrants, and 10,000 was a best guess through your estimates. Is there anywhere else you use a best guess in the report?

Mr Peters: I wouldn't characterize it as a best guess. It's an estimate based upon an agreed-upon methodology with the ministry. Where we find that we cannot agree on methodology or agree on the estimate, and the ministry doesn't know, we will report that they don't know and we don't know. So this was the best effort available from the ministry and from us.

Mr McDonald: On page 210, you say there are 35 species that are not protected by regulation under this act. Is that the correct number; we have 35?

Mr Peters: The correct number, yes; there's an erratum on that page. Sorry, you had the page number?

Mr McDonald: It's 210.

Mr Peters: For some reason, mine is missing the little slip. But I think we are saying at the bottom of the page it's 35, but in the detailed text we use 31. Thirty-one is correct.

Mr McDonald: So 31 is the correct figure?

Mr Peters: Thirty-one is the correct figure.

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The Vice-Chair: Any further questions?

Mr John Hastings (Etobicoke North): I want to turn to the section dealing with the Ontario Tourism Marketing Partnership Corp and some of the stuff they're doing. I notice in the comments in your report that you're quite concerned about the ministry not getting enough of the licensed tourist operators on crown lands reporting and that the ministry's response to this is that one of the things they're trying to deal with is to remove the impediments to the licensing reporting. There's supposed to be 290 that didn't use the licensing provisions and didn't report in the last fiscal year. So I'm wondering, what are the specific impediments that the ministry views as being the blockers for not reporting or not renewing their licences? Page 266.

Mr Peters: I don't think offhand I can answer your question. I would have to do a little more research.

Mr Hastings: In your comments you say that the ministry—obviously some of your folks had conversations with tourism ministry staff regarding this item. In your non-black comments on the same page you say, "...ministry staff believed that most of these establishments were still operating." If that's so, what made the ministry make those comments to whoever in your office was holding discussions with them during this audit?

Mr Peters: I think what we're clearly relating is that they didn't know and we didn't go out of our way to go back out and find out what was happening there.

Mr Hastings: Ministry staff were saying?

Mr Peters: Ministry staff were telling us that they did not know why these establishments had not renewed their licences and they believed that they were still operating.

Mr Hastings: What made them believe that?

Mr Peters: That we don't know. We didn't go out and examine any establishments.

Mr Hastings: No, but what in their estimation made them think that these folks are still operating? Is this coming from MNR staff or other people?

Mr Peters: From tourism staff.

Mr Hastings: How did they know? This is what I'm most curious about. They believe they're still operating but they didn't renew their licences.

Mr Peters: Mr Hastings, I believe that's a very good question to ask the ministry, if you want to have them appear before the committee. We didn't challenge—they expressed that that was their belief.

Mr Hastings: Let's go to a wider basis. What are the specific things that are blocking—you see, you make your comment and then they're saying we've got to look at the whole 92 provincial statutes. I don't see how that connects per se to the absence of their not reporting or not filling in their licensing requirements to continue to operate. I assume one of the impediments is there's no on-line registration yet of these tourist operators in the ministry.

Mr Peters: I don't know whether it's necessarily information technology, but it's just, by whatever means, they do not report. The ministry does not make the effort, or we found no record that they made the effort, to follow up why they didn't report.

Mr Hastings: I guess this sounds too simplistic on my part, but couldn't there be other ways that these operators on crown lands could provide the information to the MNR regional offices?

Mr Peters: They could, but—

Mr Hastings: There doesn't seem to be much crossover between all these players that are supposed to be promoting tourism, to start with.

Mr Peters: That's really the point I was going to come to in my answer. There are 11 ministries with various mandates. Now, we are talking here specifically about operators on crown land, but there is northern development involved, the Ministry of Transportation is

involved, the Ministry of Agriculture and Food has rural responsibility—

Mr Hastings: Environment, MNR.

Mr Peters: I have the list somewhere.

Mr Hastings: Northern development, opportunity, innovation and enterprise or whatever that one is now called. What others?

Mr Peters: I can provide you with a list. I'm not sure whether I brought it with me for this particular hearing. No, I didn't. But there are definitely 11 and all have different roles. That's why ultimately we concluded that something has to happen in the government to coordinate all this effort.

Mr Hastings: I don't see in your report specific recommendations that bear down on that. Do I miss it, that there should be an overarching, more precise coordinating role of these 11 players and who is going to advance the tourism objectives of the province? That would be tourism itself, I assume.

Mr Peters: Hang on for a moment. I'm in the wrong report here.

Mr Hastings: You touch on it dealing with trying to get better integration of the ministry's and the partnership's databases that are not connected, which you point out. I would have thought you would have made that sort of the highlight of the whole thing.

Mr Peters: I thought we did, actually. I just can't put my finger on it at the moment.

Yes, actually we tried to get at it; for example, in the first one, where we say, "To help strengthen accountability and provide clear direction to fulfill its vision, the ministry should develop a strategic plan for the tourism program," the basic thing that we are concerned with—and it's right there. That was the nub of the problem, The ministry had changed its vision and actually its host ministry, I don't know, six times in five years, and they didn't have an overall vision. So we said, "Look, develop that vision."

One of the strategies we have in mind is certainly, if you look at the paragraph, that "... our Ministry will coordinate the development of the province's first comprehensive tourism strategy." That's what we were looking for, and that was not being developed. That strategy should certainly include the full coordination of the tourism mandate that was given, including the other 11 ministries.

Mr Hastings: Is it your understanding, then, or your office's understanding, because I assume you weren't at some of these discussions—you can't be at all of them—that some of these ministries will not be involved in tourism promotion, that they'll drop their role and have tourism do it?

Mr Peters: That depends on how they do the strategy. They couldn't drop it if it's legislated. They would have to go back to the Legislature for approval.

Mr Hastings: Like the MNR? They have a statutory, I presume, through the camp operators—

Mr Peters: Right. Most of them do it through either statute or regulation, that they're involved in it. So

probably part of the coordination should actually be a review of all legislation or regulation that mandates some tourism activity to determine whether it should reside there, should be coordinated, or should in fact be absorbed. So I think this is a massive undertaking that should be taken, though, because of the importance of the tourism industry in the province.

Mr Hastings: Have I got another—

The Vice-Chair: We have time for about one more, sure.

Mr Hastings: The other issue I'm most interested in is the tracking of the results of advertising by Ontario— or Ottawa, which doesn't seem to do any anyway. I don't even know why they're involved. But in terms of Ontario, and looking at other jurisdictions as to how they track the results of their advertising dollars, whether in kind or governmental, in terms of the model, I see that the existing operation is a return on investment, but Ottawa and other places seem to use a different model, if you look at pages 268 to 270.

Mr Peters: Mr Hastings, if you'll allow me, before I answer that question directly I would also like to refer you, with regard to your previous question, to the recommendation we made on pages 264 and 265, where we recommended the ministry should minimize the risk of overlap and duplication between its programs and services and those of other ministries and agencies, develop a process to collect financial information on the support provided, and develop a strategy. So that is the coordination one I couldn't lay my finger on, to answer your previous question.

As far as following up on advertising and marketing plans, we address that on 268, where we recommend that they "review the applicability to Ontario of marketing analysis research used in other jurisdictions." We found that other jurisdictions do quite a bit of work in this area, and we are asking the ministry, really, to look at best practices of other jurisdictions.

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Mr Hastings: Does this mean the ROI model is not the most effective one to track your results as to whether we're getting tourists in Ontario from other places in Canada or internationally?

Mr Peters: I would have to go back into the—

Mr Hastings: I take it that it isn't the best one.

Mr Peters: No. It had significant difficulties. But it was also in a stage of development at that particular time.

Mr Hastings: We'll have to pursue this again when we get a chance.

Mr Peters: Can I make a comment?

The Vice-Chair: Sure. We just have a couple more pieces of business to cover, but—

Mr Peters: Can I make a quick comment? Mr McDonald, I think there's one thing I should add to your question regarding the estimates we use. If we had found in our audit that the actual number is 5,900 and there are 178 serious offenders at large, we would have reported that number. We still consider that number large enough to be a reportable item for our process. If the minister had

cloaked that into the wording of providing an update on information, that he knew our information was now seven months old or whatever, I think that would have been a welcome addition to our report.

The Vice-Chair: What we'd like to do now is move on to item number 2. I want to thank Mr Peters, by the way, for the time we've had this morning to review this report, as well as the members around the table who have conducted the questioning in a reasonable manner.

It has been suggested that selection for consideration from the 2002 annual report be done by the subcommittee. The concern of the clerk is that we should at least today decide on what kind of time we need because next week, after Tuesday's subcommittee meeting their might not be enough time to go to the Legislature and get the permission for meeting during the intersession. So any comments on that? We've had two weeks in the past. That has kind of been the norm.

Mrs McLeod: How about the month of January?

The Vice-Chair: The month of January sounds good, yes. I'll take that as the first suggestion. We'll work from there.

Mr Dunlop: Two weeks sounds fair to me. What's the norm? Is it two weeks?

The Vice-Chair: It's really up to the committee.

Mr Dunlop: How would you do it? I'm just curious. When would those meetings actually take place?

The Vice-Chair: I suspect the subcommittee could then decide that, once the Legislature has given us the authority. It's a fairly extensive report, in my view of some of the ones I've seen since I've been here. If you felt like it was going to take more time, we could even ask for up to three weeks, but we wouldn't have to use it all. Again, the subcommittee could decide that.

Clerk of the Committee (Ms Anne Stokes): Just for information, last year the committee requested and received authority to sit for 12 days. That was to deal with report writing as well as two private members' bills. So, again, as an example that—

The Vice-Chair: By the way, we do have two reports to complete, which I'll also ask the committee to ask for authority to table with the clerk, as opposed to tabling it in the Legislature, if we finish those.

Mrs McLeod: Again, just for information, normally those 12 days or up to three weeks would be in the intersessional period. Typically, is it February into March? What's the timeline?

The Vice-Chair: Yes, usually; mid-February into March.

Interjection.

Mrs McLeod: No, it's not January. I was being very facetious.

The Vice-Chair: So 12 days would look at essentially three weeks, sitting four days of the week.

Mr McDonald: Can we do just two weeks?

The Vice-Chair: You can do whatever the committee decides. I'm suggesting that you might want to ask for up to 12 days like we did before. Whether the subcommittee or the committee in the end uses them all or not—again,

that's up to us. We don't have to sit. It just allows you the time to do the work we have to do.

Mr McDonald: So we're going to let the subcommittee decide on, or to pick the—

The Vice-Chair: When the dates are and those sorts of details. We have to ask for so much time. So why don't we ask for the 12 days that we asked for last year, and then the subcommittee decides how that up to 12 days will be used?

Mrs McLeod: I think that's a minimum, Mr Chair, given the extensiveness of this report.

The Vice-Chair: Shelley, any suggestion?

Ms Martel: We normally do three choices for each caucus, so right there we're eating up nine days if we go with that again, and we've then tried to start on the first of the reports from the first committee meeting so that those were not all backed up when the House came back. So not just last year but in a couple of previous years we've asked for at least that much time.

The Vice-Chair: So there's nine days right there.

Mr Dunlop: Let's ask for up to 12.

The Vice-Chair: Up to 12?

Mr Hastings: —to be decided by the subcommittee.

The Vice-Chair: No, we have to go to the Legislature and get the time set, Mr Hastings. The subcommittee can decide what—

Mr Hastings: The subcommittee meets Tuesday.

The Vice-Chair: The clerk is concerned that that would be a bit late. That's why we're deciding—

Mr Hastings: Go back and try Monday, after question period.

The Vice-Chair: It's the time to ask the House that she's after.

Mr Hastings: Move the subcommittee meeting up to Monday. Is that not enough time? By Thursday—

The Vice-Chair: Then the subcommittee has to have the report accepted by the committee, which would be next Thursday, which means it may be the last day of the House. That's why we're dealing with it today.

Twelve days, I've heard. Can I get a consensus on 12 days? that all right? I'm hearing whispering.

Ms Martel: I don't know what the problem is. What's the problem with 12?

The Vice-Chair: OK. We're going to ask for 12 days.

Secondly, I would ask for authority to table the reports with the Clerk in the intersession. Do I have that? Agreed.

I would suggest that there isn't much time left to do justice to the two draft reports we have before us, so if there's no further business, I'd adjourn the committee. Any further business?

Ms Martel: Are we going to deal with those two reports next week, then?

The Vice-Chair: Yes. They'll be next on the agenda.

Oh, dear. One more thing. This won't take long. Sorry. Item number 3 is the invitation to the biennial conference of the Australasian Council of Public Accounts Committees. I think every member has received the information on the costs and so forth. I received a package.

No? Do you want that information distributed? There is a cost breakdown.

OK, you are receiving the numbers on the cost to attend for registration, events and accommodation. Australian dollars are less than Canadian dollars, aren't they?

Interjection: Yes, they are.

The Vice-Chair: By about 10%, I'm told.

What's the wish of the committee on this issue, if anything?

Mr Dunlop: To make a decision.

Mrs McLeod: They'll think it's a great pre-election jaunt.

Mr Dunlop: It could be in the Star.

Mr Hastings: I move that the appropriate number of members go to the conference and that that be handled by the subcommittee.

The Vice-Chair: Does that sound OK, Anne?

Clerk of the Committee: I'm sorry. I didn't hear what he said.

The Vice-Chair: He has moved that the appropriate number of committee members attend the conference, and that would be decided by the subcommittee. Would that include any consideration for staff?

Mr Hastings: Obviously staff has gone to other—

Mrs McLeod: Could I ask a question? Obviously I'm subbing in to the committee, which is why I don't think I have a lot to say about this, but is it normal for the committee to send people to the Australasian public accounts conference, whatever it is?

The Vice-Chair: It's an invitation we receive. We're just dealing with the invitation.

Mrs McLeod: But is there any precedent for members to go?

Mr Hastings: Yes, there is. It has been done over the last number of years. As well, the Australian members, from both state and the Canberra governments, have attended the Canadian Council of Public Accounts Committees over the last four years, as I recall, in Halifax, St John's and another one in Toronto.

Mrs McLeod: I'm just curious about relevance and precedent.

Ms Martel: I think we do have to clarify that for the record. We normally send participants to the Canadian committee, which normally occurs in the summer. I don't think we've ever sent anyone to Australia, in my recollection from sitting on this committee for a long time now. So it is a bit of a change.

The Vice-Chair: I'm sure the subcommittee will take that into consideration.

Apparently we're running into the time problem again. If the subcommittee decides, it wouldn't be able to be approved by this committee until next Thursday. The committee could authorize the subcommittee to go to the House leaders to ask for authority. Shall we do that?

Mr Gill: Done.

Mr McDonald: Maybe we might want to ask the opinion of the Provincial Auditor.

Mr Peters: The last precedent that I'm aware of was about in 1990, when the committee members went to London, England.

Mrs McLeod: For the Australasian?

Mr Peters: No, for the European.

Mrs McLeod: I don't know if you're placing a vote, Mr Chair; I'd just like to register my opposition.

Mr Peters: The only point is the point Mr Hastings made. We have had the Australasian delegation at our annual meetings of the members of the Parliaments now for the last two or three years. I remember almost freezing to death with a member from the Australian Parliament on Great Slave Lake.

The Vice-Chair: Any other comments?

Ms Martel: I think we have probably two choices. People are obviously going to have to go back and talk to their own caucuses about this. You could deal with

sending the committee or you could deal with sending a representative from each caucus—or you could not go at all. So we probably have three choices that people are going to have to go back and talk to their individual caucuses about and get some direction.

The Vice-Chair: Direction for the subcommittee.

Mr Gill: Chair, we should keep in mind that we've become so paranoid about travelling anywhere. We have guests from all over the world all the time. I think we have to grow up and understand that there's a need sometimes to have the networking. I don't think we should be only worried about what somebody else might think. I think that's what we should think about.

Mrs McLeod: I shall leave you to think about it.

The Vice-Chair: Any other business? This committee stands adjourned before it completely disintegrates.

The committee adjourned at 1153.

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Vice-Chair / Vice-Président

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Mr John Gerretsen (Kingston and the Islands / Kingston et les îles L)

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Mr John Hastings (Etobicoke North / -Nord PC)

Ms Shelley Martel (Nickel Belt ND)

Mr AL McDonald (Nipissing PC)

Mr Richard Patten (Ottawa Centre / -Centre L)

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Mr Garfield Dunlop (Simcoe North / -Nord PC)

Mrs Lyn McLeod (Thunder Bay-Atikokan L)

Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor

Mr Walter Bordne, director,

Community, family and children's services and revenue audit portfolio

Mr Dave Levac (Brant L)

Clerk / Greffière

Ms Anne Stokes

Staff / Personnel

Mr Ray McLellan, research officer,
Research and Information Services