



Report of the Auditor General
of Québec
to the National Assembly
for 2008-2009

Volume II

Highlights

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Parliament Building, *Daniel Lessard*, National Assembly Collection



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This brochure is a brief version of Volume Two of the *Report of the Auditor General of Québec to the National Assembly for 2008-2009*. It brings together the main observations arising from the work that our audit teams have carried out in recent months.

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

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

Renaud Lachance, CA

A handwritten signature in blue ink, reading "Renaud Lachance". The signature is fluid and cursive, written over a light blue rectangular background.

Auditor General

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

Introduction

- 1.1 The Québec National Assembly has entrusted the Auditor General with the mandate of fostering, through audit, parliamentary control over public funds and other public property. This mandate comprises, to the extent deemed appropriate by the Auditor General, financial audits, audits to ensure the compliance of operations with statutes, regulations, policy statements and directives, as well as value-for-money audits. The Auditor General's field of jurisdiction mainly encompasses the government, its agencies and its corporations; the Auditor General is also empowered to audit funds paid in the form of subsidies.
- 1.2 In the annual report that the Auditor General submits to the National Assembly, he draws attention to any topic ensuing from his work that deserves to be brought to the attention of parliamentarians. This document takes the form of several volumes. Chapter 1 of each volume gives the Auditor General or the Sustainable Development Commissioner the opportunity to establish a more personal contact with readers and to share his observations as well as his concerns about the mission pursued by the organization.
- 1.3 This volume is mainly devoted to the work carried out in 2008 by the Sustainable Development Commissioner. It also includes the results pertaining to an audit engagement and to two follow-ups done by teams assigned to other sectors.
- 1.4 The *Sustainable Development Act* (SDA) entered into force in April 2006. At the same time, the *Auditor General Act* was amended to provide for the appointment of a Sustainable Development Commissioner who would be part of the staff of the Auditor General of Québec.
- 1.5 When this volume went to press, the position of Sustainable Development Commissioner was vacant. The process to appoint the next Commissioner has begun. This person will be called upon to assume an important task: helping the public administration tangibly incorporate in its management the principles conveyed by the SDA. To do this, the new commissioner will have to consider the three components of his mandate:
 - the follow-up on the application of the SDA;
 - audits in the area of sustainable development;
 - the analysis of the principles adopted by the government as well as the procedures or other methods used to meet the expectations of the legislator.

- 1.6 The following pages present various elements that will guide the commissioner's priorities. But first, it is useful to report on the work carried out at the Commission administrative des régimes de retraite et d'assurances (CARRA). This work resulted notably from a parliamentarian's request that an examination be made of some of the Commission's business practices.

Commission administrative des régimes de retraite et d'assurances

- 1.7 The work carried out at CARRA dealt in particular with the project to revamp its computer systems, known under the name of the Plan global d'investissement (PGI), and it covered the period from 2003 to 2008.
- 1.8 At the time of the approval of the project in 2005, the business plan anticipated that it would cost \$87.1 million and that the final delivery of the solution would occur in June 2009. In June 2007, the new board of directors requested that an analysis be made of the unfolding of the PGI. Afterwards, various documents were prepared to enable the board of directors to assess the situation and to evaluate the risks related to the project.
- 1.9 On December 17, 2008, an assessment containing the results of this analysis work and the evaluations concerning the costs of the various scenarios for the completion of the PGI was submitted to the board of directors. Under the scenario that was chosen, the announced cost is \$107.5 million, i.e. a 23 percent increase over the amount initially authorized by a decision of the Conseil du trésor; this estimate is close to the pessimistic scenario included in the 2005 business plan. Moreover, the final delivery has been postponed until May 2010. The board of directors established requirements in order to be able to do a closer follow-up on the unfolding of the project. It also mandated an external firm to obtain an independent opinion on the possibility of completing the project according to the revised timetable and budget, with the sums in question being paid out progressively.
- 1.10 The work of the Auditor General also revealed a situation for which the objective of ensuring competition between service providers had not been achieved. First, it is important to point out that CARRA obtained, in 2005 and in 2007, authorization from the Conseil du trésor to resort to a prequalification procedure with a view to acquiring professional services in the information technology field (PGI and other projects); the mandates in question are those whose estimated cost is less than \$100,000. The purpose of this procedure is to draw up, by way of a call for proposals without prices, a list of prequalified service providers. Afterwards, CARRA prepares a request for intervention which it conveys to the prequalified service providers in order to obtain bids. The contract is then awarded to the service provider having submitted the lowest bid, except if the curriculum vitae of the proposed resource persons do not meet the requirements stipulated in the request for intervention.

- 1.11** On November 10, 2008, 51 contracts (totaling \$3.3 million) had been concluded under this authorization:
- 17 contracts were awarded following the receipt of only one bid;
 - for 10 other contracts, only two bids had been submitted;
 - for the 34 contracts attributed in the case where several bids had been received, the one corresponding to the lowest bid was not chosen on 12 occasions. CARRA explains this situation by the fact that the proposed resources did not meet the requirements of the request for intervention and that it was the responsibility of the bidders to submit tenders that complied with the needs.
- 1.12** In light of this finding, the Auditor General recommended to CARRA that it take steps to ensure that its contract management mechanisms notably promote healthy competition and determine the reasons why there was only one bidder, where such was the case.

Priorities of the Sustainable Development Commissioner

- 1.13** It was in December 2007 that the *Government Sustainable Development Strategy 2008-2013* was tabled in accordance with the requirements of the Act. The Sustainable Development Commissioner had commented on the draft strategy during a parliamentary committee held on this subject; he had also addressed this question in his first report.
- 1.14** The adoption of the SDA and that of the strategy pose challenges that are both stimulating and demanding: maintaining the benefits enjoyed by our society, eliminating the non-viable methods of development used to date, and seeking to increase our well-being at a time when we are already among the most privileged on the planet.
- 1.15** It is understandable that the focus was on learning during the first three years of application of the SDA. The tabling, by the end of March 2009 at the latest, of the sustainable development action plans by the entities subject to the SDA presupposes the progression to a new stage reflecting a certain level of maturity: indeed, it is now necessary to accelerate the pace so that the Act and its principles are taken into account in a more sustained manner.
- 1.16** The Commissioner is responsible for supporting all of the stakeholders so that they achieve this objective. Of course, his various interventions must promote first and foremost parliamentary control over public funds and other public property, the prime mission of the Auditor General. Given the innovative nature of the Act, the Commissioner's advisory role with government authorities and entities as well as within our organization is also very important.

Support for parliamentarians

- 1.17** The Commissioner's priorities will be set according to the usefulness of his work for parliamentarians. The possibilities are numerous and the support that he will offer parliamentarians can take various forms.
- 1.18** First of all, it is worthwhile recalling the existence of some 150 action plans as of March 31, 2009. Within the context of his work, the Commissioner will inform parliamentarians about the compliance of these plans with the legal requirements. He will also pay special attention to the characteristics making it possible to gauge the quality of these plans. He will thus evaluate the extent to which the examined documents meet the following criteria in particular:
- They are based on a rigorous analysis of the objectives appearing in the government strategy, an approach having made it possible to determine those that are relevant in light of the mission and mandates of the entities.
 - They concern the main activities and are not limited to certain greening measures related to the administrative component.
 - They establish a close tie with the principles of the SDA and are clearly in harmony with said principles.
 - They satisfy the rules of results-based management, namely they have clear objectives, significant indicators, realistic targets and precise deadlines; in addition, the responsibilities entrusted to each party are described.
- 1.19** Through his value-for-money audits, the Commissioner will indicate to the Members of the National Assembly the degree of influence of the principles set out in the SDA on the management practices of the entities and will testify to the fact that the "necessary" change is indeed taking place, if such is the case. For example, here are a few of the actions expected from the entities:
- A survey of the changes to be made concerning the laws, regulations, policies and programs is carried out. For this purpose, the short- and long-term environmental, social and economic impacts are considered.
 - Preventive measures are put on the same level as remedial measures.
 - Initiatives are carried out with a view to obtaining convincing and lasting results as regards consumption. These initiatives may relate to various fields, such as the acquisition of goods, energy and transportation.
- 1.20** The Commissioner will also have a key role to play with elected officials when it comes to training, notably through the publication of the results of his work as well as through his participation in parliamentary committees. He must be available to guide them in a timely manner in the choice of the means of control that should be favoured, with regard to the new development objectives.

Collaboration with key stakeholders in the Administration

- 1.21 While the taking into consideration of sustainable development principles at the government level is a collective responsibility, some stakeholders are called upon to assume decisive duties. The adequate performance of these duties will contribute globally to the success of the undertaking. Mention may be made of departments and agencies with a government-wide mandate, the Comité interministériel de développement durable and, of course, the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP). Indeed, through their comments and their actions, these stakeholders can steer the other public stakeholders in the right direction and make the public aware of the required changes.
- 1.22 To obtain the anticipated results, government authorities must change the ways they do things, by being on their guard against relying on deeply rooted management reflexes. As stipulated in his mandate, the Commissioner will have to be on the watch for the most favourable opportunities to assert his point of view to decision-makers and to comment on the actions that they take in the sustainable development field. Concrete examples should be used to illustrate the nature of the interventions that the Commissioner is likely to make with decision-makers.
- 1.23 First, it is worthwhile pointing out that the *Government Sustainable Development Strategy 2008-2013* hinges on 9 orientations and 29 objectives, and that it applies to all activity spheres of the State. This is completely in line with the measures announced in the SDA, the purpose of which is to put in place a “new management framework”. Such an expression indicates the major scope of this Act, one that is comparable to that of the *Public Administration Act*, adopted in 2000.
- 1.24 Upon reading the strategy, one notes that the search for a more viable approach encompasses the multiple components of development. To realize this fact, one simply needs to consider some of the stated objectives: “support research and new practices and technologies [...]”; “promote recourse to economic, fiscal and non-fiscal incentives [...]”; “increase the standard of living”; “prevent and fight poverty and social exclusion”. These objectives clearly show that sustainable development goes well beyond the environmental dimension. Consequently, the Commissioner will continue his efforts aiming to rectify the perception that the issues are limited to this dimension, a perception which still all too often influences decision-making.
- 1.25 The budget process occupies a central place among the tools at the State’s disposal to create conditions that are conducive to the implementation of the strategy. When it comes to a government’s priority orientations in the development field, there is no more significant message than the content of its budget. The latter makes it possible to give tangible expression to the commitments, intentions and decisions associated with activities of every kind. Within such a context, it will be important that the Commissioner express his opinion on how to harmonize the budgetary process with the strategy’s objectives and on the measures that should be taken to achieve these objectives.

- 1.26** In other respects, one of the government's major challenges is to assess the state of development globally. For this purpose, the government must determine the main societal issues and then refer to reliable measurement tools capable of showing the evolution of the parameters in question.
- 1.27** Traditionally, the evaluation of our economic situation has largely been based on known or anticipated trends in the Gross Domestic Product (GDP). Our conception of a strong economy is thus based on the growth of the GDP. Such an approach may be hard to reconcile with certain principles appearing in the SDA. The principle dealing with responsible production and consumption and the one associated with respect for ecosystem support capacity provide a good idea of the complexity of the problem.
- 1.28** One must not forget that the GDP reflects first and foremost, in the form of figures, the value of all of the goods and services produced on a territory; the GDP has not been designed to report on the sustainable nature of development. The government must therefore quickly come up with indicators providing answers that go beyond those taken from the GDP.
- 1.29** The Commissioner will continue to carefully monitor the elaboration of the indicators associated with sustainable development in order to give an informed opinion to parliamentarians and to the managers concerned regarding their relevance for evaluating the progress of society more accurately.

Coaching of the entities

- 1.30** Chapter 4 of this volume shows that the entities subject to the SDA are aware of their responsibilities and that they have invested significant efforts to make the change sought by the Act. To successfully carry out this major undertaking, they do, however, need to precisely understand the objectives to be achieved. From that moment on, they will be able, if necessary, to reorient their actions accordingly and in a concerted manner.
- 1.31** On this subject, it is clear that it is in the interest of government authorities to send as soon as possible a strong signal to the entities concerned and to the public regarding the place given to this societal project. This can notably take the form of the preparation and distribution of guides, the implementation of measures making it possible to improve interministerial collaboration, and the dissemination of good practices.
- 1.32** As for the Commissioner, a proactive attitude will be maintained in order to assist the entities in the best way possible. With all due regard for the mandate of the MDDEP, work will be carried out to convey to the entities the comments concerning the implementation of sustainable development within the Administration. This work can deal with the content of the action plans, the review of management methods in order to better take into account the adopted principles and the use of specific tools.

Assistance to the Auditor General's staff

- 1.33** Following the example of the departments and agencies, the implementation of sustainable development at the office of the Auditor General will not be the responsibility of a limited group of individuals. As was specified in Volume One of the *Report of the Auditor General of Québec to the National Assembly for 2007-2008*, the general objective is that each member of the organization understands the scope of the SDA, embraces the related principles, and is able to adequately use them to guide both auditing activities and activities of other kinds.
- 1.34** The Commissioner will continue to invest the necessary time and effort in order to promote the awareness of staff about the issues associated with sustainable development, to provide adequate training and to develop various auditing tools facilitating the integration of the principles of the SDA in all work. The Commissioner will endeavour to forge close ties with each administrative unit while bearing in mind its respective vocation.

Content of this volume

- 1.35** Chapters 2 and 3 of this volume respectively deal with government interventions in the mining sector and transportation and land use planning in the Metropolitan Montréal Region. They report on the changes that need to be made in the search for more sustainable development in relation to these aspects. A few avenues for improvement are suggested: long-term planning which takes into account the indissociable nature of the economic, social and environmental issues; active interministerial collaboration, a greater cohesion of the actions taken by the various stakeholders; a more rigorous application of control, follow-up and reporting mechanisms.
- 1.36** As for Chapter 4, which examines the application of the SDA in 2008, it reveals that the putting in place of mechanisms and means ensuring the deployment of the government strategy is continuing, despite certain delays. These elements, once available, will be useful on the condition that they are implemented in fertile ground and focus on the activities that are at the heart of the mission of the entities.
- 1.37** As for Chapter 5, it deals with the interventions in the housing field of the Société d'habitation du Québec. Given the social component of its mission, the Société has an essential role to play in the search for better development in relation to the government activities that concern it. Health and quality of life as well as social equity and solidarity are principles that must remain at the heart of its concerns. Moreover, the recently begun initiative concerning the modernization of its processes is closely linked to the subsidiarity principle advocated by the SDA.
- 1.38** Finally, Chapter 6 brings together two follow-ups. The first one concerns the Basic Prescription Drug Insurance Plan while the second one deals with the quality of performance information published by the Ministère de l'Emploi et de la Solidarité sociale.

- 1.39** The prime purpose of the comments and recommendations made in this volume is to contribute to improving the management of the audited entities. However, the other entities subject to the SDA will hopefully draw inspiration from these comments and recommendations to guide their own development.

Conclusion

- 1.40** It is clear that we are faced with a formidable undertaking in the sustainable development field and that the work to be carried out is at times without precedent. While the task is arduous, the collective project which the State has chosen to embark upon is highly motivating; indeed, it is an invitation to surpass oneself. In order to achieve the goal that has been set, it will be necessary to demonstrate flexibility and to accept significant changes in various respects. This is a major challenge for the government administration just as it is for the person assuming the duties of Sustainable Development Commissioner.

Audited entity:

- Ministère des Ressources naturelles et de la Faune

- 2.1** Québec is known for its rich abundance of mineral resources. In 2007, the number of active exploration titles reached a 10-year peak, which translated into \$401 million in investments in metallic ore deposit exploration and development expenses. During this same period, the metal production represented a sum of \$3.9 billion, namely a 61 percent increase over 2005. As the trustee of this public asset, the State, by way of the Ministère des Ressources naturelles et de la Faune (MRNF), must deal with a number of economic, social and environmental stakes.
- 2.2** We checked the extent to which the MRNF integrates the economic, social and environmental stakes within government planning interventions related to the mining sector in order to optimize the spin-offs for society in a long-term perspective. Similarly, we evaluated if the control mechanisms put in place by the MRNF make it possible to minimize the environmental consequences and, in so doing, the risks that the State will be called upon to assume new financial obligations.
- 2.3** We were particularly interested in the exploration and mining of metallic ores. We carried out our work mainly from January to September 2008.

Government planning interventions

- 2.4** Given the major increase in mining exploration in Québec, it is essential and fundamental that the MRNF plan government interventions related to the exploration and mining of mineral resources over the long term. In this respect, the MRNF was supposed to prepare a first government strategy for the mining sector before the end of 2007. Such a strategy had not yet been made public at the time we completed our work.
- 2.5** Based on what we have observed in its operating procedure, we have concerns about the MRNF's ability to consider, in this mineral strategy, the main economic, social and environmental stakes. Our findings notably include the following:
- The fiscal and economic analyses produced by the MRNF do not allow it to estimate the extent to which Québec obtains sufficient compensation in return for the mining of its natural resources. This question namely concerns the provincial mining tax collected by the State. For the 2002-2008 period, 14 companies paid no mining tax even though they had combined gross annual production values of \$4.2 [b]illion. As for the other companies, they paid, for the same period, \$259 million, namely 1.5 percent of the gross annual production value.

- In recent years, the MRNF has changed its approaches regarding the collection and analysis of information on the mining industry. Consequently, it stopped making a systematic statistical analysis and publishing information on this industry.
- Although one of the components of the MRNF's mission relates to the conservation of resources, it has not set objectives for acquiring knowledge on this subject.

Control mechanisms

- 2.6 In the past, numerous exploration and mining sites were abandoned by their owners. These sites are now the responsibility of the State which will be required to commit sums estimated at \$264 million as of March 31, 2008 to restore them. The results of our work showed us that the interventions seeking to ensure that mining companies comply with legal requirements during the various stages of a mine's life do not minimize the risk that the State may have to assume additional restoration costs. Based on the analysis of a sample of 25 mining-site files, we noted the following elements:
- For 11 of the 25 files examined, the stipulated deadlines were not met concerning the tabling or the revision of the plan.
 - The assessment of the rehabilitation and restoration plan and the resulting decision did not always concur.
 - The average time period between the tabling of the plan and its approval was approximately three years. The longer the time period, the more the financial guarantee payments are delayed, since these payments only begin following approval of the plan.
 - The *Mining Act* stipulates that the MRNF shall approve the plan after consulting the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP). In 10 files, the plan was approved despite a MDDEP notice that was inconclusive, unfavourable or that specified conditions, or in the absence of such a notice. These decisions by the MRNF were not sufficiently documented to be able to understand what justified them in the absence of a favourable notice.
 - The financial guarantee, which is supposed to cover 70 percent of the estimated restoration costs, has its limits given the conditions for establishing and paying the sums. To illustrate this point, the applicable guarantee in the audited files stood at \$109 million, while the total cost of the restoration work for all of these sites was established at \$352 million on March 31, 2007.
 - The MRNF has done little work to monitor the state of the reserves indicated in the rehabilitation and restoration plan, even though this is one of the major factors for establishing the financial guarantee payment calendar.

- The guarantee payments have not always corresponded to the calendar established by the MRNF, with the delays occasionally exceeding two years. In some cases, the payments had just simply not been made. At the time of our audit, the total unpaid guarantee for two of the audited files represented roughly \$4.4 million. In other respects, the payment requirements determined by the MRNF for some files did not comply with the regulation, resulting in the postponement of \$16 million in payments.
- There was a serious lack of organization in the inspection activities. We were unable to find any report concerning such activities in 56 percent of the audited files. For the other files, the inspections had been carried out without an analysis grid and occasionally dated back more than two years.
- In almost all of the files, we found no trace of cooperation between the inspectors from the MRNF and those from the MDDEP. Such cooperation is essential if the government wishes to enhance the coherency of its work and optimize the efficiency and effectiveness of inspection activities.
- Among the three audited files for which a certificate of release had been issued following the restoration work, we did not find any documented analysis making it possible to ascertain that the certificate had been issued based on established criteria in this respect. Moreover, when a third party had agreed to assume the restoration obligations, the MRNF had not verified the solvency of this third party.
- The information recorded in the MRNF's mining-site files did not provide a complete overview of the interventions made. We also noted a lack of management information and tools likely to help the department collect data on the evolution of the situation of all of the mining sites.

Recommendations

- 2.7 This section brings together the recommendations made in our report. It should be noted that, for information purposes, the number of the paragraphs in question is indicated in parentheses.
- (2.43) **We recommended to the department that it:**
- analyze the main economic, social and environmental costs and benefits associated with government interventions in order to help decision-makers in their planning;
 - re-evaluate the provincial mining tax in order to make sure that it is sufficient to compensate for the depletion of the extracted resources.

- (2.51) We recommended to the department that it:
- clearly determine the information needed to acquire and maintain the knowledge concerning the mining sector;
 - develop tools making it possible to collect management information that is precise, up-to-date and likely to be incorporated in the decision-making process;
 - make the information available in order to facilitate, among other things, the participation of interested individuals in the decision-making process and their involvement.
- (2.54) We recommended to the department that it acquire a better knowledge of the complementary means of extracting ore in order to take them into account in the government intervention planning process.
- (2.60) We recommended to the department that it complete the development of a mineral strategy that:
- takes into account all of the main economic, social and environmental stakes surveyed and respects the principles of sustainable development;
 - contains significant result indicators, precise targets, priority actions and deadlines that must be met;
 - specifies the responsibilities.
- (2.71) We recommended to the department that it:
- adopt mechanisms making it possible to ensure compliance with the requirements concerning the tabling of rehabilitation and restoration plans, and their revision;
 - strengthen the rehabilitation and restoration plan authorization process, namely to carry out the following actions:
 - adequately document the reasons leading to the acceptance or the refusal of a plan;
 - obtain a favourable notice from the Ministère du Développement durable, de l'Environnement et des Parcs before approving a plan or document the reasons for acting in the absence of such a notice;
 - set a reasonable time period for the approval of plans.
- (2.84) We recommended to the department that it:
- re-evaluate the adequacy of the guarantee currently required in order to protect the State against the risk of having to assume additional restoration costs;
 - put in place control mechanisms making it possible to evaluate the plausibility of the state of reserves disclosed in the rehabilitation and restoration plan submitted by mining companies;
 - improve the process for following up on the guarantee payments by companies to ensure compliance with the regulation.

- (2.91) We recommended to the department that it:
- plan inspection activities according to the potential risks of each site in order to determine an optimal frequency for visits to the sites;
 - oversee the carrying out of inspection activities, namely with respect to the following aspects:
 - the scope and extent of the work;
 - documentation of the outcome of the inspections and the ensuing decisions;
 - the follow-up on the deficiencies noted;
 - establish, in collaboration with the Ministère du Développement durable, de l'Environnement et des Parcs, the relevant information that should be shared regarding their respective inspection work.
- (2.97) We recommended to the department that it:
- document the decision to issue a certificate of release on the basis of the four established criteria used to determine if the state of the site is satisfactory;
 - make sure that a favourable notice is obtained from the Ministère du Développement durable, de l'Environnement et des Parcs before issuing a certificate of release or document the reasons for acting in the absence of such a notice;
 - pay special attention to the financial situation of the acquirer, in cases where the environmental responsibility is transferred to a third party, in order to make sure that the said third party has the capacity to meet the obligations associated with the restoration.
- (2.108) We recommended to the department that it:
- oversee the documentation of the files in order to allow an effective monitoring of its control interventions namely regarding rehabilitation and restoration plans, the financial guarantee, inspections and certificates of release;
 - define the necessary information and management tools to evaluate the efficiency and effectiveness of its interventions on a regular basis.

Audited entities:

- Ministère des Affaires municipales et des Régions
- Ministère des Transports du Québec

3.1 Land use planning on a territory, including the planning of the transportation systems that serve this territory, represents a key factor in a society's development. These systems ensure the mobility of people and goods and represent a decisive element in terms of openness to markets and how people live in society. The Ministère des Transports du Québec (MTQ) has established its investment predictions for the 2008-2013 period, which total \$5.12 billion in the road transport sector for the five administrative regions that are fully or partially included in the Metropolitan Montréal Region (MMR).

3.2 Our audit dealt with transportation and land use planning in the MMR. On the one hand, we wanted to evaluate whether the activities of the Ministère des Affaires municipales et des Régions (MAMR)¹ concerning land use planning on the territory ensure the coherency of the interventions from a mobility perspective. On the other hand, we wanted to establish the extent to which the planning of the MTQ associated with the development of the transportation of people and goods takes into account the short- and long-term impacts on health and the social context, the economy, the environment and the use of natural resources, while promoting the coherency of interventions. Most of our work took place from January to September 2008 and mainly concerned the activities carried out during the period of 2001 to 2008.

Land use planning on the territory

3.3 The activities of the MAMR in the field of land use planning in the metropolitan region do not promote the coherency of government interventions and those of local authorities. Here are our main findings in this respect:

- The MAMR has experienced difficulties in its efforts to make sure that the land use planning and development plans revision process is completed by the regional county municipalities (RCM) or the cities in reasonable time periods. It has also had problems ensuring compliance with the Act when it comes to the legal deadlines, to make sure that the government orientations of 1994 or of 1995, or those of the *Planning Framework and Government Orientations. Montreal Metropolitan Region 2001-2021* have been taken into account in the plans throughout the territory of the MMR.

1. Since mid-December 2008, this entity has been known as the "Ministère des Affaires municipales, des Régions et de l'Occupation du territoire".

In fact, the plans in effect in 6 RCMs or cities, which account for 65 percent of the population of the MMR, date back more than 12 years. Moreover, 7 entities find themselves in a non-compliance situation regarding the legal deadlines stipulated in *An Act respecting land use planning and development*, at various stages of the revision process.

- According to its constituting Act, the Communauté métropolitaine de Montréal (CMM) was to produce, before December 31, 2005, a metropolitan land use planning and development plan which should have replaced the plans of the RCMs or of the cities on its territory. The Minister of Municipal Affairs and Regions set two different deadlines; the first one being set on December 31, 2006 and the second on December 31, 2008. This latter deadline was not met. As a result, eight years after the creation of the CMM, there is still no metropolitan land use plan in effect that would clearly establish the choices for the entire territory. The difficulties related to the sharing of jurisdictions when it comes to land use planning in the region help explain this lateness. A reflection is underway on this subject at the MAMR.
- The analysis work done by the MAMR regarding the draft plans and the draft amendments to plans in effect deal with compliance or non-compliance with each of the government orientations. However, the documentation of the files pertaining to the three plans does not allow us to check whether the final analysis dealt with all of the government orientations.
- The evaluation of the impacts and the stakes related to land use planning is incomplete and does not allow the department to ensure that the orientations of the planning framework are evolving. The department has not ruled on the information required to draw a meaningful portrait of the evolution of the situation. Moreover, the portrait has not been updated since 2004.
- In February 2008, the MAMR set up a strategic analysis team, the purpose of which was to organize and develop the knowledge dealing with the metropolis and to advise the department authorities on the strategic stakes. However, this initiative is too recent to show tangible results.
- The MAMR has not carried out any analysis since the putting in place of the 2001 planning framework in order to determine the nature of the adjustments that could be made in response to the government challenges raised in recent years or to take into account the evolution of the different stakes. Yet several documents of a strategic nature which may influence the orientations related to land use planning on a territory have been published in the meantime.

Transportation planning

- 3.4 The current planning of the MTQ regarding the transportation of people and goods in the MMR does not promote the coherency of transportation-related interventions. Furthermore, this planning needs to better take into account the short- and long-term impacts on health, the social context, the economy, the environment and the use of natural resources. The following points explain our evaluation of the situation:
- Since the adoption of the Greater Montreal Area Transportation Management Plan (MTMP), the MTQ has not been able to put in place a permanent and formal consultation mechanism to ensure the coherency of all the intervention priorities of the stakeholders of the MMR and to reach a consensus.
 - The quality and reliability of the information used to draw a portrait of movements of people and goods require improvements. The main problems deal with counting operations, the incomplete coverage of the network, the inefficiency of the equipment, and the limited data on trucking activities.
 - The MTQ has not updated the information concerning the effects of transportation on the environment and health in the MMR, information which had been used to draw up the MTMP, and has not revised its economic growth scenario since 2002.
 - The MTQ is not able to show that the interventions envisaged at the time the MTMP was prepared represent the best solution globally. Indeed, at that time, the MTQ did not make an evaluation to assess the global impacts of all of the interventions. Nor did the MTQ make a comparative and documented analysis of the various possible scenarios.
 - The MTQ has not updated the MTMP since its adoption in 2000, even though the situation in the field of transporting people and goods has evolved considerably.
 - As for the content of the plan, it should be noted, among other things, that the relevance of the targets with respect to the objectives and, at the same time, the orientations that the MTQ has chosen in response to the major challenges associated with the urban mobility field is not clear. In addition, the investments presented in the plan are no longer representative of the current situation.
 - With respect to the follow-up on the implementation of the MTMP, the last assessment of the progress of the interventions appearing in the MTMP was produced in February 2004. This assessment did not make an analysis as to whether the interventions carried out and the results obtained were in accordance with the set targets in order to evaluate the progress achieved by the application of the MTMP.

Recommendations

- 3.5 This section brings together the recommendations made in our report. It should be noted that, for information purposes, the number of the paragraphs in question is indicated in parentheses.
- (3.59) We recommended to the Ministère des Affaires municipales et des Régions that it:
- complete the reflection undertaken on the sharing of jurisdictions concerning land use planning in the Metropolitan Montréal Region in order to clarify it;
 - implement means so that the requirements of the constituting Act of the Communauté métropolitaine de Montréal concerning its land use planning and development plan are met;
 - make sure that the land use planning and development plans are diligently revised, notably:
 - by ensuring compliance with the deadlines stipulated in *An Act respecting land use planning and development*;
 - by completing the revision of the process for drawing up and approving land use planning and development plans;
 - better document the reasons supporting the approval or non-approval of the final version of the plans.
- (3.72) We recommended to the Ministère des Affaires municipales et des Régions that it:
- determine the necessary information to know and understand the stakes and impacts related to land use planning in the metropolitan region, analyze them according to their impact on mobility, and prepare a periodic portrait thereof;
 - make the strategic analysis team fully operational.
- (3.78) We recommended to the Ministère des Affaires municipales et des Régions that it adopt a systematic process for revising the orientations in the land use planning field to make sure that they adequately respond to the current challenges of the metropolitan region.
- (3.93) We recommended to the Ministère des Transports du Québec that it develop mechanisms making it possible to ensure the coherency of all of the interventions.
- (3.101) We recommended to the Ministère des Transports du Québec that it:
- improve the quality and reliability of the data used in order to be able to draw the most comprehensive possible portrait of the movements of people and goods and to better gauge the impacts of the envisaged interventions;
 - broaden its knowledge concerning the impacts associated with mobility, among other things in the public health, environment and economy fields, and ensure that this knowledge is kept up-to-date.

- (3.106) We recommended to the Ministère des Transports du Québec that it systematically and globally evaluate the effects of the various scenarios envisaged at the time the plan is being drawn up.
- (3.118) We recommended to the Ministère des Transports du Québec that it:
- update the planning of transportation in the metropolitan region and make sure that this planning:
 - takes into account the orientations in the land use planning field and the evolution of the stakes;
 - permits a clear and explicit adequacy between the orientations, objectives and targets used;
 - establishes precise deadlines for the implementation of the interventions and the anticipated results;
 - determines for each of the interventions the responsibilities and the roles of all of the players involved in the implementation;
 - presents the required investments for each of the interventions based on the most recent evaluations;
 - complete the process leading to the development of indicators for the metropolitan region.
- (3.122) We recommended to the Ministère des Transports du Québec that it:
- put in place a formal mechanism to monitor the results and the interventions;
 - produce a periodic assessment that takes stock of the progress achieved in relation to the anticipated results and the planned interventions, the discrepancies noted and their causes, as well as the solutions envisaged to correct the situation, where applicable.

Audited entities:

- Ministère de l'Emploi et de la Solidarité sociale
- Ministère des Affaires municipales et des Régions
- Ministère des Finances du Québec
- Ministère des Ressources naturelles et de la Faune
- Ministère des Transports du Québec
- Ministère du Développement durable, de l'Environnement et des Parcs
- Ministère du Développement économique, de l'Innovation et de l'Exportation

4.1 The aim of the *Sustainable Development Act* is to establish a new management framework within the Administration. The measures for which the Act provides contribute in particular to bringing about the necessary change within society with respect to non-viable forms of development by further integrating the pursuit of sustainable development into the policies, programs and actions of the Administration at all levels and in all areas of intervention.

4.2 Our auditing work, which took place from June to December 2008, dealt with certain components related to the application of the Act. First, we evaluated the extent to which the departments had assumed the responsibilities entrusted to them by the *Sustainable Development Act*. Secondly, we wanted to make sure that conditions favourable to the implementation of the *Government Sustainable Development Strategy 2008-2013* had been created.

4.3 This audit engagement was carried out with the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) and six other departments that we had selected, given the key role that they are called upon to play in the development of society, namely: Affaires municipales et Régions¹; Développement économique, Innovation et Exportation; Emploi et Solidarité sociale; Finances; Ressources naturelles et Faune; Transports.

Assumption of responsibilities by the audited departments

4.4 Our audit shows that the six departments selected have assumed, to a large extent, certain responsibilities entrusted to them under the Act; however, these departments still have a way to go for other responsibilities.

1. Since mid-December 2008, this entity has been known as the "Ministère des Affaires municipales, des Régions et de l'Occupation du territoire".

- 4.5** The stakes associated with sustainable development are among the concerns of the audited departments. They have taken actions seeking to acquire the capacity to assume these new obligations. However, the departments consider that they are still in the early stages of giving tangible form to the set of responsibilities entrusted to them by the legislator, especially when it comes to the taking into account of the principles. In this respect, we noted the following elements:
- The audited departments have promoted the awareness of their staff about the change that must be made, but their efforts have focused initially on the staff members closely involved in the development of the sustainable development action plan and on the environmental dimension. Most departments were waiting for the government awareness and training plan before offering all of their employees similar activities and before including the economic and social dimensions.
 - While it is still early to fully gauge the scope, the repercussions of the awareness and training activities will have to be monitored attentively in order to progressively evaluate the results obtained.
 - The revision of management practices has begun for the environmental facets. However, to date, this exercise has barely touched upon the elements that are at the very heart of the mission of the entities, with a view to globally and systematically taking into account the principles set out in the Act.
 - Some initiatives have taken shape in terms of the use of decision-making assistance tools. However, the instituted practices have a limited scope and would benefit from being shared between departments. The adaptation, development and use of other tools will prove essential, notably for the taking into account of the principles mentioned in the Act.
 - The audited departments have experienced difficulties in assessing and making the required changes to their processes, day-to-day activities and ways of doing things. They must pursue the objective of determining pertinent actions by considering the principles specific to sustainable development.
- 4.6** As for the drawing up of action plans, it is based on a structured approach bringing together several conditions conducive to success. The draft plans that we examined were in the process of being completed. The approach had the following characteristics, among others:
- a clear commitment of senior management;
 - the setting up of formal structures;
 - the definition of the objectives of the government strategy to which the entity wishes to contribute, in relation to its mission;
 - the prioritization of “essential” activities, without excluding the other activities.
- 4.7** Finally, according to their specific jurisdictions and their respective situation, the audited entities also provided their assistance to the MDDEP.

Implementation of the government strategy

- 4.8 The delays concerning the putting in place of the implementation mechanisms and means have slowed down the creation of conditions conducive to the deployment of the government strategy. In this respect, here are our main findings:
- Three of the four mechanisms and means that were supposed to be functional in 2008 were not as of December 31st of that year; consequently, the departments are behind schedule. These involve the *Implementation plan for an ecoresponsible government*, the *Awareness plan for persons in charge of major intergovernmental committees* and the *Public communication plan on the strategy and its implementation*. These mechanisms and means directly concern essential activities, namely those that are important to consider when drawing up the action plans.
 - Of the four mechanisms and means that were supposed to be ready before the end of 2008, only the *Government awareness and training plan for employees of the administration* was approved by the stipulated deadline. In particular, the first list of sustainable development indicators is late, given that the legal deadline for submitting it to the government for adoption was the end of 2008.
 - In a context where several mechanisms and means were supposed to come into existence, it was necessary to establish the resources required to produce the documents in order to highlight where the issues lay and, in so doing, determine the priorities and plan the necessary adjustments.
- 4.9 In other respects, the MDDEP provided its expertise and offered its collaboration to the departments and agencies to enable them to make progress in the application of the Act. In fact, the MDDEP published guides, held awareness and training activities, and conducted discussion workshops. However, there are still challenges that the MDDEP must take up to help the entities embrace the principles of sustainable development, without however taking their place in the responsibilities that they must assume.

Recommendations

- 4.10 This section brings together the recommendations made in our report. It should be noted that, for information purposes, the number of the paragraphs in question is indicated in parentheses.
- (4.50) **We recommended to the six concerned departments that they:**
- **integrate in the awareness and training activities ensuing from the application of the *Sustainable Development Act* the social and economic dimensions of development, in addition to the dimension related to the environment, in consistency with the government plan on this subject;**
 - **make sure that all of their staff understand the requirements of the Act, notably when it comes to the taking into account of the principles stipulated in the Act, as well as the scope of the *Government Sustainable Development Strategy 2008-2013*;**

- evaluate the repercussions of the awareness and training activities concerned in order to gauge whether they have produced the anticipated results;
 - take advantage of the preparation of the sustainable development action plan to review their management practices accordingly and adjust their aim, if necessary;
 - continue their efforts regarding the adaptation and use of decision-making assistance tools to make sure that the principles of sustainable development are taken into account;
 - intensify interdepartmental collaboration in the development of decision-making assistance tools and in the dissemination of good practices.
- (4.79) We recommended to the Ministère du Développement durable, de l'Environnement et des Parcs that it:
- make sure that each of the mechanisms and means is finalized in a timely manner by taking into account the established timetables;
 - see to it that the communication plan considers short-term actions concerning the participation and commitment of the population;
 - complete, in collaboration with the other departments and agencies concerned, the detailed plan concerning the development and putting in place of the mechanisms and means stipulated in the government strategy, by notably specifying the required resources and the responsibilities of the various stakeholders;
 - intensify the training and coaching of departments and agencies for the taking into account of the principles of sustainable development;
 - improve the guide for taking into account the principles of sustainable development, notably on the basis of the use and experimentation made by the departments and agencies.

Audited entity:

- Société d'habitation du Québec

- 5.1** To assist people for which finding housing is difficult, the government makes various interventions in the housing field, mainly through the Société d'habitation du Québec (SHQ). The mission of this latter organization is to facilitate access for Quebecers to adequate housing conditions by taking into account their financial resources and the diversity of their needs. The SHQ is responsible for several programs such as Low-Rental Housing (LRH), Rent Supplement, Affordable Housing Québec and Renovation Québec.
- 5.2** Under various Canada-Québec agreements, the federal government contributes financially to a number of housing programs. In 2007-2008, the SHQ posted \$815.5 million in revenue, \$333.8 million of which came from federal contributions. The cost of the various programs totaled \$769.9 million, including the federal government's share.
- 5.3** In 2007, the housing stock comprised 73,212 low-rental dwellings. These dwellings were in buildings whose average age was 28 years. The situation has not changed much since. Moreover, the SHQ has estimated the replacement value of these dwellings at \$7.5 billion and their accumulated maintenance deficit at \$1.8 billion for the same year.
- 5.4** Our audit sought to obtain the assurance that the SHQ:
- adequately manages its interventions in the housing field;
 - manages the low-rental housing stock in such a way as to preserve these assets, with a concern for economy;
 - measures and reports on the performance of its activities.
- 5.5** Our work revealed that the SHQ does not always adequately manage its interventions in the housing field. Among the deficiencies noted, mention may be made of the following:
- The SHQ has an incomplete knowledge of its clientele and of their housing needs. Indeed, it does not have sufficient information regarding the clientele that benefit from its programs and it has relatively limited data on the households that are on the waiting lists for its programs.
 - Important programs from a financial standpoint have never been the subject of a program evaluation, even though the agreements with the federal government specify that several programs must be evaluated at least once every five years. For example, the Low-Rental Housing program (\$428.1 million) and the Rent Supplement program (\$67.4 million) have never been evaluated, even though this requirement has existed since at least 1986. Such an evaluation would make it possible to assess the program's relevance and its impact, as well as to determine if its objectives are being met.

- In 2007, the SHQ began a modernization initiative seeking to improve or transform services, but it did not evaluate the cost related to the proposed operating model. In addition, there is no comprehensive plan presenting the main stages of this modernization accompanied with deadlines, which would make it possible to do a follow-up.
- The requirement of the Canada Mortgage and Housing Corporation (CMHC), that all organizations that manage public LRH, private LRH or dwellings associated with the Rent Supplement program are audited once every five years, has not been met. In October 2008, 70 percent of the audits had not been carried out within the stipulated time period for the organizations that manage public and private LRH; this rate reached 93 percent for the organizations that take care of dwellings associated with the Rent Supplement program.
- For the projects associated with the Affordable Housing Québec and AccèsLogis Québec programs, the SHQ has not defined what it means by “moderate income”. In addition, it has done no monitoring work to ensure that the selection of tenants complies with the regulations when projects are implemented or when a tenant leaves.

5.6 As for the management of the low-rental housing stock, it is at times characterized by a lack of rigor, a situation which does not contribute to the preservation of assets. Here are our main findings in this respect:

- The knowledge of the housing stock is incomplete, among other things because not all dwellings have been inspected and, in the case of those that have been inspected, the estimated cost of repairs does not include certain elements.
- The SHQ does not have the assurance that the budget devoted to maintenance and repairs is divided fairly among the organizations, namely to the right places and at the right time. Moreover, it mentions in an internal document that the choice of intervention projects is often made in the form of negotiations between the partners and that the needs are not always supported by technical justifications and cost estimates.
- The rules for awarding maintenance and repair contracts are generally respected for five of the six offices selected. For the Office municipal d’habitation de Montréal, we ascertained some deficiencies that concern 20 of the 30 bid solicitations that we examined. These deficiencies concern the solicitation method, the selection of suppliers, the approval by the board of directors, compliance with the conditions of the bid solicitations, documentation, the contract and billing.

5.7 Finally, on the subject of reporting, the content of the annual management report does not allow the reader to evaluate the performance of the Société. Several improvements should be made, notably concerning the links between the results obtained and the targets of the strategic plan as well as concerning the presentation of data over several years and comparability with similar entities.

Recommendations

- 5.8 This section brings together the recommendations made in our report. It should be noted that, for information purposes, the number of the paragraphs in question is indicated in parentheses.
- (5.42) We recommended to the Société that it continue its efforts in order to have a good knowledge of the current and future housing needs of its clientele as well as to evaluate the impact of these needs on its programs.
- (5.48) We recommended to the Société that it:
- continue its efforts in order to evaluate periodically each program so that improvements thereto can be made, where necessary;
 - make a comprehensive analysis of all of its programs.
- (5.53) We recommended to the Société that it establish scenarios to take into account a possible reduction in the federal government’s contribution to the Low-Rental Housing program.
- (5.60) We recommended to the Société that it:
- make an analysis presenting the cost of the proposed operating model in comparison with the current one and the ability of the organizations to fulfill their new role;
 - prepare a comprehensive modernization plan which presents the main stages along with the deadlines;
 - regularly update its detailed annual plan of activities to be carried out as part of the modernization initiative.
- (5.72) With respect to the programs appearing in the Social Housing Assistance category, we recommended to the Société that it:
- comply with the requirement of the Canada Mortgage and Housing Corporation that all organizations that manage low-rental housing and those that manage the dwellings associated with the Rent Supplement program be audited according to a five-year cycle;
 - improve the supervision of auditing work carried out by management advisors and provide mechanisms to ensure their independence;
 - make an analysis of compliance with the rules of the by-law respecting the allocation of dwellings and the by-law respecting the conditions for leasing to evaluate the scope of the problems and consider them in the context of all of the applicable rules.
- (5.73) With respect to the programs related to the Affordable Housing Assistance category, we recommended to the Société that it:
- specify what is meant by “moderate income”;
 - improve monitoring to make sure that the selection of tenants complies with the regulations during the implementation of projects and when a tenant leaves;

- determine the reasons why organizations have difficulty renting dwellings and implement the necessary corrective measures;
 - improve the financial follow-up on projects, which would make it possible to detect organizations having a precarious financial position and to take the appropriate corrective actions before this position deteriorates further.
- (5.108) We recommended to the Société that it:
- improve its knowledge concerning the housing stock in order to establish good planning, namely allocate the budgets to the right places and at the right time;
 - do a follow-up on preventive maintenance;
 - establish a control strategy related to the follow-up on the work carried out respecting compliance with budgets, stipulated deadlines and quality standards that it has recognized;
 - make sure that the organizations follow all of the rules governing the awarding of contracts.
- (5.118) We recommended to the Société that it:
- perfect its strategic plan concerning indicators and targets;
 - adopt an annual action plan;
 - develop a management chart to monitor indicators;
 - produce an annual management report which permits the evaluation of its performance:
 - by presenting the results obtained in relation to the established objectives;
 - by comparing the results obtained with the targets set and with the results of at least the two previous years;
 - by explaining the variations between the compared data;
 - by comparing itself with similar organizations.

Introduction

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

Table 1
Follow-ups dealt with in this volume

Initial audit	Report for the year concerned
Basic prescription Drug Insurance Plan	2003-2004, Volume II, chapter 2
Quality of performance information	2003-2004, Volume II, chapter 5

- 6.1.4 As part of this work, we did a follow-up on 26 recommendations. We found that satisfactory progress had been made, namely these recommendations had been completely or largely applied, in 82 and 78 percent of the cases respectively. Further details are provided in the other sections of this chapter.

Basic Prescription Drug Insurance Plan

Work done with the Ministère de la Santé et des Services sociaux, the Régie de l'assurance maladie du Québec, the Conseil du médicament and Revenu Québec

- 6.2.1** We did a follow-up on the value-for-money audit carried out in 2003-2004 with the Ministère de la Santé et des Services sociaux (MSSS), the Régie de l'assurance maladie du Québec (RAMQ), the Conseil du médicament and Revenu Québec. Our work ended in October 2008.
- 6.2.2** The purpose of the initial audit, the results of which were published in Chapter 2 of Volume II of the *Report of the Auditor General to the National Assembly for 2003-2004*, was to evaluate whether the responsible entities have an adequate procedure:
- to manage the performance of the Basic Prescription Drug Insurance Plan (MSSS);
 - to make sure that resources were managed in a manner conducive to achieving the best results (MSSS, RAMQ and Conseil du médicament);
 - to ensure optimal use of medications (MSSS, RAMQ and Conseil du médicament);
 - to control the eligibility of insured persons as well as the collection of premiums and other costs (RAMQ and Revenu Québec);
 - to ensure compliance with the legislation and determine whether the policies and the procedure of the RAMQ concerning for approval, processing and reimbursement of payment requests from pharmacists were appropriate and constantly followed.
- 6.2.3** Another objective of this audit was to evaluate whether reports were made in compliance with established reporting rules on the performance of the Basic Prescription Drug Insurance Plan and whether the reports were submitted by the MSSS, the RAMQ and Conseil du médicament to parliamentarians in a timely fashion.
- 6.2.4** During our follow-up work, we met with managers and employees of the MSSS, the RAMQ, the Conseil du médicament and Revenu Québec. We analyzed certain data and examined several documents, including the *Politique du médicament*.
- 6.2.5** We did a follow-up on 17 of the 27 recommendations initially formulated. We made this choice by considering in particular the recommendations also made by the Committee on Public Administration (CPA) in its December 2005 report, which followed the Committee's work dealing with our initial audit. We considered on a priority basis the recommendations directly related to the management of the plan which required more short-term action or which had to be implemented before others. The recommendations not examined in this follow-up are those that dealt with the definition of objectives and indicators making it possible to judge and

report on the performance of the basic plan, reporting and the optimal use of medications. The recommendations pertaining to this latter subject were not examined, notably because their application is also related to the actions of stakeholders other than the MSSS and the Conseil du médicament.

General conclusions

- 6.2.6** Our follow-up work leads us to conclude that significant progress has been made in the management of the Basic Prescription Drug Insurance Plan since 2003-2004. Indeed, satisfactory process has been achieved for 14 of the 17 recommendations (i.e. 82 p. cent) made by the Auditor General and which were the subject of our follow-up. For example, we noted satisfactory progress concerning the management of the performance of the plan and most of the recommendations dealing with the eligibility of insured persons, the collection of premiums, the management of the *Drug Formulary* and the cost of medications.
- 6.2.7** However, actions still need to be taken to correct the deficiencies initially identified at the RAMQ as unsatisfactory progress has been made for three of our recommendations. Indeed, the efforts made by the RAMQ concerning the putting in place of measures facilitating access to the telephone service, the verification with insured persons to determine if the billed services were indeed rendered and the imposing of collection charges on the sums owed by owner-pharmacists have been insufficient.
- 6.2.8** Table 1 presents the assessment of the application of each of the 17 recommendations according to the entities concerned.

Table 1
Follow-up on the recommendations

	Satisfactory progress	Unsatisfactory progress
Management of the performance of the plan		
Objectives and evaluation		
Develop, as stipulated in the Act, a prescription drug policy.	MSSS	
Eligibility of insured persons and collection of premiums		
Information given to the public on eligibility		
Take measures to improve the public's understanding of the basic plan and its knowledge of the Act.	RAMQ	
Put in place measures facilitating accessibility to the telephone service.		RAMQ
Eligibility of participants, registration for the public plan and payment of premiums		
Improve its control procedure in order to verify the eligibility of participants in the public plan when they sign up and during the coverage period.	RAMQ	
Continue their efforts to make sure that participants in the public plan pay their premiums.	RAMQ Revenu Québec	

Table 1
Follow-up on the recommendations (continued)

	Satisfactory progress	Unsatisfactory progress
Make sure that all eligible persons participate in the public plan.	RAMQ Revenu Québec	
Management of the <i>Drug Formulary</i> and cost of medications		
Registration in the <i>Drug Formulary</i>		
Take into account all of the criteria indicated in the Act when analyzing the advisability of including a medication in the <i>Drug Formulary</i> .	Conseil du médicament	
Review the current process for updating the <i>Drug Formulary</i> in order to rapidly take advantage of price reductions offered by manufacturers.	MSSS	
Cost of medications		
Have a re-evaluation made of the amount paid for the application of the 15-year rule with a view to compensating the public plan at its fair value.	MSSS	
Rule on the advisability of establishing other cost control mechanisms.	MSSS	
Make sure that the rates granted for the profit margins of wholesalers are based on precise criteria.	MSSS	
Make sure that the agreements reached with the Association québécoise des pharmaciens propriétaires and approved by the government are applied properly.	MSSS	
Control of payment requests from pharmacists		
Take into account all of the risks indicated in it process for selecting the pharmacies that will be audited.	RAMQ	
Increase the number of audits carried out in pharmacies and the number of analyses made.	RAMQ	
Review its process for auditing pharmacies.	RAMQ	
Check, with insured persons, that the billed services were indeed rendered.		RAMQ
Impose the collection fees stipulated in the Act on the sums owed by owner-pharmacists.		RAMQ
Total of recommendations	14	3
Percentage of recommendations	82 %	18 %

Quality of performance information

Work done with the Ministère de l'Emploi et de la Solidarité sociale

- 6.3.1** We did a follow-up on the value-for-money audit carried out in 2003-2004 with the Ministère de l'Emploi, de la Solidarité sociale et de la Famille (MESSF)¹ regarding the quality of performance information. Our work ended in November 2008.
- 6.3.2** The purpose of the initial audit, the results of which were published in Chapter 5 of Volume II of the *Report of the Auditor General to the National Assembly for 2003-2004*, was to verify the quality of the performance information published in the 2003-2004 annual management report of the MESSF. It should be noted here that this report was part of the 2001-2004 strategic planning cycle and that the work did not aim to evaluate the department's performance or to check the accuracy of the report's content.
- 6.3.3** At the time, we had concluded that the document presented satisfactory results with respect to six of the nine evaluation criteria used to assess the quality of the performance information. We had made nine recommendations to the department. Some were related to criteria deemed unsatisfactory, while others dealt with aspects in need of improvement related to criteria that were considered satisfactory.
- 6.3.4** In March 2005, the Committee on Public Administration (CPA) heard the deputy minister of the MESS on the subject of the annual report and made the following recommendations:
- That the department systematically present, in its annual management report, information that is comparable over time and that the significant variances be explained;
 - That the department also present, in its management report, information making it possible to compare with practices outside Québec;
 - That the department send the CPA, in the fall of 2005, a progress report on its action plan to follow up on the recommendations made by the Auditor General concerning the quality of performance information.
- 6.3.5** To carry out our follow-up, we examined the reporting of the MESS in its 2007-2008 annual management report² regarding the 21 objectives of the 2005-2008 strategic plan. As was the case initially, our work did not seek to evaluate the department's performance or to check the accuracy of the data found in the annual report. We also evaluated the application of the recommendations made by the CPA.

1. The MESSF became the Ministère de l'Emploi et de la Solidarité sociale (MESS) on February 18, 2005.

2. Our follow-up did not deal with the evaluation of the annual reports of Emploi-Québec and the Centre de recouvrement.

General conclusions

- 6.3.6** In 2005, to follow up on the request of the CPA, the MESS developed an action plan in order to provide means of implementing our recommendations. Incidentally, our follow-up reveals that since the initial audit, satisfactory progress has been accomplished concerning seven of our nine recommendations. However, actions still need to be taken for the other two. In particular, additional efforts will be needed to have the results focus more on the effects of the delivery of services and to ensure that the report contains information that is comparable with that of similar entities.
- 6.3.7** In other respects, when the targets associated with the objectives are met or exceeded beginning in the first strategic planning exercise, the MESS should make sure, out of a concern for constantly maintaining or improving its performance, that it explains the reasons why it makes no review of these objectives.
- 6.3.8** Table 1 presents the assessment of the application of each of the recommendations.

Table 1
Follow-up on the recommendations

	Satisfactory progress	Unsatisfactory progress
Make sure that the presented results provide information on the effects of its service delivery.		✓
Set, for all of the results, targets reflecting expectations.	✓	
Adequately explain any material variance between the objectives sought and the results achieved.	✓	
Specify the advocated means to show its ability to maintain or improve the expected performance.	✓	
Discern the influence of internal factors from that of external factors regarding the presented results and specify the contribution of the partners with respect to these results.	✓	
Establish the link between resources and results.	✓	
Present comparative information for all of its results and explain significant variances related thereto.		
<ul style="list-style-type: none"> • Comparison with past years • Comparison with similar organizations 	✓	✓
Report on all of the results pertaining to the commitments made in its service statements.	✓	
Total of recommendations	7	2
Percentage of recommendations	78 %	22 %

Observations of the Auditor General

5. The government has tabled in the National Assembly its consolidated financial statements for the 2007-2008 fiscal year. They report an annual surplus of \$1.7 billion, \$173.3 billion in liabilities, a net debt of \$124.3 billion and an accumulated deficit of \$94.2 billion as at March 31, 2008.

Opinion on the consolidated financial statements for the 2007-2008 fiscal year

6. My first observation concerns the consolidated financial statements. For a second year in a row, at the end of my audit, I conclude that the government's consolidated financial statements have been prepared in accordance with Canadian Public Sector generally accepted accounting principles (GAAP) and the government's accounting policies.
7. Indeed, in light of the implementation by the government, since 2006-2007, of the large majority of the recommendations made by the Task Force on Government Accounting, the consolidated financial statements were prepared on the basis of GAAP-compliant accounting policies. Once again this year, I congratulate all of the stakeholders, including the government: they made the necessary efforts allowing me to issue this opinion on the quality of the financial information included in the financial statements.
8. Within the context of the work that I carried out over the last year, I was able to see firsthand the scope of the progress accomplished thus far in connection with the aforementioned reform and also the work that still needs to be done within the next fiscal year. Indeed, beginning in 2008-2009, the entities of the networks as well as the entities that revolve around the networks will have to be consolidated line-by-line. For this purpose, the government will first have to survey all of the entities working on the periphery of the networks. Afterwards, the government will have to evaluate whether it controls these entities. Finally, it will have to evaluate the accounting policies of the entities that it controls and, where necessary, adjust their financial data to include them in its own financial statements.

9. I am monitoring the unfolding of this major undertaking very closely. The action plan, although realistic, is ambitious. It requires the full collaboration of numerous individuals from various entities of the government and the networks, within a restrictive time frame. For my part, I will continue to offer the government my collaboration for this important work. For the benefit of parliamentarians, I have included in this report a follow-up on all of the recommendations ensuing from the reform of government accounting. This follow-up makes it possible to understand the main initiatives currently underway to achieve the objectives sought in the consolidation field for the upcoming year.
10. In addition, I wish to recall that the inclusion of the entities of the networks in the government's reporting entity should in no way alter the autonomy of their managers or prevent them from fulfilling their reporting obligation. Consequently, I will continue to make sure that they comply with *An Act to provide for balanced budgets in the public health and social services network*. In so doing, I intend to contribute to the improvement of parliamentary control over the substantial expenses incurred in this crucial sector of the public administration.

Public debt

11. My second observation concerns the question of the public debt. The tabling of the Public Accounts in the National Assembly is a high point in the exercise of parliamentary control over the State's finances. Consequently, I feel that this is the ideal time to present my remarks on this question, which sparks real interest for parliamentarians. Indeed, Québec is one of the most indebted provinces in Canada based on the information published by the Ministère des Finances¹. A high level of indebtedness can considerably limit a government's leeway. Indeed, as the share of the State's revenues required for servicing the debt increases, there is less money left over to fund program expenditures. Moreover, the level of indebtedness of a government can make it vulnerable to major fluctuations in interest rates.
12. My concern about meeting the needs of parliamentarians has prompted me to carefully monitor the government's reporting on Québec's indebtedness. I feel that it is important to make sure that parliamentarians have all of the information needed to give them the possibility to adequately evaluate the risks in this field and thus to permit the holding of a more enlightened public debate.

Measurements of the indebtedness

13. There are several ways of expressing the public debt, which can take more than one form. This situation makes measuring, understanding and evaluating the public debt complex. Due to this great complexity and its importance, the government produces information in order to explain the factors that influence the indebtedness of Québec's public sector as well as the various elements taken into account for the calculations of this indebtedness by the many interested parties, such as credit rating agencies. Last year, I had the

1. 2008-2009 Budget Plan, p. D.15.

opportunity to present to the Committee on Public Administration (CPA) and to the Committee on Public Finance (CPF) my calculation of the indebtedness based on my own hypotheses. This calculation was intended to be the most inclusive possible. The prime objective was to bring together in one document the great majority of elements that may be considered as constituting a debt by the various interested parties and to clarify the different notions of indebtedness presented to parliamentarians by the government.

14. At the time of my presentation, parliamentarians asked me if it was possible to produce historical data based on my calculation. Unfortunately, such an operation was not possible with reasonable effort. Nevertheless, given the interest shown, I decided to update this calculation for the fiscal year ended on March 31, 2008. In addition, this year, I have added tables making it possible to follow the evolution of the contractual obligations presented in note 10 of the consolidated financial statements, given their significant growth. These obligations represent an implicit debt that will limit the government's budgetary leeway in the years to come much like the other debts already recognized on its balance sheet.

Compliance with legislation

15. My third observation deals with the government's compliance with legislation. Once again this year, more than one quarter of the health and social services institutions do not comply with *An Act to provide for balanced budgets in the public health and social services network*. This situation has continued for eight years now. I am concerned about this phenomenon, the effect of which is to trivialize compliance with this Act. This concern is all the more important since the planned adoption of GAAP by these institutions could accentuate the budgetary imbalance situation.
16. In other respects, three other laws are the subject of remarks about compliance in this report, namely *An Act to establish a budgetary surplus reserve fund*, *An Act to reduce the debt and establish the Generations Fund and the Balanced Budget Act*. The non-adoption of Bill no. 85, namely *An Act to amend the Balanced Budget Act and other legislative provisions* explains this non-compliance situation. Indeed, in my opinion, the government took steps within the context of this Bill and not in the spirit of the current Acts. However, I feel that it is important to reiterate that, with all due respect for the National Assembly, it is my duty to continue passing judgment on the government's actions based on the legislation currently in force. Finally, I urge the government to take the necessary steps to ensure strict compliance with all of the laws.

Balanced Budget Act

17. Like most other Canadian governments, the Government of Québec went into debt over a period of several years to meet day-to-day needs. These operating deficits, commonly referred to as "déficits d'épicerie" in French, stood at \$94.2 billion as at March 31, 2008. They appear in the consolidated financial statements under the heading of "accumulated deficit".

18. To limit recourse to indebtedness to fund operating deficits, the Québec National Assembly adopted the *Balanced Budget Act*. Consequently, for more than a decade now, there has been a mechanism making it possible to annually report on compliance with the balanced budget requirement.
19. Over the last few years, I have repeated that this mechanism should be revised, given the fact that the cumulative deficits have continued to grow despite this Act. The indicator provided by the *Balanced Budget Act*, which reflects the attainment of a budgetary balance as calculated by the government, is not a fair reflection of reality because the government has chosen advantageous accounting methods, has posted expenses or revenue reductions directly in the accumulated deficits of the government's financial statements without taking these expenses or reductions into account for the purposes of the Act and finally, has recognized revenues twice in its calculation of the balance for the purposes of the Act. Consequently, I have made my own estimate of the balance for the purposes of the Act by using rigorous accounting in keeping with the spirit of the Act. At the request of parliamentarians and following the tabling of Bill No. 85 to amend the *Balanced Budget Act*, I updated my estimate of this balance as at March 31, 2007.
20. In this report, I have updated my calculation of the balance for the purposes of the Act currently in force given the fact that the Bill was not adopted. For the year ended on March 31, 2008, I note a real decline in the accumulated deficits both for the purposes of the *Balanced Budget Act* and for accounting purposes due to the surplus achieved in 2007-2008. In addition, the weight of the accumulated deficits in relation to the Gross Domestic Product (GDP) also declined. In fact, this ratio was 31.6 percent as at March 31, 2008, as compared to 34.0 percent at March 31, 2007.
21. Despite this encouraging decline, the monitoring of the annual budgetary balance is at the heart of the concerns of parliamentarians and rightly so, since the financial outlook points to a deficit for 2008-2009². The government mentioned that it intends to offset this deficit with a portion of the surpluses of the last two years which the government designated as its budgetary reserve. I therefore reiterate my invitation to the government to continue its steps aiming to revise the *Balanced Budget Act* so that parliamentarians have a reliable indicator of the measurement of the budgetary balance, and hence of the existence of operating deficits.

Follow-up on the recommendations of the Committee on Public Administration

22. My last observation concerns the follow-up on the recommendations made by the CPA. In November and December 2007, there were hearings involving the Deputy Minister of Finance, the Comptroller of Finance and Government Accounting, the Secretary of the Conseil du trésor and myself. These hearings were held within the framework of the following mandate from the National Assembly: "Clarify, beginning on November 1, 2007, the application of the *Balanced Budget Act* and propose, as the case may be,

2. 2008-2009 Budget Plan, p. C. 38.

by December 20, 2007 recommendations aiming to correct the artificial budgetary balance.” [free translation] Following the hearings, the members of the CPA unanimously made six recommendations.

23. In the last section of this report, I take stock of these six recommendations. That way, parliamentarians will be able to evaluate the extent to which the government has satisfactorily followed up on their concerns.

Asset-backed commercial paper

41. [...] the investments made in ABCP [asset-backed commercial paper] by all of these entities [the ones included in the reporting entity of the government] totaled \$3,306.6 million as at March 31, 2008. The losses in value attributable to these investments stood at \$506.4 million, namely 15.3 percent.
52. [...] It should be noted that the government does not decide the investment policies of these fiduciary bodies. [...] they [the entities falling within the jurisdiction of the Auditor General but excluded from the reporting entity] suffered \$1,435.4 million in losses in value, namely a decline in value of 14.7 percent, on \$9,740.2 million in investments in ABCP, held almost entirely by the CDPQ [Caisse de dépôt et placement du Québec].

Public-private partnerships

55. In 2007, the Ministère des Transports reached a partnership agreement with a private enterprise concerning the design, construction, financing, operation and maintenance of the completion of Autoroute 25 in the Metropolitan Montréal Region.
60. During the fiscal year ended on March 31, 2008, the government posted in its books \$79 million in assets in relation to this project, an amount that corresponds to the cost of the work done as of that date. A debt for the same amount was also recorded since no sum had been paid to the partner as of that date. The difference between the total costs of the project [estimated at \$502 million] and the recorded assets, namely \$423 million, is presented in the government’s financial statements as contractual obligations. Indeed, the government has undertaken to pay out this sum over the next 35 years.
61. We are of the opinion that posting such assets and such a debt resulting from this partnership in the government’s books complies with GAAP.

Université du Québec à Montréal

64. In the financial statements of UQAM [Université du Québec à Montréal] for the fiscal year ended on May 31, 2007, two reservations are expressed by the external auditor. [...]
65. In the case of the first reservation, the government made an adjustment to eliminate the grant to be received in the financial statements of UQAM. In the case of the second reservation, the government added a provision of \$200 million to the annual deficit of UQAM presented in its financial statements of May 31, 2007 to cover future devaluations that might occur concerning Îlot Voyageur. [...]

Société nationale du cheval de course

71. According to the government's interpretation, the control that the government exercises is temporary. As a result, SONACC [Société nationale du cheval de course] was not included in the government's consolidated financial statements as at March 31, 2008. Certain elements argue in favour of a revision of the position adopted by the government as regards the control that it exercises over the Société.
73. Consequently, there is no doubt that the government has the power to govern the financial and operating policies of SONACC in such a way that its activities procure advantages for the government or expose it to a risk of loss. Moreover, given the fact that the provisions that confer the control are enshrined in a law, it is our opinion that this control will most likely not be temporary.

Balanced Budget Act

85. A sum of \$1.3 billion was appropriated for the budgetary reserve in 2006-2007, including \$1.1 billion to maintain the budgetary balance in 2008-2009 and \$200 million for the purposes of the Generations Fund. For 2007-2008, an additional sum of \$717 million was added to the reserve intended to maintain the budgetary balance.
86. For our part, we made a new update of the accumulated balance as at March 31, 2008 for the purposes of the *Balanced Budget Act* currently in effect, without taking into account these appropriations for the budgetary reserve and the Generations Fund [...].
87. [...] the annual surplus for 2007-2008 established for the purposes of the *Balanced Budget Act* stands at \$1,201 million. [...] the accumulated balance for the purposes of the *Balanced Budget Act* was \$3.3 billion in deficit as at March 31, 2008.

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

94. [...] the deficits totaled \$127 million in 2007-2008 and concern 55 institutions. These deficits stood at \$137 million in 2006-2007, \$139 million in 2005-2006 and \$223 million in 2004-2005. Among the 55 institutions in deficit in 2007-2008, 47 of them have had a deficit for at least 5 years.
95. It is hard for us to understand why [...] the budgetary balance sought by this Act has not been achieved. [...]

Québec's indebtedness

Measurement of the indebtedness by the Auditor General

105. The total indebtedness of Québec's public sector, as calculated by the Auditor General, is made up of the debt supported by the government, the self-financed debt of commercial enterprises and the debt supported by the municipal and university sectors.

- 106. [...] the total indebtedness stood at \$208.3 billion as at March 31, 2008, a sum representing 69.9 percent of the GDP. [...]
- 113. [...] the debt supported by the government reached \$158.8 billion as at March 31, 2008, which represents 53.3 percent of the GDP. [...]
- 138. The self-financed debt of commercial enterprises [...] totaled \$34.4 billion as at March 31, 2008. [...]
- 142. [...] the debt supported by the municipal and university sectors reached \$15.1 billion as at March 31, 2008. [...]

Fiduciary operations

- 143. Fiduciary operations do not appear in the government's results because the entities that carry out such operations are not part of its reporting entity. [...]
- 144. [...] we deemed that it was relevant to draw the attention of parliamentarians to the fiduciary operations of the Fonds d'assurance-stabilisation des revenus agricoles. The Fonds posted negative net equity of \$780 million as at March 31, 2008 [...]. A portion of this negative net equity represents [...] an implicit debt for the government.

Contractual obligations

- 149. The commitments contracted by the government were up by \$1.9 billion as at March 31, 2008. [...]

Measurement of the indebtedness by the Government of Québec

- 152. The Government of Québec uses different indicators to measure Québec's indebtedness. They include the net debt, the accumulated deficits, the total debt for the purposes of *An Act to reduce the debt and establish the Generations Fund*, the gross debt and the long-term debt of the public sector. [...]
- 169. The long-term debt of the public sector is presented by the government in its budget plan. It totaled \$197.3 billion as at March 31, 2008 [...] Given the fact that the calculation of the total indebtedness of the public sector made by the Auditor General stood at \$208.3 billion as at March 31, 2008, there is a difference of \$11.0 billion [...].



Significance of the logo

An easy-to-recognize building, 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.

Auditor General of Québec



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Except for the obligations stipulated in the Act, the Auditor General determines the work that he performs and decides on the content of his report to the National Assembly.

Mr. Renaud Lachance has held the position of Auditor General of Québec since August 9, 2004. He has a Bachelor's degree in Business Administration, a Master's degree in Taxation and a Master's degree in Economics. He is a member of the Ordre des comptables agréés du Québec. From 1985 to 2004, Mr. Lachance served as a professor at HEC Montréal. He also assumed various leadership responsibilities in this university institution specializing in management.

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