

Second Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Jack Reimer
Constituency of Southdale

Vol. LV No. 4 - 1 p.m., Wednesday, September 8, 2004

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, September 8, 2004

TIME – 1 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Reimer (Southdale)

VICE-CHAIRPERSON – Mr. Jim Maloway (Elmwood)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Gerrard, Selinger

Mr. Aglugub, Ms. Irvin-Ross, Messrs. Loewen, Maloway, Martindale, Ms. Oswald, Mr. Reimer, Mrs. Taillieu

Substitutions:

Mrs. Rowat for Mrs. Mitchelson

APPEARING:

Mr. Len Derkach, MLA for Russell
Hon. Ms. Christine Melnick, MLA for Riel
Mr. Stuart Murray, MLA for Kirkfield Park
Mrs. Bonnie Mitchelson, MLA for River East
Mr. Jon Singleton, Auditor General
Ms. Bonnie Lysyk, Deputy Auditor General and Chief Operating Officer

MATTERS UNDER CONSIDERATION:

Provincial Auditor's Report on Compliance and Special Audits for the fiscal year ended March 31, 2001

Public Accounts Volume 1, 2, 3 and 4 for the fiscal year ending March 31, 2003

Auditor General's Report – Value-for-Money Audit, Student Financial Assistance Program dated September 2002

Auditor General's Report – Audit of the Public Accounts for the year ending March 31, 2002

Auditor General's Report – An Examination of RHA Governance in Manitoba January 2003

Annual Report of the Operations of the Office of the Auditor General for the fiscal year ending March 31, 2003

Auditor General's Report – Follow-up on Previously Issued Recommendations on Business Planning and Performance Measurement Report dated December 2003

Auditor General's Report – Audit of the Public Accounts dated March 31, 2003

Auditor General's Report – Information Technology Report dated March 2004

Mr. Chairperson: Will the Standing Committee on Public Accounts please come to order.

Committee Substitution

Mr. Chairperson: Before we proceed, we do have a substitution. I have before me the resignation of Mrs. Mitchelson from the committee.

Mr. John Loewen (Fort Whyte): Mr. Chair, with the unanimous consent of the committee, I would like to make the following membership substitution effective immediately for the Standing Committee on Public Accounts: Mrs. Rowat for Mrs. Mitchelson.

Mr. Chairperson: It has been moved by Mr. Loewen that Mrs. Rowat replace Mrs. Mitchelson on the committee. Is that agreed? *[Agreed]*

* * *

Mr. Chairperson: Several reports have been referred to this committee for their consideration this afternoon. With the passage of the Public Accounts Volume 1, 2 and 3 for the year ending March 31, 2002, the following remaining reports remain to be considered: Provincial Auditor's Report on Compliance and Special Audits for the fiscal year ended March 31, 2001; Public Accounts Volume 1, 2, 3 and 4 for the fiscal year ending March 31, 2003; Auditor General's Report – Value-for-Money Audit, Student Financial Assistance Program dated September 2002; Auditor General's Report – Audit

of the Public Accounts for the year ending March 31, 2002; Auditor General's Report – An Examination of RHA Governance in Manitoba January 2003; Annual Report of the Operations of the Office of the Auditor General for the fiscal year ending March 31, 2003; Auditor General's Report – Follow-up on Previously Issued Recommendations on Business Planning and Performance Measurements Report dated December 2003; Auditor General's Report – Audit of the Public Accounts dated March 31, 2003; Auditor General's Report – Information Technology Report dated March 2004.

Hon. Greg Selinger (Minister of Finance): I was proposing to seek leave from the committee today to have the Hydra House report be dealt with by this committee without it having been referred by the House.

Mr. Chairperson: Is there unanimous consent of the committee that the investigation of Hydra House Ltd. and the review of the related Department of Family Services and Housing financial accountability framework be considered today? *[Agreed]*

With regard to the agreement just reached concerning consideration of the Hydra House report, I would like to remind members that the normal practice is to first have the report tabled in the House and then referred to this committee by the Government House Leader. I would suggest that this not be considered a precedent for the committee. Thank you.

Are there any suggestions for the committee as to how long we should sit this afternoon?

Mr. Doug Martindale (Burrows): I suggest we sit till 5 p.m.

Mr. Chairperson: Is it agreed? *[Agreed]*

How does the committee wish to proceed this afternoon?

Mr. Selinger: I was going to request leave of the committee to allow the Minister for Family Services and Housing (Ms. Melnick) to give some opening comments.

Mr. Chairperson: I should point out that it was agreed at yesterday's meeting a brief overview of the content of the report put forth by the Auditor General first. Is there agreement to that? *[Agreed]*

Mr. Loewen: Just for clarification because the process is that we have an opening statement from the Minister of Finance and then an opportunity for the critic to make some opening remarks. I have some opening remarks that I think are better suited to preceding the Auditor General's comments on the report.

* (13:10)

Mr. Chairperson: Just as a matter of clarification, in regard to the opening remarks, as was requested by the minister, the Minister of Family Services (Ms. Melnick) would have some opening remarks. The critic, Mr. Loewen, would have some opening remarks, and then I believe Mr. Singleton would have a review of the report. Is there agreement to that?

Point of Order

Mr. Chairperson: Mr. Derkach, on a point of order.

Mr. Leonard Derkach (Russell): I understand that the Minister of Finance (Mr. Selinger) asked for leave of the committee to allow the Minister of Family Services (Ms. Melnick) to come forward and make opening remarks. I am wondering, in the spirit of the intent of the letter that was sent to me by the House Leader of the government, whether or not the minister would also be available to answer questions as regards Hydra House during this investigation of the Auditor's report.

Mr. Chairperson: I believe the preliminary discussions we are having right now are for the opening statement that the Minister of Finance (Mr. Selinger) requested. Then the procedure would be to the opening critic, to Mr. Singleton, and then I believe it would go back to the minister for questions. Is that correct? I believe that is the procedure we will be following.

I think that answers your question, Mr. Derkach.

Mr. Derkach: I am wondering whether it is the Minister of Finance or the Minister of Family Services that will be answering questions.

Mr. Chairperson: I can only refer to the discussions that were held around the table at yesterday's meeting. It is my understanding that a letter was provided to the opposition offering a discussion on

Hydra House report today, and further advising that the Honourable Ms. Melnick would be available to come and answer questions.

I believe that was covered in the letter that was sent to you, Mr. Derkach.

* * *

Mr. Chairperson: So we will proceed with Mr. Gerrard.

Hon. Jon Gerrard (River Heights): I have a valid issue here. I think it is—

Mr. Chairperson: Is it a point of order?

Mr. Gerrard: Well, no, it is a motion.

Point of Order

Mr. Chairperson: On a point of order, Mr. Loewen.

Mr. Loewen: We are, I believe, dealing with the minister's request to seek leave from the committee. It would be totally out of order to have any other member try and put forward a motion before we deal with that issue, I believe.

Mr. Chairperson: We will go back and ask for leave of whether there is agreement that Ms. Melnick will have opening statements, Mr. Loewen as opposition critic would have statements, and then Mr. Singleton would have statements.

Is that agreed? *[Agreed]*

Mr. Loewen: Just to offer this up to the committee one more time. I appreciate the fact that the minister is giving up his statement; I do have an opening statement. Just in terms of process, the issues I am going to deal with are probably more appropriate dealt with prior to the minister's statement.

If it is the will of the committee that the minister gives her statement first, then I will go along with that. I am just saying in terms of logical sense that, if the minister at the table does not have an opening statement, in terms of flow it would make more sense for me to proceed with my statement. But, if it is the will of the government to have the minister speak, then we will go ahead. I just throw that out for your information.

Mr. Chairperson: I will ask one more time. Is there agreement on the procedure I have outlined? *[Agreed]*

* * *

Mr. Gerrard: I understand we have agreed to the procedure, but I have a comment which is directly relevant to how we proceed. It deals with the fact that one of the senior people in the government who was very involved in this and wrote a letter saying that Hydra House, everything was fine. That was Mr. Peter Dubiński, and I think it is very important that he be here to be able to answer questions as well. Therefore, I would move—

Point of Order

Mr. Chairperson: Mr. Loewen, on a point of order.

Mr. Loewen: The member is totally out of order with his comments. We have agreed to a process here. We should undertake that, and I would appreciate it if the member would just abide by the will of the committee.

Mr. Chairperson: I agree that there is not a point of order, but I will allow Mr. Gerrard to finish his comment and then we will proceed.

* * *

Mr. Gerrard: This is appropriate in the context of our proceedings, and I would move that the Chair request the presence of Mr. Peter Dubiński at today's committee meeting so that he can be available to answer questions about his involvement in matters related to Hydra House. I believe, as a member of the committee, that this is appropriate and that it should be at least dealt with, whether in a positive or a negative fashion. There should be a vote on the motion.

Mr. Chairperson: I must point out that this motion was ruled out of order in yesterday's meeting. It was referred to the House leaders for discussion, so I will have to move that this is out of order at this time.

Mr. Gerrard: One brief comment, and that is this, that the rule clearly says that the Chair has the—

Mr. Chairperson: I would ask the member is he challenging the ruling of the Chair.

Mr. Gerrard: What I want to indicate is that the Chair has the ability to take the initiative under the rules as they exist now, and I would like to give the Chair one opportunity to change his mind before I proceed with any further challenge.

Mr. Chairperson: I would suggest, then, that the member is challenging the ruling of the Chair.

Voice Vote

Mr. Chairperson: I would ask all in favour of sustaining the ruling of the Chair signify by saying yea.

Some Honourable Members: Yea.

Mr. Chairperson: Those opposed to the ruling, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it. The ruling of the Chair is sustained.

* * *

Mr. Chairperson: I will now turn to Ms. Melnick for comments.

Hon. Christine Melnick (Minister of Family Services and Housing): Mr. Chair, I would like to open with a few opening comments. I want to illustrate to the committee a few immediate steps that were taken around the release of the report, and I hope to be able to answer questions around the department's relationship with Hydra House that has led us here today.

Hydra House has been in existence since the 1980s and currently cares for 78 individuals, adults and children combined. The Auditor General's report covers the period between April 1997 and March 2002, a period of two different administrations and hence two different ministers, Bonnie Mitchelson and the Honourable Tim Sale.

The Department of Family Services and Housing works with many external agencies to provide care and support for people with disabilities. These

agencies provide important and valuable services to Manitoba's most vulnerable people. The situation we are faced with today is a result of serious misuse of public funds by Hydra House. Like me, as I said on July 6, all Manitobans, I am sure, are outraged in reading the Auditor's report. There are many serious allegations that were raised surrounding financial mismanagement by the top executives at Hydra House, as released in the report.

The Manitoba government accepts the report and the recommendations, and we have acted immediately to improve accountability and transparency both across the department and, most importantly, in dealing with the financial accountability of Hydra House. Our priority and primary concern is the well-being of the clients, to ensure that they receive the quality of care that they need. I need to stress that Hydra House provides service to very vulnerable individuals, again, adults and children alike, with severe disabilities and they provide this care through home-like residences in communities within Winnipeg. The people who work directly with these individuals and the clients themselves have done nothing wrong. Executives at Hydra House did not use public funds for the purposes for which they were provided.

*(13:20)

Like all Manitobans, our government agrees that it is completely unacceptable that Hydra House, a privately owned corporation, did not use the public funds as intended. As the Auditor points out, the risks of funds being spent for purposes other than direct client care may be higher when using a for-profit external service provider as opposed to a not-for-profit external service provider.

When allegations were brought forward to the department, a series of discussions was made to look into these allegations. Clearly, this review missed the issues raised by the Auditor General. The review focussed on care and did not look closely enough at the financial issues. The minister at the time relied on the information that he had and we accept that this review did not go far enough to investigate Hydra House.

At the time of the allegations, the department did not have the capacity to review the financial allegations as it should have. We are currently in the process of rebuilding that capacity in the department,

and I will speak to that capacity further on. It is clear that more must be done to ensure that public monies destined to support people with disabilities are spent for that purpose. It is for that reason that I announced on July 6, an immediate five-point action plan aimed at addressing the recommendations of the office of the Auditor General.

Number 1 was the appointment of an interim third-party manager to monitor and ensure financial accountability of Hydra House. This independent third-party manager is currently overseeing financial transactions at Hydra House to ensure financial accountability of public funds at Hydra House on a go-forward basis.

We have also created an implementation team made up of officials from across government and the not-for-profit sector to put into practice the Auditor General's recommendations. The implementation team is responsible for listening to any concerns regarding Hydra House from clients, families and caretakers alike, reviewing the government's policy with respect to funding external agencies, reviewing the current per diem funding model and recommending changes and providing an interim report in the fall and a final report in December of this year. We have notified all external agencies explaining that, as a condition of funding, a service purchase agreement will now be required.

The implementation team will start to review current legislation to ensure transparency of agencies receiving the majority of their funding from public sources, and on July 6, the department forwarded the Auditor General's report to the public Prosecutions branch of Manitoba Justice. The government is continuing to pursue all legal avenues to recover the public funds which have been misused by Hydra House.

On the immediate release of the report, I, as minister, took immediate action. On July 6, Hydra House was instructed to allow access to all corporate records to the third-party interim manager; to provide an annual budget and monthly financial statements; to retain supporting documents for expenditures; to comply with federal, provincial and municipal laws, including paying taxes when required; to charge only documented expenses directly related to operation of the company; to not charge personal expenses to the company; to immediately discontinue charging the company for the office in Florida; to not provide any

compensation, other than contractual commitments, unless approved by the interim manager; to comply with its conflict-of-interest policy; to ensure that the company receives fair market value or pays not more than fair market value when it sells or buys an asset such as a vehicle.

I would like to inform the committee that no new residents have been placed at Hydra House since July 6. On July 6, 2004, external agencies were notified, as I had mentioned, that service purchase agreements are required as a condition of funding. Currently, out of 183 agencies, 93 have signed agreements, 45 are currently in the process of renewing agreements and 45 are under active negotiation.

An agency accountability unit is being established in the department to ensure that service purchase agreements are both in place and to ensure compliance with agency reporting requirements. The capacity was eliminated from the department in the nineties. This unit will be responsible for leading negotiations of service purchase agreements and ensuring that the department has an operational accountability framework.

To be precise, this five-person team will report to the Assistant Deputy Minister of Finance and Administration. The positions will be as follows: a chief negotiator to oversee all negotiations on service purchase agreements who will work in conjunction with a service purchase agreement consultant; there will be a senior business consultant whose primary responsibility will be to ensure that the agency accountability framework is being followed by the organizations and the senior business consultant will also work with organizations and boards in an advisory capacity to ensure that they are aware of their responsibilities. To complete the unit, two agency accountability controllers will be added and their primary area of responsibility will be to ensure that the agency reporting requirements will be understood and met by all organizations receiving funding.

The department has taken measures to regularly monitor the care of residents and has assigned staff to deal with complaints and care issues. This includes providing a telephone number for citizens to call, that number being 945-8137, and they have also been provided with an after-hour emergency number.

Finally, last Friday, on September 3, I, as minister, announced that this government will begin the process of disengagement from Hydra House. This will effectively end our relationship through a period of transition. Again, I must stress that this transition needs to be done very carefully in order to protect the residents and the staff who both live and work in these homes.

It is my goal as minister to ensure that we act immediately on the recommendations from the Auditor General, and ensure that the use of public funds are spent responsibly and are used to protect the vulnerable people that my department cares for each and every day.

To complete my opening remarks, I would like to table the Hydra House review which is commonly known as the Van Haute report.

Mr. Loewen: Mr. Chair, again I believe that, quite frankly, having a minister at this table to present an opening statement when by rules of this committee that minister is not even allowed to be a member of this committee just serves to prove how ridiculous the operation of this committee has become. This whole process needs to be revamped. It needs to be reformed as has been suggested by the Auditor General, and it needs to be modernized.

*(13:30)

We have a process in place that does not work. I think all of us on this committee must come to the clear understanding that this process does not work. It does not serve the interest of us as legislators. It does not serve the interest of the people of Manitoba. Until we realize that we will continue to see happen what happened yesterday, which is basically a complete and utter waste of time and effort, in particular by the Auditor General and his staff who are forced to sit here.

As an example, yesterday for four hours the Auditor General and his staff came here prepared to discuss reports, which, quite frankly, we all knew coming into the meeting we did not have any hope of reaching. So I want to make some comments and suggestions that hopefully will help move the operation of this committee forward. I will leave it up to my colleagues on the committee to deal with the political spin that the Minister of Family Services

(Ms. Melnick) has attempted to put on this very, very serious situation.

This is a committee that does not meet often enough. This is a committee that has no process in place that allows it to function in a proper manner. This is a committee that, as of now, has no ability to call forward and to question the people we need to question to get to the bottom of these affairs. We do need the ability as a committee to have senior staff, as the Auditor General has recommended, sitting at this table prepared to answer questions.

This is a committee that must place more value on the efforts and the time put forth by the Auditor General and the staff of his office, and must show a great deal more respect for their efforts. In particular, we must cease this ridiculous process of bringing the Auditor General and his staff to this meeting to simply waste their time. That is not acceptable any more, and I think it is up to every one of us on the committee to ensure that this changes, and it changes quickly. We must take seriously the Auditor General's suggestions regarding reforming of the Public Accounts Committee.

Surely, we must understand that for us to send the Chair of this committee and the Auditor General, and to pay their expenses to go to a national convention, simply to have themselves embarrassed by the inactivity of this committee, I mean we should all be ashamed of that, and particularly as elected representatives representing the people of the province of Manitoba. This is a black eye on this province. It is a black eye that the Chair of this committee and the Auditor General and his staff are forced to carry forward.

We heard the Auditor General yesterday explain to us that one of the top items on the agenda for their national meeting was surveying and trying to understand how public accounts committees work and how to make them more effective. Yet we sit here and have the types of discussions and wrangling, procedural wrangling, that we had yesterday, which happens every time we try and move this committee into the modern day.

Now we had a situation where these very recommendations that the Auditor General has laid before this committee were hailed and praised by members of the government when in opposition. A minister of the Crown is on record saying that these

changes need to be made and they need to be made quickly, and chastising the committee of that time for not moving quickly enough on them. Now in government we have the opposite view, everything possible is done to delay and stall.

I do not want to take up any more time other than to remind the committee of two rules, which are in the *Rules, Orders and Forms of Proceedings of the Legislative Assembly of Manitoba*. These are rules by which we have all agreed as sitting members that this committee would operate by: Rule 108(b) "the Chair may propose procedures that will facilitate the operation of the Public Accounts Committee."

It is therefore incumbent on the Chair to bring forward recommendations and procedures as the Auditor General suggested yesterday, as we attempted to do in a motion that was put before this committee yesterday to make sure that this committee operates in an efficient manner and does the job that it is set up to do in a non-partisan manner, and that is to hold the government accountable. We have a mandate. It is time we started to live up to that mandate.

I would also remind the committee that Rule 96(c) states that the mandate of the Standing Committee on Public Accounts is to "review and make recommendations to the House on the functioning of the Committee and its Rules."

So, one of our rules is that we make recommendations directly to the House on how we feel we can be more effective, how we can put in place procedures that will allow us to become more effective and then it is out of our hands. At that point, it is up to the House and if the House says no, well, there is nothing we can do other than to keep putting forth better arguments. It is our responsibility under our rules to make these recommendations directly to the House, not to the Rules Committee but to the House. It is up to the House. It is up to the 57 elected members to decide whether the recommendations that we make as a committee to the House should be put in place. It is not up to the Government House Leader (Mr. Mackintosh) to make some decision as to whether the rules work for him. It is not up to us to listen to the Government House Leader as to whether the rules work for him. It is up to us to work co-operatively as a committee

to make sure we are doing the work that Manitobans want to see done.

So, on that basis, I do have some motions that I will put before the committee. The first motion, Mr. Chair, I move

THAT the Public Accounts Committee recommend to the House that the Public Accounts Committee meet on a minimum of 20 occasions each year and more often as required to clear up the backlog of reports before the committee.

Mr. Chairperson: The motion before the House is moved by Mr. Loewen

THAT the Public Accounts Committee recommend to the House that the PAC will meet a minimum of 20 occasions each year and more often as required to clear up the backlog of reports before the committee.

The motion is in order. Debate can proceed. The question before the committee is:

THAT the Public Accounts Committee recommend to the House that the PAC meet a minimum of 20 occasions each year and more often as required to clear up the backlog of reports before the committee.

Is it agreed? [*Agreed*]

Mr. Loewen: I would like to continue with my opening statement, and I would like to thank the members of this committee for agreeing to pass that motion. I think it is very important that we indicate to the House that we are ready, willing and able to meet more often. I also believe that unless we change and modernize the method surrounding how we deal with issues in these meetings that we will continue to be ineffectual. It is in that vein that I would once again recommend to all of us that we take very, very seriously the recommendations that have been put forth by the Auditor General on numerous occasions. It is now time to take action and put those into motion. On that basis, I would also move

THAT the Public Accounts Committee recommend to the House that the committee's Chairperson be given responsibility for determining when meetings are convened, proposing meeting agendas and determining who to call upon to attend the meetings in order to answer questions from the members.

* (13:40)

Mr. Chairperson: We have before us a motion that in essence has two parts to it. One part of it was recommended that it would go to the House leaders and the Rules Committee, and that is the part that is determining who to call upon to attend meetings in order to answer questions from the members. That was dealt in a motion yesterday.

The other part of the motion that is brought forth by Mr. Loewen in regard to the Chairperson given the responsibility for determining when meetings are convened and proposing meeting agendas is new to the motion. The question that can be asked: Would this motion that is being presented now replace the one that was taken yesterday in regard to the discussions that ensued after the motion was introduced yesterday? That is the problem that is being faced by the Chair.

For clarification, I will read the motion that was pertaining to witnesses yesterday.

THAT when matters under consideration for a particular Public Accounts Committee meeting have been determined the Chair shall notify by letter the administrative heads of organizations whose mandate relates to the Auditor General reports under consideration requesting them to attend the meetings with such other officials from their organizations as they deem necessary to respond to questions the committee may wish to ask them and the above motion be referred to the House leaders and the House Rules Committee for consideration and request the Rules Committee report back to this committee by September 30.

I would point out as Chairman of the committee that it is becoming very frustrating trying to interpret the various rules and conditions that are being brought forth. I would suggest that the committee has work to do, but we can continue to debate these various subrules and rules and motions. That is strictly up to the committee. I would just say that the interpretations and the advice that I have been given and the advice the committee members are bringing forth sometimes do not mesh so I am just pointing this out, that there is a degree of frustration in trying to get this meeting going.

Mr. Derkach: To further complicate matters, Mr. Chair, I have an issue of procedure here that I would like to seek some advice on. I received—

Mr. Chairperson: Before we do that, we do have to deal with this motion.

Mr. Derkach: Well, I am sorry, I—

Mr. Chairperson: Yes, this motion has not been cleared up. The comment has been made, or the suggestion has been made, will this motion supersede the one that was made yesterday? What is the will of the committee?

Some Honourable Members: No.

Mr. Chairperson: No.

Mr. Loewen: With regard to that, Mr. Chair, the motion clearly is within the scope of the rules and the mandate of this committee as described in Rule 97(c). It does not supersede anything we did yesterday. We can still take advice and hear the opinion of the Rules Committee but our mandate as a committee is to make recommendations, and I will read the rule: "Review and make recommendations to the House on the functioning of the committee and its rules."

That is very clear, that our mandate is to make recommendations to the House. Whether or not the House accepts those recommendations is another point. So I would declare to you that the motion is in order. We simply need to vote on it and all I am asking in the motion is that we make, as a committee, a unified recommendation to the House that the issues that I have covered in that motion be dealt with so that we can get on with the proper process in terms of the form and function of the meetings that we are conducting on behalf of the citizens of Manitoba as elected representatives and remove that black eye that is placed on this province.

Mr. Chairperson: We have a motion before the committee. It had been proposed

THAT the Public Accounts Committee recommend to the House that the committee's Chairperson be given responsibility determining when meetings are convened, propose meeting agendas and determining who to call upon to attend the meetings in order to answer questions from the members.

The motion is in order. Debate can proceed.

Mr. Martindale: I have an amendment. I would like to add after "Chairperson," with the agreement of the Vice-Chair," and I will put that in writing.

* (13:50)

Mr. Chairperson: We have an amendment to the motion. It has been moved by Mr. Martindale

THAT the motion be amended after "Chairperson" by adding "and Vice-Chairperson."

The amendment is in order, and the debate can proceed on the amendment.

Mr. Loewen: The words you expressed I do not believe are the exact words I heard during the member's amendment, so I am wondering if it would be possible for you to read the whole motion now so we can get the flavour of the—

Mr. Chairperson: I was just in the process of rereading the whole motion, Mr. Loewen. If the amendment passed, the motion would then read

THAT the Public Accounts Committee recommend to the House that the committee's Chairperson and Vice-Chairperson be given responsibility for determining when meetings are convened, proposing meeting agendas, and determining who to call upon to attend the meetings in order to answer questions from the members.

Now we are going to vote on the amendment first.

Voice Vote

Mr. Chairperson: All those in favour of the amendment, please signify by saying yea.

Some Honourable Members: Yea.

Mr. Chairperson: Opposed? Hearing none, it is carried.

* * *

Mr. Chairperson: Now I will read the motion again as amended

THAT the Public Accounts Committee recommend to the House that the committee's Chairperson and Vice-Chairperson be given responsibility for determining when meetings are convened, proposing meeting agendas, and determining who to call upon

to attend the meetings in order to answer questions from the members.

Voice Vote

Mr. Chairperson: All those in favour of the amended motion, please signify by saying yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it.

* * *

Mr. Chairperson: Okay, we will now proceed. Mr. Derkach had a question. Is it on a point of order, Mr. Derkach?

Mr. Derkach: This is on a matter of procedure, and I need some advice and clarification from you as the Chair, Mr. Chairperson.

I received a letter from the Government House Leader (Mr. Mackintosh) on September 3, Mr. Chair, where the Government House Leader consented to having the Minister of Family Services (Ms. Melnick) available today to answer questions on Hydra House. The last statement of his letter goes on to say, and I quote: "If so, the attendance of these former ministers can be arranged for future meetings of the committee." And those former ministers that he refers to include Mr. Tim Sale.

Under Rule 108, it clearly says, "The Chair shall play a lead role in all aspects of Committee work and shall be the spokesperson for the Committee," and (b) "may propose procedures that will facilitate the operation of the PAC."

To my way of thinking, this is simply a procedural change where we are requesting and the Government House Leader has consented to allowing the Minister of Family Services and former ministers to come forward before the committee. This, in my interpretation of the rules, is a procedural change, and in that spirit, Mr. Chair, it would also extend to having departmental staff, such as the assistant deputy minister, and perhaps those staff that might be identified, come forward before this

committee and that, you, as Chair, have the power and the responsibility and the authority to bring these people forward as a matter of procedure to facilitate the operation of this committee or this section of the committee.

We are not asking that this rule apply to all Public Accounts committees. We are asking that this rule apply to this section of the committee, which is considering Hydra House. My interpretation of the rules would lead me to believe that it would be quite in order for us, not only to ask the minister—through you, of course, as Chair—responsible for Family Services now but the former minister responsible for Family Services, i.e., Mr. Tim Sale, as well as members of the staff who have responsibility for the issue of Hydra House to come forward before this committee. I ask, Mr. Chair, that this be considered and that perhaps somebody from the committee may wish then to pursue this by motion if in fact that is required.

Mr. Chairperson: I thank the member for bringing that information before the Chair. That will be taken under consideration and a report brought back at a later time.

Mr. Loewen: I appreciate the opportunity to conclude my opening remarks. Again, I do thank the committee for agreeing with me to move these recommendations forward to the House. I would hope that each member of this committee will do the necessary homework with regard to Cabinet and to caucus to make sure that proper and sufficient and meaningful reforms are made to the operation of the Public Accounts Committee, and hopefully we can get this done in the near future so that we can at least allow the Auditor General to think about retirement with the full knowledge that this committee will be brought into this century in terms of its operation.

With regard to the amendment that was put forward by the member from Burrows, I do appreciate that. I would take this opportunity though, in case there are members on the committee that have not reviewed the rules, and I agree that it is fair to have the Vice-Chair have input in terms of the setting of the agenda; in terms of who it would be appropriate for this government to call in terms of when the meetings will be held.

I would remind the committee that Rule 108 states clearly, "The Chair shall play a lead role in all

aspects of Committee work and shall be the spokesperson for the Committee." That is Rule 108.

Rule 109 and Rule 110 deal with the Vice-Chair. Rule 109: "The Vice-Chairperson shall assume the Chair in the absence of the Chairperson and shall exercise all the rights and privileges of the Chairperson in that person's absence." So the Vice-Chair, in the absence of the Chair, has the right to assume new responsibilities.

Rule 110: "The Vice-Chairperson"—and I think this is a pertinent clause—"shall assist the Chairperson in the performance of duties." So while we are looking forward to input on the Vice-Chair, I think it is incumbent that the Vice-Chair realize that it is the determination of not only this committee but these are rules passed by all 57 members in the House. They have said clearly it is the role and mandate of the Chair to play a lead role and the role of the Vice-Chair to provide advice, which I am sure the Chair would be more than willing and pleased to take. That is definitely the roles we have defined for ourselves and have been defined for us by the members of the Legislative Assembly. I would expect us to adhere to those.

In closing, Mr. Chair, I have one more issue I would like to deal with. As we have had some discussion on it, I move

THAT under Rule 108(b), the Chair request the attendance of the former Minister of Family Services, Mr. Tim Sale, along with the departmental staff including the internal audit personnel and the Assistant Deputy Minister, Mr. Peter Dubiensi, at the next Public Accounts meeting to further consider issues around Hydra House and the report prepared by the Auditor General and his staff.

*(14:00)

Mr. Chairperson: It has been brought to my attention that this motion is out of order because it was brought to the attention of the committee yesterday. At that time it was referred to the House leaders and the Rules Committee.

So the motion that was brought forth, as I read into the record a while ago, is that the matter is under consideration for the particular Public Accounts Committee meeting that has been determined that the Chair shall notify by letter the administrative head of

organizations whose mandate relates to the Auditor General's reports under consideration requesting them to attend the meetings with such other officials in their organization as they deem necessary to respond to the questions the committee may wish to ask them, and the above motion be referred to the House leaders and the House Rules Committee for consideration and the request for the Rules Committee to report back to this committee by September 30, 2004.

I believe the issue of Mr. Dubiński was raised and it was read into the record and was discussed yesterday. Therefore, it is out of order.

Mr. Derkach: This motion cannot be out of order because the letter I raised from the minister—

Mr. Chairperson: I would only suggest then that you are challenging the rule of the Chair.

Mr. Derkach: Mr. Chair, I am asking that you hear me out. We have an issue here before us where the—

Mr. Chairperson: I believe that, Mr. Derkach, it is—

Mr. Derkach: Can I explain it?

Mr. Chairperson: I believe that we will hear you out then.

Mr. Derkach: Thank you. In a letter I received from the Government House Leader (Mr. Mackintosh), the Government House Leader indicates to me that he is prepared to allow, under the rules we have before us, the attendance of the Minister of Family Services, Ms. Christine Melnick. In addition to that he says, and this is not an issue I raised yesterday, this is the first time I have raised the issue, the first opportunity I have had to raise the issue of the further consent of the Government House Leader to allow former ministers to attend this committee. I would even table this letter for you if that is requested.

I have not raised this issue before. Therefore, this is the first time this issue is before the House so you cannot rule that this issue was referred to the committee yesterday. I did not raise the issue yesterday. This is the first time I have raised the issue. I have extended the issue to also heads of the department, but it is not for rule changes for all the Public Accounts committees. It is only for this section of Public Accounts which deals with Hydra

House. This does not cover all areas of Public Accounts. In other words, we are not going to call witnesses to other aspects of Public Accounts unless the Rules Committee comes forward with that recommendation.

What we are asking is under the procedures for this particular section of Public Accounts that the Chair, under Rule 108(b), request the presence, as is outlined in Rule 108(b), of not only the current Minister of Family Services but also the former Minister of Family Services and other staff. We are being specific. Instead of having all the heads of the department come before this committee, we ask specifically for certain individuals who have responsibility for this. This allows you, under the rule, to write the letter, give notice to those people that in order to facilitate the procedures of this committee as is outlined in Rule 108(b), their presence is requested to give evidence or to answer questions. That is what we are asking for.

To be honest with you, I do not know how you could rule on this without taking it under advisement to ensure that in fact this does comply with Rule 108(b). I think, with the greatest of respect, the least we would have to do is get some legal advice as to whether or not this does comply with the aspects of procedure under the rules.

Mr. Chairperson: That is a very good suggestion. We will take it under advisement then. Thank you.

The motion is out of order, but it will be taken under advisement.

I would make a suggestion that, in future meetings of Public Accounts, the House leaders get together and get the Rules Committee going so that there is not this harangue over rules during a meeting. We are here to do the business of the government, and yet we sit here and debate on rules the Rules Committee and the House should have got together on. I can only go back to trying to get the House business done and the reason this committee was called.

If we want to spend the rest of the day talking about rules and the interpretation of rules and what procedure it is, then that is fine. I am the Chairperson. I will facilitate whatever the committee wants. I ask the committee, should we return to what

we were here for which is to talk about Hydra House? Is that the will of the committee?

Some Honourable Members: Yes.

Mr. Chairperson: Thank you. I will now ask Mr. Murray.

Mr. Stuart Murray (Leader of the Official Opposition): I have a couple of comments and then I have some questions. I do find it somewhat ironic, today, as we all know, is the opening of the Disabled Peoples' International World Summit being held here in Winnipeg, Manitoba. We all, as Manitobans, are proud that there will be some thousand international people here as delegates at the Convention Centre to talk about very important issues. I guess the irony comes in that we in this Public Accounts Committee are going to be discussing the misuse of some \$1.5 million of taxpayers' money that we believe would have been better served to help people like those who are attending this world conference here in Winnipeg, Manitoba.

I know the Doer government had every opportunity to put a stop to the misuse of public funds at Hydra House but they chose not to. Today, I hope that we can find out and cover why they chose not to do this. I hope that we are able to hold the Premier (Mr. Doer) and his government's account for their inaction and their irresponsibility that allowed for taxpayers' dollars to continue being spent on questionable purposes instead of being directed to providing quality care to vulnerable children and adults at Hydra House. I think today we were hoping to ensure that steps are going to be taken to prevent this type of financial mismanagement from ever happening again.

* (14:10)

I think it is important to acknowledge that when the Auditor General's report was released in 1999, he, in that report, pointed out the lack of accountability that was coming out of the external agencies that the Child, Family and Community Development branch funded. In the report, the Auditor highlighted the serious lack of agency accountability and made numerous recommendations to address this. I think it is important to note that the previous government's minister responsible, that is the Member for River East (Mrs. Mitchelson), and her department agreed at that time to implement all of the recommendations

that the Auditor General had brought forward in that report, and they included the developing of service purchase agreements with all the external agencies by March, 2002. Secondly, he agreed, as did the former minister, the member from River East agree, to conduct analysis of agency expenditures on at least a biannual basis to determine if funds were being appropriately spent on approved programs.

Again, Mr. Chair, in August of 1999, the previous minister and her department agreed with the Auditor's recommendations and committed to their full implementation. I think it is important to understand the full implementation with the service purchase agreements in place by March of 2002. As we sit today in this committee, we know that this new government, the Doer government, did not follow through in implementing those recommendations and, as a result, the lack of accountability and misspending of taxpayer dollars at Hydra House which came to light in 2000 when the former CEO, Jim Small, was fired, we know that those inappropriate misuse of funds continued.

My question which I first asked of the Premier in a letter that I sent to him on July 22, a letter I might add that he still has not responded to, is this: Can the minister explain why the Doer government changed the department's direction and decided not to have SPAs, service purchase agreements, in place by March of 2002, and why they decided not to conduct biannual analysis of agencies' expenditures, again, recommendations that were made very clear in the Auditor General's report in 1999?

Mr. Chairperson: I should point out that there are copies available of the Hydra House report here for any member who wants them. I will now refer to the minister for a response.

Mr. Singleton, I am sorry. Did you want to make some comments?

Mr. Jon Singleton (Auditor General): Thank you for the opportunity, as I offered yesterday, to provide a brief synopsis of the report. I will try to keep it quite brief in view of the comments that have already been made by the current minister responsible and the members of the opposition.

I must say to start that I feel very encouraged by the signs of coming to life of the Public Accounts Committee. I hope the momentum that has been

started here carries forward because it certainly opens up the possibility that both government backbenchers and opposition members will find that they have an important role to play in considering issues like Hydra House. I do not think there is anyone in the Legislature who is happy about what happened at Hydra House, and I am sure all the members on both sides of the Legislature are interested in understanding what happened and what can be done to prevent such things from happening in the future. In a well-functioning Public Accounts Committee, government backbenchers also have an important role to play in pursuing questions of that nature and advising the Assembly on their recommendations for improvement in accountability processes. So I think I just wanted to highlight that encouragement on my part by the motions that have been passed today, a recommendation to the House.

Our investigation of Hydra House is one that has provoked considerable public interest, and I think it is justifiable public interest, a suggestion to the Public Accounts Committee that they may want to consider timing their meetings to take into account the considerations by the Rules Committee and the House of changes to the rules, because I think if they really want to pursue Hydra House in detail and make as informed recommendations to the Legislature as they can, they really need an opportunity to talk to officials of both Hydra House and the ministry.

So I would encourage the Chair and the Vice-Chair as they think about planning future meetings to try to take that into account to the extent that it would not unduly delay the consideration by the committee of the report.

In a report of this nature, I think it is important to see the Auditor General's report as essentially the seed that starts and aids the work of the committee in developing recommendations of its own for the Legislative Assembly. So I would encourage the committee to think about our recommendations, think about things that they might add to our recommendations or modifications they might make to them after they have had the full benefit of discussion of the issues they consider would be useful to recommend to the Legislature.

The perspective, and I will just reiterate this for members of the committee, that we take when we are doing an audit like this is the special duty of care that

people who have the right to spend public monies owe back to the citizens of Manitoba. From my perspective, a special duty of care comes from the fact that we as citizens are compelled to pay income taxes and various other taxes, and as a result of that compulsion I think there is an extra duty of care on those who are spending that money that we are compelled to provide to government to exercise prudence in care, diligence in the spending of that money. I apply that framework generally to all the work that we do in the office.

Some have argued with me that because Hydra House was a for-profit company they had the right to spend any excess monies they could find in any fashion that they saw fit, and that the public really did not have a right to complain or have a say in the spending of that money. I have to say that I do not subscribe to that view. I think whether an organization is in the for-profit sector, or the not-for-profit sector, it has an obligation to be accountable to the citizens of Manitoba for the spending of public monies.

In this particular case, as has been highlighted in the past, we found numerous instances in which money was spent in what we believe was an inappropriate fashion: salaries being paid to executives far in excess of that being paid to similar organizations providing similar services; personal expenses being charged as care costs, fairly significant and many thousands of dollars involved; a lack of documentation of what the money was being spent on and for in far too many cases. The result from our perspective was that public money was essentially being abused.

It is important, of course, to remember that we did not in our investigation include an audit of quality of care, and we make no comments on the quality of care issue. The second issue that I would suggest the committee consider, besides the specific events happening at Hydra House, is the role of the department in monitoring this activity. It is a worry, and I think all legislators should be concerned about this that in the days that we have been facing now, many years of acute protracted restraint in the expenditure of public monies which puts a lot of pressure on governments and legislatures to ensure that expenses can be restrained without reducing control over the spending of public monies to an undue level. I would encourage the committee to give some thought to questions of that nature

because that is a broader consideration that could be brought forward in recommendations to the Assembly.

I do not think I need to go through any more of the details of the report, so at this point, Mr. Chair, I would conclude my remarks and turn it over to you.

* (14:20)

Mr. Chairperson: Thank you, Mr. Singleton.

Mr. Murray: I will put my question again to the minister, but I would like to also acknowledge the comments made by the Auditor General at this meeting of Public Accounts and, particularly, I would like to support his comment that I think was discussed around the minister making comments about a for-profit versus non-profit. I find it most unfortunate because I think it is widely acknowledged, and I would hope that the minister would at least see this point in that regardless of whether an agency is for-profit or not for-profit had there been, as recommended in 1999, the service purchase agreements this issue would not simply have happened. So I think to use a profit or non-profit argument is false, and I think the Auditor General made a very, very poignant point for all of us and I hope that the government side would take that to heart.

So my question to the minister, Mr. Chair, is I did write a letter to the Premier (Mr. Doer) on July 22, again making comment that he has not responded to my letter, but I would like the minister to explain, as I asked the Premier, why his government changed the department's direction and decided not to have the service purchase agreements in place by March 2002, and why they decided not to conduct biannual analysis of agency expenditures. Again, two very clear recommendations that were put forward by the Auditor General in 1999, agreed to by the previous government but, clearly, there is a change in direction by the Doer government.

Ms. Melnick: Certainly, I appreciated the opening comments about the disabled persons' international meeting here in Winnipeg. It is a world summit. There are representatives from over 107 countries who have come to Winnipeg. I am sure we know that DPI was founded here in Winnipeg by activists who had worked long and hard to have the struggles that have been experienced by persons with disabilities

made into a worldwide movement which I am sure we can all agree on the statement that disability rights are, in fact, human rights.

Yesterday I had the opportunity of attending several different events: events for youth, events for women. I actually hosted a gathering last evening that was very well attended and one of the things that was spoken of repeatedly at these gatherings were the initiatives that had been brought forward under this government around empowering persons with disabilities to have more control over their lives and to be greater contributors to society which is, indeed, a message that I have gotten loud and clear. In particular, it was this government that appointed the very first Minister Responsible for Persons with Disabilities.

We have also initiated what is called a rapid re-enrolment policy which encourages individuals with disabilities to seek opportunities in the job market knowing that, if for whatever reason these opportunities do not work out, they can resume receiving the funding, the social assistance they need, but the whole idea is to encourage people to seek employment which I understand the key piece of the international movement is for individuals with disabilities to be employed and to seek education, which leads me to my next point.

We are the government that has brought in the first Master's in Disability Studies in the country of Canada. That is of course in co-operation with the University of Manitoba. I can tell you people were very impressed by our policies here. They have undertaken to take our policies back to their own governments and to use our policies as lobbying tools to bring in better change in their own areas of the world.

I think the second part of the Leader of the Opposition's questioning talked about the situation we find ourselves in today, the situation of the direction of SPAs post-September 1999. I really think we have to look a little further back. We have to look at the years in the nineties, in particular the 1993-94, '94-95 budgets. I have three copies to table. This will show that in '93-94, there was a unit which was entitled the Agency Relations Bureau. The Agency Relations Bureau was dedicated to the monitoring of fiscal responsibility to agencies that were receiving funding from the government of the day, the administration of the day, to provide

services for the vulnerable people of Manitoba. That disappeared the following funding year so the capacity to effectively monitor the financial management of organizations that are funded was no longer available to the department. It disappeared.

I am aware of the recommendation to work on SPAs. The government which came into power in September, October of 1999, the minister of the day did in fact direct the department to continue with the negotiation of SPAs. At the time of the change in government, there were 43 SPAs signed out of about 187 organizations. This government took that initiative seriously, focussed on it and went to work on negotiating SPAs. Today we have a hundred percent of the organizations either with signed SPAs, in the final stages of signing SPAs, paperwork for signatures going back and forth, or we have organizations renegotiating SPAs.

I want to talk a little bit about the cycle of the service purchase agreement. Service purchase agreements can, depending on the size of the organization, the type of service provided, the amount of funding, et cetera, a number of variables, be signed for different periods of time. Sometimes it is a 12-month period, sometimes it is a three-year period. It is a normal process, if you will, at any given time to have service purchase agreements signed and active, in the process of being signed or in the process of being renegotiated.

Service purchase agreements lay out a couple of basic parts of any contract. One is for the organizations that are being funded. It lays out clearly what services are to be provided. It lays out clearly to the government what the fiscal responsibilities are to provide to the organizations and there is also a conflict of interest policy embedded in a service purchase agreement.

*(14:30)

The funding for organizations such as Hydra House would be based on what will be called a per diem basis and the negotiation around a per diem is based on the needs of the individual. We may have an individual with very high needs that would require one or two attendants, 24 hours a day. We may have an individual who would not fit into that high-needs category, who may be able to function more as part of a group, so would not have a caretaker specifically designated to them. The

negotiation of these service purchase agreements can take quite a long period of time. Depending on if the needs of the individual changed for the better or, concerningly, for the worse, the per diems can be renegotiated.

I think that in looking at the broader perspective, the broader time frame, we see that in the early nineties there was the capacity within the department in the agency relations unit to monitor the funding. We see that capacity disappearing between the 1993-1994, 1994-1995 budget years. We see concerns around Hydra House. We see the results of the Auditor General's report on July 6. On that day, I announced that our relationship had changed drastically with Hydra House. On last Friday, September 3, I announced another phase, if you will, of how that relationship is changing, in that we are beginning the disengagement of funding of Hydra House. This is where we are today.

I also announced on Friday that we would begin to rebuild that capacity for our financial monitoring within the department through what we will be terming the agency accountability unit and I also mentioned this unit in my opening comments. I can tell you that this is being taken very seriously, that we are moving as quickly as we can to re-establish the capacity within the department to not only monitor financial responsibility of organizations but also to work with organizations so that they are aware of what their responsibilities are. We will also have the advisory capacity within the department so that organizations which may need some guidance, may need some information, some advice, will be able to come to the department and get the information that they need so that they can meet the financial reporting requirements.

Mr. Murray: I was interested that when the minister went on about all of the tremendous things that were happening to disabled persons here in Manitoba, Winnipeg, making comments on the conference, I was surprised that she left out what I thought is a very important historic occasion in Canada where the first quadriplegic, in fact, has been elected to the House of Commons. I am sure she did not do it because he is a member of the Conservative Party of Canada, not a member of her party, but certainly I think it is very, very important that we acknowledge the contributions of the voters recognizing the ability of an individual to go and make a difference for all people because of how he has handled his own

particular situation. Certainly, we respect and know that there is much to be done on behalf of disabled persons here in Canada and we know that Mr. Steven Fletcher will do a tremendous job as an advocate on their behalf.

I am somewhat interested in the minister's response when she takes some pains to explain exactly what a service purchase agreement is. I do not think we would disagree with her definition of a service purchase agreement. I still would like to get from her, as the minister, as to why her government, the Doer government, had a change in direction as to what was a clear recommendation put forward by the Auditor General in 1999 as two specific issues that had been put in place, we would not have seen this public abuse of dollars of public funds at Hydra House and those were simply that the previous government acknowledged there were issues. The Auditor General brought them forward.

The Member for River East (Mrs. Mitchelson) clearly agreed to, and agreed to implement on a time frame that showed that all of the child and family service branches would, by March of 2002, have in place a service purchase agreement and, as recommended by the Auditor General in his report, that there would be biannual reports done, some audited reports, so that when services were being purchased there was some accountability to the department and on behalf of the taxpayers that they would be in place.

So two very clear recommendations were put forward by the Auditor General in 1999 and, as I say, agreed upon by the previous government, yet a change of direction by the current Doer administration. Therefore, we find ourselves asking questions about the mishandling of \$1.5 million that, again, here we are talking at Public Accounts about money and we understand that there has been a public abuse of funds but there is also a human face on this issue and there are children and adults that, perhaps, could have been getting better treatment rather than this misappropriation of \$1.5 million. So, again, I would just ask why the change of direction when the Doer government took over in 1999 from the previous government who agreed clearly with the Auditor General's recommendations on SPAs and biannual accounting.

Mr. Chairperson: Madam Minister.

Point of Order

Mr. Chairperson: On a point of order, Mr. Loewen.

Mr. Loewen: Mr. Chairman, I am disappointed that the minister has not come here prepared to give answers to very specific and direct questions. This just brings back the whole issue that we have talked about, the inability to call forward department heads to answer these questions. Every time the minister has been asked a question, she has to refer to her deputy minister. There is much discussion. Come up to the table and answer a question as it is asked.

Mr. Martindale: On the same point of order, I think the minister is doing an excellent job of answering questions and I think it is important that she take time to give the best possible answer.

What the Member for Fort Whyte is overlooking is that today's meeting is unprecedented in two aspects. We are dealing with rules that were agreed to by your party in August of 2002, and we have gone beyond those rules that you agreed to so that today we have a minister other than the Minister of Finance (Mr. Selinger) answering questions, the first time that has ever happened in Public Accounts Committee in Manitoba.

Secondly, we have probably set a precedent in agreeing to, by leave, table a report that has not been tabled in the House. Normally the report on Hydra House would have been tabled after November 22, but the Minister of Finance (Mr. Selinger) introduced a motion to ask for leave to table it today so we could deal with it today.

Those are two very important precedents, two improvements to the working proceedings of this committee, and I think the Member for Fort Whyte should be grateful that he got one of the things that he wanted, a minister to answer questions on an auditor's report, instead of raising points of order that are not points of order at all because the minister is answering the questions.

Mr. Chairperson: Both members do not have a point of order.

Mr. Chairperson: Madam Minister, to reply.

Ms. Melnick: In response to the comment about the successful election of the MP. It may give the Leader of the Opposition some comfort to know that I certainly did discuss this with many people in my

discussions yesterday at DPI. In fact, I have undertaken to connect this member of our federal Parliament with a member from South Korea who is also the first sitting member in their parliament who is requiring wheelchair accessibility. We chatted for quite some time about the renovations and the changes that are being made so that she can go into her parliament in an accessible and comfortable way. I have also discussed these changes with the member himself at various events that I have been to and I was struck with a lot of the similarities that are being experienced by both these individuals.

*(14:40)

I am sure that we can all agree that these are very positive changes, very positive developments and that we would look forward to more individuals coming forward in their full capability to be members of legislative assemblies, municipal governments and federal governments.

If we go to the second part of the member's question, it is simply not true that the department changed direction, I think is the term he is using. As I mentioned in my first response, the department continued to focus on the development, negotiating and signing of service purchase agreements which has led to a much higher percentage of organizations having service purchase agreements through the last number of years than had been previous.

Care has not been an issue. When there are concerns with care, our department reacts quickly and directly to these concerns and makes very clear to any organization any concerns that have been raised. An action plan is worked out to respond to these concerns and then there is follow-up to ensure that what is being required has in fact been completed.

Mr. Murray: I know we are going to be getting into more detailed questions on the government's thorough internal investigation shortly.

The Doer government, knowing how serious that the Auditor General's report and what his concerns were, there is really I do not think any excuse for not proceeding on what his recommendations were and, in particular, knowing that the previous government had made a commitment to ensure that all SPAs in all agencies were signed by March of 2002. That government took the Auditor General's report

seriously and so on that basis they proceeded to ensure that those SPAs would be in place by March 2002 and that there would be the biannual audit that would be done against the services that were to be purchased.

I think the Doer government knowing that the key accountability that was stressed by the Auditor General was the need to negotiate the SPAs, the service purchase agreements, and the fact that the previous government had them in place, I just find it is a little bit difficult to understand why it is that five years after the Auditor General's report, specifically on SPAs, specifically on the biannual audit, specifically on Hydra House, why it is that we had to listen to the Premier (Mr. Doer) feign indignation about the misuse of funds five years after the fact of a report that was put forward by the Auditor General.

I think that when you look at the fact, and we have talked about the human face that this issue surrounds, and some of the adults and some of the children at Hydra House, I think it is very interesting that we sit having this discussion today, knowing that five years ago the Auditor General very clearly and succinctly pointed out the issues around Hydra House, and that only five years later to have the Premier and, frankly, to have the minister use words like "being outraged," "acknowledging a serious misuse of funds."

I respectfully submit to you, minister, and to the Premier that had you paid attention to the Auditor General's report—and I understand that the member was not elected in 1999—but certainly the Premier was very well aware of the Auditor General's report. Had he respected the Auditor General's recommendations specifically about this, there would have been \$1.5 million that could have been used better to serve the adults and children at Hydra House rather than to see them misappropriately spent the way we have seen under the Doer government.

Ms. Melnick: It is unfortunate with the previous administration's commitment to SPAs that they had cut the monitoring capability within the department several years earlier. Certainly, the outrage that I expressed was shared, I am sure, by all Manitobans. Of particular interest might be the fact that the majority of the outrageous behaviours occurred under the previous administration.

A few examples I can read out. In 1995 Hydra House purchased two vehicles, the Cadillac Seville

and the Cadillac El Dorado, for over \$80,000. In the summer of 1999, these two vehicles were purchased from Hydra House by the owner and his personal assistant for \$8,000 each. That is, let us see, \$82,000 minus \$8,000. I think that we can all do the math on that.

In August 1996, Hydra House entered into a 36-month lease agreement for another vehicle, an Audi Quattro; approximately \$28,000 was spent for leasing this. That meant that Hydra House was spending \$800 per month on a car lease for someone who apparently was no longer employed with them.

Over 60 percent of bonuses to the Hydra House executives and the consulting fees to the owner were made in 1998 and 1999. Over \$1.8 million was paid in compensation to Hydra House executives from 1997 to 1999. So the point that I have just made totals about \$1.8 million.

Also, during that time period, Christmas bonuses of a thousand dollars, \$1,200 were made to some administrative and senior staff. The personal assistant to the owner commenced full-time employment with Hydra House in 1996. Also in 1996, appliances totalling almost \$6,000 were purchased by the owner and delivered to his—pardon me, to the personal residence of another Hydra executive. In August and September 1997, Hydra purchased furniture for over \$3,000. This was delivered to the personal residence of the owner. Also during that time, let us see, September '97 to November '99, donations totalling nearly \$20,000 were made to a private high school in Winnipeg. In September 1999, Hydra House paid over a thousand dollars for the insulation of a toilet and an awning on a trailer for the personal assistant—oh, pardon me—yes, a trailer owned by the personal assistant to the owner. Let us see. Starting in April '97, Hydra paid the monthly phone rental and long distance charges of the personal residence of the owner. The list goes on, but I do have to have a drink—a drink of tea.

Where was I? Mr. Chair, \$580 paid for the owner's cable television charges between '97 and '99. September 1998, Hydro, pardon me, Hydra issued a cheque, these numbers are so large that I do think I am talking about Hydro sometimes. Hydra issued a cheque for over \$3,000 for the purchase of a TV, a television stand, and two office chairs, again, delivered to the personal residence of the owner. Between January and April, 1999, Hydra paid over

\$9,000 for the purchase of appliances and furniture, which were delivered to the personal residence of the owner, and a former Hydra executive member incurred meal and entertainment charges of over \$27,000, almost \$28,000, over a three-year period starting in 1997; so 1997, 1998, 1999. Over this same three-year period, this same executive member apparently charged approximately \$16,500 in additional charges through petty cash. I believe these were for items such as pizza being delivered to a personal address, and other fast-food charges. They charged an additional \$15,000 to petty cash for personal clothing, dry-cleaning charges, driver's licence fees, and, apparently, magazines.

The last point of the long list, Hydra executives and senior managers charged \$126,800 to credit cards, including charges for meals, entertainment, vehicles and residences, and this is between 1998 and 1999. So, again, with the previous administration's commitment to service purchase agreements it is unfortunate that the capability to monitor had been eliminated from the department several years earlier.

Again, I would like to say that we are rebuilding this capability within the department now through the Agency Accountability Unit.

* (14:50)

Mrs. Leanne Rowat (Minnedosa): I guess I want to start by just saying how disappointed I am by this minister's flippant, extensive report that she has just presented in a very "let's take a sip of tea and continue." Obviously, this needs to have a public inquiry. There are issues. This government had every opportunity over the last five years to do something, half a dozen opportunities.

Auditor General report after report, allegations made and nothing was done. So to go back and to share those stories all the more reason as soon as she became minister and if she wanted to be accountable, get the job done, put in a service purchase agreement. No, during estimates process she indicated "we are working towards putting in a service purchase agreement." Then to the media she says, "Oh, but our service purchase agreement has to be stopped because the Auditor General is doing an investigative report on this so we have to stop."

In discussions with the Auditor General's office, they were confused and not really sure where the

minister was going on that, because as far as they know there is nothing preventing the minister from putting in a service purchase agreement at that time. So you had an opportunity way back in the spring to put in that service purchase agreement and get the job done. So there have been over half a dozen opportunities since 1999 to get the problem solved, to work at getting this done.

The Doer government knew in 1999. Obviously, the minister knows some additional information, but I fail to see where she came forward and presented detailed information from 1999 to 2004, and that would really be interesting to hear. There was an opportunity to put a service purchase agreement in 1999. Our government had strongly moved toward putting them in by the required deadline of March 2002. She did nothing. Her government did nothing. The minister at the time, Tim Sale, did nothing. They had an opportunity to put the agreements in. But they did do something, they continued to increase funding by 68 percent despite the fact that serious allegations were brought forward in the year 2000 by a former employee.

This government, with Cabinet and Treasury Board approval, so not only did the minister at the time know, but so did the Minister of Finance, so did the Premier. There was discussion at these tables. They provided deficit funding in 2002. So, in a sense, by listening to what the minister had to say about all these allegations, she should be ashamed, but they continue to provide funding and then also deficit funding in 2002. When the government was questioned in 2002 by our PC opposition of the time and the media, the minister of the time, in a flippant manner, indicated that extraordinary measures to investigate found nothing wrong. How can they be proud of their record? I cannot believe this. The minister said several times today that care was not the issue. This is the most important issue; \$1.5 million. What could that have done to the quality of care for individuals at Hydra House or to the workers who could provide the services? One and a half million dollars.

In July and August of 2002, the Minister of Family Services, Tim Sale, stated, we are satisfied that the financial accountability that we received from Hydra House is adequate.

Where is the service purchase agreement? The Premier (Mr. Doer) responded to the AG's report in July by saying we obviously missed the issue of

financial accountability and transparency. How can it be? How is it that an internal document, which all of a sudden appeared today, and we have some serious questions about what was in the document and we will have to maybe have a discussion with the Auditor General to ensure that this the same document he received.

Public trust is lost. We have lost trust. Is this the document that Peter Dubiensi had signed off on as the internal investigator? I doubt it. I really question this government's ability to provide any type of accountability. We know that the Cabinet had discussed this through the FIPPA requests that were made.

Minister Melnick has missed the issue when she indicated that Hydra House is responsible. She and her government are responsible. She provided the dollars. There were no checks and balances in place. If I give my 10-year-old \$20 to go to the store to buy a loaf of bread and he comes back with buns, if there is no agreement or he does not know what this is for, there has to be agreement, \$5.8 million is a lot of money. If there is no agreement in place it is just blatant irresponsibility. It has become abundantly clear that the minister responsible and the government turned a blind eye to the allegations that surfaced and were brought to the government's attention.

My questions today will try to focus and will focus on who knew what, when and what action was taken. This minister must be able to provide the answers as she would have most certainly been briefed on the issue and continues to be. Can the minister explain with regard to what she knew as a new minister? When the first minister was made aware of the allegations regarding Hydra House, what was she told? Was the minister aware of the circumstances under which the issue was raised at least four times previous? Did she know about the 1999 AG report? Did she know about the 2000 allegations? Did she know about the internal investigation and did she know about the 2002 opposition and media questioning? I would also like to remind her of the deficit funding and the increased funding to this agency.

My question, Mr. Chairperson, to the minister, is when did the minister first review the allegations and what first action did she take upon hearing the allegations.

Ms. Melnick: I became aware of the allegations shortly after becoming minister. The department had been in the process of negotiating a service purchase agreement when we became aware that the AG was going to be conducting an investigation. The decision was made to halt negotiations as this, of course, would be a very thorough investigation and the department made the decision, and I agree it was the right decision to make, to respect the process that the Auditor General would follow and so we halted further negotiations.

I think it is also important to recognize, as the department did, that the Auditor General had most assuredly the resources needed to do a very thorough audit which, certainly, he and his staff did complete, the result of which was the reports that was made public on July 6. The results of that, of course, are the actions I have taken as minister and, as I have outlined previously, with the implementation team, the interim manager, the announcement last Friday of the beginning of the disengagement with Hydra House completely.

* (15:00)

Mrs. Rowat: The minister speaks of the drastic change in the relationship with Hydra House and the provincial government. July 6, she had an interim board, or an interim manager and an implementation team put into place. Then in September there was a drastic change and the minister has severed ties. I am wanting to know, was it something this interim manager or was it something the implementation team had come across that had changed her government's position in their relationship with Hydra House.

Ms. Melnick: I think we can all agree that care of the residents of Hydra House is paramount. That is certainly what has been driving our process internally. We know Hydra House has been caring for very vulnerable people. When I was discussing about per diems, I was discussing the different levels of care necessary. The people who reside in Hydra House are very often those folks that require the higher end of care rather than the lower end.

As I discussed on Friday when making the announcement to disengage, we stated outright that care of these individuals is paramount, so we have been moving in a way that would respect the need

for care. We will continue to move in a way that will respect the need for care for these individuals and in a way that will create the absolute least amount of disruption possible in the lives of these individuals.

While the financial responsibility is, of course, very high on the list, we must always be aware we are dealing with fragile individuals, and we must make sure that in our desire to ensure the disengagement of Hydra House, the transition takes place, we do not do it in a way that will jeopardize these people.

Mrs. Rowat: The minister did not answer my question. Was it a family member that had come forward? Was it an allegation from something within the department? Something had to trigger this drastic disengagement from Hydra House. The public needs to know.

You have indicated the interest of the clients is first. It always has been. I do not think that has changed from July 6. It has not changed from years past. Something has happened from between July 6 and September 1 or 2 when she made a press announcement last Friday that they were going to be severing their ties.

What happened? What did the interim manager find? What did the department find? What came forward that made the minister decide they had to disengage from Hydra House?

Ms. Melnick: The impetus to disengage with Hydra House was the Auditor's report which was released on July 6. Again I want to state the individuals resident in Hydra House facilities are very vulnerable, very fragile, so we must move in a way that is the least disruptive it can be. That means we had to look at what would be the path to disengage in the least disruptive way. The answer to your question is the release of the AG's report on July 6 of this year.

Mrs. Rowat: Least disruptive way. I find that rather interesting. If it was the least disruptive way, then I think that 1999 implementing the service purchase agreements probably would have been the least disruptive way. Addressing the year 2000 allegations would have been the least disruptive way. Addressing the deficiency funding issue and having accountability in 2002 would have been appropriate. I think having the 2002 allegations taken seriously

by the government would have been the least disruptive way. I think having a plan in place prior to the Auditor General's report would have been the least disruptive way. I think responding July 6 and working with the clients and staff would have been the least disruptive way in dealing with this situation.

By immediately, without any clear direction from, I am assuming, the interim manager from this government, sever the ties. I will ask a question. Has the minister met with the interim manager of this committee and has she received written minutes of the meeting and would the minister please table those minutes?

Ms. Melnick: Yes, I have met with the interim manager. We have discussions on an ongoing basis. There has been a lot of discussion. Again, the impetus to disengage with Hydra House was, in fact, the release of the report on July 6, and I just want to check out the minutes. I will have to take that under advisement.

Mrs. Rowat: A question regarding the intent of immediate action that this minister speaks to. In the press release, the minister had indicated on July 6 that she had the interim manager put in place. In correspondence that we have received September 3, it indicated that the minister indicated that Mr. Hall will be reporting to Debra Woodgate and that Mr. Hall assumes responsibility for assuming all financial transactions. I would like clarification from this minister. When exactly did Mr. Hall start? Did he start on July 6 or did he start on September 3, as her letter leads us to believe?

Ms. Melnick: Before responding to this question, I just want to get back to your previous one about the minutes. There is a third-party confidentiality where it is dealing with a third party so I would not be able to release them, from your previous question.

On your current question about the interim manager, discussions began between the interim manager and Hydra House on July 6. There were discussions going on, they knew that the interim manager would be coming in. We did work out the arrangement and he has been going in and he and his firm have been very active since that time.

Mrs. Rowat: So can I get an exact date of when the interim manager started on the project?

Ms. Melnick: As I said, discussions began immediately. We do not have the exact date for the date that he went in but we can get that for you.

Mrs. Rowat: Intent of immediate action: The issue of accountability and transparency. This individual is supposed to resume responsibilities of overseeing the financial transactions, so probably any transactions that were happening through the summer probably were not overseen by this individual because I believe he was on holidays for three weeks during the summer. So can she confirm or deny that he probably did not start until August, September?

* (15:10)

Ms. Melnick: I think we have to clear up what might be a confusion here. He went in on the 22nd of July. His responsibilities go back to April 1 of this year. So there has been a monitoring as of April 1 of this year, and he and his firm have been monitoring the situation at Hydra House, the financial interactions, really effective as of April 1 of 2004.

Mrs. Rowat: So there was a contract in place with Mr. LeVan Hall effective April 1, and so apparently, based on the terms of reference of this interim board, they are to meet on a weekly basis so there should be a number of copies of minutes or information shared. I think in the terms of reference it indicates that July 19 is when the interim board would be meeting on a weekly basis. I guess I would really appreciate knowing a little bit more about what has happened with this interim board and what this manager has done. I respect that there is a confidentiality issue, but could she summarize what action has been taken to this point, again, in the spirit of intent of immediate action?

Ms. Melnick: Again I would like to clarify there is a contract in place. The interim manager is monitoring financial transactions back to April 1 of 2004. I think the date that the member is referring to, was it July 19? She may be confusing that with the implementation team—

An Honourable Member: It is right here in terms of reference.

Ms. Melnick: I am wondering if you are confusing that with the implementation team, the first meeting of the implementation team which he is chairing.

An Honourable Member: He is chairing it.

Ms. Melnick: Yes, but that is a different function than the monitoring of the Hydra House financial transactions. He is playing two roles: one is third-party interim manager in Hydra House, again, retroactive to April 1 of 2004. The second role he is playing is chairing the implementation team which is responsible for reviewing the current policies within the department. Among other responsibilities they will be making an interim report in October of this year and a final report in December of this year with recommendations.

Mrs. Rowat: Then I would like the minister to table the terms of reference for Mr. LeVan Hall as a third-party individual. I would like to know if she would also provide us with a copy of the contract, his scope of work with the department and what he will be receiving in financial remuneration for the services that he is providing for the minister or the department, and whom he reports to directly.

Ms. Melnick: In terms of the contract between Mr. Hall and the government, I believe that is a third-party document. I do not believe that I can release that to you, but we will check that out. I will have to take that request under advisement.

When we talk about the terms, we did outline in the press release from July 6 we have appointed Mr. LeVan Hall as interim third-party manager to monitor and insure financial accountability of Hydra House. We would be happy to provide you with a copy of that press release if you would like that.

Mrs. Rowat: I would appreciate any information that she can provide that would help with us getting a clearer understanding of the accountability process that they are trying to instil into this mess.

My question is, back to the service purchase agreements, can the minister indicate to the committee why her department, the Department of Family Services and Housing, stopped negotiating the service purchase agreement with Hydra House? Why was it stopped?

Ms. Melnick: As I had mentioned a few moments ago, the department was in the process of negotiating a service purchase agreement. We did learn of the AG's intention to investigate. The department believed at the time it was prudent to cease the

negotiation. I believe that that was the right decision to be made, and we ceased negotiation with them pending what would be included in the AG's report which was released July of this year.

Mrs. Rowat: Obviously, that was not the right decision to make. I believe that this could have been resolved a lot sooner or brought to the forefront a lot sooner. Again, was this a decision that was made or provided to the minister through political means? It just does not make any sense. Why would you stop moving forward on an agreement when you know that there are lots of issues in play? I guess my question would now be to the Auditor General: What would your comments be with regard to the department stopping the negotiation of a service purchase agreement with Hydra House?

Mr. Singleton: I guess I would respond in two ways. It is always important when we are in the midst of an investigation that things are co-ordinated appropriately so that the investigation is not compromised and the people who are subject to the investigation are not being overloaded with a lot of attention at once. Having said that, in this particular case I do not think it would have been problematic for our investigation if the government had decided to continue negotiating a service purchase agreement, because it is not clear to me that would have interfered in any way with the investigation.

Mrs. Rowat: Thank you, Mr. Chair, and thank you, Mr. Singleton. I guess it is an obvious statement here. Did you ask the Auditor General his advice as to whether a service purchase agreement would affect his investigation? Was that even a question asked by your department to the Auditor General? Obviously, the information he is providing now may have made you make another decision, other than the one you made.

* (15:20)

Ms. Melnick: With due respect to the opinion of the AG and of the member opposite, I do believe the right decision was made. It was a decision that was made by the department. Perhaps part of the concern in that is, if we had moved forward with a service purchase agreement at that time, we may have tied ourselves into a situation that would have been, as a result of what we now know as of the release of the AG's report on July 6, may have actually put us in a much more serious situation than we are in now.

Again, with due respect to the other opinions at the table, I must say that I do support the decision that was made by the department to suspend negotiations at that time.

Mrs. Rowat: Service purchase agreements do have an out-clause, so the minister would have been able to move out of the service purchase agreement should there have been an issue. I guess you are saying this was a departmental decision.

I would like to ask the minister to be candid, to indicate exactly who gave her this advice. Was it the deputy minister? Was it the assistant deputy minister? Was it a ministerial order? I think that is something we would appreciate having a better understanding of, where the direction came.

Ms. Melnick: Of course this was done before my time. I believe there were discussions on the issue and there was agreement this would be the prudent path to take.

Mrs. Rowat: My understanding is it is before the current minister's time. Can the minister indicate to me the year this decision was made, or who the minister was at the time the decision was made not to move forward on the service purchase agreement?

Ms. Melnick: We can check those dates for you if you wish. We were, I believe, quite far into the negotiation. We were made aware the AG would be investigating and the decision was made around that time to suspend the SPA negotiation.

Mrs. Rowat: No offence, but we have been waiting for information on several correspondences for several months and I really would like to have the information today.

Can the minister indicate to me when the Auditor General had indicated that he would be looking at the issue of Hydra House in a report? You have a date. It was before your time, but either you know who the minister was at the time or you have a date. I will push this because I have just not had a good track record of getting information on this issue from the department, so I would really appreciate the minister responding.

Ms. Melnick: I believe the department became aware of the AG's impending investigation in August 2002. The previous minister sent a letter to the AG

acknowledging that the investigation would be forthcoming and that the department would be fully compliant.

Mr. Singleton: Just as a matter of the factual record, we notified Hydra House and the department on June 18 of 2003 that we were conducting the audit. We, of course, had received the allegations some time before we made the decision to conduct the audit and part of our review of whether or not an investigation was warranted involved a number of discussions with staff of the minister's office. I am not sure when those began, but it would have been several months before we made the final decision to conduct the audit.

Mrs. Rowat: June 18, 2003. Sorry, Mr. Chair, I am seeking clarification. June 18, 2003, is when you notified the department that you would be doing an investigation into Hydra House?

Mr. Singleton: Yes, our practice is when we are auditing an outside agency like this to notify them and simultaneously to notify the department responsible of the fact that we are conducting that audit. That notification took place on June 18, 2003. It was probably, and here I am trusting to memory a little bit, around January of 2003 that we initially began thinking about whether it was appropriate to conduct an investigation.

Mrs. Rowat: Thank you, Mr. Chair. To the Auditor General: So in January of 2003 you would have had discussions with the department at that time indicating you had received the allegations and you would have been considering at that point an investigation into the department.

Would the department have known at that time what those allegations would likely be? I just want to know, more or less, the process in this.

Ms. Bonnie Lysyk (Deputy Auditor General and Chief Operating Officer): Just to give you a bit of a time line on that. In July of 2002, there was information appearing in the paper and we did become aware of that information at the time it was appearing in the paper, and we had had persons approaching us indicating that there were potential issues.

At the same time we knew there was some work that had been conducted by the department and we

also knew that there were some discussions happening with the organization. As well, I cannot remember the time, but we were involved in some other reviews in the office. There were subsequent contacts, I believe, with the department. Anyway, our conversations with the department were preliminary, probably in the spring of 2003, in order to get a sense of whether or not there was substance to this and whether or not the work that was done by the department was sufficient enough that we would then pull back and not do a review. Upon looking at the information we had available, we determined that there was reason for financial review at Hydra House and at the time, Jon indicated June 18, 2003, we had distributed notification that we would be doing the review.

The discussions with the department were preliminary in trying to understand what Hydra House was in terms of an organization, where the funding was received from, as well as a little bit of background on the service purchase agreements.

The definitive date that we started this was June 2003.

*(15:30)

Mrs. Rowat: So I guess my concern just increases. Obviously, this government knew in July 2002 that there were allegations. January 2003, the Auditor General already was looking at the allegations and in the spring of 2003 was doing some preliminary work. Still no service purchase agreement in place. There was an excellent opportunity to put in something to address the allegations, to address the inappropriate agreement, no written agreement, that this government had with Hydra House.

My question is to the minister. The assistant Auditor General has indicated that some work was done by the department. Would she be able to share some insight into what work would have been done in 2002?

Ms. Melnick: Certainly. We received the complaints in November of 2000. We did the review of care which was distributed today, commonly called the Van Haute report.

We were concerned about the financial allegations and we began to investigate into those financial allegations. We became aware that the

information that had been provided was by an individual who was not particularly happy with the organization, in fact had recently left the organization, and we were very concerned about whether or not there would be litigation. We were concerned that the department not get involved in any litigation that would occur. So we did continue to look into the financial allegations that had been brought forward.

One of the points that we had been made aware of is that the audited financial statements for the budget year 1999-2000 had not been completed, had not been returned from the auditors. So, when we requested them, we had to wait until April of that year to look into what the audited financial statements said.

We continued to have discussion—[interjection] April 2001, the audited financial statements for 1999-2000 were made available to us. We continued to have communication with Hydra House requesting pieces of information, requesting documents. It was not particularly easy to get that information, but we did persevere. More financial information was requested in July of 2002. This was particularly requesting information on the executive salaries and the administrative costs.

In July of 2003, the CBC broadcast the results of their investigation into Hydra House. During that time, as we have heard, there had been some preliminary discussion between the AG's department and Family Services around the possibility of having an investigation. In August 2002, the previous minister, the Honourable Tim Sale, wrote a letter to the Auditor confirming that we were aware that there may be an investigation and making very clear that the department would be fully compliant with any investigation that would occur. Then, in June of 2003, the Auditor General felt that the preliminary discussion and research was complete and that they could now move into their full investigation, the result of which is the report that we were all made aware of on July 6 of this year.

Mrs. Rowat: The information that the minister is sharing is a little bit disturbing because quotes that I have from Hansard by the Minister of Family Services at the time, Tim Sale, are as follows: "We are satisfied that the financial accountability that we

received from Hydra House is adequate. We have made all of the normal and some quite extraordinary checks into this issue. We are satisfied that what we see is quality service, adequate accountability and a dispute between a former employee and his boss." A little bit of a contradiction to what she is just saying.

Also, on August 1, the minister, then Tim Sale, indicated: "I think you can accomplish accountability in a variety of ways. You can do it by having a very clear accountable chain to government as the funder with staff from government assuring themselves on a regular basis that the care is of high quality."

This is lip service. This is inappropriate. Totally inappropriate. Obviously, there were some serious allegations in place. For the minister earlier to go on about allegations—no, they were not even allegations; information that she has found without our government knowing at the time that they were even out there. Like for her intro when she brought forward allegations or information from 1996, '97, '95, I think it is interesting that this government had the power to do something, did nothing. Obviously, there is some type of a cover-up by this government to—

An Honourable Member: Who was the minister when the Cadillacs were bought?

Mrs. Rowat: But who knew that they were there?

An Honourable Member: Bonnie.

Mrs. Rowat: Oh, no. But who is ultimately responsible? 2000, 2001, 2002. You cannot go back. You are the government that has been in power for five years.

I guess I would like to ask the minister who made the decision to not have the service purchase agreements in place. Was it the minister of the time? Was the department head, the deputy minister or was it an assistant deputy minister? That should be fairly straightforward and easy to answer. Was there political interference?

Ms. Melnick: Again, to clarify the record, there was, as I had just previously stated, investigation continuing within the department. There was communication with the AG, as the AG determined whether or not to move forward with a thorough investigation, the results of which we received on

July 6. The discussions were clearly ongoing within the department around the allegations. There were requests for information, not all of which was made available to the department from Hydra House and there was an ongoing concern about the issue. The department did take the allegation seriously. We did immediately conduct an investigation into care and we did continue to work on the allegations that had been raised around the financial concerns.

Mrs. Rowat: An investigation into the care of individuals. The internal investigation, I guess, is what the minister is referring to and I guess I am not going to get an answer on who made the directive to stop the process toward a service purchase agreement. I can just assume then it was political interference because if she is not going to respond I am going to have to be on the belief that it was the minister himself that decided not to put a service purchase agreement in place.

To the internal investigation. What does the minister know about that internal investigation? Is that the report that was done that she would not provide? Is this the document that Cabinet used to determine if funding that Hydra House continued to receive and also was used as a document of discussion for the deficit funding that Hydra House received in 2002?

Ms. Melnick: I believe the document the member is referring to is the document referred to as the Van Haute report. It was prepared as advice for a minister that may have been discussed at Cabinet. We did release it today because we are focussing on getting information out. We are focussing on transparency.

I believe you would have received a copy today.

* (15:40)

An Honourable Member: Thanks a lot. Yes.

Ms. Melnick: You are welcome for that.

That is the investigation that was conducted into care. As I have stated earlier, we had continued our investigation and our discussions around the financial concerns. We continued to discuss within the department and to make available all the information we had to the AG.

Mr. Chairperson: Is there willingness of the committee to have a five-minute comfort break?

The committee recessed at 3:42 p.m.

The committee resumed at 3:47 p.m.

Mr. Chairperson: We could call the meeting back to order.

I believe, Mrs. Rowat, you were ready to ask a question.

Mrs. Rowat: I would like to know the report the minister references, the Van Haute report. Could she indicate to me who was on that committee?

Ms. Melnick: The review team was struck to deal with the allegations. I am reading their positions at the time. The members of the team included Ms. Patricia Benson, Executive Director of Community Living, Adult Services; Ms. Carolyn Strutt, Director of Mental Health, Winnipeg Regional Health Authority; and Mr. Ben Van Haute, Team Leader, Managed Care, Child Protection and Support Services branch.

Mrs. Rowat: My question is to the minister. The allegations that were brought forward were financial. The report she has shared is based on care. Did the minister not think that the allegations regarding the financial piece of it were important as well, because financial allegations obviously affect the quality of care or the care that could have been provided if the money was made available where it was suppose to go?

* (15:50)

Ms. Melnick: I think the member has partially given my own response to that, in that when the allegations were raised, the department did become very concerned about care. As I had mentioned earlier, the allegations were raised in November 2000, and we did immediately strike the team that I have just noted. They did perform a review of care, the common name of which is the Van Haute report, which was released today.

There was an investigation into the financial allegations that did continue, and again, just before our break we were talking about the way in which the allegations continued to be investigated and the way in which the department worked with the AG

around these concerns, which led to the report that was released on July 6.

Mrs. Rowat: I have more questions regarding that report, but I have one question for the Auditor General.

The report that you have before you, is it the same internal investigation report that you would have received when you were doing the investigative audit?

Mr. Singleton: I just received a copy of the report during the comfort break, and I asked Brian Wirth of my staff to go through it and compare it to the document that was on our file. This is one of the documents the department provided to us in the course of our review. That is the one labelled Hydra House Review, December 2000.

The other document dated January 19, 2001, this appears to be the first time that we have seen that particular document.

There was other information provided to us by the department with respect to the financial allegations that we have incorporated into our file and into our audit work; however, of course, I cannot provide that to the committee. It is not an appropriate role for the Auditor General to be a source of government documents to anyone. So, if the members were interested in obtaining a copy of that document, I would suggest they ask the government for it.

Mrs. Rowat: Could the Auditor General indicate to me what the title of the report is that he is referencing that he cannot provide? The title would be helpful in our asking the government for the report.

Mr. Singleton: I have just been reminded that, apparently, the document may in fact be a Cabinet confidence. It is essentially a briefing note for the minister which may have some impediments around providing that to the members. However, I certainly do appreciate the fact that the document was made available to us for our work, because that was part of what we received as excellent co-operation from the department throughout the course of our audit.

Ms. Melnick: The Auditor General is indeed correct in his comments of the document that he is referring to.

Mr. Loewen: This is the issue we take with the government. They talk about openness and honesty, and yet they hold on to a report that they will not release until after committee has started. As soon as we start speaking, they plop a report down for the press, but, in fact, we find out it is not the full report.

Would the minister please provide the committee with the report that the Auditor General has referred to? Immediately.

Ms. Melnick: The document that is being referred to is, in fact, a briefing note that was prepared for the minister and I do not believe it would be releasable.

Mr. Loewen: I am sorry, the minister speaks rather softly. It was a briefing document prepared for whom?

Ms. Melnick: It was a briefing document prepared for the minister of the day.

Mr. Loewen: Did the minister not claim this report that she dropped on this committee half an hour after it sat today was also a Cabinet document at one point?

* (16:00)

Ms. Melnick: The report that the member is referring to is a report, the document that the Auditor General referred to is, in fact, a briefing note. They are documents of different natures.

Mr. Loewen: Why will the minister not release that document to the Public Accounts Committee?

Ms. Melnick: Briefing notes are not released to the general public. Briefing notes are of a highly sensitive nature and would not be released.

Mr. Loewen: Well, once again, so what we have is a government sitting on reports that would provide this committee with valuable information in terms of how money was misdirected and misspent.

I would ask the minister if she would give the Auditor General permission to release that report to this committee for our review.

Ms. Melnick: I will have to take that request under advisement.

Mr. Loewen: I would ask the Auditor General if he could tell us if the document provided to him was entitled as a briefing note to a minister.

Mr. Singleton: Yes, it was.

Mr. Loewen: I thank the Auditor General for that. The minister has given this to the Auditor General. She says she will take it under advisement. When can we expect to hear back?

Ms. Melnick: I will get back to you on that as soon as I can.

Mr. Loewen: Well, once again, I would ask the minister for a more specific date. There is a long history of her not answering questions either in the House, in Estimates or in the form of letters that have been sent to her. The response I get back from her consistently is "I will take that under advisement." Then we have a clear-cut pattern of never hearing. So I just, again, ask her if she could commit to this committee, it is a very serious matter, if she would commit to a date when she would provide a response.

Mr. Selinger: The member makes a number of accusations and allegations, as is so often the case, but advice to a minister is considered confidential advice and it is the tradition of all governments in Manitoba not to release that. The minister has gone way beyond what any other government has done in the history of the province by appearing before the Public Accounts Committee and giving a forthright testimony all day as well as releasing an internal report that was not available before to the public. So there has been more disclosure than there ever has been before and it is not inappropriate to seek advice on whether or not a briefing note should be released to the public. She indicated she would get back to the committee as soon as she could on that. The member asking for a specific date, I think, precludes getting that advice. That advice probably requires legal advice and that will take the time that the legal authorities advising the department think is necessary.

Mr. Loewen: No surprise from a minister who claims on a regular occasion that his government is open, honest and accountable.

Just in terms of timing here, will the minister advise us the date on this briefing document?

Ms. Melnick: I will take that request and any others as to the nature of the document that we are discussing under advisement.

Mr. Loewen: Can the Auditor give us a date when he first recommended to the department that they put in service purchase agreements for all agencies?

Mr. Singleton: That recommendation was included in a report which is entitled the Value-for-Money Audits, Summer of 1999.

Mr. Loewen: Thank you, and in response to that report, was there a time frame in terms of a response from government given to you as to when they expected service purchase agreements in place for all agencies?

Mr. Singleton: On page 51 of that report, the departmental response indicates that—perhaps I should just read it into the record. "As noted in the report, management began negotiating service purchase agreements in 1993-1994 and has now concluded 13 agreements. The branch agrees with the need to conclude service purchase agreements and the negotiation of such agreements has become a priority for the last three years. Negotiations have commenced with Winnipeg Child and Family Services and will continue to be pursued. As suggested, an implementation plan will be developed by the branch. The plan will be fully implemented by March 2002 for selected agencies requiring service purchase agreements."

Mr. Loewen: I thank the Auditor General for that. Can the minister indicate to the committee why that was not followed through, why that commitment from the department was not followed through by her government?

Ms. Melnick: The commitment for the negotiation of service purchase agreements most certainly was followed through despite the fact that the capability to monitor the financial aspects of the service purchase agreements had been dissolved and removed from the department in 1993-1994, 1994-1995 budget year.

Interesting to note that the service purchase agreements began in 1993, yet in 1999, we see a total of 43 service purchase agreements having been negotiated in five or six years, depending on how you look at your calendar years. It is very interesting

that in the Legislative Assembly of Manitoba on June 22, 1999, the former minister, Bonnie Mitchelson, is quoted as saying, "I am told that many of the smaller agencies we do not have service and funding agreements with. It is not necessary." Perhaps that statement might go some distance in explaining why, after six years, there were 43 service purchase agreements negotiated. Today we have 87 signed, 45 in the process of being signed, so getting signatures, and another 45 under renegotiation. I can certainly confirm to the committee that from September-October 1999 on, the department did take the negotiation of service purchase agreements very seriously, and we continue to do so to this day.

Mr. Loewen: I would like to ask the Auditor General if it is his opinion the department met the commitment they made in 1999 to have service purchase agreements in place by 2002.

Mr. Singleton: I draw the member's attention to page 46 of our investigation of Hydra House. In the bullet at the bottom of the page where it indicates in the summer of 1999, the OAG issued a report entitled Child, Family and Community Development Branch - Agency Accountability, presently known as CPSS. This audit focussed on assessing the effectiveness of the branch's external service provider accountability framework. One of the findings included in this report was that there were no SPAs in place for almost 70 percent of the external service providers receiving funding from this branch.

I think that carries on into the next bullet, which indicates for the year ended March 31, 2002, 14 of the 15 external service providers, representing 93 percent including Hydra, did not have SPAs in place with CPSS. As well, for the year ended March 31, 2002, we found that 16 of the 37 external providers which represented 43 percent including Hydra did not have SPAs in place with the ASB. This situation confirms that there was minimal action taken on the 1999 audit recommendation, which stated that we recommend that branch management negotiate, within a reasonable time-frame period, SPAs with all the remaining agencies and that an implementation plan be developed.

* (16:10)

Mr. Loewen: I would like to ask the minister and her department to explain to this committee why

there was minimal action taken as recorded by the Auditor General between 1999 and 2002. We see that clearly from the report. What happened?

Ms. Melnick: We were, in fact, negotiating SPAs. April 1 of 2001, we had 116 signed. We were continuing to negotiate. The process can be long, but we were dedicated to it. Today we have 100 percent either signed, completing or negotiating.

Mr. Loewen: Obviously, there was not any emphasis, as the Auditor General has indicated and has indicated in the report, for CPSS providing funding, and there was only one SPA in place. There was minimal effort put forward by the department. The minister is not willing to answer why. We cannot have department staff here to answer the question why, so I guess that will just go unanswered, as so much else does by the government of the day.

Can the minister indicate when the allegations first came forward from Mr. Small to the department that there was possible inappropriate use of public monies by Hydra House?

Ms. Melnick: The department was made aware of the allegations in November 2000.

Mr. Loewen: Can the minister explain how the government could not have immediately ramped up their efforts in terms of service agreements when they heard of the first problem in November of 2000? Here we have two years later, November 2002, and there are still no service purchase agreement in place for Hydra House. Why was action not immediate?

Ms. Melnick: Again, the department was focussing on SPAs. I believe I have said a couple of times this afternoon that we were in the process of negotiating an SPA with Hydra House. At the time that we learned that the AG may quite possibly be investigating the allegations, the decision was made to halt negotiations at that time. I know that there is disagreement around the table as to whether or not that was the decision that should have been made. I believe it was the decision that should have been made, and we were awaiting the findings of the AG's investigation which we learned of collectively on July 6.

Mr. Loewen: There is some confusion, I think, in my mind as to when the department learned that the

Auditor General would be conducting their review. Can the minister give me a date for when they learned that the Auditor General would be conducting a review into Hydra House?

Ms. Melnick: We were made aware of the possibility of an investigation by August of 2002 when the previous minister wrote a letter to the AG in which he notes that he is aware of the allegations and that he confirmed that the department would be fully compliant in any way that would be helpful during the time of the possible investigation at that time.

Mr. Loewen: The minister said before that it was in August 2002 that they discovered the possibility. It is not the question I asked the minister. I ask her to pay attention to the questions and simply answer them concisely. When did the department first know, learn that the Auditor General's office was going to conduct a review of Hydra House? What date?

Point of Order

Mr. Chairperson: The honourable Minister of Finance, on a point of order.

Mr. Selinger: I believe the member answered the question and the member now is entering into bullying and abusive behaviour. The member gave a thorough answer to the previous question.

Mr. Chairperson: The minister did not have a point of order. It is simply a dispute over the facts, but I would mention to all members to be wary of questioning in the manner that questions are put forth.

Mr. Singleton: I think this question has been posed already. We notified the department on June 18, 2003, that we would be conducting the audit, and we had preliminary and cursory discussions with them over the months preceding that before we finally made that decision.

Mr. Loewen: Between the period when the government first learned of these accusations, in November of 2000, until they were informed on June 18 of 2003, which was a considerable time later, can the minister confirm that no service purchase agreement was negotiated with Hydra House?

Ms. Melnick: I can confirm that the department was in the process of negotiating a service purchase agreement. When we learned of the possible investigation by the AG, we halted those negotiations.

Mrs. Rowat: I would like to go back to the internal investigation for a little bit longer.

Did the minister approve the report and did he then share it with Cabinet? Is that something the minister can provide some background on?

Ms. Melnick: I am going to have to take that question under advisement.

Mrs. Rowat: Obviously, the Minister of Finance (Mr. Selinger) and the Premier (Mr. Doer), both members of Cabinet, were aware of the content of the report and were satisfied with it. That would mean the Minister of Family Services at the time, Tim Sale, was asked about it and he obviously indicated everything was fine. I am just assuming. I have to put the pieces together myself because I am not getting any answers here on that.

We have raised some concerns about the review that has been provided to us. Obviously, it is not the full review. It is the care piece of the review. The financial piece of the review obviously went as a briefing note so it would be held as a private document. I was wondering if the minister would be so kind as to share some of the findings that were put into that briefing note that would enlighten us into how they dealt with the financial aspect of the allegations. You know, accountability, transparency, moving with intent to correct the situation, she should be more than willing to provide us with some background on what was provided in that document that went to the AG's office that we now cannot receive.

Ms. Melnick: As I had mentioned previously, I will take under advisement any questions about the document the member is referring to.

Mrs. Rowat: Cabinet knew about the allegations. They decided to flow deficit funding. Part of my concern is if this document was available, there was a briefing note. Obviously, that is the financial piece that we are looking at. They decided to continue to fund them. They flowed deficit funding. They

intentionally decided to continue to fund the organization.

Were these findings shared with Hydra House? Were they ever consulted at that point, when the investigation happened, of the findings and was there a spirit of co-operation, I guess is how it was put in the AG's report, was there any discussion and checks and balances put in place from that point?

Ms. Melnick: Again, I will have to take under advisement any questions about the document we are discussing.

Mrs. Rowat: I ask the same question of the Minister of Finance since he was part of Cabinet at that time and still is. Can he share some insight into whether the findings of the investigation did address the financial allegations? Did they put checks and balances in place to address the accountability issue and did they also work with Hydra House? I am trying to get a sense of whether the relationship between the department and the agency changed and when and if that happened. Just some answers.

* (16:20)

Mr. Selinger: I think the Minister of Family Services has answered your question, and her answer would apply to my response as well. There has been read into the record that the department was pursuing information from Hydra House up until the time that the CBC broadcast came out in July of 2002, and the matter was then brought to the attention of the provincial auditor's office. The minister of the day wrote to the Auditor General, indicating that he was aware of these allegations and forwarding documents for the Auditor General's review, including financial statements and briefing notes. So the minister of the day disclosed all the information he had once he became aware that there were allegations that were being reviewed by the Auditor General's office. So there was an attempt to make everything available for the purposes of any potential investigation that the Auditor General might be considering.

Mrs. Rowat: Treasury Board approves the deficit funding and additional resources even after the allegations were put forward. So Treasury Board, Cabinet, both had opportunities to ask questions, some serious questions, about the funding allegations, the financial allegations that were occurring. I do not know; I just find this a little odd.

You would think that the ministers at the table would have asked the hard questions. I guess my question is this: What was the written agreement between this government and this agency when all these allegations were happening? There would have to have been some type of an agreement. Why would you continue to fund them? Why would you give them deficit funding and not have any type of an agreement in place and know that these allegations were hanging over?

Mr. Selinger: I am informed that the amount of deficit financing that was made available was in the amount of \$52,000, in that range, out of a budget of about \$5 million, and that item is identified on the Auditor General's report on page 39 in the third bullet. It was related to volume increases which had been justified, and there has always been a concern by providing continuity of service to the highly vulnerable people in this organization's setting and, at the same time, pursuing all the financial information that could be garnered and respecting the process underway or in the hands of being considered by the Auditor General's department. It is not an either-or situation. There is a requirement to ensure that the clients, especially if there are more clients based on volume, receive care and, at the same time, diligently follow through on pursuing financial accountability and respecting the Auditor General's process.

Mrs. Bonnie Mitchelson (River East): I would like to ask the Minister of Finance (Mr. Selinger), given that the former minister, Tim Sale, of Family Services knew in 2000 about allegations of inappropriate expenditures, whether, in the time between 2000 when the Minister of Family Services knew about allegations, was there any discussion around the Treasury Board table? I believe, the minister can correct me if I am wrong, that Tim Sale did sit on Treasury Board, may still sit on Treasury Board at this time.

Would he confirm whether the Minister of Family Services sat on Treasury Board and, when there were deliberations around deficit financing or additional funding for Hydra House, were the issues of financial impropriety discussed, or were there briefing notes or documents that went to Treasury Board that would indicate that there are allegations that had been raised?

Mr. Selinger: Just to get started, Mr. Sale has been, and continues to be, a member of Treasury Board. The public record is clear on that. As a matter of fact, there are attendance records available for all members of Treasury Board.

The specifics of the discussion, I do not have that detail in front of me right now. But as I indicated in my earlier response, the deficit financing was in the order of 52,000, and it was justified on the basis of volume increases, in other words, more clients being served by this agency that were, presumably, of a high need nature. That did not preclude the continuing pursuit of financial information. It did not preclude the Auditor General's examination of whether or not this matter should be looked into further, based on the allegations they received. We have said consistently that, as we work our way through this issue, we wanted to ensure as best we could that clients were treated properly and received the care that they needed.

Mrs. Mitchelson: I think the clients best interests are first and foremost for every member of the Legislature, and I do not question that.

We have the president of the Treasury Board sitting at the head of this table that is responsible for the financial administration of taxpayers' dollars in this province. The question is very straightforward and very simple. The Minister of Family Services had allegations raised or brought to his attention in the year 2000. The Auditor General's report or investigation was not done until 2003.

My question is pretty straightforward and pretty simple: Can the Minister of Finance indicate to us what information came to his attention as the Chair of Treasury Board and the Minister of Finance in this province around those allegations from the year 2000 to 2003?

Mr. Selinger: The minister handling these allegations was the Minister of Family Services, and that minister took responsibility for that and, as a matter of fact, sent the letter to the Auditor General in August of 2002 and forwarded internal information that he had with respect to the allegations. The minister took the responsible action in disclosing all the information he had to the Auditor General, and there was the internal review that was done as was tabled today on the quality of care.

There was some ongoing pursuit of information with respect to the financial accountability of that agency, and I think the minister indicated earlier that there was some tardiness on providing audited financial statements and some of the information that was needed. Demands were being made to receive that information. Not all the information was available as requested. There was an ongoing requirement to provide care to the clients based on volume increases. Resources were made available to address those volume increases.

Mrs. Mitchelson: But the Minister of Finance is avoiding answering the direct questions.

Can the Minister of Finance indicate to this committee today whether, in fact, Tim Sale, who sat on Treasury Board and had received information and allegations—the minister may say that they were tardy in getting some of their reports or responses into the department, but we are talking about two years from 2000 to 2002. It appears to me that the Minister of Family Services at the time, in 2002, when he got wind that the Auditor General may be doing an investigation, that these issues had been brought to his attention, two years after he received those very same allegations, was prepared to share everything with the Auditor General. He was not prepared to share it in 2000, but he was prepared, after he found out that the Auditor may be doing a review, to be fully co-operative and share information.

Can the Minister of Finance indicate whether, in fact, Treasury Board received any briefing notes or any information from the Minister of Family Services raising red flags around inappropriate use of financial resources by Hydra House?

*(16:30)

Mr. Selinger: All I can reiterate for the member is that the minister had taken this issue in hand himself as the minister responsible for the department and the agency and had taken his own initiatives, both within an internal review of the care and ongoing pursuit of financial information as well as disclosing documents to the Auditor General, once he discovered that they were looking into it. That I have put on the record. The Minister of Family Services of the time was responding to the concerns that were raised for him and getting the best information he could. As further information came, forward he made it available to the Auditor General, the best

information he had, and the current minister has indicated we made no attempt to get in the way of the Auditor General's activities. We wanted the Auditor General to have the full field available to his office to pursue this.

The deficit financing, as I have indicated earlier, was simply driven by the specific volume increase of clients requiring the service. There were two separate tracks going on here. There was the ongoing need to insure clients had continuity of service, or new clients received service, and there was pursuit of financial information and a review of that going on. These things were happening through the department.

Mr. Loewen: Again, and part of the problem here is we do not get the facts from the ministers at the table and the minister of the time, Minister Sale, refuses to come before the committee, as do the departments, but why on earth would the minister indicate in 2002, given all we know now on all that was going on at the time, all the allegations that were made, why would he say that his department has, and I quote, "has made all of the normal and some quite extraordinary checks into this issue and we are satisfied that what we are seeing is quality service, adequate accountability," so he is speaking to the financial aspects of it, "and it is a dispute between a former employee and his boss," on what basis would the minister have to make those public statements?

Ms. Melnick: With the information that was available at the time to the minister, both on care and on the finances, he made those statements. As we now know, the investigation continued, both within the department, there was full compliance with the AG and, as I stated on July 6, the relationship changed drastically as a result of the Auditor General's report.

Mr. Loewen: What information would the minister share with this committee regarding information that the minister had to make the statement that there was adequate accountability? Could she bring that forward to this committee?

Ms. Melnick: I will take that under advisement.

Mr. Loewen: Well, I understand she does not want to release the information. Perhaps she could tell us where the information lies. Was there an internal

investigation done by the department, and if so, who did it, into the financial accountability issue?

Ms. Melnick: Again, I am going to take that question under advisement.

Mr. Loewen: The minister indicated, I believe it was in August of 2002, that her department decided to stop trying to negotiate a service purchase agreement with Hydra House. Can she advise this committee when those discussions started up again? In other words, when did her department begin renegotiating with Hydra House regarding a purchase of service agreement?

Ms. Melnick: The decision was made to cease negotiations on a service purchase agreement when the department learned of the possible, at that time possible, investigation by the AG. That decision was made to hold until the release of the AG's report, which we know happened on July 6. At that time, we announced the five-point plan. On Friday, we announced we would begin the process of disengagement, so we never did resume negotiations with Hydra House because of the contents of the Auditor General's report released on July 6.

Mr. Loewen: With regard to the report before us, I would ask the Auditor General, since the recommendation from the Auditor General is that purchase of service agreements be in place for everybody, had there been a proper purchase of service agreement in place for Hydra House. Is it the Auditor's view these issues would have been discovered?

Mr. Singleton: In our view, service purchase agreements represent but one part of a complete accountability regime, an important part because they set out the responsibilities of the agency and the department and set out reporting requirements and audit requirements and service level requirements and a whole host of important issues that are important to have clearly understood.

A service purchase agreement alone will not make sure that operations are conducted appropriately. There need to be other monitoring procedures, procedures to monitor the reports, to assess and evaluate periodically the financial accountability, to go out and visit the premises, go out and review the accounting records on a systematic basis. You need to build the whole picture

together in order to have a complete accountability regime. I do not think I could say today that, if a service purchase agreement had been in place and been implemented within the time frame that had been provided by the department in our report of 1999, it would have of itself prevented what happened.

Certainly, it would have lowered the risk of it happening, and especially if accompanied by other accountability procedures, it would have significantly lowered the risk of ongoing, inappropriate use of public monies.

If I might take a moment and make another comment that might be helpful to the committee in a line of questioning around the briefing note, I can do that in a way that is just connecting some dots in the report and the processes we followed. Obviously, we are reviewing that briefing note and the individuals involved in preparing it. It was a part of the work that we did in assessing whether or not an investigation was required. The upshot of that, obviously, was that we decided an investigation was in fact required and decided to conduct that review.

* (16:40)

Mr. Loewen: I just ask the minister this quickly: Is this the same briefing note that the minister used as his information when he announced publicly that the government of the day was satisfied that there was adequate accountability?

Ms. Melnick: Again I will reiterate, any questions on the document I will take under advisement.

Mr. Loewen: Just briefly, because, once again, the minister is not answering the questions that are put. I am not asking about details of the document. I am asking if it is the same document, if this is the document that the minister used as information that allowed him to go forward and say publicly that he was satisfied with the financial accountability piece. Is it the same document? I am not asking what is in the document. I am just asking if that is the document that he used, or is there something else that we do not know about?

Ms. Melnick: Again, I will take under advisement any questions around this document.

Mr. Loewen: I will conclude by saying I have a complete understanding why the Auditor General

was forced to make statements that this is the least effective Public Accounts Committee in all of Canada. Ridiculous.

Mrs. Mavis Taillieu (Morris): I would just like to make some observations here. We have had an investigation because allegations have been brought to the Auditor General. There obviously have been some problems in the Department of Family Services which have gone unattended to.

Good governance means stewardship, leadership, responsibility and accountability. There has been no stewardship of public money here. There has been no leadership, as the minister has not taken appropriately swift action. Responsibility has been abdicated; there has been no service agreement in place and now accountability is being deflected to a former minister.

The public deserves some answers here and we are not getting any. It seems to me that the former minister has been hung out to dry a little here and he is not here to speak to that, but there seems to be some cover-up there that he is not here. If we are not to get answers to questions here then where will we get the answers?

Ms. Melnick: I think that we have to, in response to your comments, look at the resources to monitor the financial management. Funding to these agencies was cut in the nineties and I agree with the member opposite that that did cause a problem in monitoring arrangements with the agencies. So I agree that, had that capability not been cut in the nineties, perhaps we would not be here today.

I also agree that service purchase agreements are a very good vehicle, and it is a vehicle that we have really stepped up since the fall 1999. We agree that it is a good document, a good base document to use.

We also agree that the capability should be in the departments, which is why last Friday I announced the establishment of the Agency Accountability Unit, in which we will have not only a chief negotiator and a service purchase agreement consultant working together but we will also have a senior business consultant who will be monitoring the accountability framework as well as available to work in an advisory capacity with the boards and organizations to ensure that they do in fact understand what is appropriate expenditure, what are the reporting

requirements and how those reporting requirements should be brought to the departments.

We are not stopping there; we will also have two agency accountability comptrollers who will work with the other agency reporting requirements. The service purchase agreement as stated by the Auditor General is a good document but is only one document. There are other documents that lead to interim monitoring throughout the years of the life of the SPA, so we will have two agency comptrollers who will be working with what we call the ARRs.

So I agree with the member that these are three elements that we have been working towards and all of our efforts are going towards preventing another Hydra House from happening, greatly lowering the odds of another Hydra House happening.

Mr. Gerrard: My question to the minister is this. Often with contracts of this size to private-sector companies, there is a competitive bid, a tendering process put in place that would allow for non-profit agencies, for example, to indicate whether they can do the work better and for lower cost. I would ask the minister was there ever a tendering or competitive bid process for this contract.

Ms. Melnick: I think that what I would like to clarify is the process of funding. The funding is based on the needs of the individual client or resident, the individual person, and so the way that agencies are funded is through a per diem system in which the needs of the individual are assessed. It could be a very high need, it could be a lower need, and so the funding is delegated, if you will, to that individual and follows the individual through the community of care.

The individuals who are currently resident in Hydra House are funded based on their needs. Funding is not provided to agencies in a block. Funding is provided to agencies based on their ability to meet the needs of the individuals who are receiving the funding they need for their care. So it is a model that is not a request-for-proposal type of system; it is a model of determining the level of care for the individual, determining the cost of the care for the individual and working with the agency that is able to provide that level of care.

Mr. Gerrard: I think that what I understand is that the contract was between the government and the agency; it was not between the families and the agency. The money was not given to the families so that they could then make the relationship with the agency. The money was actually a direct contract between the government and the agency. What the minister is saying by not saying it is, in essence, that there was never any competitive bid contract. They had another process.

One of the issues, and this is my second question, has to do with what is going to happen now? Residents of the Hydra House facilities and their families and others who are concerned are asking what is going to happen to these facilities? Are clients going to be able to continue to live there? Will they have to move somewhere else? What are the government's plans with relationship to the homes that are currently being occupied by clients who have been served by Hydra House?

*(16:50)

Ms. Melnick: Again, just to clarify, funding is based on the needs of the individual and is provided to agencies based on the needs of the individuals for whom they are caring. When a service purchase agreement is negotiated, it is negotiated on a per diem basis based on the needs of each and every individual who is being provided service within an agency, whether it be a residential service, a living accommodation or a day service. These per diems can also be renegotiated if the status of the resident changes for the better or, unfortunately, for the worse. I just want to be very clear on explaining the system of funding so that there is not a misconception that a request for proposal is part of this funding system because, in fact, it is, perhaps, unique because it does follow the individual.

The second part of the question is dealing with the current residents of Hydra House and what will happen with them. Certainly, we have been very cautious in moving forward in our disengagement with Hydra House because we are very, very aware that the Hydra House residents are very vulnerable people, that they are, if we are looking at continuum of high needs to low needs, they are most certainly in the high-needs category. Because of that, we have been very cautious in planning how we will be dealing with the disengagement from Hydra House.

We have begun discussions with the community at large and I must say that the community at large has been very, very receptive and, as we all agree in this room, that care is paramount to the residents of Hydra House. So we will move in a cautious way and in a careful way, working with the community, maintaining the care that these people need and also working in a way that will be as least disruptive as we can possibly be to the residents of Hydra House.

Mr. Gerrard: On July 6, the minister set up an implementation team. I would ask the minister if she can give us not only the members of the implementation team but their formal titles, their positions.

Ms. Melnick: Certainly. We do have the list, and I am hoping we can get it shortly to table.

Mr. Gerrard: Can the minister tell us what process was taken to identify individuals and to look at their qualifications before they were put on the implementation team?

Ms. Melnick: Certainly. We looked at the multi-faceted dimensions of care for the individuals in Hydra House. As I am sure the member knows, Hydra House has residents who are children and residents who are adults. So we looked from a care perspective. We looked for persons with expertise in care, both for adults and for children, and who had an understanding of the degree to which Hydra House residents require care.

We, of course, looked at the financial accountability. So we looked for individuals who had expertise around financial accountability, both within the government system, the civil service system, as well as in the non-governmental system. We also looked at people who were working in the system who were working on a daily basis with individuals of varying degrees of needs, both adults and children. Through that, we had many discussions about who we felt the appropriate individuals would be. As I say, as soon as the list arrives I will be very happy to table it and entertain any other questions you may have.

Mr. Gerrard: I thank the minister and am looking forward to receiving that tabled document shortly.

My next question deals with the Dubiensi letter which was directed to Mr. James Small and basically talked about the review that was undertaken and says

the review included a review of financial audited statements and that the review dealt with accusations regarding providing money to individuals not on staff. Expense accounts of senior managers in the purchase of recreational property in Florida were reviewed and responded to in a satisfactory manner by Hydra House.

The reports the minister has tabled today focus, not exclusively but more, on quality of care. What I would ask the minister is what process was undertaken to look at the concerns related to providing money to individuals not on staff, expense accounts of senior managers and so on.

Ms. Melnick: I will go through the chronology of having received the allegations in November of 2000. Immediately, the team, which is noted in the document that you are referring to, was put in place. There was a report done around care. There was an investigation around care. There was also an investigation around the financial allegations. The investigation on care was completed within I believe it was a three-to-four-month time frame. I believe it was the end of 2001 that the care report, which was released today, was prepared.

There were continued concerns around the financial allegations. There were discussions with the people from Hydra House. There were requests for documentation. We were also aware that the allegations had been brought forward by an individual who had recently completed, rather unhappily, employment with the organization. So the department was careful not to put itself in a position in which it would become somehow entangled in what we believed was a litigious situation, but we did continue to request information.

Point of Order

Mr. Chairperson: Mr. Loewen, on a point of order.

Mr. Loewen: Just on a quick point of order, the minister indicated in her question there was a report finished around the end of 2001 that has been distributed. The report I have is dated December 2000. I just wonder if she could clarify is this the right report. Are there more reports? What else are they hiding?

Ms. Melnick: I apologize to the committee. I stand corrected on the date of 2000.

Mr. Chairperson: There was no point of order, but there has been a clarification on it.

* * *

Mr. Chairperson: Madam Minister, to continue.

Ms. Melnick: Can I continue then?

Is there further questioning on the date of the report, or shall I continue?

An Honourable Member: Well, just in terms of clarification, on the same point of order, a clarification, the minister—

Mr. Chairperson: There was no point of order. There was a clarification made by the minister. The minister can continue with her answer.

Ms. Melnick: One of the documents that was outstanding at that time was the audited financial statements for 1999-2000. The department received that in April '01, and we continued through the following time frame to request further information around the allegations from Hydra House. We became aware of the possibility of the Auditor General leading an investigation into the allegations in the summer of 2002. The then-minister sent a letter to the AG offering our complete compliance, and it was shortly after that the AG did, in fact, begin his investigation. We see the results of the investigation on July 6.

Mr. Gerrard: While we are waiting for the minister to table the document, I have one comment. Earlier on the minister had indicated that care was never an issue, but, in fact, we have had quite a number of reports and recently on Global television last night of people who have raised issues of care. So, clearly, this is also an issue. I wonder if the minister is going to be able to table that document.

Ms. Melnick: Are you referring to the implementation team? Yes, I have it right here to table.

Mr. Gerrard: The committee was said to rise at five o'clock, but since we have just received this and the minister has said that she would respond to a question or two, I wonder if it would be possible to extend the time for five or, at most, ten minutes to allow me to ask those questions of the minister.

Mr. Chairperson: I would ask for leave of the committee whether there is a willingness to sit past five o'clock. Is there agreement?

Some Honourable Members: Agreed.

Mr. Chairperson: Five minutes? Five minutes then. Okay.

Madam Minister. Oh, pardon me. Who is going to ask the—

An Honourable Member: I do not have a question.

Mr. Chairperson: Mr. Gerrard, then.

Mr. Gerrard: I just wonder if there were any individuals here who had had previous involvement with Hydra House in any way.

Ms. Melnick: The various individuals from the Department of Family Services and Housing may have worked with Hydra House in the care of residents. There is ongoing communication between the department and various agencies, sometimes on a daily basis, sometimes weekly, depending on the needs of the individuals for whom the agencies are caring. I am not aware of any other connection between Hydra House and any individual on this list.

Mr. Gerrard: There are six individuals, as I would see it, from Family Services and Housing, and, clearly, there would be some concern about the independence of the review and the appropriateness if there were people with significant involvement with Hydra House. Which of the individuals might have had involvement with Hydra House previously, could the minister tell us?

Ms. Melnick: These individuals are actually not in contact with Hydra House. They are reviewing the framework accountability, and they are preparing

recommendations. So there is no contact between these individuals and Hydra House, if I could say, in this capacity.

Mr. Gerrard: You had mentioned only the ones from the Family Services and Housing. There are clearly an individual assistant deputy minister from the Treasury Board Secretariat and the provincial Comptroller. Were any of these other individuals having any involvement with Hydra House previously?

Ms. Melnick: Drew Perry had worked with Family Services and Housing for a number of years. It is possible, in that capacity, that he had communications with Hydra House.

Mr. Gerrard: In looking at setting up the implementation committee, did you look at any potential for conflicts or previous involvement which might have created problems?

Ms. Melnick: Where the committee is not dealing with Hydra House they are dealing with the financial accountability framework. We do not see that they will be having any contact with Hydra House. We see them as working on a broader perspective, if you will, around financial accountability.

Mr. Gerrard: In my final question, could the minister tell us in what capacity the member from the Treasury Board Secretariat had worked with the Family Services and Housing and what might have been any involvement with Hydra House?

Ms. Melnick: Previous to moving to Treasury Board, the individual in question was the Assistant Deputy Minister of Finance and Administration.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 5:04 p.m.