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Lundi 25 février 2002

**Standing committee on
public accounts**

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Ministry of Economic
Development and Trade

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Ministère du Développement
économique et du Commerce

Chair: John Gerretsen
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Monday 25 February 2002

Lundi 25 février 2002

The committee met at 1037 in room 151.

2001 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF ECONOMIC
DEVELOPMENT AND TRADE

Consideration of section 4.06, financial control review.

The Chair (Mr John Gerretsen): Good morning, everyone. I would like to start our meeting this morning. Thank you for coming.

This morning, we're dealing with the financial control review, which is a chapter 4 follow-up contained in the 2001 Provincial Auditor's report.

We have with us members of staff from the Ministry of Economic Development and Trade. Perhaps you could introduce yourselves, and if you have an opening statement, we'd be more than pleased to hear it. There may be some questions from the members of the committee afterwards dealing with the report or anything you refer to in your comments.

Ms Barbara Miller: I'll start by introducing myself first of all. I'm Barbara Miller. I'm the Deputy Minister of Economic Development and Trade. With me, I have Lee Allison Howe, who's the assistant deputy minister of corporate and field services; Diane Frith, who is director, business planning and finance; Jan Yousef, sitting in the back, who is controller, business planning and finance branch; and Gordon Aue, sitting next to me, who's the cluster audit director, Management Board Secretariat.

I'll just start into the presentation. The Provincial Auditor's 1999 annual report included a financial control review of the Ministry of Economic Development, Trade and Tourism. The report found a number of weaknesses in the ministry's financial controls. Then the Provincial Auditor's 2001 annual report included a follow-up report on the recommendations made in that 1999 financial control review. I'm very pleased today to report that significant corrective action has been taken on all of the recommendations made in that report.

First of all, just touching on the audit findings, I think there's a handout that should have been forwarded to you. The weaknesses identified in the finance branch's financial controls included payment processing controls for accountable advances, cheque-signing controls, accounts and payroll reconciliations, procurement

practices and computer processing controls. In addition to that, the report did identify the need to review the staffing of the finance branch to ensure that there were key financial control activities performed on a timely basis, with well-trained and knowledgeable staff.

I would touch on some ministry action that was taken prior to the audit. The ministry's senior management team had already recognized there were weaknesses in the finance branch and had begun to take a number of steps to address those issues. Additional staff was brought in to support key functions such as reconciliation, purchasing and accounts payable. The finance and business planning branches were merged to create a new branch, the business planning and finance branch, to strengthen both the resources and the financial capabilities of the staff. Finally, a branch review was initiated to address the longer-term need to strengthen our financial capabilities.

I would say that the Provincial Auditor's report was extremely useful to support the ministry's review of the branch and the corrective actions which needed to be taken to address the weaknesses that were existing.

Now I'll just touch on progress against each one of the recommendations that you should have in front of you. The first is around payment processing. The recommendations that have been implemented include enhanced manual cheque controls that have been established, including maximum dollar limits. All manual cheques, electronic funds transferred and deposits to advance accounts are recorded daily. The shared services bureau is monitoring to ensure prompt and accurate recording of cheques and electronic transfers in compliance with those dollar limits.

The second area was around cheque-signing controls. A new electronic cheque-signing machine with enhanced security features was installed. New cheque-signing controls and procedures were introduced to ensure that there was a segregation of duties and enhanced security over cheque stock. Staff have been trained on the new controls and procedures, and the shared services bureau is again monitoring to ensure compliance.

The third area was around advance account agreements and reconciliations. As was recommended by the Ministry of Finance, the signing of the advance account agreement is on hold pending the issuance of a new advance account policy which will eliminate the need for the agreement. We have been advised by Ministry of

Finance staff that the policy is in the final stages of approval and will be issued in the near future. In addition to this, we have redesigned the bank and central accounts reconciliation functions and assigned additional resources. There's been an elimination of the backlog of bank reconciliations, and monthly updates are being provided from the shared services bureau to ensure they're completed on a timely basis.

The fourth area was around payroll expenditures. We have worked with the shared services bureau to have payroll staff check input prior to payroll processing. Again, shared services bureau staff compare the pay list to the expected payroll and resolve any significant differences prior to processing. Discrepancies between pay and benefits, expense accounts and the Ministry of Finance records are being promptly investigated and resolved.

The fifth area was around procurement practices. Again, procurement policies and procedures were streamlined. Briefing sessions were held with senior management, line management and program staff to review procurement issues identified in the Provincial Auditor's report and reinforce their responsibilities related to compliance. Training sessions are being held on procurement, verifying and coding of accounts is occurring and procurement is being monitored to ensure compliance.

The sixth area was computer processing controls. Access within the financial system has been restricted by the shared services bureau. Segregation of duties between purchasing and payment processing has been reinforced and management approval is definitely required to process invoices not matched to purchase orders. Reconciliation with the Ministry of Finance records: all bank and central accounts reconciliations are up to date and outstanding variances are being resolved on an ongoing basis.

In the area of staffing, a new branch structure was implemented which addresses the issues identified in the Provincial Auditor's report. Jobs were redesigned, particularly accounts and reconciliation functions. Jobs were upgraded to reflect skills required. Additional staff were assigned to reconciliation and procurement, and staff training needs have been identified.

Subsequent to the audit, in June 2000, the financial processing and procurement staff of the ministry were transferred to the shared services bureau of the Management Board Secretariat, and service-level agreements for both finance and procurement have been signed with that bureau to document what services and what level of service will be provided.

Just to touch on one thing in terms of ongoing follow-up in our risk management strategy, we do have service-level agreements with the shared services bureau. The bureau is responsible for ensuring that adequate internal controls and quality assurance mechanisms are in place. The shared services bureau must provide an annual certificate of assurance that ministry accounts are accurate. There are also regular operational meetings between the bureau and the ministry staff to resolve any difficulties or

issues that might arise. Regular reporting is provided from the shared services bureau around reconciliations and any items that require corrective action. In addition, training is being provided to our ministry line staff with regard to procurement and consulting practices, the coding of invoices, this type of thing. Lastly, the audits of financial and procurement services will be undertaken to ensure there are appropriate controls in place and the ministry is complying with the agency directives.

I'll close there.

The Chair: Thank you very much, Ms Miller. We start the questioning today with the third party.

Ms Shelley Martel (Nickel Belt): I thank all of you for being here. It's clear from my read of it, and I did read the section yesterday, and also from what the auditor said this morning, that many of the recommendations were followed up on and you've been successful in overcoming the problems he has identified. So I don't have that many questions.

I want to get a better idea of how shared services work, but before I get there, one of the things I did note with respect to your advance account is that you now have a dollar limit—I believe the auditor said as high as \$100,000—for manual cheques. I was curious as to why it would be that high if the purpose of it is to pay employees who just come on an advance etc. What is the need to have a limit that is as high as that?

Ms Diane Frith: Sometimes it was for rushed grant payments we had that we had it that high.

The Chair: Could you identify yourself, please, for Hansard purposes?

Ms Frith: Diane Frith.

The reason the limit was \$100,000 was in the case that there were rushed grant payments. Sometimes there was a need to have the payments provided on a particular date to the recipient, particularly in the case of the Ministry of Tourism, where we had a lot of payments. That was the reason it was \$100,000.

Ms Martel: So with tourism now essentially being split from the ministry again, will that policy be revised? I'm just wondering under what circumstance now you would really need a limit that is that high.

Ms Frith: Occasionally it's for electronic funds transfer, rushes, things like that that are done, that we still have \$100,000. But certainly there aren't many cheques that large that go through the account, and usually the SSB calls us before they initiate any manual cheques.

Ms Martel: OK. I notice the auditor, in the original report, had noted about \$15 million in payments that were being made. Can you give us the figures for 1999-2000? I'm not sure if you would have 2000-01.

Ms Frith: We don't have them with us, but we can provide them to you.

Ms Martel: I'm going to assume that, as a result of having that pointed out to you, they were significantly lowered in the two fiscal years after that. OK.

With respect to finance, that will be a policy that will be applied government-wide. I am assuming every ministry has a similar account to draw on and the reason

it has been so delayed is because there are discussions government-wide about what it should look like.

Ms Miller: Yes. We were in touch with them after the audit asking to arrange to have a policy, and they said that they were reviewing the policy. We followed up very recently, and they have indicated that it will be forthcoming soon. But it has taken some time because it's government-wide.

Ms Martel: Let me ask you about your staffing. If I read the follow-up correctly, 17 of the 32 folks who were in financial processing and procurement were transferred to shared services.

Ms Frith: Eventually it was actually 18, and to procurement.

Ms Martel: Both financial processing and procurement. So 18 out of 32—

Ms Frith: Actually, it ended up being 33 in total now.

Ms Martel: In June 2000. Do you have concerns about the staff who are left in terms of their ability to do the job that they are still required to do?

1050

Ms Lee Allison Howe: I'm Lee Allison Howe, chief administrative officer. I'm confident that the staff we put in place have the skills to do the job. We have a chartered accountant as our controller, as per the recommendations from the auditor, and we've undertaken to hire appropriate staff for the positions and vacancies that we've had.

Ms Martel: Maybe I should rephrase this—my apologies. When those staff were transferred, do they become Management Board Secretariat staff? If that's the case, is their priority still to do work from economic development and trade, in terms of reconciliation and financial transactions?

Interjection: Yes.

The Chair: Could you answer the first question? I saw you nodding your head but we need some sort of affirmation for the record.

Ms Frith: The staff that was transferred provided services not just to MEDT, but they also provided services to the Ministry of Tourism and the Ministry of Intergovernmental Affairs. When they transferred, staff were designated to continue to provide services to those particular ministries in the areas of procurement, reconciliation, accounts processing etc. So yes, we are confident.

Ms Martel: So there's not a net loss of staff to do the same amount of work. In fact, although they were transferred, they continued to carry out work on the ministry's behalf in a different agency.

Ms Frith: That's correct, although the organization was reconfigured once it went over to the shared services bureau. It's not the set 18 that we'd sent over in that configuration. They've split off systems control from reconciliation, so it has been reconfigured. But the net amount is that we still get the same level of service.

Ms Martel: But that reconfiguration was not something you had any control over—that was Management Board?

Ms Frith: That's correct.

Ms Martel: In almost all of the areas where you have implemented changes, I note that the shared services bureau is performing a monitoring function in most of those cases. I have to admit I don't have a clear understanding of what the shared services bureau is doing, so I'd appreciate an explanation of that. What I'd also like to know is, with respect to when they identify problems that may be coming from the finance branch of your ministry, who is the employer? Who is responsible for dealing with either the staff person who may be having trouble etc when you identify a problem—because it wasn't clear to me, if they have the monitoring function, how far does that monitoring function extend in terms of employees in your ministry?

Ms Howe: I'll answer that. The service-level agreement spells out who's responsible for what and exactly what services are provided to the ministry. The accountability for the financial management of the ministry rests with the ministry. It's not delegated that we turn over our authority for management to the shared services bureau. However, we have a service-level agreement that requires them to meet certain standards, and we're monitoring that. They monitor for us, but we are responsible for making sure they comply with our agreement. There's a set of procedures to follow if there are discrepancies. If you do have any difficulties in resolving issues on the staff level, there's a set of who-talks-to-whom. You'd resolve it at the staff level if it's a day-to-day matter and if that's not resolved, then it escalates to the managers, it escalates to the directors, and then if it became a very serious matter, it would be the assistant deputy minister to the assistant deputy minister at Management Board responsible for shared services.

Ms Martel: Was the agreement itself created at the time the employees were transferred or was it in effect before that?

Ms Howe: There is an agreement done each year for the set of services that we require the shared services bureau to perform, so each year they're updated. In terms of the timing, Diane, could I refer that to you?

Ms Frith: Yes. The overall agreement between the ministry and the shared services bureau was signed in February 1999. The actual detailed agreements for finance and procurement were signed after the transfer. Finance was in October 2001 and procurements was in August 2001.

Ms Martel: So in both cases, in October 2001 and August 2002—

Ms Frith: That was 2001.

Ms Martel: —you would be renewing those agreements? It's those agreements, the one on finance and then the second on procurement, that have to be renewed annually?

Ms Frith: Yes.

Ms Martel: And they detail the services that are being provided by shared services to your ministry.

Ms Frith: Yes.

Ms Martel: Are they doing that for a number of ministries, for every ministry or—

Ms Miller: Every ministry.

Ms Martel: Is it the same set of services, by and large?

Ms Frith: By and large, yes.

Ms Martel: And then should I assume that other ministries as well were in the position of transferring staff to the shared services bureau to allow that to happen?

Ms Frith: Yes.

Ms Martel: When you talk about monitoring, if I just look at the two on the first page, payment processing and cheque-signing controls, where the shared services bureau is “monitoring to ensure prompt” etc, can you just give me an idea of what that entails?

Ms Frith: What they would be doing is making sure that SSB staff are actually recording the manual cheques and electronic transfers on a daily basis and also making sure they’re in compliance with the \$100,000 limit for manual cheques. So they’re actually monitoring their own staff, the management.

Ms Martel: So it’s not your own staff doing manual cheques any more.

Ms Frith: No. That’s correct. It’s SSB staff.

Ms Martel: Would that be the same for other ministries, that the shared services bureau is actually dealing with any manual cheques from any ministry?

Ms Frith: Yes.

Ms Martel: OK. So I should assume that it’s the same where it says, for example, on the next page under payroll, “staff also compare pay lists in advance,” and that has to be done before the cheques are actually sent to employees?

Ms Frith: Before the payroll is processed to send the cheques—before they initiate the payment of the payroll.

Ms Martel: And then in each of these cases, just tell me again what your ministry’s response is to verify their work. I gather that is also part of this agreement.

Ms Frith: We do that through meetings with them, through receiving reconciliation reports, through identifying any problems, through following up with SSB. They’re actually the production side. They process procurement; they process the payroll; they process the accounts. So any time we identify a problem, we follow up with them. We have regular operational meetings with them, we get reports from them, and we get reconciliation reports from them to verify that the reconciliations have been done. That’s how we follow up with them to make sure things are happening.

If something happens and they identify a problem with a particular transaction, they call us and negotiate with us on how to resolve it.

Ms Martel: That was going to be my next question. Say it’s a procurement issue. A service was obtained and you’re not clear that it was completely rendered and you want to have that checked before payment is processed. Then it would be up to your staff to make those inquiries. Is that true?

Ms Frith: Run that past me again.

Ms Martel: If it’s a procurement issue, for example, a service that the ministry contracted—let’s use one of the ones the auditor used, which was advertising. If there has to be assurance that all of the advertising was actually provided, would it be your staff, then, doing that before the payment is processed by shared services?

Ms Frith: That accountability is with the manager who is signing off on the payment, to be assured that the advertising has been provided before the payment is initiated to the company—the program manager.

Ms Martel: The program manager in your ministry.

Ms Frith: The program manager is accountable for ensuring that a service has been provided no matter what the service is. They should not be signing off on the payment if the service has not been provided. So that’s not SSB’s responsibility. It’s their responsibility to check that the appropriate signature is on the invoice before they process it.

Ms Martel: So that’s the level of their responsibility on procurement.

Ms Frith: On procurement, they’re to identify if there’s any non-compliance with ministry policy. For example, all consulting over \$100,000 must be signed off before you initiate the procurement by the CAO, the assistant deputy minister of corporate services. It’s their responsibility to make sure that signature is on the request for procurement before it’s initiated.

Ms Martel: And that all the steps have been taken.

Ms Frith: That’s correct.

The Chair: Thank you very much. Just a question as a matter of information before I turn it over to the government caucus: where are the people physically located within the shared services board? Are they still within the ministry, or is there one shared services board for all of the government ministries? Are they located in finance? Where are they?

1100

Ms Frith: Actually, they are located in a number of sites, so staff have moved. Before the staff transferred to the shared services bureau, the staff were located at 56 Wellesley. We have ministry offices in that building, as well as at 900 Bay, in the Hearst Block. After the transfer, some staff were moved but there still are some core finance staff at 56 Wellesley. So the staff have been relocated to various shared services bureau sites.

Mr Raminder Gill (Bramalea-Gore-Malton-Springdale): First of all, thank you for coming here this morning. We really appreciate that.

It appears that most of the concerns have been addressed. My concern is also on manual cheques. Any idea how often those are issued or how often the money is advanced in that fashion?

Ms Frith: I’m just trying to think. One thing we did after the audit was discourage manual cheques. We have asked the accounts staff to issue manual cheques only where there’s a real urgency. Sometimes before, if somebody, for example, was going to go on a trip and they needed an advance for the trip, they would wait till the

last minute to do it. We've told the staff that's not a good reason any more and to really tighten the reasons for issuing manual cheques. So the number has gone way down. I would have to check the actual number for you, but I'm sure there's no more than a few manual cheques a week now.

Mr Gill: My concern is that perhaps there should be some kind of handle on what type of cheques they issue. Just because somebody procrastinates and does not supply their estimate of the advance they need soon enough is not a good reason for them to allow—is there a level as to at what point in the hierarchy one can issue the cheque, up to \$100,000?

Ms Frith: The cheque has to be authorized by the appropriate manager in the ministry, so a director would have to sign off on a request for an advance account cheque for one of his or her staff. If it was a director, the ADM would have to sign off, and if it was an ADM, the deputy would have to sign off.

Mr Gill: My second question is more general between the other ministries. Perhaps Erik can shed more light on that. Is there a universal type of procurement policy that we have or does every ministry run on their own? Who can answer that?

Mr Erik Peters: We can both answer. The Management Board of Cabinet directors are very explicit in approval level processes to be followed. They are quite good, actually.

Mr Gill: So there is a standard procurement procedure?

Mr Peters: Yes, for the relevant party.

Mr John Hastings (Etobicoke North): I have a question for Deputy Miller. How has the improvement or the settlement of this exercise—getting all the reconciliations, invoices and all the traditional bookkeeping in line—affected the ministry's delivery of programs or inhibited it, from 1999, in terms of getting on with the job of the economic vitality of the province?

Ms Miller: I would say that it has improved our ability to get on with the job. We were in a situation that I wouldn't like the ministry to be in again. We had gone through some major restructuring. In addition, the Ministry of Tourism had just been incorporated back with the Ministry of Economic Development and Trade. When you are in the middle of consolidating, sometimes you're focusing on the consolidation rather than your program areas. I feel much more confident now and I know our program areas feel much more confident that we have the controls in place.

With shared services bureau involvement, we've been focused as well on service levels. As well, I think over time our program areas are going to see an improvement in service levels in terms of getting cheques paid and financial controls in the system, in our program, so people can focus on program delivery, which is therefore—

Mr Hastings: Good point. To what extent, then, was there a mis-focus when you had the old financial controls in place prior to 1999 in terms of people doing their jobs

and having to go and get a cheque late or early, or whatever all the details were?

Ms Miller: I don't know if I would describe it as a mis-focus, but I think our staff—

Mr Hastings: More time on the internals than on the program output.

Ms Miller: Yes, and I think our finance staff—we were rushing to fill some positions, restructure, upgrade and train staff as well. So I would say certainly our finance area was moving very quickly and we could certainly improve what we did there, which we've acted on. I think our program staff have a much better appreciation now. We have done some very good training with program staff around procurement directives and policies and what they're responsible for as well.

Interjection.

Ms Miller: Yes, right. It was just pointed out that one of the things that program area staff were concerned about is prompt payment of invoices to suppliers, people they have contracted with, and so this is only going to improve that, for example.

Mr Hastings: Do you have any—and I don't know if you want to answer this question, or how long you have been deputy over at economic development and trade.

Ms Miller: I will have been deputy two years in March at the Ministry of Economic Development and Trade.

Mr Hastings: This is a question not directly related to financial controls, but I don't know if you wanted to try to respond to it. Can you give us any sense as to the interaction between the economic consultants or your trade consultants by sector or by region? What kind of relationship is there between the trade counsellors in the embassies abroad and economic development and trade? Do they tend to help Ontario, or are they mainly neutral? What's going on out there? Because I can't get a feel for it.

Ms Miller: Right. Trade and investment are two of our core businesses within the ministry in terms of trade development and investment attraction. Our staff work very closely with staff in embassies and Canadian consulates abroad. I think it's an area that we want to improve our working relationship in to get more productivity from both, and we're trying to sort through priorities with those. It depends very much on location as well.

Mr Bart Maves (Niagara Falls): My first question is a broad one. I noted that in the Provincial Auditor's report he said that in your ministry \$40 million was spent for staff salaries and benefits, and \$76 million for other direct operating expenditures such as supplies, services and equipment. Does that show a large amount of money spent on advertising and contracting out for services? Normally in many ministries, especially if transfer payments are removed, most of your budget goes to staff salaries and benefits, so I am wondering what that \$76 million represents. These were his 2000 figures.

Ms Miller: What I'm reflecting on is, that included the Ministry of Tourism, and I'm trying to reflect now on

the current ministry budget. I don't know, Diane, if you could cover off our current budget and how that breaks?

Ms Frith: Our current budget has about \$24 million in salaries, about \$4.6 million in benefits, ODOE of around \$57 million, and transfer payments, financial assistance, about \$18 million. Most of that is one program called the strategic skills initiative. Of the \$57 million, I would say maybe around \$15 million might be communications and advertising. Again, that's off my head, but I think it's fairly close.

Mr Maves: That's \$15 million out of the \$57 million?

Ms Frith: It's \$15 million out of the \$57 million which is ODOE. Our total budget is around \$107 million.

Mr Maves: What else is made up in that \$57 million?

Ms Frith: It would be payments—for example, shared services bureau where now, because we have a service-level agreement, our payments to the Management Board Secretariat for services from shared services support bureau are out of ODOE; legal services to the Attorney General. I'm sure some of you are familiar with our self-help and enterprise centre program. It would be our share of the cost of that program which we pay to the municipalities. It would be—

Mr Maves: Do you know what amount that is?

Ms Frith: It's around, I'd say, \$2 million in total.

1110

Mr Maves: While we're on this subject, then, in the package I have there's a 2001-02 ministry-approved allocation by core business plan and it's basically your org chart. You have 370 staff: 138 for employment and business development, 87 for investment development, 67 for trade development, 73 for main office and internal administration. It just occurs to me that one fifth of your staff is for main office and internal administration. It seems to me still to be a high percentage, especially if you utilize the shared services bureau for some of, I would think, these functions.

Ms Frith: Which year do you have, may I ask you?

Mr Maves: It's 2001-02.

Ms Frith: I know the minister's office and the parliamentary assistant's office is in that number. Our communications branch is in that number as well. The actual corporate services group is down to 34 jobs and that would include finance, HR, information technology. So the actual core group that is providing these services is down to 34.

Mr Maves: OK.

Ms Frith: About \$2 million.

Ms Miller: For salary and wages.

Ms Frith: Yes, for salary and wages.

Mr Maves: In each of those other blocks, I'd imagine they have some administrative staff, some secretarial staff and so on included?

Ms Frith: Administration and economic development is relatively centralized. In large ministries, they would have an admin group in each division. The other core businesses do have administrative support but they don't have a finance and HR person in each of the divisions. That's very centralized because we're a small ministry.

Also in those numbers—I didn't bring the detail with me today, but for example, in trade, investment and employment and business development core business, our field services has been pro-rated against each of those core businesses because they actually provide support to the three core businesses. So they include our field services branch.

Mr Maves: Can I ask, in the investment development branch, the trade development branch, how do you measure the success of all the individuals in the field in those branches?

Ms Miller: I'll touch on that. For the investment division, for example, we measure the number of leads generated and we look at that by target market. We look at the number of deals closed, so actual investments that have come to the province. As an example, we track how Ontario is perceived as a market as another measure for investment. For trade, we're looking at exports from the province relative to other Great Lakes jurisdictions. We're looking at the number of small and medium-sized exporters actually assisted by the Ontario Export Inc group, as an example.

Mr Maves: So you measure success only by those who have been in some way assisted by the ministry, obviously, because—

Ms Miller: We also have some general, what I would call, Ontario-wide measures—so, what were the total exports for the province for the year?—and we compare that to other jurisdictions in terms of percentage growth.

Mr Maves: Popping back a page, this is a report on nitty-gritty stuff. Some of these questions might seem a little bit nitty-gritty but I'm going to try them anyway. Again, the deputy may not have been there at this point in time, but when the auditor did his report, he said, "... the ministry's accountable-advance account were weak as the account was not reconciled on a timely basis, and in some cases the delay between making payments and recording them on the financial system was six months or more." I know you've dealt with it and the auditor has said you've dealt with a lot of the things he raised. I'm just curious about why. Do you recall what the weak links were in the chain that we would end up with having six months or more before payments and recording them on the financial system?

Ms Frith: I think the staff were just overloaded with work at that point in time and were more focused on providing service to the clients, making sure that the invoices got paid. They did keep a record of the manual cheques but they weren't recorded in the system, and it was just workload issues.

Mr Maves: OK, so a matter of time to process them.

Ms Frith: Time to process things. Also, as I said before, there was a tendency, if someone wanted a rush cheque, to give them a manual cheque too quickly, so we've corrected that by discouraging so many manual cheques.

Mr Maves: He follows up by saying, "In over 60% of the purchases we reviewed, we found control weaknesses

such as a lack of required purchase orders, contracts and tendering.”

We had an earlier discussion about this. The auditor is always bragging, quite frankly, about how good Management Board directives and guidelines on contracting and tendering are. Yet we seem to see on a pretty regular basis ministries which don't follow those directives, and obviously your shop didn't for 60% of the purchases he reviewed.

Why is that? Is it because they're just looked at as guidelines? Is there a rationale why those good Management Board directives aren't followed closely?

Ms Howe: I think the reason that in the past they weren't followed is that the Ministry of Finance people would be, in their best interests, trying to help the program people deliver the programs and services they were trying to deliver.

The downside of that is that maybe there weren't the proper controls in place. The advantage of the shared services bureau is that they don't have that same relationship to the ministry. They are in a way a third party. They're not part of the ministry and perhaps not subject to the same suasion to get the job done for the program area. I think you will see a more strict application of the directives that Management Board has put in place.

Mr Maves: OK. The last question I have is, again, kind of nitty-gritty and a little bit outside of the report. Over the past couple of years I've been a parliamentary assistant to community and social services and parliamentary assistant to health. Several times I've had staff saying that so-and-so is going to this conference and so-and-so is going to that conference. There was one ministry I worked in—and on my floor there were ADMs and directors and so on—and almost on a daily basis, around 11:45 lunch would be brought in to that group. I never ran to follow up to see who was in on the meeting, where they were having the lunch and stuff like that. But every ministry I've ever been involved in, I've heard a lot of people going to a lot of different places for conferences or other reasons.

It's a minor thing, I know it's not a huge part of our budget, but one wonders how we monitor what conferences what people go to, how we know we're actually getting some value for our money in these things and some of the other things that I mentioned. How do you monitor that within your ministry?

Ms Howe: Certainly, for anything that's international, we have a quarterly international travel report that has to be approved by the deputy minister and forwarded to the secretary of cabinet. So people can't be going to conferences outside the country without approval. The deputy minister would know if there were more than one person going to an event outside the country. We would be able to control it at that point.

In terms of internal travel within the country, the director has the responsibility to monitor the number of staff who are attending a conference, and certainly that director's assistant deputy minister would have to sign

off any travel outside of the province, so we have a way of monitoring that.

In terms of staff hospitality, the committee would be aware that there is a freeze on discretionary spending currently across government and there is to be no internal hospitality extended for lunches. It would be an extraordinary circumstance if we had a working lunch at this particular juncture. There is a very tight spending control in place and directors are responsible for that within their staff.

Mr Maves: If I travel abroad to a conference, what's the onus on me when I come back? Do I have to file any kind of report on what I learned and what I did? What is the situation there?

Ms Howe: Most directors would require a briefing, a formal report to be filed and a debrief to, at the minimum, the staff of that particular branch.

1120

Mr Maves: Do you know, in general, since you just talked about the hospitality freeze, over the past couple of years, has anyone been keeping any records of things like staff travel and attendance at conferences and stuff? Has it been level over the years? Is the amount diminishing?

Ms Miller: You're asking government-wide?

Mr Maves: Yes.

Ms Miller: I don't know the answer to that.

Mr Maves: How about your ministry?

Ms Miller: In our ministry, I would say that, certainly over the past year, it has reduced largely. We don't have large budgets. I think each director is trying to manage their budget very carefully.

Ms Frith: We also keep track of what we spend annually on travel. The amount has either stayed the same or gone down the last few years. So we do keep track of it.

Mr Richard Patten (Ottawa Centre): Thank you for joining us today. The auditor, in our briefing, informed us that he was pleased with the efforts that had been made as a result of his original audit. So we're here sharing information and learning what is happening.

I want to follow up a little bit on what Ms Martel was addressing, and that is this shared services bureau. But before I do that, how many changes have taken place in the terms of reference of the ministry in the last 10 years?

Ms Miller: Oh.

The Chair: Tough question.

Ms Miller: I don't have a fast answer to that question. Certainly, there have been a number of changes in mandate across the ministry and the ministries, I would say, generally speaking. Each government has a view in terms of what the right makeup is or how many ministries or which are the right portfolios. So there have been shifts. I don't have a clear answer, though, to your question. We can certainly get back to you.

Ms Frith: We can say “numerous.”

Mr Patten: Yes. I can identify four or five that, just in and of themselves—and some of them were quite substantive—would cause some disruption and new

challenges and, therefore, new procedures, new relationships, new orientations and all that kind of thing. So I would say this would not be an easy ministry. In spite of being a relatively smaller ministry in terms of its dollar size, it plays an important role. But it would not be easy to manage.

I used to be Minister of Government Services at one point, so I worked quite closely with Management Board. Of course, Management Board subsumed, or took over, government services. I would have thought that, at this point, Management Board would really have a good handle on system-wide systems that were helpful, provided guidance, were streamlined and all this kind of thing. But I suppose I'm learning that big government—and I consider the Ontario government to be big government—just continues to find ways to add procedures and steps here, there and everywhere. In spite of that, in the discussion we had earlier, I'm surprised at the continual struggle between ministries and Management Board as to who is really in charge here and who has what accountability.

So I want to ask you this—and I appreciate the report you provided to the committee this morning. In most instances, the shared services bureau has a particular role in payment processing, cheque signing etc. I see the emergence of this, as you identified it, third party-by-agreement group that will provide the follow-up and feedback to, presumably, the ministry and presumably also Management Board itself—because it would seem to me that it should have some overall sense about how all this is working. But in terms of procurement, in here it stated—and as deputy minister of the ministry, of course, you talked about it in terms of “just the ministry.” I didn't see anything in here saying the ministry is complying with the stringent directives and rules and regulations that are provided to all ministries by Management Board, but would that be fair to say?

Ms Miller: Yes. Obviously, as the Provincial Auditor said, there are very clear directives from Management Board. One of our goals—I think I referenced this at the end of the presentation—is that we intend to do follow-up audits on both areas to ensure that both ourselves and the shared services group are living up to our commitments.

Mr Patten: Just following up on a question Ms Martel asked, I'm not sure I heard whether you felt you lost staff in the transfer of staff to this service management board or not.

Ms Miller: I'll let our director of finance answer.

Mr Patten: But I thought you said that something like 18 staff were transferred over, and in spite of that, you feel you didn't lose staff.

Ms Frith: We feel that the same level of service that we were getting when the staff were part of the ministry will be provided.

Mr Patten: Even though they would have a bigger job and would be doing things for other ministries?

Ms Frith: Yes, but when they've reorganized—in fact, we now have other people who are available to us

within shared services, over and above the staff we transferred. So overall the same level of service is being provided.

Mr Patten: OK. So there's a larger pool. Other than the 18 you had, there's—

Ms Frith: I want to emphasize that the 18 we transferred are no longer that 18 in the same configuration. They've been reorganized. The procurement staff, for example, went over as one group. One of the procurement jobs is now reporting to a manager who's responsible for consulting services. Another procurement officer is now reporting to a manager who is responsible for buying supplies and equipment, the actual acquisition of that kind of service. So the organization has changed, but the same level of service is being provided.

Mr Patten: So you contributed 18 to that; 18 to—what's the bigger pool of staff?

Ms Frith: We've heard 1,500, overall, are at SSB.

Mr Patten: OK, so you now have access to more people to provide that arrangement, and other ministries would as well?

Ms Frith: That's correct.

Mr Patten: We'll have to take a look at this one, I think, Mr Chair, as to the emergence and development of the shared services bureau. I make no judgment on that, just that this is pretty significant; I mean, it's three times the size of your staff in your ministry. So it would seem to me that one of the things we should take a look at is, what is this new emerging giant that's coming along?

Anyway, I'll pass it over to my accountant friend, Mr Crozier.

Mr Bruce Crozier (Essex): I'll get a plug in: your certified general accountant friend, as opposed to a chartered accountant, as I think was mentioned earlier. But I'd expect a chartered accountant to recommend a chartered accountant.

Good morning. In the handout that was given to us, under the Provincial Auditor's recommendations for cheque-signing controls, I just want to clarify something. It says, “The ministry should ensure that ...,” and then it gets down to the issue: the keys to the cheque-signing machine are in the possession of two different individuals. What ministry are we speaking of? Yours?

Ms Frith: At the time, it was our ministry; it's now the shared services bureau.

Mr Crozier: Now it's not. OK. That's one of the things I wanted to clarify: that the new cheque-signing machines, with enhanced security features, were installed in the shared services bureau.

Do you have any idea how automated these cheque-signing machines are? In other words, does it spew out many cheques at a time or individually?

Ms Frith: It spews out—I'm assuming; I haven't actually seen it in operation. Let me just check with Jan Yousef. I assume, Jan, it will spiel out as many as you order? Yes.

Mr Crozier: Yes, as many as you order.

Ms Frith: There's also an electronic signature on it when it comes out.

Mr Crozier: This may go to a future date when we look at this shared services bureau, but I'm always curious as to what value a machine is, other than being able to do it more quickly, if someone doesn't look at the individual cheque. I can appreciate that if the shared services bureau is printing probably tens of thousands of cheques a year, we can't quite do that on an individual basis, like we used to do.

Ms Frith: This actually is for our manual cheques, so it is not producing a lot of cheques. It's actually only the manual cheques. It's a very small machine.

1130

Mr Crozier: From what you know about it, the very small machine may not be spewing out thousands of cheques but may be doing them almost one at a time.

Ms Frith: One by one, as they're requested. But if someone comes along and requests two or three cheques at once, it would produce the three or four cheques. It does not produce thousands and thousands of cheques.

Mr Crozier: In the area of electronic payments—and it's becoming more and more evident every day that many of us do our own banking electronically—from your knowledge of how payments are made, is there less paper involved in processing payments from the invoice or maybe even from the procurement point on? Are we using electronics more?

Ms Frith: Yes. However, it's still a relatively paper-intensive process at this point in time. With the introduction of the new financial system that the government is implementing, it will become much more electronic. Purchasing will go on-line as well as payments.

Mr Patten: We were supposed to be paper-free by 2000.

Ms Frith: No. It's still a relatively paper-intensive process.

Mr Crozier: I'm inclined to agree. It seems to have created more paper rather than less, for some reason or another.

Internally in the ministry, when it comes to payroll, and, Deputy Minister, I'll ask you: you have how many employees?

Ms Miller: We have 370 employees.

Mr Crozier: I wouldn't expect that you would know each one personally, but when it comes to payroll control, is there a point where cheques, rather than being deposited electronically and a stub being received in the mail the way mine is—is it the same way in your ministry, that many of the employees receive transfers electronically and have just a stub mailed to them?

Ms Miller: Yes, that's correct.

Mr Crozier: Is there any process where you occasionally determine that somebody really exists who should get that cheque?

Ms Miller: In terms of a monthly cheque—

Mr Crozier: Whatever. How do you assure yourselves of that?

Ms Howe: There is a reconciliation on a monthly basis of all the payroll lists with every name. It's divided by branch, and each manager is responsible for signing

off and looking for any discrepancies or problems on the payroll list. It does list employees by name and all of the salaries so that it can be signed off and ensured that it's accurate.

Mr Crozier: Maybe this is old-fashioned, and maybe the auditor will have some comment, but when it's all done so automatically, I just wonder when anyone ever actually delivers a cheque and sees that there's a person there who takes it. I think the auditor perhaps knows what I'm getting at. May I ask the auditor? Do we do that kind of physically? I'm going back to my old internal audit days when, as an independent body, we used to walk around at the H.J. Heinz Co and hand the cheque to somebody to make sure that at least there was somebody there to pick it up and that it wasn't one person picking up two.

Mr Patten: That was 50 years ago, by the way.

Mr Crozier: Get out.

Mr Peters: Then we are very old-fashioned. In my office, people have to pick up their paycheque at the receptionist's and sign for it. So we have a signed list of people who have actually received the cheque and were paid and that we have the cheques.

Mr Crozier: I gather that maybe we don't do this much any more, that it's very automated, and we rely on managers. But then again, it's usually that the smaller the area and the more trusted the persons, the more likely you are to have something like that happen. But I understand. I rely on my laptop every day, more so than I ever did before, so I understand that.

The Chair: Was there a question in all of that?

Mr Crozier: No, there wasn't. I just wanted to point out that things are different, and I understand that.

Mr Peters: I don't want to take anybody's time allotment. This question is really for Gordon Aue, who is here representing internal audit. At the time that we did the audit we were concerned that internal audit had actually found many of the things that we found and reported them previously, that action was not taken. We noted that. I know you've changed portfolios slightly, so can you tell us a little bit about the audit coverage of this ministry and your reaction to the reports?

Mr Gordon Aue: Gordon Aue. Yes, I've worked with Diane and her people a lot on your report and on the things that we found in our other previous audits. I can say that they've acted on all of the findings that we have to date. There's an ongoing improvement, and we are working now on how SSB and the ministry interface. It will be sort of taken care of. Those are ongoing things that are developing or evolving, but overall, all the controls have improved over the last few years.

Ms Frith: Also, we're working with Gordon because what we're going to do every year is do spot audits. You don't do a full procurement audit, a full accounts audit every year. What we're going to do at the end of each fiscal year is spot audits on payroll, on accounts processing, on procurement, on travel claims etc, just to give us an assurance that things are OK.

Mr Crozier: I do have one more quick question, and it goes to the accountable advance agreement, which again, according to this, would have been back in 1999 when it was first brought to your attention that it should be signed with the Ministry of Finance. Then more recently we have said the status is that the Ministry of Finance suggested it not be signed because we're going to have a new one and it's going to be in the near future.

I'm always interested why you don't sign the one that's in place, at least, so that if the one that's going to replace it takes a little longer than we thought it should, you at least have something there. You may want to comment on that. You were taking the advice of the Ministry of Finance, so I'm not necessarily criticizing you, but if there is an agreement there, why not sign it, then we'll deal with the new one when it comes along?

Ms Miller: We did have an agreement in place which we felt applied to the ministry. In fact, there were three ministries being covered. We since then took the advice that in fact it only applied to one, but there was the model of an agreement signed. The Ministry of Finance had indicated to us that they were working on the new policy and didn't feel it was necessary until they had the new policy. So they'd advised us to wait, which is what we did.

Ms Martel: One final question: is there a template available for the service-level agreements? Could we just get a copy of perhaps the one for finance? I should assume that it would be primarily the same for other ministries as well in terms of the services that are listed that are performed by shared services staff?

Ms Miller: I would assume that we can confirm whether it is or it isn't.

Ms Martel: All right. That would be great.

The Chair: Can you provide us with a copy of that?

Ms Miller: We'll follow up on that and we'll bring it back to the committee.

The Chair: Fine, thank you. Any questions from the government members?

Mr Garfield Dunlop (Simcoe North): Just a quick question. I'm not sure you can answer this right now. I'm curious about Ontario Exports. When you're trying to attract investment in Ontario and you come across corporations which may be foreign-owned but they may already have another main office somewhere else in Canada, do we do anything to try to attract satellite offices and satellite production in Ontario from those offices? That's sort of interprovincial but it's also Ontario Exports.

Ms Miller: The majority of our investment comes not necessarily from other provinces in terms of investment, but from multinationals, for example, that are already located here and we win new product mandates. We have a major investment program focusing on five other countries, but we also focus on businesses that are already here. We have met certainly with head offices in other provinces if they have a major investment in the province or we think there's an opportunity, but generally speaking we don't see the competition for investment so much being other provinces as it is the US states or other countries.

The Chair: Anyone else? Any questions?

Thank you very much for your attendance here this morning. We appreciate your comments and the fact that most of the recommendations made by the auditor some two years ago have been implemented by the ministry. Thank you very much.

With that, we'll recess the public portion of this meeting. There are a couple of other issues that we should deal with after we've recessed.

The committee continued in closed session at 1140.

CONTENTS

Monday 25 February 2002

2001 Annual Report, Provincial Auditor: Section 4.06, financial control review (Ministry of Economic Development and Trade)	P-237
Ministry of Economic Development and Trade	P-237
Ms Barbara Miller, deputy minister	
Ms Lee Allison Howe, assistant deputy minister, corporate and field services	
Ms Diane Frith, director, business planning and finance branch	
Mr Gordon Aue, audit director, Management Board of Cabinet	

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