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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Wednesday, June 28, 2017 — 10:00 a.m.

Chair: Stacey Hassard

STANDING COMMITTEE
ON PUBLIC ACCOUNTS

Chair: Stacey Hassard
Vice-Chair: Paolo Gallina

Members: Ted Adel
Don Hutton
Brad Cathers (substituting for Wade Istchenko)
Liz Hanson

Clerk: Allison Lloyd, Clerk of Committees

Witnesses:

Office of the Auditor General of Canada

Michael Ferguson, Auditor General
Casey Thomas, Principal

Department of Community Services

Paul Moore, Deputy Minister
Philippe Mollet, Acting Director of Finance

Department of Energy, Mines and Resources

Stephen Mills, Deputy Minister
Cheryl Horoscoe, Manager of Finance

Department of Economic Development

Justin Ferbey, Deputy Minister
Rebekah Harrison, Acting Director of Finance and Information Management
Stephen Rose, Assistant Deputy Minister, Operations

Executive Council Office

Pamela Muir, Acting Deputy Minister
Jeananne Nicloux, Cabinet Policy Analyst

Department of Finance

Kathrine White, Deputy Minister
Clarke LaPrairie, Assistant Deputy Minister, Financial Operations and Revenue Services
Tina Frisch, Comptroller

EVIDENCE
Whitehorse, Yukon
Wednesday, June 28, 2017

Chair (Mr. Hassard): I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly.

The Public Accounts Committee is established by Standing Order 45(3) of the *Standing Orders of the Yukon Legislative Assembly*. This Standing Order says: "At the commencement of the first Session of each Legislature a Standing Committee on Public Accounts shall be appointed and the Public Accounts and all Reports of the Auditor General shall stand referred automatically and permanently to the said Committee as they become available."

On January 12, 2017, the Yukon Legislative Assembly adopted Motion No. 6 which established the current Public Accounts Committee. In addition to appointing members to the Committee, the motion stipulated that the Committee shall "have the power to call for persons, papers and records and to sit during intersessional periods."

Today, pursuant to Standing Order 45(3) and Motion No. 6, the Committee will investigate the Auditor General of Canada's report, entitled *Report of the Auditor General of Canada to the Yukon Legislative Assembly — 2017: Government Transfers to Societies — Yukon*.

As this report deals with multiple departments, we will have two panels of witnesses appearing today. I would like to thank the witnesses from the departments of Community Services, Energy, Mines and Resources, as well as Economic Development, for appearing this morning. I believe that the deputy ministers will introduce their witnesses during their opening remarks. Also present with us today from the Office of the Auditor General of Canada are: Michael Ferguson, the Auditor General of Canada, and, with him, Casey Thomas, principal.

I will now introduce the members of the Public Accounts Committee. I am Stacey Hassard, the Chair of the Committee as well as Member of the Legislative Assembly for Pelly-Nisutlin.

To my left is Paolo Gallina, who is the Committee's Vice-Chair and the Member for Porter Creek Creek Centre. To his left is Liz Hanson, Member for Whitehorse Centre. To her left is Ted Adel, Member for Copperbelt North, and to his left is Brad Cathers, Member for Lake Laberge, who is substituting during this procession for the Member for Kluane, Wade Istchenko. Behind me is Don Hutton, Member for Mayo-Tatchun.

The Public Accounts Committee is an all-party committee with a mandate to ensure economy, efficiency and effectiveness in public spending — in other words, accountability for the use of public funds.

The purpose of this public hearing is to address issues of the implementation of policies and whether programs are being effectively and efficiently delivered, and not to question the policies of the Government of Yukon. In other words, our task is not to challenge government policy, but to examine its implementation.

The results of our deliberations will be reported back to the Legislative Assembly. To begin the proceedings, Mr. Ferguson will give an opening statement summarizing the findings in the Auditor General's report. The deputy ministers will then be invited to make opening statements on behalf of their departments. Committee members will then ask questions. As is the Committee's practice, the members devise and compile the questions collectively, then divide them up among the members. The questions that each member will ask are not their personal questions on a particular subject, but those of the entire Committee.

This morning's panel will be from 10:00 until noon. We will then recess until 1:30, when the public hearing will resume with a new panel of witnesses from the Executive Council Office and the Department of Finance.

After the hearing, the Committee will prepare a report of its proceedings, including any recommendations that the Committee wishes to make. This report will be tabled in the Legislative Assembly.

Before we start the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the time allotted for this hearing. I would also ask that Committee members, witnesses and officials from the Office of the Auditor General wait until they are recognized by the Chair before speaking. This will keep the discussion more orderly and allow those listening on the radio or over the Internet to know who is speaking.

We will proceed now with Mr. Ferguson's opening statement.

Mr. Ferguson: I am pleased to be in Whitehorse today to discuss a report on government transfers to societies in Yukon. This report was tabled on March 6 of this year in the Yukon Legislative Assembly. Joining me today is Casey Thomas, the principal responsible for the audit.

This audit focused on whether selected departments managed a sample of government transfers to societies according to key legislative policy and administrative requirements. The government uses transfers to societies to fund a wide range of services and programs for Yukon citizens in areas such as mental health, athletics and community facilities. In the 2014-15 fiscal year, the government provided about $40 million to about 300 of the 730 active societies registered in Yukon.

When transferring funds to societies, departments must follow two policies; however, we found that the two policies failed to define some basic concepts and contained some contradictions. In our opinion, this could result in inconsistent funding decisions and the inequitable treatment of societies that request funding.

For example, although both policies allow the government to provide operational funds to societies, the activities that qualify for funding are different under each policy. One policy allows operational funds to pay for expenses such as rent or employee salaries, and the other doesn't.

We also found that departments didn't always comply with the requirements of the policies for providing government funds to societies, including instances where departments should have issued contracts for services instead of providing government transfers. These arrangements are subject to different requirements to maintain fairness and accountability for public funds. For example, when the government receives goods or services in return for resources, it must classify the agreement as a goods and services contract rather than as a government transfer. In eight of the 53 transfers that we looked at, the government received a direct benefit from the funding it provided to societies. For example, one society received $5,000 to install signs and perform maintenance on government-owned swimming pools.

Effective risk management helps departments know where to focus their attention. We found that for about 60 percent of the transfers we looked at, departmental officials had not documented the risk assessments. The government provides transfers to societies to help them reach specific goals. It's important for departments to know whether the money was spent to help reach these goals. We found that the Department of Economic Development and the Department of Energy, Mines and Resources assessed whether societies had reached their intended goals. The Department of Community Services didn't always do so.

An evaluation policy would help departments measure, evaluate and report on performance. However, we found that the Executive Council Office had not developed a corporate evaluation policy.

Addressing the issues raised in our audit will allow the government to improve its management of government transfers to societies that support services and programs for the citizens of Yukon. Mr. Chair, this concludes my opening statement. We would be happy to answer any questions the committee may have.

Mr. Moore: Good morning, Mr. Chair and members of the Committee. My name is Paul Moore and I'm the deputy minister of the Department of Community Services. With me here this morning is Mr. Philippe Mollet, who is currently the acting director of Finance for our department.

Thank you very much for inviting me here today to provide an update on the progress that the Department of Community Services is making on the March 2017 report of the Auditor General of Canada on government transfers to societies. We will get into more details, and we are very pleased to report to you today that our department has met its commitments and addressed the recommendations contained in the report.

I would like to begin this morning by giving you a very high-level overview of the department's programs and service areas and then move on to describe how the department has been working to meet these commitments and address the recommendations identified in the report.

The three main service areas in our department are housed in the divisions of Protective Services, Corporate Policy and Consumer Affairs, and Community Development. The Protective Services division is responsible for emergency management coordination, first response, and public safety agencies. This division includes Yukon Emergency Medical Services, the Fire Marshal's Office, Emergency Measures Organization, Wildland Fire Management, and Building Safety and Standards. The Protective Services division strengthens the territory's ability to respond to emergencies and coordinate prevention activities.

Our Corporate Policy and Consumer Affairs division enforces employment standards and residential tenancy laws, registers business and non-profit organizations, registers securities and personal property securities. Other branches in the Corporate Policy and Consumer Affairs division provide Yukon taxing authorities with property assessment, regulate health professions, insurance, real estate professionals and charitable gaming.

The third division, our Community Development division, includes our branches of Community Affairs, Community Operations, Infrastructure Development, Land Development, Yukon Public Libraries, and the Sport and Recreation branch. This division provides and supports local governments and creates collaborative relationships with communities by providing access to safe drinking water, maintaining waste-water and solid-waste facilities, and managing the construction of community-based infrastructure projects. This division also supports Sport and Recreation and active living opportunities and oversees the 15 community libraries across the territory.

I would like to now move on to the report itself and how Community Services is working to address the recommendations contained in the report. The report identified that the Yukon government departments did not always comply with key policy requirements. Community Services has addressed this issue in the following manner.

The department has created a reference checklist document that program officers across the department now must use when generating transfer payment agreements. As part of this checklist, program officers must also now categorize the terms of the payments into low, medium or high risk as a tangible systematic means of capturing the funding needs of the recipient. As of April 1, 2017, Community Services program officers must now save a copy of the certificate from the Yukon corporate online registry system to demonstrate that a society is in compliance with the *Societies Act*.

The department has also developed instructions for program officers that are on a shared internal website designed to assist with financial, contracting and administrative operations and protocols. It includes standardized templates and forms, and provides staff with a consistent resource when creating and administering transfer payment agreements.

To address any outstanding debt that may be owed to the Yukon government, the department has modified its templates to include a clause that the recipient must provide written documentation that identifies they are debt-free before they receive the first payment. The department also works with the

Department of Finance related to payments due from societies.

Community Services has also created a decision tree to assist program officers to identify whether or not a government transfer should be used versus a contract. As well, our Finance branch has held a number of strategic procurement sessions throughout the department to further educate staff on these changes and requirements going forward. We have more training sessions scheduled throughout the 2017-18 year.

The report also identified that Yukon government departments did not consistently use a risk-based approach to managing government transfers. In order to address this, the Department of Community Services has developed a risk-assessment matrix as part of the transfer payment agreements checklist. The matrix means that program officers are now analyzing and documenting the assessed risk for funding levels.

They must consider the following criteria when assessing a recipient: credibility and track record; size, capacity and sophistication; community support; skills, experience and expertise in achieving goals; project management skills; accounting and record-keeping skills; and any other foreseeable constraints.

Once the risk matrix is completed, the program officer is then directed to the appropriate template to use, based on whether the program is considered low, or medium to high risk. The document is then filled out by the officer and then is signed off by two other public officers, including their supervisor.

The final finding in the report related to our department identified that we did not fully implement a results-based approach to determine whether the objectives of government transfers had been met.

Currently, Community Services is analyzing the department’s transfers and working on creating a systematic review process to determine whether these goals and objectives have been met for these funding agreements. To do this, the department is developing a form for program officers, again, to document and assess whether or not these objective were met, based on mandates and other goals the department has.

The department includes identifying goals up front and then linking to government mandate goals for the purpose of funding prior to creating the agreement. The department is also analyzing all transfers and working to create a systematic review process and this process will be in place for evaluations conducted in 2018.

In conclusion, the Department of Community Services has worked hard in a short period of time to develop guidelines and support for program officers to ensure an appropriate, consistent and fair approach is used when developing transfer payment agreements without outside agencies. This approach recognizes our department’s desire to support the important role societies play in the territory, with improved accountability and a more methodically applied risk-based systematic approach. This approach will include consistent documentation and the completion of the routine evaluations as part of the agreement’s final deliverables. Thank you very much, Mr. Chair.

Mr. Ferbey: I am Justin Ferbey, the deputy minister of Economic Development of the Government of Yukon. Today, I am joined by our acting director of Finance, Rebekah Harrison, and our assistant deputy minister, Mr. Stephen Rose. I am here today to present my testimony on an audit performed by the Office of the Auditor General last year on government transfers to Yukon societies.

The Department of Economic Development’s mandate is to develop a diverse, sustainable and competitive economy to enrich the quality of life of all Yukoners, to pursue economic initiatives with a shared vision of prosperity, partnerships and innovation and to forge partnerships with First Nations in the development of the Yukon Territory’s economy.

Our department is organized to provide and services to Yukon businesses and residents. The services are delivered to the public through the Business and Industry Development branch, the Regional Economic Development branch, the Technology and Telecommunications Development Directorate and the Yukon Media Development unit with support of our Corporate Services branch.

The department provides advisory services to small businesses, collaborates with industry on investment attraction initiatives and supports industry-driven training and marketing events. We provide economic research analysis to inform decision-making and assist clients to access government programs and services.

The audit report recognized the good work being done within the Department of Economic Development on monitoring of transfer payments and we are pleased the Auditor General recognized this work. The Auditor General also made recommendations in the report where departmental processes be enhanced and standardized, which we acknowledge and accept.

The recommendations for Economic Development focused on risk assessment and included verifying societies as compliant with legal reporting requirements and documenting and applying a consistent risk-based approach in assessment of funding requests and implementation of agreements. Before the audit was complete, the Department of Economic Development had already come into compliance with the recommendations to ensure societies meet their legal requirements for reporting and do not have outstanding debts to the government.

At the time the audit was performed, the Department of Economic Development also had an existing risk-assessment process in place. However, the Auditor General indicated these processes needed to be enhanced and applied consistently. We have taken the necessary steps required to meet those recommendations.

In response to the audit report, the department formed an audit recommendation implementation committee to revise procedures and meet the Auditor General’s recommendations by April 1, 2017. The following documents were implemented across the department to be used in all program areas in line with the April 1 deadline. First: a risk assessment matrix which is used to assess and score project and recipient risk and determine an appropriate action plan. Second: transfer payment agreements and addendum process checklist for program areas. Third: a transfer payment agreement review checklist for the Finance branch. Fourth: all the documents are completed and kept on file with the transfer payment agreements. Finally, fifth: the department has also introduced a transfer payment agreement checklist and reference guide for the information of all department employees for inclusion in the relevant desk manuals.

Program areas work closely with the Finance and Information Management unit when assessing projects and drafting transfer payment agreements to apply appropriate monitoring, reporting and payment schedule parameters. Enhancements implemented by the department reflect improvements to internal processes. These improvements ensure that we maintain a consistent approach and level of documentation for each transfer payment. These efforts complement government policies already in place that provide extensive coverage and internal controls throughout the transfer payment process to ensure that all transfers are legitimate. The Department of Economic Development is committed to ensuring accountability and value for money throughout its transfer payment process.

We appreciate the feedback provided by the Auditor General and the opportunity to improve our processes and service delivery as a result. Thank you.

Mr. Mills: Good Morning, Mr. Chair, and members of the Committee. I am Stephen Mills, the deputy minister of Energy, Mines and Resources. With me is Cheryl Horoscoe, who is manager of Finance.

Thank you for the opportunity to address the Standing Committee on Public Accounts regarding the Auditor General of Canada’s report on government transfers. We welcome the information contained within this audit report, and we value the candid advice that comes from going through this kind of audit.

Transfer payment agreements continue to be an important tool for many branches of our department and so the proper execution of these agreements is an ongoing priority. Since the report was shared with our department last fall, we have taken action to address all of the recommendations identified for Energy, Mines and Resources.

More specifically, we have acted on the following.

Regarding the approval of core versus operational funding, Energy, Mines and Resources will continue to follow the newer 2008 government transfer policy until a policy issue is resolved. I understand my colleagues from the Department of Finance and Executive Council Office will speak to this.

With regard to the issue of legal reporting requirements, Energy, Mines and Resources now requires that multi-year agreements have an annual verification from the registrar of societies. With respect to outstanding debt, transfer payment agreements must have the standard clause from the agreement’s template that requires recipients to acknowledge any outstanding debt. If warranted from the assessment of the risk analysis, staff can check with the Department of Finance on a case-by-case basis to identify debt to Yukon government.

The auditor identified the use of contracts versus transfers as a deficiency, and so Energy, Mines and Resources has moved to educate program staff in this area, and additional scrutiny on draft agreements is being coordinated by departmental Finance branch staff. Energy, Mines and Resources did not have an adequate risk-assessment process in place, so completion of a risk form is now mandatory and includes two signatures from the program area staff.

Finally, Energy, Mines and Resources has updated a comprehensive checklist that is used to guide staff through the agreement creation and approval process.

In some areas there was a complete or partial lack of procedure, which meant that there was no guidance available for staff. This required putting in place additional processes to address the recommendations. In addition, there were some areas in which existing processes and procedures needed additional clarification for staff, and this has been done.

Mr. Chair, it is important to see audits as an opportunity for improvement. We found this report to be a useful tool in improving our internal operations. The Department of Energy, Mines and Resources has addressed each recommendation in the report and has implemented improvements that address the issues that arose in the audit.

Thank you, Mr. Chair and Committee members. We very much appreciate being able to participate in this process.

Chair: Thank you, Mr. Mills. We will proceed at this time with questions. I have the first set of questions, and my first couple of questions are for the Auditor General.

Could the Auditor General please explain how the Office of the Auditor General of Canada selected government transfers to societies as a matter for evaluation?

Mr. Ferguson: In the course of our process for selecting audit topics, what we do is look at the various risks that face the departments. We take into account a number of things — what we have audited in the past, what programs are being delivered — and we look at the risks that are faced in those programs. We also look at what departments we have audited lately to try to not keep auditing the same department over and over again.

In this case, we felt that, given that there had been things like an internal audit done in 2007, there were a couple of different policies in place and, through our conversations in assessing the risks, we felt that there could be some issues related to the transfer payments, so we decided to do that as an audit. It was a smaller audit, perhaps, than some audits we have done before, and that’s why we were able to do that audit along with the other audit we did on the capital assets at the same time.

Chair: Thank you. The audit did not examine transfers to municipalities, First Nations or Government of Yukon organizations. Why were these not examined? Are there plans to audit these transfers in the future?

Mr. Ferguson: Again, when we are planning an audit, we have to establish a scope of what we’re going to look at in the course of that audit to be able to deliver it within a reasonable time frame. I think, in this case, this audit touched on, I guess, five different government organizations. That in itself causes some complexity in doing an audit, so we needed to keep the scope of the audit restricted so that we could deliver it within a reasonable time frame. Therefore, we decided to focus on the transfers to societies. Right now, we don't have any plans to look at transfers to any other types of organizations, but that's something that we will consider in our future planning.

Chair: So the OAG found that the departments did not always comply with key policy requirements. Paragraph 50 says: "In 2011, the Mountain View Golf Club received a $750,000 payment through an agreement from the Government of Yukon. This payment was originally classified as a government transfer. At the end of the 2010-11 fiscal year, the payment was reclassified as an 'other expense.'" The OAG could not determine which policy requirements were met for this transaction, so these questions would be for Community Services. Could you please tell us who made the decision to make this payment, and where did the idea for this payment originate?

Mr. Moore: The decision to make the payment was made by the previous government. At the time, the deputy minister was Mr. Jeff O'Farrell. The documentation that I have seen indicates that the decision was made around providing important elements and additions to the Whistle Bend land development, which was currently being discussed. Specifically, that related to storm water management and what has now become the bioswale that takes storm water out of that area. There was a notion that, as the development phases all happened, there would be future possibility for approximately up to 200 lots in that area. As well, the City of Whitehorse master plan included a perimeter trail that was to be constructed by Community Services around the entire subdivision. That trail actually goes through that land.

Chair: What policy requirements were supposed to be met by this transaction?

Mr. Moore: Those were the policy requirements at the time. We were undertaking the design of that project. It was recognized that the addition of that land would assist to meet those objectives and add value to that whole subdivision as a whole.

Chair: Thank you. My final question in this round would be: Under what authority was the money paid out?

Mr. Moore: The document was actually signed off by the branch and then signed off by the director of Finance for Community Services.

Of course, that's per chapter 5.5 of the *Financial Administration Manual*. Section 29 was signed off by the branch, the performance authority, and section 30 by the director. That's per our delegated authority, which derives ultimately from the minister at the time.

Ms. Hanson: Mr. Moore, I hear and understand what you've just said there, and I understand that you're reading from prepared statements, but what you are saying contradicts what was actually on record in this Legislative Assembly and on record with respect to the exchange of documents within Community Services and EMR. I think the question was: Where did the idea for this payment originate? I'm not quite sure that corresponds to what you've just said there.

Mr. Moore: When I go back through my records, there absolutely was some discussion about the golf course and the golf course's financial situation. Where I picked it up and where I was talking about was around the program needs and where we at Community Services got involved to meet those requirements for the golf course. In terms of the discussions that the Committee member is referring to — Ms. Hanson — I know that there were a number of e-mails. I've seen some of those e-mails with respect to how the golf course was looking for some financial assistance at the time as well, and then the program area was working on this development and what program requirements could be met — was what I was referencing.

Ms. Hanson: Was it a decision of Energy, Mines and Resources or Community Services to change it to "other expense"?

Mr. Moore: My understanding — and also looking into this — was that it was actually a Department of Finance change. Certainly, Community Services classified it as a TPA — a transfer payment agreement — and that absolutely was in error, which has been fully acknowledged.

When that made it through to the Department of Finance — and perhaps my colleague, the deputy minister of Finance can speak to that more specifically — they noted that this was the error and moved it to the other category.

Mr. Gallina: Thank you, Mr. Chair. The report recommends in paragraph 51, that "The Department of Community Services and the Department of Energy, Mines and Resources should comply with policy requirements for government transfers, including verifying a society's compliance with its legal reporting requirements, determining that a society does not have any outstanding debts to the government, and determining when to use a government transfer instead of a goods and services contract."

I have a few questions around that. What has Community Services and EMR done to comply with policy requirements for government transfers? I know you have spoken to that a little bit, but could you please elaborate?

Mr. Moore: Yes, I alluded to some of that and, more specifically, we are very much following chapter 5.9 of the *Financial Administration Manual* related to government transfers. We've created a SharePoint site that really will take our program officers now through a very systematic approach to how we comply with those. That includes standardized templates, forms and processes. As well, we have actually required further signatories so it will actually be going up the ladder and getting checked off by multiple people before these things are finalized and sent out.

We are actually, ideally, creating a more systematic approach so that every time is more consistent, and also having more eyes on each document before it goes out to make sure we're following that process.

I would also add — although I did allude to that — that we have had some very successful training and we intend to continue that to make sure all of our program officers are aware of these new changes.

Mr. Gallina: Mr. Mills, did you want to comment?

Mr. Mills: In October 2016, our Energy, Mines and Resources' Finance started to request that, when government transfer agreements are created in the commitment system, also it is saved with documentation showing that the society is in compliance with legal reporting requirements. We also noted that, at times, we have multi-year funding agreements, so we realized there might be a slight issue on it year by year, so we require and go out and seek that confirmation every year. On a three-year agreement, we'll ensure that every year the legal reporting requirement is met.

We have instituted a process to ensure the fundee does not owe outstanding debts to the Government of Yukon.

Energy, Mines and Resources has also reviewed the process on how to determine whether to use the government transfer contract and provided presentations to administration management staff, and we have been running specific sessions through our branch on a number of cases to ensure that all staff are aware of these requirements.

Mr. Gallina: Mr. Mills, further on understanding if a society has outstanding debts — what are the processes? Is there a central repository where EMR could contact Finance or another location to determine this, or is EMR reaching out to multiple departments?

Mr. Mills: Mr. Chair, when agreements are created in the commitment system, Energy, Mines and Resources' Finance now requires a copy of the certificate from the Yukon corporate online registry. That shows that the society is in compliance with the *Societies Act*. It is attached to the agreement and it verifies that the society's status is current.

Mr. Adel: Mr. Moore, on question 6 that Mr. Gallina just asked you, you have talked about adding extra layers in the policy. Do you have timelines to move these along in an appropriate manner? Having been involved in committees, and so on, that can drag on the more layers we add, are there timelines attached to this — service standards?

Mr. Moore: We do have a number of service standards for various things that we do. Generally we try to turn around any of our interactions that we have with the general public, with societies, around two weeks in terms of reviewing bylaws and reviewing their financial statements that would be of importance to this. We generally try for two weeks. That is our timeline when we're interacting with them.

Internally, sometimes developing these transfer agreements can take more time, and we are absolutely trying to find that balance between supporting societies and the work that they do, but adding these new layers, which obviously do add time. We are hoping to do that by, specifically — mechanizing is the wrong word, but having a more systemic approach. We created a SharePoint website, which we are very pleased with. It was actually recognized recently as a nomination for a premier's award. It actually is a very — you hit a link and you go to this page and you go to this page. Through that automation, we're hoping that we won't lose time in our response to societies, but we will still hit all those important phases to make sure we have addressed the comments that were made in this report.

Mr. Adel: Mr. Moore, I have one more question on that. Will the societies be able to check in on this website to see where their process is at? One of the things we often find is that you put something in and you get no feedback. Is feedback available through this website or portal that they can find?

Mr. Moore: Not currently. The SharePoint site is an internal website for our staff to process these requests. As part of the online corporate registry, we just had phase 1, which is for businesses. The next phase will actually allow non-profit societies to access information. It wouldn't necessarily be related to these agreements, but it would be related to processing some of the other things that I just referenced, including bylaw reviews, the status of their standing and those types of things. So we are working at becoming more publicly available with that information. The work around these TPAs themselves and assessments — I think that would be a more internal process around making sure that we have hit all those boxes.

Mr. Adel: I appreciate that, Mr. Moore. All I was asking is: How do we keep the societies a little bit more informed? Is there any mechanism that we're going to put forward that can at least give them a timeline?

Mr. Moore: I don't have a specific answer for that at this point in time. We certainly try to work as closely as we can with them and do so. Program officers are in constant contact with them. As an idea, perhaps as we work toward that online registry, there may be a way we can actually include some status updates around actual agreements themselves. I haven't looked into that, but it may be something we can take from this and ask those questions.

Mr. Gallina: Has there been clarification between goods and service contracts and government transfers? If so, can you please elaborate on the differences of the two?

Mr. Moore: Absolutely. We have created a decision tree on our SharePoint site, and this goes very specifically to that kind of decision-making process that I was referencing. We actually have a number of questions that we expect our program officers to ask and answer. They would be working with the society to understand what the program objectives are and the nature of who they are working with. It goes through that checklist.

I can specifically give you some specifics about what some of those questions are, but basically it comes down to — there are questions like: Is it for profit? What are the end results? Are we gaining something as a government? Those are the types of questions. Are they providing a service for us on our behalf?

We go through that checklist and then, depending on the result, it actually pushes you toward the TPA or nudges you toward a contract. We are trying to make sure that we have standardized those decisions.

Mr. Gallina: In standardizing these processes — and I am hearing about the improvements — what considerations were made when these improvements were being put together or rolled out? What considerations were being made for the end-user in actually being able to access funds and making their lives potentially easier?

Mr. Moore: Certainly timeliness is absolutely a key factor here, but also reporting. That is something that we have heard very clearly, and I think we will get into some more of that later — the whole evaluation piece and how significant that is. We are well aware that it can be potentially very time-consuming, especially for some of our smaller organizations. As we are going through that, putting things out front — understanding what the deliverables are and how they relate to mandates — so that, when we come to evaluations at the end, that is not as challenging for recipients to provide that kind of detail. We are also trying to look at understanding risk better. For a larger organization, perhaps it is easier for them to manage some of the reporting requirements. For smaller organizations with a smaller amount of funding, whatever those thresholds will or can be, we actually have a risk matrix that helps us identify where we are at — whether it's low, medium or high risk. If it's a low-risk, smaller organization and a smaller amount of money, in some of that reporting the up-front details are reduced to make sure that we are not imposing undue hardship on organizations that are actually — oftentimes, as we all know — working very hard to deliver things that are valuable to all of us. We are trying to find that balance between what we need to meet these requirements and also make sure that it is not too onerous on these organizations.

Mr. Gallina: I know that we have touched on this, but is there now a policy in place for all departments to ensure that the societies are in good standing prior to receiving government funds? When was that completed?

Mr. Moore: As of April 1, 2017, it is now a requirement for our program officers to save a file of the certificate, and they get that from the Yukon corporate online registry showing that they are in compliance with the *Societies Act*.

Mr. Gallina: Is there a cross-department checklist used to see whether complementary funding is available? How do the departments make sure a society is made aware of all resources available to them?

Mr. Moore: There is no formal cross-department checklist. Program officers, if they are doing their job, will be working very — and I think that they do — closely to understand the recipient's requirements and directing them to further opportunities. We all know things that are out there — community development fund, lotteries, et cetera. There is no formal checklist, but we do, for both purposes, try to make sure that they are aware of all the opportunities. We also want to understand what pots of money an organization might be drawing from to deliver their programs. Sometimes we need to do that because, if they don't get something out of one pot, the money they get out of another pot won't be enough to deliver the objective they are trying to get. We do need to understand that, and we work with recipients on a case-by-case basis to understand that picture, but no formal, documented checklist exists at this point.

Ms. Hanson: Just as a follow-up to that, Mr. Ferbey, it seems to me that the two departments that would be most closely aligned in this field would be Community Services and Economic Development. Does your department, Economic Development — what link do you have with Community Services because of the societies or organizations that may be caught in one policy pot and not in another?

Mr. Ferbey: Mr. Chair, in the department we do have a spreadsheet that's available to all the staff — and it is updated weekly — that provides all our funding areas and all of the funding agreements we have in the works. With that, we also go out to ensure that there is other funding available that we would try to leverage. With Community Services, we have spoken with Community Services on some of the projects. Largely, with any of the projects that we see potentially could have, for example, infrastructure funding, we would actively talk at the deputy minister level and at the program level to see if we could access those funds.

For our clients, we would do that service — always look internally, given our budgets are relatively modest, to see if we could leverage on behalf of clients and discuss at the departmental level, so there would be ongoing verbal dialogue if we see a project that could potentially access multiple funds, realizing that, in a lot of the areas, you can't necessarily stack territorial dollars or federal dollars, but we would also look into those terms of reference to see if it's something we could talk to our clients about.

Mr. Moore: If I could, I would also add — for example, with the community development fund evaluation process — members from many departments — but certainly Community Services — would actively participate in the analysis and recommendations on that so there are eyes from different departments on all those funding requests to make sure — are there other opportunities, where are they looking, what else can we build on — trying to find those ways to assist and understand the program needs.

We have multi-departmental committees that work together on many of these established pots, like the community development fund.

Ms. Hanson: I'll move on. There are some specific questions with respect to Community Services. What we try to do is focus on the responses that are made by the departments to the recommendations from the Auditor General.

The deputy has touched on these already, but we will want to have them on the record. The recommendation said that it will better comply with policy requirements related to government transfers by ensuring that documentation is saved in the agreement file demonstrating the society's compliance with the *Societies Act*, including a statement from the society that there are no outstanding debts to the Government of Yukon, and developing guidelines and offering training sessions on how to decide whether to use a government transfer or a contract.

The first question is: Is documentation now being saved in all agreement files demonstrating a society's compliance with the *Societies Act*?

Mr. Moore: It has been a long-standing practice of Community Services to check the corporate registry prior to entering into an agreement with recipients. However, as noted, as accepted, the documentation wasn't there. It was done visually; we did the check and the documentation wasn't there. As of April 1, 2017, as I noted, it's now a requirement to save a copy showing that they're in full compliance with the *Societies Act* in the agreement file. That's a requirement. As you go through that form, it is noted upfront that has to be done before you can move on to the next step.

Ms. Hanson: Was that accomplished by revising the application form for the funding programs, or was a clause added into the agreements attesting to the fact that they are in compliance?

Mr. Moore: They attest to the fact that they're in compliance and it's also part of the form we actually go through as we're analyzing and working through approval of an agreement.

Ms. Hanson: Could you please outline the elements of the guidelines available to staff on how to decide whether they should be using a government transfer or a contract? What would be the things that would lead them to make that decision or make that recommendation?

Mr. Moore: I actually have a screenshot here of the document, and I'll just read. They would click down to this — use a TPA, transfer payment agreement, in the following circumstances: transfer funds to recipient from a funding program, which may be application-based; transfer funds to recipient, which is generally a non-profit organization in which we are contributing to expenditures and such contributions are reasonable. There is no direct exchange of goods or services, as in YG doesn't receive anything. YG is contributing to a venture with identifiable, direct, relevant opportunity, and with no indirect costs or overhead. I think the non-profit has its own capacity to manage the project and will not contract out a significant part of the project to a third party. Examples of TPAs that we provide are sporting games funding, funding programs such as gas tax, Yukon recreation assistance grants, operational funding such as community libraries funding or recycling depot funding. Those are a few things around how they would make that decision about TPAs.

With respect to a contract, we would use that — they are generally for a profit that we're working with, as opposed to a non-profit organization. YG receives value for money spent. YG receives value for goods and services in exchange for money — provided even if the transaction may benefit a contracting third party, and so even if they are subbed, going out and getting a contract with somebody else — YG directly receives goods or services, there's a quote or a proposal needed. Examples are: tangible goods for Yukon government studies or reports, project management, advertising, projects that display the YG logo — and it carries on with some other details.

Ms. Hanson: Just as a follow-up to that — when you say that Yukon government doesn't receive anything, I can understand that if it's material only, but if you are in a transfer payment arrangement with a society that operates a community library, it has a government logo and has everything except that it's not a government entity. It's not a contract — or is that a TPA?

Mr. Moore: That would be a TPA. We use a TPA there. It fits in because it's a recipient that's a non-profit organization. These are independent boards. There is no direct exchange of goods or services.

Ms. Hanson: I don't want to be argumentative, but you are exchanging — in the sense that you're giving those societies exactly the same books and the expectation. As a citizen, I'm going at that from the point of view — and when we're talking about funding to societies — we're talking about what we're doing to provide services or assistance to societies to assist the community.

In a community where there is no access to a public library, except through a community library, why would we continue the arrangement to have it as a contribution to a society as opposed to a contractual arrangement that makes it clear that they're doing this on contract, to provide a service that the Government of Yukon does provide in the City of Whitehorse?

Mr. Moore: Clearly you can see why it is important to have this decision-making tree because there are many decision points. I think on the balance of scale, the fact they are non-profit — there is no profit-taking here — and they are delivering a service on behalf of the Yukon government that in general — this isn't something that the Auditor General noted as a challenge — that we are following those rules very clearly and that the best way, according to our transfer payment policy and FAM, is through a transfer payment agreement.

Ms. Hanson: The crux of the question was how you make the decision between using a government transfer payment and a contract. I have just outlined an example where, in fact, they are delivering a service that is a Government of Yukon service everywhere else, except in the communities.

Mr. Moore: Perhaps I'm not understanding. While they are direct employees in the City of Whitehorse — while the public librarians are direct employees here, we are still supporting them as part of our library system. That is part of our government — part of Community Services' role to do. So it is on behalf of us, as a department and as a government, that they are doing that work and as a non-profit. Going through that checklist that we have, that is seen as the best way to fund those at this point in time.

I'm sorry — perhaps it is a bit challenging to go through this list here without actually seeing this in front of you. I'm sorry if I read it fairly quickly, but given that list of checklist items, when we look at the contract that is generally for profit, we would go out for a tender, for example — a competitive process — which of course we wouldn't do here. We would receive direct goods and services — and I understand that is part of the point you're making — is that we are getting the service of libraries in the communities, but that is one of the items that we would have a quote or proposal — that sort of thing. So given those two lists that are laid out in policy, it best fits under the transfer payment agreement list.

Ms. Hanson: It just seems archaic, Mr. Chair. It doesn't make sense.

Mr. Adel: The Department of Energy, Mines and Resources responded to the OAG's recommendation by saying — quote: "… will request that when a government transfer agreement is created in the commitment system, it is saved with documentation showing that the society is in compliance with legal reporting requirements and that it does not owe outstanding debts to the Government of Yukon. The Department will also review the process on how to decide whether to use a government transfer or contract."

The questions I have are for the Department of Energy, Mines and Resources. What measures has EMR taken to comply with policy requirements related to government transfers? I will qualify this — I understand, Mr. Mills, you covered some of this in your opening statements, but bear with me as we go through some of these, please.

Mr. Mills: In October 2016, we started to request that when a government transfer agreement is created in the commitment system that it is saved with documentation showing that the society is in compliance with legal reporting requirements and that it does not owe outstanding debts to the Government of Yukon. For larger agreements, we also have an enhanced role, where our manager of financial operations is involved in reviewing draft versions before they sign and process in the commitment system. All agreements are reviewed by EMR Finance staff before being committed in the finance system.

A system assessment workshop was also created — or sorry, a risk assessment workshop is also done and is required to be completed, signed and attached for all agreements. An agreement checklist is being used as well in our department. So our risk assessment worksheet, which we did attach to the document that we provided you, gives us an opportunity to look at a number of factors. It guides us on the potential flow of funds to the potential recipients. There are enhanced reporting requirements.

So it does guide us on past practice or lack of maybe history or knowledge of those individuals or those organizations. So it helps us to understand when we may have to have some enhanced reporting requirements — maybe control the funding flows a bit more carefully, dealing with holdbacks and so on. So we have had practices in the past where we have applied that. But we have brought about a stricter risk assessment process, as well as very much tightened our internal procedures as we proceed or as we consider the appropriate funding mechanism.

Mr. Adel: Has EMR reviewed the process on how it decided whether to use a government transfer or contract? What has changed since this review?

Mr. Mills: We have reviewed the process. The auditor's review covered off four funding agreements to non-profits. Three were to the same organization, one to another organization. The one organization that ended up having three — being reviewed on the three different funding mechanisms was the Klondike Placer Miners' Association.

We have looked at what is the appropriate mechanism. We note that, with regard to the 2008 government transfer policy, we do have to look at this issue about whether government is acquiring goods, services or an asset directly in return for resources. I also note that it states that we also need to know if it requires goods and services as a by-product. So in these cases, we are very much looking at what is the appropriate funding mechanism.

I think, Mr. Chair, as the other members pointed out, there is a — I think there remains a grey area between the TPA and a contract. I would note that even in some of our funding mechanisms, we have a small number that — we fund non-profit groups.

Most of our TPAs are related to the Yukon mineral exploration program or through energy programs and others. Those are large funding agreements, but those are for-profits. Those are in the hundreds or the 100 to 200 range, as a guesstimate.

With regard to these six, we do have to look at that because, for example, our funding to the Yukon Wood Products Association, the Yukon Agricultural Association and the Growers of Organic Food Yukon — they provide a real service to their membership. At the point here when we were looking at the audit, at times, they are also providing policy review of new policies on the government. I just point that out — that is something we need to look at a bit further, because the initial funding packages are very much about their organization working with their membership, but we do need to look at some of these additional potential add-ons that occur, whether it's right to be an amendment to a TPA or whether it's a contract for services.

We have very much improved our processes, but there are some grey areas, I think, even with Community Services and Finance, where we do need to work further to identify what is the most appropriate mechanism to flow funding, and especially additional funding.

Sorry for the length of the answer, Mr. Chair.

Chair: Fine, thank you.

Mr. Adel: I'll make this a short question, Mr. Mills. Do you have a timeline on completing this type of review and working in the grey areas?

Mr. Mills: Thank you for the question. Mr. Chair, we have not set a firm timeline, but I appreciate the question. I think the onus is on us to set a clear timeline to do this and include working with the other departments so that there's consistency across government.

Mr. Adel: How do staff now make a decision on whether to use a government transfer or a contract?

Mr. Mills: Currently, we review the draft agreements. This includes examining if the work described is best handled as a contract. As I mentioned before, what's in the 2008 policy regarding acquiring goods and services or an asset directly, or as a by-product — that is part of our discussions. Additional training has been provided to staff to provide clarity on this issue. Starting in October 2016, we have had briefings with those involved in this work in our department on the differences, and the use of contracts versus transfer payment agreements was discussed. Our Finance staff — in particular, the manager of financial operations — also reviews all the agreements and identifies the program areas those that should be utilized either through a contract or a TPA.

Mr. Cathers: Thank you, first of all, to all the witnesses for appearing here this morning. A few of the questions I had have actually been answered, so I will drop those.

I would like to begin with a question for Community Services. Community Services, I understand, has implemented a risk assessment with an overall score for project risk and, I believe, as well, recipient risk. I understand that you have scored that high, medium and low. Can you elaborate a little bit on how you reached that determination and what some of the key factors are in making that assessment?

Mr. Moore: I mentioned a few things already about the size capacity of the organization itself. Our document itself begins with looking at determining first of all whether it's operational or project funding. Of course, that was also something that was identified and we are working on distinguishing between those two and making sure that we are then following the correct protocols based on that. Then, depending on whether it is operational or project funding, we would then look at how we would roll out that funding over the course of a year — basically the cash flow.

We have a number of categories up to a certain amount — that sort of thing. We would look at how we formulate cash flow based on that kind of funding and that criteria I mentioned earlier around the size, the outstanding concerns that we may have, the project itself — if it is a project and that sort of thing — the duration of the project.

The matrix itself has — we look at low, medium and high, and we would give it a score. So it would be the money involved, the complexity and the sensitivity. Is this high profile? Is this a standard kind of thing that we would do on a regular basis? The credibility and track record of the organization — as I mentioned, the size, capacity and sophistication. General community support: Is there just a few people or is it a broad-based organization? The skills, experience and expertise to achieve the project goal — project management skills, accounting record management skills.

So for each of those, we have a matrix we would score. Based on that, it would push us into the kind of TPA we would use. That is where we would get into the short form, low-risk TPA or the long-form, high-risk TPA. Generally, as a rule, we would push toward — anything over $100,000 automatically going toward that long-form risk. It is the smaller ones that we are trying to keep more expedient and simpler for smaller asks, for smaller organizations.

Mr. Cathers: I appreciate the response. The next question on my list is — I understand that Community Services' risk-based approach is consistent, but I would just ask for confirmation of that with the 2008 transfer policy that is in the *Financial Administration Manual*.

The second part of my question is whether that risk assessment under that matrix — does it differ significantly between the different funding programs, since Community Services has a wide range — everything from the sporting programs and after-school, which obviously are a different type of program and have significantly different measurables in terms of outcome from some other program areas?

Mr. Moore: To answer the first question, yes, we are fully in compliance with the 2008 government transfer policy.

With respect to the second question, we don't distinguish between funding pot or what area. We're trying to get a consistent use of the same templates no matter which pot it is. But we are absolutely trying to make the distinction, which is the kind of program that we're trying to support. Basically, that's where we would use that risk assessment. If it's a smaller organization, smaller complexity and smaller amount, we would try to stream it in that direction — higher in the other direction, as I described. So the only line or distinction we're making is between low risk, medium risk and high risk.

Mr. Cathers: Actually, I believe you've already answered the next question I had, so I won't repeat it. But a question, then, that I would have is: When it comes to the risk assessment, could you elaborate a little bit on how that works with — a couple of the examples that come to mind are with the Yukon Recreation Advisory Council. The decision around funding is not just being made by program officers. So how does the risk assessment work in that context? Is the information shared with the board members of YRAC or not about how that risk has been assessed?

The second program area I would just ask about is how that works with the community recreation assistance grants, which are in fact a legislated requirement under order-in-council.

Mr. Moore: With respect to YRAC — when we are assessing risk, it's specifically around how we deliver the funding agreement. So it's what funding agreement, what kind of requirements we need in that funding agreement. So it's not necessarily fitting into an approval process, which would be a whole series of policies that get us there through YRAC and meeting certain requirements.

The risk assessment is then — to be specific about this example — the committee would then make its recommendations. Then it goes through other decision processes. Then when it comes to the department to deliver, what kind of TPA are we going to then use? That's when we would take this matrix out and go — you know, the size and all those things I just listed. The criteria would determine how we deliver the money, but it doesn't necessarily feed back up into whether or not an organization is going to be funded or not. That decision would be policy-based, mandate-based and that sort of thing.

CRAG — for the second part of the question — as a legislative grant, is much more — that funding is determined and we would — it fits right into our existing processes already — how we do legislative grants through a TPA. So it would fit through this as well and the amount would fit it in. So we would run it through that risk matrix again on a delivery process. But the recreation authorities themselves — because it's a legislative grant — would know they're getting that money and how the money is going to flow.

Mr. Cathers: I appreciate the answers in that area. I'm just going to move on to the Department of Economic Development.

I understand that Economic Development has implemented a risk assessment for departmental funds with an overall score for both project risk and recipient risk. My first question would be: First of all, can you confirm that that has been applied as of April 1 to all of the contracts and transfer agreements? Secondly, when it comes down to that risk assessment, are you using a similar model to the Department of Community Services in a high, medium, low scoring for risk or is it a different assessment? Secondly, when it comes to the type of information that is being required, based on that risk assessment, is it similar to Community Services or is it a different model that's being used by Economic Development?

Mr. Ferbey: We are adhering to 100 percent of our areas where we're funding to the risk assessment. Just to give a sample of our risk matrix, we assess both project risk and recipient risk. For example, on project risk, we'll look at things like the dollar value, the complexity of the projects and the public profile. For the recipient risk, we'll look at credibility and the track record of recipients, the skills and expertise of the project management team. We'll also look at the stability of the recipient. We also grade this similar to Community Services in high, medium and low. With that, depending on the risk profile — similar to Community Services, if it's low risk, we'll have a short order form for TPA and if it's high risk, a long-order form.

In addition to that, in our guidelines, depending on the risk profile, we'll also change some of the terms and conditions in a TPA to reflect the kind of visibility that we need on the expenditure of funds and the allocation of funds and of course, in real time, measure some of the results to ensure that the dollars are adequate. Again, more effort is used if the risk profile is higher for the client.

Mr. Cathers: Thank you. You've already partly answered my next question which was whether the results of that scoring assessment are being reflected in the conditions of the funding agreement. Can you elaborate on whether — particularly for those higher risk projects — what steps are taken by Economic Development staff — as the project is ongoing, in particular, in terms of ones that are project-specific — what additional measures might be taken by staff to monitor the progress of the project as it, hopefully, is underway?

Mr. Ferbey: On the risk matrix, there are two officers who will sign off, but I'll just give you a sample out of our reference guide on some of the different approaches we take, depending on the risk profile.

If low risk, it would entail just your standard terms and conditions that apply to all programs with relatively minimal reporting requirements. Medium risk — the outputs, measurables and reporting requirements are aimed at providing evidence the funds are expended on the tasks. Certain interim terms and conditions may have to be met during the life of the project before the final payment is made. If we're looking at medium to high risk, the concerns of this level of funding should be identified for performance measures, expected results and outcomes. The programming may be more complex and performance information required may be more extensive. In some cases, non-audited financial statements prepared by an independent accountant or audited financial statements of the project would be required after project completion.

In the case of high risk, the concern at this level should be the execution of the project and its evaluation upon completion. A high-risk project and high-risk recipient should be monitored closely. Some examples of the actions or activities that it would take could be frequent accounting and reporting requirements, monthly progress reports, on-site inspection by program officers, and, in all cases, our senior advisors — or in the case of the CDF, there are often ongoing discussions with clients, weekly discussions. Formally, when they have determined the risk profile, those provisions are put in the TPA to ensure adequate expenditure of public funds.

Mr. Cathers: I'm going to move on to Energy, Mines and Resources. Can you provide an explanation of how Energy, Mines and Resources is taking a more methodical approach to applying a risk-based approach to funding and transfers, and also indicate whether you're using a similar matrix for assessing risk, in terms of high, medium and low, to what Community Services and Economic Development are doing or, if it's a different model, how that model looks?

Mr. Mills: We did provide a copy of the form that we use as we're doing a risk assessment. It is a different model from that of Community Services and Economic Development. We have a larger range, from what we would consider to be no risk up to extreme risk — and then it identifies the need for mitigation strategies.

We have a bit of a broader range, but some of the things that we look at are the project timeline, the dollar range. With regard to prior history and success — and again I'll point out that with regard to government transfers, EMR transfers to societies. We have a very small number of ongoing transfers to societies and very much a long-term relationship with those societies. Over time, we have realized where there are challenges and where there are not, so we're able to evaluate those. When it comes to the risk assessment with regard to some of the other funding programs, this risk assessment is important — prior history and success, whether we have an excellent working relationship right up to poor working relationships, or non-existent, for new applications. We looked at some of the project barriers and also the capacity of those organizations. Also, with regard to the project ownership — so some of the funding that may be asked for by some of these organizations is part of a larger program that they are part of. The risk — if they are entirely in control versus if they are becoming a smaller percentage partner in a project.

Project sensitivity is also important. That means that if you move from a very low up to a very high public or political interest — or extremely contentious, because that in itself can impact on whether or not a project actually makes it through the year. Some of the projects by some of our funding partners — an example would be some of the wetland work being done through the Klondike Placer Miners' Association or through the Chamber of Mines. They are undertaking work that is related to working with First Nations and YESAA, in some cases, on guidance for its proponents. It could be at a point where it can be so contentious that these projects sort of don't make it through the year or they end up having to be stopped.

We do look at that and ensure we structure the funding, recognizing that there are some potential hurdles or barriers throughout the year, so that guides the kind of structure. We do have a long- or short-form TPA that we can use based on our risk assessments. Again, I would note that, when it comes to societies, we do, for the most part, have a fairly long-term relationship with those societies.

Mr. Cathers: What type of documentation is required now that wasn't in the past? How does that vary across the different risk levels in the transfer agreements and contracts?

Mr. Mills: The documentation — I have mentioned some of this. We did the risk assessment worksheet that needs to be done and needs to be signed off by two officials within our department. That is to be part of going forward with any transfer payment agreements. The relevant staff have been trained on the use of the documents. We also have a checklist that we also provided in our response to allow for a number of steps so that our staff are able to work through a methodical approach to dealing with TPA requests.

I would also note — and it's going back a bit to my last question. It's not that we weren't doing risk assessment in the past. In fact, a number of our funding programs — and this steps a bit outside the scope, ultimately, of this audit. We have risk assessments built right in to our funding proposal review process for Growing Forward 2 programs under the Agriculture branch, as well as the Yukon mineral exploration program has had some key risk assessments built in as factors to consider as you move through for evaluating a number of funding proposals that are being put forward.

Mr. Cathers: What measures has Energy, Mines and Resources taken to ensure current staff in positions dealing with these types of agreements and transfers are aware of the responsibilities, and is it part of the orientation for new staff who either have these duties as part of their substantive positions or may at times be in an acting position covering off these areas of responsibility?

Mr. Mills: I just have one question to clarify first. Energy, Mines and Resources has worked with Finance as well, but we have created and provided a government transfer agreement checklist and risk assessment worksheets, as I have mentioned previously. We also started using these documents in late September 2016. Our response to the Auditor General's report indicated bringing in this risk assessment — responding to this on April 1, 2017 — but we were able to implement this much earlier.

Energy, Mines and Resources has also made these new forms available that, again, were attached to the package that we provided to you.

On the department's internal website, it has presented a number of short-term information sessions as well as refreshers for various levels of staff within our organization.

Work was initiated on this immediately after the Auditor General's recommendations were agreed to and will continue as staff change and subsequent training is needed. We do frequently also have orientation for new staff, which includes both orientation from a senior management level, including myself, right through all the rules and procedures for all new staff when they come into Energy, Mines and Resources.

It provides a summary of all documents on the EMR finance web page. It includes a presentation by the manager of financial operations on overall work done by the finance staff. It also runs through all the checklists and risk assessments for transfer agreements.

Ms. Hanson: I have just a couple of follow-up questions. From all three departments, we have heard about some good work being done with respect to developing a risk-based approach in managing government transfers. My question is: What cross-department consultation discussion has occurred so that — we talked about Community Services and Economic Development having theirs, and then EMR, recognizing perhaps there's a difference in scope and some activities, but there are common themes in this risk assessment. I'm just looking for what consistency there is across the departments and how is that manifested. Did you have conversations? Is this part of a working group? Is it all done individually by departments with no cooperation or collaboration? That is what I'm looking for.

Mr. Ferbey: There seems to be similarity across the risk assessment. Of course, all of us are looking at 5.9 in the *Financial Administration Manual*, which provides us the overarching framework for the risk assessment. To your point, I think further work obviously should be done in concert with us implementing the recommendations from the audit to spend some time to look at our different risk assessments, realizing that standardization is useful. In fact, that's one of the recommendations in the audit and that's something we'll definitely put on the work plan to discuss further across the deputy minister table and with colleagues here to ensure that, if some of us have some strong examples of how we're doing it, we can share, and vice versa.

Mr. Mills: Also with regard to the question, we do have a department administrator liaison committee, which covers all the different departments. They meet on a monthly basis, so topics such as these and the results of the Auditor General's report are elements as we deal with cross-department issues and seek consistency. Part of this work is also with the Department of Finance.

Ms. Hanson: I meant to pick up on that. I think we will have an opportunity this afternoon — the overarching goal of the central agency is quite important there, so I hope to see that with all departments.

I just want to come back to — we have examples of these various risk assessment documents. I said this to fellow Committee members the other day — as somebody who worked in the public service for almost 30 years — that sometimes there's a tendency for us to respond to comments or critiques by piling on more paper. My question is: Do these documents enhance our capacity or just make it more complex?

Is it built into the process to go back and review — for example, the risk assessment matrix and the addendum process, because we are adding another layer of compliance within our public service? Sometimes that can cause issues as well.

I guess my question is: In putting this together in these various matrices, is the objective to demonstrate that, yes, we heard the Auditor General and this is what we are going to do, but how do you individually as deputies intend to assess whether or not they are achieving the purpose?

Mr. Mills: Because there is transition staff and because I think consistency across departments — and staff are moving between departments — is an important aspect here, our matrix looking different from other departments and whether ours is overly cumbersome is really one that we would want to seek a review from our staff who are using it and identify which of these matrices may be more effective.

I don't think this piles on additional work. I think that actually the work is when we issue a funding agreement where we have to deal with more of either damage control or trying to get the reporting in because we didn't use a matrix appropriately. I think that that the checklist is really useful because it helps with staff transition. We have built more effective administrative assistant manuals, and so on, that are really effective checklists. I have heard very good comments back about improvements in that there are manuals that can be used by those individuals to help guide decisions.

I can speak with Energy, Mines and Resources over the last 18 months now, but we have put in additional measures to try to ensure consistency in decision-making when you don't always have consistency in the staff. Without a doubt, I think it is worthwhile looking at some of these matrices with the other departments to try to find ways to come up with a more effective decision matrix and also signal what a decision of high risk means when it comes to how you design the funding structure over a year or how that links to the response of additional reporting that might be required.

I think they are very helpful tools. This isn't just putting it on a piece of paper so that we can say to the Auditor General's office that we have done this job, because they may be back to audit us again on other issues, and I think it is useful to actually look at the audit results and respond to them in an appropriate matter that improves the work of government.

Mr. Cathers: These questions are sort of for all departments in this case. First of all, we have received a large amount of e-mail volume, so if we have already received it, then thank you for sending it, but if it hasn't, I would just ask if we could get copies of the risk matrix decision tree and the key documentation that each department is using.

I would just note for the Auditor General to feel free to correct me if I'm mischaracterizing this in any way, but I think it's fair to say that both the current Auditor General and the previous Auditor General noted that, in improving accountability, the solution isn't necessarily a lot more paperwork. My concern relates to the fact that, as we've seen from situations, the result of a previous Auditor General looking into a specific matter involving the federal government led, in large part, to the *Federal Accountability Act* and some of the significantly increased paperwork, both beforehand and after the fact, that has had a significant impact on the Yukon government — I know in areas, including the infrastructure funding, it has resulted in both inefficiency in the use of federal dollars and significantly increased paperwork and staff time being required to meet those federal requirements.

My concern is that, when there is an issue that arises as a result when the Auditor General or others find that there may be an issue with accountability on the part of government, there tends to be a natural response to trend toward more paperwork in every area. I would just note that concern and ask the various deputies whether there's a concern that the current model may have gone a little too far toward requesting more paperwork, and if there's a plan to review it, especially in the early periods of its implementation, to determine whether there can be some reduction in the volume of paperwork being placed on those receiving the funding and the amount of staff time within Yukon government that is taken up in ensuring these accountability requirements are met?

Mr. Ferbey: I believe all of the colleagues in our department have provided the documentation on the risk matrix and the various guidelines.

I think for us, given the fact that, prior to the audit, we did have a risk matrix in place and a risk assessment — but we just didn't apply it consistently enough — it hasn't added on a new layer of bureaucracy or paperwork that has an impact on our clients. In fact, in some ways, it's quite the opposite. When you start going through the risk matrix and you start looking up, for example, project risk, the kind of dialogues that come up deepen our understanding of what the client is trying to achieve. In many instances for our department — because we have senior business advisors, when we're going through the risk matrix, if there are areas where, for example, working with clients who can use non-financial assistance, going through the risk assessment allows us to comport ourselves to organize ourselves internally to potentially help clients. In that instance, if we didn't have such a robust system now, we may not have some of these dialogues with some of the clients early on as they're seeking funding. In many instances, the actual risk matrix has improved our efficiencies — really understanding what the clients are trying to achieve and how we can assist in non-financial ways, in addition to if they are seeking financial resources.

Mr. Moore: Mr. Chair, I guess I would just add to that — I agree that oftentimes — I guess in some ways, this responds to both the questions. They're fairly similar. But we have actually seen — and the articulated expectation of this — this doesn't just add more — it also actually — by creating finer distinctions between the kinds of recipients and the kinds of projects that we're supporting — I would expect — and we have talked about the fact that smaller organizations and smaller projects — and perhaps this is where it is different between different departments. We deal with 155 TPAs a year to non-profit groups. So there is a huge range of capacities there. Some of the smaller groups or smaller requests we can actually deal with more simply by having more defined guidelines. We have talked about that being something that is really — we hope that, because we have this really well laid out from the outset, people will be able to make those distinctions, document them properly and we will have done our due diligence at that point in time, instead of having to treat everybody with the full scope of things. We have identified that.

I think we have also talked about the fact that we will need to review this after our first year. We know that our full evaluation process won't be coming in until 2018, once this round of applicants — TPAs that are out from this fiscal year will be done. We will be doing that full evaluation next year, so that will give us a good opportunity to review that process and get that kind of feedback as well.

Chair: Mr. Mills, did you have anything to add to that?

Mr. Mills: A lot of the work that has been identified was being done, but not necessarily documented or following a certain matrix, so I would agree with both Economic Development as well as Community Services that this hasn't really been an add-on of additional work and time requirements. It does, in many cases, make for better projects. It does make for better relationships, or at least more decisive relationships, when the risk assessments are showing extremely high risk on certain projects.

It also gives some guidance to those individuals who are applying for the funds that, in order to remove and lower the risk criteria or in order to receive funding, we need to see some changes in either their proposal or the statement of what their intention is and everything. I don't think this really adds to it. I would also note that, yes, there is a lot of paperwork out there. I'm not sure if these add, but I think there is a need to look at various policies of how we operate in government to try to decrease the unnecessary paperwork. I would just flag projects such as the new time, leave and labour and other processes are ways that are being very effective at reducing certain loads, especially on those real transactional and paper-heavy processes.

I think we just need to look at this, do the review — as my colleague Mr. Moore, had to say — do a review over the next few months, decide if these matrixes then have to be amended, but also continue to try to reduce the unnecessary paperwork. That is part of government, unfortunately, and I think there is a lot that can be removed.

Ms. Hanson: Just one final follow-up to the — I think implicit or explicit in my question earlier was that aspect of review. Mr. Moore has mentioned that his intention is to look at this in 2018, in retrospect, based on the time frames of certain agreements that are in place.

Do Economic Development and EMR have built in to the implementation of new risk assessments and various matrices — do you have built into that a review in one year or 18 months from now, so that you will be able to objectively assess whether or not these are achieving the objectives that you had when you put them into place, and/or it needs to be reviewed, amended or nixed?

Mr. Ferbey: For Economic Development, our risk matrix — for us, it's just the more assiduous application of it. In terms of reviewing if the documentation of the way they're doing the risk assessment is providing value, both externally and internally — yes. I think these documents have to be living documents. This is something that Finance does often and that our senior management team will definitely put on the agenda — this risk assessment matrix — both to ensure that, of course, we continue to adhere and implement 100 percent, but also exactly to the question — six months from now, we'll discuss if there are some changes we should make to our reference guide and the actual risk assessment. So we will do that.

Mr. Mills: Again, with regard to societies, we have a small number of funding agreements with those societies. One of the things we have done already is to try to make it a bit more effective, and also allow these societies to adequately plan, is to try to look at two- or three-year types of commitments to these societies so they can make proper planning. It improves the relationship.

We're constantly reviewing how we approach these and we could definitely realize that we need to reach out and talk about — including to the people we're providing funding to — to look at a review.

Mr. Hutton: I would like to thank all the staff members for being here this morning. You'll be happy to know that I have only a couple of very easy questions for Community Services.

The Auditor General's report suggested that Community Services should put mechanisms in place to systematically review government transfers to determine and document whether their goals and objectives have been met. The department's response notes it will require recipients to complete a final evaluation to document whether the objectives of the program or project have been met. The department will also require program officers to complete a post-assessment report to confirm that the objectives of the program or project have been met.

What measures has CS taken to ensure all funding recipients complete a final evaluation to document whether the objectives of the program or project have been met as part of the agreement's final deliverables?

Mr. Moore: Community Services requires recipients to complete a final report. As others have noted, we have in the past. The point has been that it hasn't always been done. What we have done is create an accountability reporting form that is part of the agreement file. In that document, our program officers would then assess whether or not the objectives were met at the end of the agreement by looking at what we have actually identified prior to signing off the agreement as to what the mandate items and business plan objectives were at the outset and then measuring against that at the conclusion of the agreement.

Again, tying that into some of the earlier discussion — being more up-front and being more explicit about what the expectations are will actually help that process when we know what we are reporting against at the end. That agreement itself includes linking to specific goals and identifying what we need to do through that, using that consistent template across all of the agreements that we have.

Mr. Hutton: Your program officers ensure that the funding recipients have completed their final evaluations and the next step is your program officers complete a post-assessment report. How do you confirm that that gets completed? Is that just standard?

Mr. Moore: The form itself, the accountability reporting — we are actually looking at interim reporting steps and at final reporting, which includes reporting against the objectives. We have to check boxes about getting signed financial statements, identifying all revenue sources and other reporting requirements that will be required of the society and then laying out very clearly how and what objectives were met. That is one form that we have not fully created. We have worked on all the intake portions of it. Because many of our agreements run from April of this year to March 31, 2018, that is currently what we are working on, so we will have more systematically defined what that reporting template will look like before the end of this fiscal year to use once we are evaluating them at the end of this fiscal year. That is what I was referring to — by early 2018 — that we will have that form ready to have that methodical approach to close off those agreements.

Mr. Hassard: Are there any other follow-up questions from any members of the Committee?

Thank you very much to all of the witnesses for your time here today. We will recess until 1:30 p.m., at which time we will reconvene with Department of Finance and Executive Council Office.

Recess

Mr. Hassard: I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly. Today the Committee is investigating the Auditor General of Canada's report entitled *Report of the Auditor General of Canada to the Yukon Legislative Assembly — 2017: Government Transfers to Societies — Yukon*. As this report deals with multiple departments, the witnesses are appearing in two panels today. This morning, we heard from witnesses from the Department of Community Services, the Department of Economic Development, as well as the Department of Energy, Mines and Resources.

I would now like to thank the witnesses from the Department of Finance as well as the Executive Council Office for appearing this afternoon. I believe the deputy ministers — or acting deputy ministers, in some cases — will introduce the witnesses during their opening remarks.

Also present with us today are officials from the Auditor General's office: Michael Ferguson, the Auditor General of Canada, and with him is Casey Thomas, principal.

I am the Chair of the Committee, Stacey Hassard, and the MLA for Pelly-Nisutlin. To my left is Paolo Gallina, the Committee's Vice-Chair and Member for Porter Creek Centre. To his left is Liz Hanson, Member for Whitehorse Centre. To her left is Ted Adel, Member for Copperbelt North, and on the far left is Brad Cathers, Member for Lake Laberge, who is substituting for Committee member Wade Istchenko, who is unable to be here today. Finally, behind me, is Don Hutton, Member for Mayo-Tatchun.

The Public Accounts Committee is an all-party committee with a mandate to ensure economy, efficiency and effectiveness in public spending — in other words, accountability for the use of public funds. The purpose of this public hearing is to address issues of the implementation of policies, whether programs are being effectively and efficiently delivered, and not to question the policies of Government of Yukon. In other words, our task is not to challenge the government policy but to examine its implementation. The results of our deliberations will be reported back to the Legislative Assembly.

To begin this afternoon's proceedings, the deputy ministers or acting deputy ministers will be invited to make opening statements on behalf of their departments, and Committee members will then ask questions. As is the Committee's practice, the members devise and compile the questions collectively. We then divide them up among the members, and the questions that each member will ask are not their personal questions on a particular subject but those of the entire Committee.

After the hearing, the Committee will prepare a report of its proceedings, including any recommendations that the Committee wishes to make. This report will be tabled in the Legislative Assembly.

Before we resume the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the time allotted for this hearing. I would also ask that Committee members, witnesses and officials from the Office of the Auditor General wait until they are recognized by the Chair before speaking, as this will keep the discussion more orderly and allow those listening on the radio or over the Internet to know who is speaking.

We will now proceed with opening remarks from Ms. Muir.

Ms. Muir: Thank you and good afternoon, Mr. Chair and Committee members. My name is Pamela Muir. I am the acting deputy minister of the Executive Council Office. Mr. Connell, the deputy minister, is currently out of the territory. With me is Jeananne Nicloux, also a Cabinet policy analyst with the Executive Council Office.

We're pleased to be here today to speak to ECO's role in relation to the performance audit carried out by the Auditor General on government transfers to societies. Government transfers to various bodies and organizations are an important public policy tool to advance delivery of programs and services to citizens. ECO is of the view that having an appropriate and effective policy framework to guide the work of departments in relation to such transfers is essential.

As a central agency, one of the key responsibilities of ECO is supporting the Cabinet governance process by ensuring that government policy and planning are coordinated and effective.

It's also responsible for maintaining and disseminating corporate portions of the *General Administration Manual*, referred to as the GAM, which comprise various internal policies and procedures.

I do think it is fair to say that, as government is evolving, there is a new collaborative relationship between ECO and the Department of Finance. While ECO maintains its overall responsibility for supporting Cabinet governance and coordinated policy and planning and decision-making across government, Finance is actively now taking the lead for corporate financial matters, and Executive Council Office and Finance are working closely to provide leadership on oversight on these matters in order to support effective and financially sound government decision-making. That is a new relationship that we are very happy to have.

As you will know, there are two recommendations in the audit report that relate to ECO. These are recommendations 31 and 84. Just by way of brief background, as I am sure Committee members are all aware of this, an NGO funding policy was approved in 1998 to guide decision-making processes for funding to non-government citizen groups engaged in delivering community services and programs. That was one of the GAM policies that ECO was responsible for administering.

Following the 2007 report of the internal audit — *Report on the Audit of Contributions* by the government internal services branch — the Department of Finance created the government transfers policy in section 5.9 of the *Financial Administration Manual* — FAM. So that policy is more detailed than the 1998 NGO policy was, and it covered transfers to all societies, not just NGOs.

As pointed out by the Office of the Auditor General in their report, there are some contradictions between the two policies — between the NGO funding policy and the government transfers policy — and it related primarily to some definitions and certain types of funding that is permitted, related primarily to operational or core funding.

In recommendation 31, the Auditor General recommended that Finance and ECO work together to resolve these contradictions, and while the older NGO funding policy has not really been an active source of guidance as it was superseded by the Finance policy, ECO acknowledges that these contradictions need to be resolved.

As laid out in the status update and work plan dated June 12 that was provided to the Committee, ECO and Finance have completed a detailed comparison of the two policies and have agreed that the way to reconcile the contradictions is that the NGO funding policy be revoked in its entirety and that the government transfers policy be amended to clarify some of the concepts that the Auditor General noted needed some clarification. We expect that work will be done by the fall of this year.

With respect to recommendation 84, at the time the government transfers policy was approved in 2008, it was anticipated at that time that there would be a corporate program evaluation policy put in place in response to the 2007 internal audit. As a result, that policy is actually referred to in 5.9, the government transfers policy.

While ECO certainly supports the concept of evaluation and work has been undertaken on a corporate policy, that policy was never established, for various reasons including capacity and resources.

In its response to recommendation 84, ECO indicates its agreement that an evaluation policy that supports a results-based approach to managing government transfers should be created and, as indicated in our work plan and update, ECO and Finance have determined that the policy guidance for evaluating government transfers should reside with Finance. Officials will recommend that the government transfers policy be amended to include this. It is expected that this work will be undertaken over the next year or so with a target of finalizing a policy in the fall of 2018 with implementation and training to follow.

I did just want to make a couple of comments about program evaluations specifically. While there hasn't been a corporate program evaluation policy established, there has been work ongoing in government in relation to that important concept. As mentioned, the government transfers policy will be amended to include evaluation criteria. The Department of Finance will speak to this but, as part of its reorganization, they will be adding an evaluation unit. There are many instances in the FAM or GAM policies where evaluation activities are referenced. There is some legislation that mandates evaluation of policies, and there have been past interdepartmental working groups to discuss and look at evaluation frameworks. There has been training for public servants on evaluation skills. While we acknowledge that there is lots of work still to do on the concept of evaluation generally, there has been some progress on this element of government decision-making.

In conclusion, and as noted in the report, ECO agrees with the recommendations 31 and 84, and work is actively underway by ECO and Finance to address the recommendations.

Ms. White: Good afternoon, Mr. Chair and members of the Committee. My name is Katherine White, and I am the Deputy Minister of Finance. Accompanying me today are Clarke LaPrairie, the assistant deputy minister of Financial Operations and Revenue Services, and Tina Frisch, our Comptroller.

We are pleased to appear before the Public Accounts Committee to respond to the performance audit conducted by the Office of the Auditor General of Canada on government transfers to societies. Government transfers, as mentioned, are an important public policy tool used to advance delivery of government programs and services. Government transfers totalled just over $340 million, or approximately 28 percent of all expenses in 2015-16 — our last fully audited financial statements.

As stated in the audit report received for the period covered by the audit, transfers to societies represented approximately 12 percent of all transfers at roughly $40 million annually. The Department of Finance is pleased with the conclusion that the department is conducting sufficient monitoring to identify and report on matters of non-compliance. We are also pleased by the fact that the audit only yielded one recommendation for the department, although we will be assisting on two. We are currently in the process of addressing that recommendation and the second that we will be following up on.

We see these facts as a testament or affirmation that our past efforts in regard to managing transfers have had positive impacts. In comparing this audit with the 2007 internal audit on contributions that the Office of the Auditor General references, the difference is startling. That audit had 59 recommendations, many of which were quite serious in nature. There is often a common theme with internal or performance audits. These audits often identify that there are areas of non-compliance with various policies or procedures, not because of malicious intent, but because of systematic root causes in areas such as lack of clarity of policy direction, inadequate systems and reporting tools and/or poor training.

After the 2007 report, the Department of Finance created the transfer payment policy that resides in section 5.9 of the *Financial Administration Manual* — the FAM. The policy was written partly to address issues found in the 2007 internal audit. The policy incorporated best practices of the day, which at the time were articulated in the themes contained in the 2006 Independent Blue Ribbon Panel on Grant and Contribution Programs created by the federal government of the day.

Working with the Department of Justice, we created standardized transfer payment forms and terms and conditions. Working with the Department of Highways and Public Works, we created a centralized system to create and host those transfer payment documents. The system has improved the department's ability to manage, track and report on matters related to transfer payments. These efforts have paid dividends. We have seen greater consistency in the application of the transfer policy than existed prior to these changes. That said, we do recognize that there is still some work to be done.

As a central agency, we have a critical role to support line departments in their efforts to run their programs. We'll be recommending amendments to FAM 5.9 to provide clarity on terms identified in this audit as confusing, such as what it means for a society to be in good standing. We will also provide guidance regarding evaluation criteria for transfers.

Finally, I would like to take this opportunity to mention part of our department's reorganization. As I mentioned, audits such as this one often identify issues or problems that have root causes in either lack of clarity with respect to policy or deficiencies in training. That is why, as part of our restructuring, we are narrowing the scope of the comptroller's office — in part, to allow for more focus on financial policies, whether contained in the *Financial Administration Manual*, directives, regulations, or the *Financial Administration Act* itself. Additionally, this more focused comptroller's office will have added resources to provide guidance and training on financial processes and procedures government-wide.

In addition to the changes to the comptroller's office designed to improve policy, processes and procedures, we will be adding an evaluation unit in the Economics, Fiscal Policy and Statistics branch of the department. There are still many details to work out with respect to establishing an evaluation unit. What I can say now is that, while this unit will not be solely focused on transfer payments, we expect the capacity that will be developed by the formation of this unit will enable departments to better fulfill their responsibilities to implement results-based programs. In other words, the evaluation unit should complement the efforts of the comptroller's office to help address the key findings contained in this performance audit. We agree that application of policy should be consistent and that effective systems and practices support good management of government transfers. We have made significant progress in these areas in the past, but we accept that there is still a lot of work to be done and we are committed to undertaking that work.

Thank you, Mr. Chair.

Chair: At this time, we'll move into the question portion.

As the Office of the Auditor General examined policies regarding government transfers to societies, they found in paragraph 20 of the report that "… the policies for managing government transfers to societies contained concepts that were contradictory or undefined." While the Government of Yukon raised contradictions in terminology as an issue in its 2007 internal audit, the OAG reported in paragraph 20 that this issue had not been resolved. Could you tell the Committee why so much time elapsed without corrections being made?

Ms. Muir: Yes, thank you, Mr. Chair. I think, as was mentioned, the 2007 audit report had a number of recommendations in it.

Since that time, 50 of the 59 recommendations have been addressed. There was a focus on that. As well, the contradictions between the NGO policy and the government transfers policy — we were of the view that the NGO policy was superseded by the financial policy and really wasn't a guidance tool, but recognize that removing the contradiction is what should be done, and that's what we'll be recommending. I think the focus was on getting the government transfers policy in place and working. That's the reason why.

Chair: Can you tell us what action is typically taken following internal audits?

Ms. Muir: Following an internal audit, the departments that participated in the audit have an opportunity to review the audit report and provide what we call a "management response" to each recommendation made in the internal audit report. That management response can accept the recommendation, provide a context to the issue or provide other sorts of information that the department feels is relevant. Then the deputy minister who signs the management response attends the audit committee, which is established under our internal audit policy, to present the management response and make commitments to implement recommendations by a certain date. The report, including the management response, is then posted on the Government of Yukon website. That's typically what happens.

Chair: Thank you. And do you feel that those steps were taken in regard to this internal audit?

Ms. Muir: As I understand it, that was done. The audit was posted. The follow-up reporting on the audit, the second phase of the internal audit, was done in, I believe, 2010 and was posted. As I said, 50 of the 59 recommendations in the internal audit report were acted upon, so that was where the focus was but there are these remaining items that will be attended to.

Chair: Can you also tell us how progress on internal audit's recommendations is tracked?

Ms. Muir: Once a report is approved by the audit committee, the internal branch — the internal audit report — follows up on the implementation of the recommendations twice a year until the due date. They make regular reports to the audit committee on internal audits to provide information about how well government is doing against its own yardsticks. As I mentioned, there was a 2010 follow-up report on the government internal audit report on the contribution agreements report.

Follow-up audits — they do involve two phases. Phase 1 is usually carried out about a year after the report, where the internal auditor gathers information on the status of the corrective actions, and then phase 2 is two years or more afterward with a follow-up report, and that's what happened in this case. The 2010 report was the follow-up report.

Mr. Gallina: Thank you, Mr. Chair, and thank you to the department officials who have joined us here today.

The two policies that departments use for government transfers to fund societies are the 1998 NGO funding policy in the *General Administration Manual* and the 2008 government transfers policy in the *Financial Administration Manual*. In paragraph 31, the OAG recommended that the Department of Finance and the Executive Council Office should work together and consult with other departments as necessary to review the 1998 NGO funding policy in the *General Administration Manual* and the 2008 government transfers policy in the *Financial Administration Manual*. They should resolve contradictions in the policies and define key policy concepts.

So has Finance and the Executive Council Office reviewed the 1998 NGO funding policy and the 2008 government transfers policy to identify contradictions and define key policy concepts?

Ms. Muir: Yes, that work has been done. It was done in April. It was completed in April.

Mr. Gallina: Can you elaborate on the review that took place in identifying the contradictions and defining the key policies?

Ms. Muir: Yes, officials from ECO and the Department of Finance did a detailed review of the two policies — sort of a side-by-side kind of review — to identify where there were contradictions, where there was overlap, et cetera, and the determination was made that the best course of action was to recommend that the NGO policy — the older policy — be revoked in its entirety and that some amendments be made to the government transfers policy to clarify the definition — things like what "good standing" means and that sort of thing — and to clarify the contradictions around what operational funding is, what core funding is, and when they can be used.

Mr. Gallina: Ms. Muir, in your opening statements, you talked about this new collaborative relationship between ECO and the Department of Finance. I wanted to know more on how the effectiveness of this evolving relationship will be measured. Can you speak to that?

Ms. Muir: Well, that's a good question. I suppose in any number of ways — through sound, financial management according to clear policies, and things like government planning for activities, which will be tied to budget cycles, and so Finance and ECO are working closely on that front. Those are two immediate examples that come to mind.

Ms. Hanson: So we're going to go back to paragraph 31, which, as we know, was where — as Mr. Gallina pointed out — the Department of Finance and Executive Council Office agreed they should work together and consult with other departments as necessary to review the 1998 NGO funding policy in the *General Administration Manual* and the 2008 government transfer policy in the *Financial Administration Manual*. They should resolve contradictions in the policies and define key policy concepts.

Both of you have agreed to that. We've heard from Ms. Muir that the review was done and completed in April of this year. Ms. White, you said that the target of finalizing a policy for the government transfers policy is still the fall of 2018. I guess our question is: Is this adequate? It was in the response from the Department of Finance to the Auditor General: "We anticipate that this initiative will be completed by November 2018, subject to how it is prioritized in relation to other initiatives."

My question is: Is this adequate and does it imply that the Department of Finance may decide not to do it by next November 2018?

Ms. White: I thank the member for the question. The Department of Finance does believe that the target of November 2018 is sufficient time to address the recommendations found in paragraph 31, namely, to resolve contradictions in the policies and to define key policy concepts. As was mentioned in the opening remarks, the transfer payment policy has generally worked well, with a few exceptions — the main exception being the conflict with the *General Administration Manual* policy related to NGO funding. This conflict will disappear by repealing that outdated policy and the report points out a few areas where definitions could be clearer, such as: What does it mean for a society to be in good standing? These issues can be dealt with in the suggested timeline.

The language about priorities just reflects the decision-making processes of government. Typically it is the departments' public servants who respond to performance audits, but ultimately it is the government that must direct priorities. So at the time, the deputy ministers were making timing-based commitments. We were anticipating a territorial election may or may not result in a change in government, so the language simply reflects the need to recognize the new priorities of an incoming government.

I do want to reaffirm that the Executive Council Office and the Department of Finance are committed to implementing the recommendations of the audit within the time committed. However, certain aspects of implementing the recommendations of the audit require Cabinet and Management Board approval and cannot be completed independently by the departments.

Ms. Hanson: Thank you for that. In the development of the new policy work, is it the intention — the outcome of that — is it an incorporation of the 1998 policy into the 2008 — into making one policy? So it is being incorporated to create a 2008.2 or whatever, or what is it?

Ms. White: Thank you, Mr. Chair. It is our intention to beef up, if you will, the FAM 5.9 policy — so to only have one policy remaining — and I don't want to add a point-anything on because there is actually quite a number of subsections in that policy. But it would be, as you described, transfer policy 2.0, if you would, yes.

Ms. Hanson: Ms. White, you said in your opening statements that in working with the Department of Justice, the Department of Finance created standardized transfer payment forms and terms and conditions, and created a centralized system to create and host those transfer payment documents. That was to improve — or the system has — so it is past tense — improved departments' ability to manage, track and report on matters related to transfer payments.

So my question is: What oversight role has the Department of Finance played with EMR, Community Services and Economic Development as they have developed their response to the Auditor General's report? This morning, we heard a lot about risk assessments. We saw piles of forms being developed independently in departments. There is an understanding that they are in compliance with the transfer payment management system.

What role has the Department of Finance played in the development by those departments of their responses to the Auditor General's recommendations?

Ms. White: We have reviewed the checklist, the decision trees and the guidance documents that the three departments have developed independently to ensure that they comply the best way they can with the FAM 5.9, and that is our standard practice. We are happy to review any additional measures that departments put in place, as the three departments the member mentioned have done. We do plan on taking the results and reviewing how those are working with the three departments in addition to any additional external guidance that may come from the federal government, as it did before with the blue-ribbon panel report or any other external or internal group, and look to provide more policy clarity, as we have committed to by the fall of 2018, on evaluation criteria. We have reviewed all those checklists and decision trees to ensure, in our view, that they do comply with FAM 5.9, the overarching transfers policy.

Mr. Adel: Welcome everyone — good to see you here today. I have some questions for Finance and for ECO. I'll start with Finance.

You'll have to bear with me — some of this might be a little bit repetitive, but that's just what we're here to do. How has Finance worked with the departments to create a government transfer agreement checklist and self-assessment worksheet for staff to use? I'm not talking about the overarching — I'm saying, okay, do this, do this, do this — is that the type of approach you took, or was it just, see what they gave you and make recommendations?

Ms. White: Thank you for the question. Our Policy and Compliance unit in Finance does spend a considerable amount of time and effort trying to assist departments in ensuring they can administer a corporate policy, such as the government transfers policy, in a fashion that addresses the unique needs of each department and their programs. To your specific question, we reviewed what they came up with, because the policy is quite clear that departments are responsible for implementing their own policy, and we don't tend to take an overarching, top-down method, but we do work in a collaborative manner with departments to ensure what they come up with is compliant.

Therefore, there are several departmental checklists, as you heard this morning, that we have assisted in the development of. We do have a system for showing transfer payments that is fully integrated into our financial systems. Concurrent to the policy work we are undertaking, we will explore the feasibility of incorporating some of this functionality into a corporate system. Where things have commonality — like we heard in the checklists that were used this morning — we would look at embedding that right into the system, because that can sometimes be preferable to stand-alone worksheets, and you can't proceed if the system doesn't let you unless you have fulfilled those requirements.

What we don't want to do is cause an undue burden on departments or, ultimately, Yukoners who are the recipients of the services provided for by these transfer payment agreements.

Mr. Adel: What is the status of working with ECO to conduct an internal scoping of the possible changes and approach?

Ms. White: We have submitted our work plan to the Public Accounts Committee. As was stated earlier, I think it clearly indicates our initial scoping.

For the record, we have identified the phased approach allowing for quick wins, if you will. First, Finance and ECO expect to recommend to Cabinet to revoke the GAM 1.16, the NGO funding policy that was referenced earlier that conflicts with FAM 5.9, the transfer policy. This will obviously eliminate any conflicts and make it clear that transfers to societies should follow the same rules and procedures as all government transfers. In roughly the same timeline, we'll recommend to Management Board revisions to the transfer payment policy that will clarify the key concepts that were identified in the Auditor General's report as being ambiguous to some. After that, we expect roughly a year or more of comprehensive work to identify how evaluation policy can incorporate a more robust results-based approach.

Mr. Adel: Last question — it will just be a short one, because I think we've covered a lot of it. You said the status of work being done to policy changes in the development of the implementation plan will be fall of 2018, you anticipate?

Ms. White: For clarity, we have committed that, by fall 2018, we will have resolved all the conflicts mentioned and we'll have recommended that the GAM be revoked, yes.

Mr. Adel: We'll move over to ECO. What is the status of the work being done to conduct an initial scope of possible changes in approach?

Ms. Muir: That work — the initial scoping has been done and it was completed in April.

Mr. Adel: What is the status of consultations on where the evaluation function for this policy will reside?

Ms. Muir: The consultations are complete and the decision has been made at the departmental level that it will be in Finance.

Mr. Adel: What is the status of any policy changes in the development and implementation of the plan?

Ms. Muir: The policy changes to the NGO policy will be recommended by the fall — the revocation of that policy. At that time, it's hoped that some early changes to the FAM will be recommended to Management Board to clarify some key concepts. Then, within a year following that, amendments to the FAM to deal with the evaluation piece will be done. So it's that sort of phased approach Ms. White referenced.

Mr. Cathers: Thank you to all of you for coming here this afternoon. I have a few questions. You've answered some already so I'm going to skip a couple of questions here.

There was reference in the Auditor General's — a reference in paragraph 75 — noting that the Department of Community Services didn't always assess and document whether objectives of transfers had been met, and it also noted the Executive Council Office has not developed a corporate evaluation policy to allow departments to measure results at the program level.

Now, if I understand correctly — and please confirm for the record that I'm correct in understanding what you stated earlier — I understand that initial work on an evaluation policy and scoping out the work plan for development of that was done by April 1 of this year and you plan to implement that then by November 2018.

Is that correct? If so, can you advise whether the work plan itself has received or requires Cabinet approval?

Ms. White: I can confirm that the member's statements are correct. We do intend to implement an evaluation policy by fall 2018. So all recommendations by fall 2018 will be contained in the Department of Finance, and yes, would require Management Board and/or Cabinet approval.

Mr. Cathers: I had a question just following up on the question of Mr. Adel. So the location of the evaluation function for this policy — I understand that you've indicated the decision has been made at a departmental level of where you would like to see the evaluation function housed — that being in the Department of Finance. Does that decision still require approval by Cabinet and/or Management Board before it's finalized or have you received confirmation that that indeed will be where it is located?

Ms. White: Thank you for the question. We have received confirmation from Management Board and Cabinet that the evaluation function will reside in Finance. That was done through the budget for 2017-18. Some of the new positions that were debated in the Legislature in the Department of Finance are for this evaluation unit that will be housed in the department.

Mr. Cathers: I understand that there is still some work outlined under the work plan that you referenced but are you able to give us any more information at this point in time about what the key elements of a results-based approach to evaluating government transfers are likely to be?

Ms. White: Thank you for the question. The key elements are actually at a very high level — not sufficiently — but are at a very high level articulated in FAM 5.9.5.2 which is titled "Results-based, risk-based and citizen focused approach." It outlines the elements of a risk-based approach such as setting clear responsibilities, clear and logical design and a sound performance measurement plan. The opening statement clearly indicates the key expectations — and I quote: "Departments much use a results-based and risk-based management approach in designing a transfer payment program and drafting a transfer payment agreement, while adopting a citizen-focused approach to managing programs and individual funding agreements."

So at a very high level, those will remain the elements. What remains outstanding is additional clarification and guidance to be developed to assist departments in meeting these very high-level requirements. At this point, we do still plan on maintaining those very high-level elements, but fleshing out for the departments — what those look like — and working with some of the changes that have been implemented by three of the early adopters that you heard this morning of a more stringent results-based approach.

Performance measurement will certainly be a key element of that, and creating clear objectives will also be a key element. It is very hard to measure whether you have met your objectives if the objectives were not clear to start with.

Mr. Cathers: Am I correct in understanding that the plan to amend 5.9 — subject of course to Cabinet approval —

is to put in place additional performance measures within that structure?

Secondly, if that is correct, is there — at this point in time where I may be getting further ahead than you have gotten in terms of planning — but are you envisioning the policy evaluating performance differently for the different types of NGOs? What I am referring to primarily is that it seems to me that there are three basic types of NGO funding agreements. I am blending together the wide range of categories, but there are some areas where government has an ongoing annual funding agreement with service delivery NGOs. I will give examples of that — of organizations like Challenge, Many Rivers, Kaushee's Place, Help and Hope — those types of entities that, while the funding agreements themselves in some cases may require annual approval, the nature of government's relationship with those NGOs tends to be one of an ongoing service.

The second main category that strikes me in terms of government funding for NGOs is those that may be frequent or repeat but are not necessarily an ongoing service delivery relationship — or perhaps I should amend that first category to note service delivery includes things like ongoing contributions to sporting entities.

The third category that I would personally classify it into would be then those more one-time agreements that might occur more than once, but are effectively a one-off project application or a funding application through measures such as CDF.

Circling back, my question after that fairly long explanation is: Are you envisioning the policy evaluating those transfer agreements and contracts differently because of either the categories I listed or some other classification or largely evaluating them all in the same sort of manner despite differences between those categories?

Ms. White: Again, I will thank you for the question. You have articulated the challenge in having a corporate policy that applies to small, medium, large and everything in between quite well. We don't envision having departments use standard performance indicators or standard policy as a one-size-fits-all solution. We have what we would call a "principle based" policy in the transfer payment policy. As you have identified, there is no one indicator that can range with — you know, activities that range from hosting an event to client-focused services.

So what we would be looking at now would be giving guidance in these types of situations. We hadn't broken it down in exactly the way that has been identified, but certainly the complexity of the transfer payment agreement, which is I think what you were alluding to, with the three categories is something that we will consider in developing that policy and providing additional guidance to departments, because it is not our intention to add more bureaucratic paperwork to ourselves, to our partners in departments or to the societies to benefit from funding and, in turn, provide services or other activities for Yukoners at large.

We would certainly be looking at varying levels of complexity in terms of measurement, not unlike what you heard from Community Services this morning in their checklist, where they look at many of the elements that you described in your question, sir. We are not planning on coming with a top-down "thou shalt" in all circumstances. We are planning on having something that is flexible enough to work for all departments going forward.

Ms. Hanson: Thank you, Mr. Chair. I just have a two-part follow-up with respect to the response that was given when the question was asked about the status of policy changes and development and implementation of plans.

This afternoon, in the opening remarks, we heard that government transfers totalled over $340 million — about 20 percent of the budget — and 12 percent of all transfers are to societies, equalling about $40 million. So I look at the audit, which was tabled in the Legislature in March 2017, and knowing that departments — the Department of Finance and ECO — responsible for these overarching policies have worked with the Auditor General for a number of months preceding that and have agreed to these recommendations many months before the report was tabled, my question is: Why does it take 20 months from when it is tabled to actually see a resulting policy? Twenty months — so if you go backward, we're talking about numerous years by then. So that is one question and the second part of that question: Given that November 2018 is the target now, as stated and agreed to, what is the target for rolling out the actual implementation plan and the commencement of training on this new policy?

Ms. White: All phases of the recommendations will be completed by fall 2018. The first phase — and I apologize for my lack of clarity in my previous answer — as my colleague, Pamela Muir, has stated, will be completed this fall. So the first phase of eliminating the duplication and providing some clarity of definitions will be done by this fall and the evaluation policy will be the following fall. One of the reasons that it takes so long is that it does take a little bit longer to develop a robust policy and test it than it does to do the initial phases of the work plan that we have indicated.

As I said in my opening statement, we tried to take a phased approach that would pick up the low-hanging fruit first and get rid of the contradictions.

As has come through in many of the questions so far, the evaluation policy is rather complex because we are dealing with everything from hosting an event to maybe providing counselling services to folks. The other major project that we have happening in the Department of Finance is the reorganization that will address some of the concerns that have been identified. One of the reasons for the timing delay is also to build and gain support for that reorganization and to ensure government was on board with that plan moving forward.

Mr. Cathers: I just have a follow-up question on that, in thinking of the types of transfers. I don't know if I'm asking a question that you may not have gotten to the stage of being able to answer, but when it comes to an evaluation policy for transfers, how do you foresee evaluating the success of a contribution to an NGO that originates from a political commitment? For example, hosting the Arctic Winter Games, which is primarily a political-level decision, or I'll give an example of one that — we, prior to the last mandate, had made a specific commitment to increase funding for the Fireweed Community Market. How do you set in place useful evaluation criteria to determine whether the objective has been met when the decision was based on a platform or other political commitment made by government?

Ms. White: Regardless of the source of the commitment or what started the initial dialogue with the society that will be carrying out whatever function is deemed appropriate between the two parties, the objectives have to be worked out between the public service and the transfer payment agreement recipient. The way that we envision holding to account, or evaluating whether the objectives have been met, is by being very clear about what those objectives are as we sign, or as we ink, the transfer payment agreement, if you will.

It would be unacceptable in a transfer payment spot check if the Department of Finance found political commitment in the objective line. That would not be sufficient to meet the FAM 5.9 criteria. Again, just to be clear on the answer, it's through clear objectives contained in the actual funding agreement that we're able to evaluate the success of the transfer payment.

Mr. Hutton: My colleagues have done such an excellent job asking questions, and the witnesses across have done a marvellous job of answering them, that all the questions I had have been answered at this point. Thank you very much for your appearance here this afternoon.

Chair: Are there any other questions from any other Committee members?

With that, I will thank you very much for your time here today. I appreciate your work and honesty in answering the questions. We will reconvene tomorrow morning at 10:00. Thank you very much.

The Committee adjourned at 2:23 p.m.