



Report of the Auditor General  
of Québec  
to the National Assembly  
for 2017-2018

Highlights

Spring 2017

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**Courtesy Translation**

The original version, published in French, takes precedence.

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# Observations of the Auditor General, Ms Guylaine Leclerc

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In the first chapter, the Auditor General comments on improvements made to the process for following up on the implementation of performance audit recommendations. A summary of the content of the other chapters of the volume is also given.

Note that the text of Chapter 1 is not translated into English.

## Highlights

### Work Objectives

The Autorité des marchés financiers regulates Québec's financial sector. To this end, its mandate includes performing inspections and investigations of companies in the securities and insurance sectors. The Autorité also administers the Fonds d'indemnisation des services financiers put in place to compensate consumers who are victims of fraud, fraudulent tactics or embezzlement.

The objective of our work was to obtain the assurance that the Autorité:

- carries out its inspection and investigation activities based on appropriate intervention strategies;
- has relevant management information in this regard;
- diligently manages activities related to the Fonds d'indemnisation des services financiers.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).  
(in French only).

### Audit Results

The following are the principal findings of our audit concerning the control activities performed by the Autorité des marchés financiers and the Fonds d'indemnisation des services financiers.

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**The intervention strategy and the follow-up on irregularities observed during inspections differ depending on the activity sector.** In the securities sector, the approach used by the Autorité generally allows it to ensure reasonable coverage of companies. However, for the insurance sector, it does not have the tools and all the information necessary to properly target its interventions based on risks. Furthermore, its process for following up on irregularities observed in this sector during inspections should be improved.

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**The process currently in place within the case assessment branch makes it possible to target and prioritize reports based on risks. However, the Autorité has difficulty meeting the deadlines it has set for itself to process investigation files.** The management information at its disposal does not enable it to easily ascertain the causes of long delays and accordingly take the appropriate measures to reduce them, as needed.

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**The Fonds d'indemnisation des services financiers does not fully play its role, that is, to compensate victims of fraud in the identified disciplines.** Over the years, the situation has not been corrected despite all the questions that have been raised in relation to the limiting effect of the eligibility criteria. In 2015-2016, for example, just one person received compensation, in the amount of \$50,000, while administrative costs were approximately \$1.2 million to analyze the 34 claims for compensation made that year.

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**Claim processing times are long.** For the period from 2011-2012 to 2015-2016, processing times exceeded the target of 300 days set by the Autorité in 56% of cases, and 52 claims took more than 600 days to process.

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## Recommendations

The Auditor General has made recommendations to the Autorité des marchés financiers. They are shown to the right.

The audited entity had the opportunity to comment on the report; its comments can be found in the *Commentaires de l'entité auditée* Section.

We want to point out that it accepted all the recommendations.

Recommendations to the Autorité des marchés financiers

- 1** Make sure to finish implementing its intervention strategy for companies in the securities sector headquartered outside of Québec.
- 2** Establish a better risk profile of companies distributing products and services within the insurance sector to inform its intervention strategy accordingly.
- 3** Improve follow-up of irregularities observed following inspections in the insurance sector.
- 4** Develop indicators that make it possible to assess its performance with regard to its inspection interventions in the securities and insurance sectors and that take into account the specific aspects of these sectors.
- 5** Perform inspections on the Chambre de la sécurité financière and the Chambre de l'assurance de dommages in a timely manner to maximize the usefulness of the observations and recommendations.
- 6** Oversee and structure the mechanism for following up on corrective measures with the Chambre de la sécurité financière and the Chambre de l'assurance de dommages to ensure that the deficiencies deemed significant are properly corrected within a reasonable time frame.
- 7** Have all relevant management information to analyze the processing times of investigation files, including to implement, if applicable, the corrective measures required to reduce them.
- 8** Ensure that the Fonds d'indemnisation des services financiers operates in such a way as to fully play its role, that is, to compensate victims of fraud, fraudulent tactics and embezzlement in the identified disciplines, and secure the collaboration of the competent authorities as needed.
- 9** Ensure that the information available to consumers is more relevant and easy to understand, to verify whether the financial product or service they wish to acquire may be claimed for compensation from the Fonds d'indemnisation des services financiers in the event of fraud, fraudulent acts or embezzlement.
- 10** Establish a mechanism for reviewing decisions related to claims for compensation prior to the use of legal recourse.
- 11** Take the necessary measures to make claim processing times reasonable based on the nature and complexity of the claims.

## Highlights

### Work Objective

Thousands of sites have been contaminated in Québec, and many still are. The contaminants they contain may have adverse environmental and health effects.

The purpose of our audit was to determine whether the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) effectively and efficiently ensures that contaminated land is rehabilitated in compliance with regulations and in a sustainable development perspective.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca). (in French only).

### Audit Results

The following are the principal findings of our audit concerning contaminated land rehabilitation.

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**The MDDELCC is late in proposing the necessary regulatory amendments and making the appropriate corrections to guidance documents.** The Department monitors advances in knowledge and good practices. However, regulations and guidance documents relating to contaminated land rehabilitation are not always up to date with the Department's current knowledge.

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**The measures taken are not sufficient to ensure land's characterization within the time prescribed upon the permanent cessation of an activity designated by regulation.** However, it is based on the results of this characterization that the Department will know whether the person responsible for a site must rehabilitate it.

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**Once the characterization study is received, the analysis and control mechanisms implemented by the MDDELCC are not consistent and do not make it possible to ensure that the land rehabilitation process is conducted in accordance with regulations.** In particular, delays have been observed in applying for registration of contamination notices in the land register, carrying out rehabilitation work and transmitting experts' certificates on this work to the Department.

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**The Department does not properly manage the expert certificate mechanism.** Yet, the network of experts created under the *Environment Quality Act* is an important resource that ensures the quality of the contaminated land rehabilitation process. Furthermore, for two thirds of the certificates we examined, the expert certified the compliance of their own work. There are therefore conflicts of interest that raise doubts about the conclusions of these certificates.

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**For the cases that do not meet the requirements of the *Environment Quality Act* that we noted in the examined files, the Department has submitted few notices of non-compliance and has not imposed any monetary administrative penalties.** There is therefore a risk that legal provisions pertaining to contaminated land rehabilitation are considered to be of little importance when they must be applied by the person responsible for a site.

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## Recommendations

The Auditor General has made recommendations to the MDDELCC. They are all shown to the right.

The audited entity had the opportunity to comment on the report; its comments can be found in the *Commentaires de l'entité auditée* Section.

We want to point out that it accepted all the recommendations.

### Recommendations to the Department

- 1 Update the guidance documents related to contaminated land rehabilitation in a timely manner and propose the necessary regulatory amendments.**
  - 2 Implement measures so that the characterization study required by law is carried out within the time prescribed upon the permanent cessation of an activity.**
  - 3 Standardize the processing of files and implement analysis and control mechanisms to ensure compliance with regulations, particularly with regard to deadlines.**
  - 4 Strengthen the process for managing certificates provided by experts.**
  - 5 Make sure that experts comply with the requirement of not being in a conflict of interest situation to ensure the certificate mechanism is effective.**
  - 6 Implement the measures provided for in the Environment Quality Act regarding people responsible for sites who do not comply with the Act requirements.**
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## Highlights

### Work Objectives

Over the past 10 years, a total of \$2.1 billion has been spent on silvicultural work, including \$225 million in 2015-2016. Silvicultural work aims to influence the growth, composition, health and quality of forest stands.

The purpose of our audit was to determine whether the Ministère des Forêts, de la Faune et des Parcs (MFFP):

- adequately manages silvicultural work to ensure sustainable forest development;
- takes measures to ensure that planned silvicultural work is carried out at a justified cost, is of good quality and complies with standards and regulations;
- monitors whether completed silvicultural work yields the expected results, quickly adjusts its planning and interventions after assessing the situation and provides adequate reporting.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca). (in French only).

### Audit Results

The following are the principal findings of our audit concerning silvicultural work.

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**Several objectives of the *Sustainable Forest Management Strategy* are unclear.** There are few indicators and targets that specify the expected results and allow to measure whether objectives are met. For objectives related to economic issues, much still needs to be clarified. The national wood production strategy that will define what will be produced and how to produce it is under development; some elements are yet to be defined.

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**The process for selecting silvicultural work does not allow for the best decision making to maximize their benefits.** There is no commitment to undertake all the silvicultural treatments defined as conditions for success; for example, many plantations are not adequately maintained. Economic profitability is rarely taken into account when selecting treatments, while budget allocation is not conducive to the best investments.

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**The knowledge gained from research work, such as research on the impacts of climate change, is not always transferred to decision-makers and taken into account when planning silvicultural work.**

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**The MFFP has not justified the high volume (more than 80% in 2015-2016) of contracts awarded by mutual agreement based on long-term (5-year) agreements for non-commercial silvicultural work.** This justification is especially relevant considering that this process limits free competition and that large amounts are allocated to it (\$120 million).

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**Little information is available about the contracts awarded by Rexforêt for non-commercial silvicultural work.** The process is more transparent when the MFFP awards contracts, since it has to disclose specific information in the Government of Québec's electronic call for tenders system.

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**The MFFP does not know whether the price paid for silvicultural work is the market price.** Too few public calls for tenders are issued to make it possible to revise the fee schedule based on market price.

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**The MFFP does not know whether the silvicultural investments of recent decades have yielded the expected results.** The few efficiency follow-ups performed are insufficient to determine the silvicultural work that should be done for the expected yields to remain realistic. The expected results are apparently not always achieved; according to an advisory opinion of the chief forester covering the period 1994-2013, the plantations have seen mixed success.

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## Recommendations

The Auditor General has made recommendations to the MFFP. They are all shown to the right.

The audited entity had the opportunity to comment on the report; its comments can be found in the *Commentaires de l'entité auditée* Section.

We want to point out that it accepted all the recommendations.

### Recommendations to the Department

- 1** Define indicators and targets that specify the objectives of the *Sustainable Forest Management Strategy* and make it possible to measure whether these objectives are met.
  - 2** Ensure that knowledge from research work, such as research on the impacts of climate change, is transferred to decision-makers and taken into account when planning silvicultural work.
  - 3** Ensure that all silvicultural treatments defined as conditions for success are undertaken to improve treatment success rates.
  - 4** Take into account economic profitability when selecting silvicultural treatments.
  - 5** Allocate silvicultural budgets while taking into account risks and development strategies that maximize wealth creation for society.
  - 6** Justify the volume of contracts awarded by mutual agreement for non-commercial silvicultural work.
  - 7** Ensure that the volume of contracts awarded by public call for tenders favors healthy competition and makes it possible to adjust the silvicultural work fee schedule according to market price.
  - 8** Ensure that the information available about contracts awarded for non-commercial silvicultural work is the same as the information published in the Government of Québec's electronic call for tenders system.
  - 9** Perform the necessary follow-ups to assess whether completed silvicultural work yields the expected results, determine corrective measures and encourage continuous improvement of practices.
  - 10** Report to citizens on the use of invested amounts in silvicultural work and the efficiency of completed work.
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## Highlights

### Work Objective

The purpose of our work was to assess the measures that Revenu Québec has implemented to correct the deficiencies raised during the 2013 audit, which covered the processing of the non-filing of returns at Revenu Québec.

Furthermore, considering the adoption of the *Charter of Taxpayers' and Mandataries' Rights* by Revenu Québec in February 2016, we assessed the way the Charter was considered as part of activities related to non-filing.

The results of the initial audit were published in Chapter 5 of the report entitled *Value-for-Money Audit* (spring 2013).

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca). (in French only).

### Follow-Up Results

Our work covered the eight recommendations that we made in June 2013 and the six recommendations that the Committee on Public Administration (CPA) made to Revenu Québec in December 2014.

**Conclusion.** Revenu Québec has carried out various types of work to correct the deficiencies raised during the initial audit, but there is still much to be done for these deficiencies to be fully corrected. Nearly four years after the filing of the initial report, only two of the eight recommendations we made have been applied (Table 1). As for the six recommendations made by the CPA, five of them have been applied (Table 2).

Revenu Québec has decided to improve the effectiveness and efficiency of its interventions with regard to non-filing by setting up an interdirectorate discussion table. Only in January 2017 did Revenu Québec establish a mechanism for senior management to give official approval of the recommendations proposed by the table.

**Identification and selection of files.** Revenu Québec does not intervene with certain taxpayers and mandataries that fail to file their returns, in particular when profitability is deemed insufficient or when an amount may be owed to them. The underlying principles for the exclusions are not always documented. Furthermore, this practice has not been reassessed to take into account Revenu Québec's strategic directions, which make reference to transparency, fairness and client service.

**Estimative assessments.** Revenu Québec continues to issue corporations a high number of notices of estimative assessment with a minimum value of \$8,000 without justifying this amount.

**Penalties and fines.** Guidelines have been set to apply the penalty for the omission to file to individuals, corporations and mandataries, but the maximum amounts are significantly below the legal limit of \$2,500. The efficiency of these guidelines in encouraging the filing of returns and recovering the amounts owed has not yet been demonstrated. Furthermore, like in 2013, Revenu Québec has not set guidelines concerning fines.

**Management information and reporting.** A lot of work is still needed for the information produced to be useful for management and reporting.

**Recommendations from the CPA.** Revenu Québec submitted to the CPA, within the required time, the reports that the CPA had requested from it on the progress of its action plan.

**Tableau 1** Recommendations from the Auditor General

	Page	Applied	Application in progress		Not applied
			Satisfactory progress	Unsatisfactory progress	
<b>Processing of cases of non-filing</b>					
<b>Management framework</b> Define a management framework for processing the files of taxpayers and agents that fail to file their returns.	11			√	
<b>Identification and selection of files</b> Review strategies and criteria used for identifying and selecting the files of taxpayers and agents to be processed, ensuring that these strategies and criteria better support approaches taken by the divisions.	15			√	
<b>Monitoring requests to file</b> Analyze the process for monitoring requests to file to enable greater efficiency and better coherence between the divisions.	18	√			
<b>Estimative assessment</b> Harmonize the use of estimative assessments and the method used for establishing their value so they lead to conclusive results	20				√
<b>Penalties and fines</b> Define and establish clear guidelines for administering penalties and fines by considering the profitability and their efficiency in encouraging the filing of returns.	22			√	
<b>Management information and reporting</b>					
Establish management information in order to assess the relevance and efficiency of processes and make the required adjustments, if any.	27			√	
Expend accountability contained in the annual performance report by providing information enabling the measurement of progress made toward the objectives for activities related to non-filing.	27			√	
Improve accountability submitted to the Ministère des Finances et de l'Économie so the information is complete and accurately represents the situation, for both current activities and specific projects	31	√			
<b>Total of recommendations</b>		<b>2</b>		<b>5</b>	<b>1</b>
<b>Recommendations for which the implementation of the action plan is satisfactory</b>		<b>25%</b>			

**Tableau 2 Recommendations from the Committee on Public Administration**

	Page	Applied	Application in progress		Not applied
			Satisfactory progress	Unsatisfactory progress	
<b>Harmonization of practices between directorates</b>					
That Revenu Québec harmonize the practices of the branches responsible for cases of nonfiling of tax returns by June 30, 2014.	33			√	
That Revenu Québec examine the possibility of consolidating cases of non-filing of tax returns within a single directorate and convey the conclusions of this examination to the Committee on Public Administration.	35	√			
<b>Reporting in the annual performance report</b>					
That Revenu Québec ensure that the data on the results of ongoing activities related to the non-filing of tax returns is collected and included in its annual performance report. The following data is required: <ul style="list-style-type: none"> <li>■ For each of the three branches and for all directorates: <ul style="list-style-type: none"> <li>– the number of full-time equivalents;</li> <li>– the recovery objective in millions of dollars;</li> <li>– the financial results in millions of dollars;</li> <li>– the results per full-time equivalent in millions of dollars.</li> </ul> </li> <li>■ The rate of receipt for each branch.</li> </ul>	37	√			
<b>Follow-up on the implementation of the action plan</b>					
That Revenu Québec review its action plan in order to set a deadline for each action.	38	√			
That Revenu Québec present, by January 31, 2014, a status report on the progress of the implementation of its action plan.	38	√			
That Revenu Québec present, by June 30, 2014, a final report on the implementation of its action plan.	38	√			
<b>Total of recommendations</b>		<b>5</b>		<b>1</b>	
<b>Recommendations for which the implementation of the action plan is satisfactory</b>		<b>83%</b>			



## Highlights

### Work Objective

The Auditor General has updated its follow-up process on the implementation of recommendations to promote a rise in the implementation rate of its performance audit recommendations.

This chapter represents one of the main changes made to the Auditor General's reporting with regard to the follow-up on the implementation of recommendations.

The first part presents the new process in effect as of November 2015.

The second part gives an overview of the follow-up on the implementation of the Auditor General's recommendations since the introduction of this new process. It presents the results related to:

- the quality of the action plans produced by the audited entities;
- the implementation of recommendations made by the Auditor General and the Committee on Public Administration.

The Report is available at [www.vgq.qc.ca](http://www.vgq.qc.ca).  
(in French only).

### Work Results

The following are the principal findings concerning the follow-up on the implementation of performance audit recommendations for 2016-2017.

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**The percentage of the action plans received from the entities that comply with the Auditor General's requirements was 81% (30 out of 37), whereas the strategic plan target was 70%.** Main areas for which improvements were sometimes needed concern the relevance and sufficiency of actions as well as their corresponding indicators. Some entities improved their action plan during the first year of its implementation to address our concerns, which is very positive.

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**A little over 80% of the recommendations of the Auditor General that were followed-up were implemented or showed satisfactory progress, whereas the strategic plan target was 65%.** This rate is much higher for the annual states of progress (96%) associated with the new process than for the simplified follow-ups after three years arising from the old process (78%) and the detailed follow-ups (55%). This leads us to believe that we made the right decision in changing the follow-up process to favour an annual follow-up.

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**With regard to the results related to the annual states of progress, 7 out of 103 recommendations were implemented, whereas progress was deemed satisfactory for 92 recommendations whose implementation was in progress.** The entities must therefore stay the course over the next two years so they can complete the actions undertaken and maintain a high implementation rate.

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**The implementation rate of recommendations of the Committee on Public Administration that were followed-up by the Auditor General was 71% (25 out of 35).** This rate was 65% for simplified follow-ups and 80% for detailed followups.

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## Significance of the Logo

**An easy-to-recognize building**, the Parliament, where the National Assembly sits. It is this authority which has entrusted the Auditor General with its mission and to which it reports.

**Three dynamic lines**, illustrating:

- the three types of audits carried out by its staff, namely financial audits, audits of compliance with statutes, regulations, policies and directives, as well as performance audits;
- the three elements that are examined during performance audit work: economy, efficiency and effectiveness;
- the three fields—social, economic and environmental—related to the stakes concerning sustainable development.

A truly distinctive sign, the logo of the Auditor General clearly illustrates that this institution, which is in constant evolution, aims to assist elected members in their desire to ensure the sound management of public funds, for the benefit of the citizens of Québec.



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was produced by



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