



REPORT OF THE AUDITOR
GENERAL OF QUÉBEC
TO THE NATIONAL ASSEMBLY
FOR 2018-2019

June 2018

HIGHLIGHTS



Cette publication
est rédigée par le



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Highlights

Work Objectives

In 2016-2017, the Commission managed \$21.2 million in annual revenue, almost all from Government of Québec subsidies (\$19.5 million). Recently, the government entrusted the Commission with managing large-scale projects estimated at over \$190 million.

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

- the mechanisms in place promote good governance of the Commission's activities and the achievement of its mission;
- the Commission manages the specific areas related to its material and financial resources (contracts, projects, events and asset maintenance) in an economical and efficient manner in accordance with regulations.

The Report is available at www.vgq.qc.ca (in French only).

Audit Results

The following are the principal findings of our audit concerning the Commission de la capitale nationale du Québec.

The operation of the Commission's board of directors does not enable it to fully perform its governance role, which affects the Commission's activities.

The Commission does not have a long-term vision for the development and planning of Québec's national capital. Its strategic planning remains in its embryonic stage. It regularly postpones planned projects without adequate justification.

The Commission lacks rigour in the management of the examined projects. Needs assessments are inadequate, budgets are regularly modified, and official agreements are generally signed after the start of projects.

Concerning contract management, the Commission often contravenes applicable regulations and sound practices. It does not obtain the assurance that it is getting the best price, signs its contracts late (during or after the work) and underutilizes the Government of Québec's electronic call for tenders system (SEAO).

The Commission does not have an exhaustive assessment of the state of its patrimony. Its asset maintenance plan is haphazard. It puts the state and use of its sites, some of which are heritage sites, at risk, and increases their preservation costs.

Some of the Commission's management practices are deficient, particularly events managed at the Domaine Cataraqui.

Recommendations

The Auditor General has made recommendations to the Commission de la capitale nationale du Québec. They are all shown to the right.

The Commission de la capitale nationale du Québec 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 board of directors of the Commission

- 1** Review its governance policies in order to better play its due role, in compliance with sound management practices.
- 2** Rule on the management information it must obtain, in particular by specifying the type of information sought, the desired frequency of receipt and the deadline.

Recommendations to the Commission

- 3** Ensure that the board of directors receives sufficient information in a timely manner so it can adequately perform its role.
 - 4** Adopt a long-term vision of what Québec's national capital should be in collaboration with its main partners.
 - 5** Ensure that its strategic planning and resulting action plans are aligned with its vision and include measurable objectives, indicators and targets, and that the results are reported on.
 - 6** Ensure that each project is rigorously managed, particularly with regard to needs and risks assessments and obtaining prior authorizations.
 - 7** Comply with applicable regulations and sound management practices when awarding contracts, and ensure that the departments' roles and responsibilities related to the contract management process are well understood and fulfilled.
 - 8** Periodically draw an overall portrait of the state of infrastructures and buildings under its responsibility in order to be able to prioritize the interventions to be completed, adequately justify, as needed, the rescheduling or abandonment of planned interventions, and report to the board of directors.
 - 9** Ensure the use of good management practices in the operation of its sites during events and in the administration of its activities.
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Highlights

Audit Objectives

The construction industry is an important economic sector in Québec. In 2017, investments in this sector reached \$44 billion.

A large part of this industry (approximately 63%) is governed by the *Act respecting labour relations, vocational training and workforce management in the construction industry*, commonly called Act R-20. This industry comprises approximately 26,000 businesses and 157,000 active workers.

Under this act, the responsibilities of the Commission de la construction du Québec include ensuring the qualifications of the workers of this industry. Furthermore, all workers carrying out activities subject to Act R-20 must hold a competency certificate.

The objective of our audit was to obtain the assurance that the CCQ takes the means to ensure the qualifications of the workers of the construction industry.

The Report is available at www.vgq.qc.ca (in French only).

Audit Results

The following are the principal findings of our audit concerning qualifications of the workers of the construction industry.

The means chosen by the CCQ to ensure the qualifications of workers are limited and could be improved. Moreover, deficiencies were observed in the administration of the conditions governing eligibility for and the issuance of competency certificates.

Currently, the CCQ's primary means of ensuring the qualifications of the workers of the construction industry is the journeyman qualification examination. Once workers have entered this industry as journeymen, with some exceptions, they are not required to do ongoing training and their qualifications are not reassessed if they have been inactive for more than five years.

Although the CCQ conducts monitoring to ensure compliance with the training requirement, it is deficient and is not applied to all apprentices who are subject to this requirement. In fact, in four out of the eight regulatory situations requiring annual training, the CCQ decided not to apply the requirement.

In the past five years, over one third of the candidates who took the journeyman qualification examination were admitted based on recognition of their experience. For 19 out of the 25 requests for recognition of experience that we examined, the analyses performed and the information recorded by the CCQ do not make it possible to obtain the assurance that the number of hours recognized were actually worked by the workers.

The regulation provides for exemptions to the requirement to hold a competency certificate, and the CCQ allows three exemptions in addition to those set out in the regulation. Where the exemption is regulatory, in 10 of the 18 requests that we examined, the CCQ did not comply with the regulation.

The CCQ's reporting makes it difficult to assess the effects of the means put in place to ensure the qualifications of the workers.

Recommendations

The Auditor General has made recommendations to the CCQ. 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 Commission

- 1** Ensure the application of the training requirement for all apprentices who are subject to this requirement and improve monitoring in this regard.
 - 2** Take the actions needed so that the methods of analyzing and calculating the hours recognized in relation to requests for recognition of experience increase the level of assurance to show these hours were actually worked.
 - 3** Ensure that the granting of exemptions to the requirement to hold a competency certificate complies with the regulation and that the decision is adequately justified.
 - 4** Implement the actions set out in the regulation for journeymen who have been inactive for more than five years.
 - 5** Analyze the causes of decreased participation in ongoing training and the increased average cost of incentives in order to adjust its practices as needed.
 - 6** Improve reporting to allow for better assessment of the effects of the means put in place to ensure the qualifications of the workers of the construction industry.
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Highlights

Work Objectives

More than 1,900 contaminated sites are under the responsibility of the State. These sites may pose a risk to human health and the environment. A \$3.1 billion liability relating to these sites is recorded in the government's financial statements as of March 31, 2017.

The purpose of our audit was to determine whether:

- mechanisms for coordinating the actions of the entities responsible for contaminated sites have been implemented to ensure that these actions are coherent, effective and efficient;
- the Ministère de l'Énergie et des Ressources naturelles (MERN), the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) and the Commission scolaire de Montréal (CSDM) are effectively and efficiently rehabilitating the contaminated sites under their responsibility in a sustainable development perspective.

The Report is available at www.vgq.qc.ca (in French only).

Audit Results

The following are the principal findings of our audit concerning the contaminated sites under the responsibility of the State.

The coordination by the government of the actions of the various departments and bodies that are responsible for rehabilitating contaminated sites is insufficient. The government's 2021-2022 objective is not on track to being met. Few sites have been rehabilitated to date.

The government's objective related to contaminated sites is to reduce part of the liability recorded in the financial statements. It does not refer to any intervention priorities regarding the sites that pose the greatest risk to human health and the environment. Furthermore, few guidelines for action have been communicated to the departments and bodies.

The government's overall picture of the contaminated sites under its responsibility does not include the information needed to define the issues and intervention priorities. In particular, the sites are not necessarily categorized by their level of risk to human health and the environment.

The lack of a government action plan is not conducive to achieving the objective of reducing the value of the liability, and does not facilitate coordinating the actions of the departments and bodies nor following up on the work carried out.

There is no assurance that priority for the rehabilitation efforts and the sums invested is given to the sites that pose the greatest risk to human health and the environment. There is no centralized monitoring of the progress of work, and the departments and bodies do not have to justify delays in implementation. To date, they are far from achieving what they set out in their plans.

The MDDELCC and the MERN still have not obtained sufficient knowledge about a large proportion of the sites under their responsibility to allow them to confirm the sites' contamination and reduce uncertainty with respect to the assessment of the risk these sites pose.

The sums invested by the MDDELCC and the MERN are insignificant compared to the actual environmental liability under their responsibility as of March 31, 2011.

The MDDELCC and the CSDM are unable to demonstrate that the rehabilitation methods they use are the best choices for sustainable development.

Recommendations

The Auditor General has made recommendations to the government, the MERN, the MDDELCC and the CSDM. They are all shown to the right.

The Ministère du Conseil exécutif and audited entities had the opportunity to comment on the report; their comments can be found in the *Commentaires des entités auditées ou concernées* section.

We want to point out that they accepted all the recommendations. However, the comments of the MDDELCC have generated a reaction from us, which also appears in the *Commentaires des entités auditées ou concernées* section.

Recommendations to the government

- 1** Assign an entity or a group of entities the mandate of coordinating the actions of the departments and bodies that are responsible for contaminated sites rehabilitation.
- 2** Ensure that the entity or group of entities responsible for coordination develops an action plan and reports to the government on its implementation at least annually. Among other things, the plan must aim to ensure the following:
 - the communication of clear instructions and guidelines to the departments and bodies to harmonize the method of assessing the risk to human health and the environment and prioritizing interventions according to that risk;
 - the improvement of the inventory of contaminated sites to get a government picture that can be used to define the issues and intervention priorities;
 - the development of a government action plan, including targets, that prioritizes the contaminated sites that pose greater risk to human health and the environment;
 - greater transparency to the public by communicating what has been accomplished using the sums invested and the progress of contaminated sites rehabilitation, particularly for higher-risk sites.

Recommendations to the Ministère de l'Énergie et des Ressources naturelles, the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques and the Commission scolaire de Montréal

- 3** Better document the decision-making process with regard to the assessment of risk to human health and the environment and the level of risk assigned to each of the contaminated sites.
 - 4** Ensure that intervention priority is given to sites that pose greater risk to human health and the environment.
 - 5** Annually assess the progress of the rehabilitation work for all sites included in the environmental liability.
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Recommendations to the Ministère de l'Énergie et des Ressources naturelles and the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques

6 Obtain more knowledge about all the contaminated sites to confirm that the contamination exceeds the environmental standard and reduce uncertainty in the assessment of the risk these sites pose.

7 Increase efforts to rehabilitate the contaminated sites under their responsibility, particularly those that pose greater risk to human health and the environment.

Recommendation to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques and the Commission scolaire de Montréal

8 For each of the sites, record the reasons why the chosen rehabilitation method and, if applicable, the chosen excavated soil disposal method are the best choices from a sustainable development perspective.

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 report, which is being published for the second year, represents one of the main changes made to the Auditor General's reporting with regard to the follow-up on the implementation of recommendations.

It gives an overview of the follow-up on the implementation of the Auditor General's recommendations for the year 2017-2018. 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 (in French only).

Work Results

The following are the principal findings concerning the follow-up on the implementation of performance audit recommendations for the year 2017-2018.

The percentage of action plans analyzed that comply with the Auditor General's requirements rose to 94% (16 out of 17), whereas the strategic plan target was 80%. This rate was 81% in 2016-2017, which means that the entities have continued their efforts to address our concerns with regard to the quality of their action plans. That is very positive.

In 2017-2018, 85% of the Auditor General's recommendations that were followed-up were implemented or showed satisfactory progress, whereas the strategic plan target was 70%. This rate represents an improvement compared to the previous year, when it was 81%.

The implementation rate for recommendations of the Committee on Public Administration that were followed-up by the Auditor General rose to 98% (45 out of 46), compared to 71% the previous year. It is important to note that 20 out of the 46 recommendations were implemented, whereas progress was deemed satisfactory for 25 recommendations whose implementation was in progress.

Authorization to Enter Into Public Contracts and Subcontracts – Special Audit

Highlights

Work Objectives

This special audit was conducted following a request made by the Conseil du trésor on October 30, 2017. The request concerned the process for issuing authorization to contract with the State. According to allegations that have been made public, there was collusion involving the Autorité des marchés financiers (AMF), the Unité permanente anticorruption (UPAC) and a consulting firm in the management of this process.

The objective of our work with regard to the process for issuing authorization to contract with the State was to obtain the assurance that:

- the AMF and UPAC have adopted practices that make it possible to adequately manage the risks of collusion;
- the UPAC's process regarding the production of the opinions it sends to AMF is adequate;
- the AMF's process for the decisions it makes is adequate.

The Report is available at www.vgq.qc.ca (in French only).

Audit Results

The following are the principal findings of our audit concerning the process for issuing authorization to enter into public contracts and subcontracts.

Our work did not enable us to confirm the existence of a scheme between AMF and UPAC to favour one consulting firm. Communications with the main stakeholders, including the applicant enterprises, the examination of information held by AMF and UPAC, and computer investigations did not confirm the allegations reported in the media.

The examination of the process for issuing authorization to contract raises questions about the degree to which the objective of the *Integrity in Public Contracts Act* is met. The relevance of the requirements expected from enterprises and the coherence of certain decisions fuel these questions.

The AMF has not clearly specified its expectations with respect to integrity. This does not promote the adequate processing of files.

The audits carried out by UPAC do not always arise from an adequate risk analysis and do not promote the coherent processing of certain files. The UPAC does not always properly identify and manage high-risk applications, such as those from start-up enterprises, enterprises that have previously been the subject of allegations or even enterprises that have a complex legal structure.

The supervision of UPAC's activities requires improvements. Because the analysts' duties are complex and several analysts have little experience, closer supervision of their work is essential. Many mentioned to us that they lacked knowledge about accounting, taxation and the status of enterprises to properly carry out their work.

The AMF's processing of applications from enterprises that have been the subject of an unfavourable opinion from UPAC is not always adequate. Sometimes, its decisions are not sufficiently justified. Furthermore, the relevance of the requirements expected from enterprises for which tax offences were observed in relation to the purpose of the *Act respecting contracting by public bodies* was not always demonstrated.

The AMF has no independent review mechanism from the group that carries out activities related to issuing authorization to contract. Given the significant consequences of AMF's decisions on applicant enterprises, such a mechanism would help increase the relevance of the requirements and the coherence of the decisions made about them.

Recommendations

The Auditor General has made recommendations to AMF and UPAC. They are all shown to the right.

The audited entities had the opportunity to comment on the report; their comments can be found in the *Commentaires des entités auditées* section.

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

Recommendations to the Autorité des marchés financiers

- 1** Specify its expectations with respect to integrity, make them public and ensure they are understood and shared by the Unité permanente anticorruption and its partners.
- 2** Clearly demonstrate the relevance of the requirements expected from enterprises in relation to the purpose of the Act, which is to enhance the integrity of enterprises and public confidence.
- 3** Properly document each decision to ensure it is sufficiently justified and coherent.
- 4** Put in place an independent review mechanism from the group that carries out activities related to issuing authorization to contract in order to promote the relevance of the requirements expected from enterprises and the coherence of the decisions made about them.

Recommandations to the Unité permanente anticorruption

- 5** Enhance supervision of auditing activities, in particular by specifying roles and responsibilities, standardizing work methods and better supervising analysts' work.
 - 6** Improve identification of risk situations concerning the integrity of enterprises in public contracts and ensure that the audit work is related.
 - 7** Ensure that the employees assigned to audit enterprises collectively have the knowledge necessary to effectively carry out their work.
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Réseau express métropolitain: Accounting Analysis of the Financial Structure – Motion of the National Assembly

Highlights

Work Objective

This audit was conducted following a unanimous motion adopted by the National Assembly on April 11, 2017.

This report contains the results of our analysis regarding the objective of the audit.

We wanted to examine the financial structure of the Réseau express métropolitain (REM) project, previously called Réseau électrique métropolitain, to ensure compliance with accounting rules.

The Report is available at www.vgq.qc.ca (in French only).

Audit Results

The following are the principal findings of our audit concerning the financial structure of the Réseau express métropolitain.

In light of our accounting analysis of the financial structure and current estimates, we are of the opinion that it is appropriate for the equity investment made by the government in the REM project to be considered a portfolio investment in the government's consolidated financial statements, as the government obtained shares in return and there is a potential return associated with the project. However, the Ministère des Finances must make sure to adequately monitor the project throughout its construction and operation to ensure that the accounting of its investments is still adequate.

Observation

The Auditor General has made the following observation to the Ministère des Finances. It is shown to the right.

The Ministère des Finances and CDPQ Infra had the opportunity to comment on the report; their comments can be found in the *Commentaires du ministère des Finances et de CDPQ Infra* section.

We want to point out that they favourably welcomed our conclusions.

Observation made to the Ministère des Finances

- 1 The Ministère des Finances must monitor the Réseau express métropolitain project and the returns to ensure that the accounting as a portfolio investment in the Government of Québec's consolidated financial statements remains justified and that devaluation is not necessary.**
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Management of Certain Leases and Refitting Contracts – Motions of the National Assembly (Part 2)

Highlights

Work Objectives

This audit was conducted following two motions adopted by the National Assembly on November 17, 2016, and April 27, 2017.

These motions pertain to the leases and the refitting contracts between government agencies and the businesses of Marc Bibeau or Georges Gantcheff.

A first report was published in November 2017 concerning the sale of immovables by the Société québécoise des infrastructures (SQI).

In this second report, we wanted to make sure that the SQI, like public bodies that are not subject to it, manages leases and refitting contracts with due regard for economy, in compliance with regulations as well as sound management practices.

The Report is available at www.vgq.qc.ca (in French only).

Audit Results

The following are the principal findings of our audit concerning the management of certain leases and refitting contracts.

SQI does not have the assurance that it gets the best conditions for the leases it signs with landlords from the private sector. It does not always properly assess the options for housing various departments and agencies. Furthermore, it does not sufficiently seek out the competition in order to maximize its negotiating power. Additionally, it does not take into consideration the value of the lease renewal option to establish a lease's total value and thus determine whether it needs to obtain approval from its board of directors. As a result, it does not always seek the approval required.

The early renewal of three significant leases between 2004 and 2006 led to agreements that were disadvantageous for the government. Leasing terms were extended between 15 and 25 years, in contrast to SQI's guideline of entering into 10-year leases. Furthermore, these leases contain premises retrocession clauses that are not very flexible and relatively high lease rates. The SQI's board of directors did not receive all the relevant information in a timely manner to be able to make informed decisions about these three renewals.

SQI does not adequately perform key steps in managing refitting contracts for the premises that it leases. In particular, the cost-of-work estimate is not always made or its reliability varies from one project to the next. Moreover, SQI does not sufficiently introduce competition; often times it receives only one tender which does not guaranty the best price for the work to be done.

With regard to public bodies that are not subject to SQI, for half the leases examined, they did not adequately solicit the competition before entering into a lease with a lessor. They start the process late, and most of the time, they negotiate by mutual agreement with a single lessor. They therefore do not have the assurance that they get the best possible conditions.

In 2007, Commission de la santé et de la sécurité du travail (now CNESST) renewed its lease early for a 22-year term without getting sufficient advantages to justify this decision. This lease was renewed seven years before the end of its term, while an interim president was in office. Furthermore, the renewal, which was a \$110-million commitment from the Commission, was approved by an administrative committee composed of only two directors, which is difficult to justify from a perspective of sound management of public funds.

Recommendations

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

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

The Auditor General has also proposed avenues for improvement to the other entities that are not subject to SQI.

The audited entities had the opportunity to comment on the report; their comments can be found in the *Commentaires des entités auditées* section.

Recommendations to the Société québécoise des infrastructures

For the management of leases

- 1** Adopt the means necessary to be able to direct departments and agencies toward the best solution from the government's point of view.
- 2** Seek out the competition more systematically when looking for premises.
- 3** Ensure better control over operating costs when the lease is signed, when the lease is renewed and during the term of the lease, where required.
- 4** Ensure that leases, renewals and options for renewal that are of significant financial value are approved by the board of directors.

For refitting contracts

- 5** Produce estimates in a timely manner based on appropriate methods and, where necessary, review these estimates in light of plans and specifications, in order to assess whether the prices tendered by the landlords is fair and reasonable.
- 6** Use the means necessary to benefit from the advantages of competition when awarding refitting contracts.

For leases and related refitting contracts

- 7** Put in place a quality assurance system to provide reasonable assurance that the management of leases and refitting contracts complies with its internal management rules and is conducive to getting the best possible conditions.

Avenues for improvement proposed to the public entities that are not subject to the Société québécoise des infrastructures

- 1** Promote the optimal management of leases, in particular by planning interventions in a timely manner and reviewing needs at the time of renewal.
 - 2** Solicit the competition more frequently to strengthen the entity's bargaining power so it can get the most advantageous conditions for its leases.
 - 3** Provide governance bodies with reliable and sufficient information so they can adequately fulfill their role with regard to the management of premises.
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