

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

*Chairperson*  
*Mr. Leonard Derkach*  
*Constituency of Russell*

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Ninth Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Tuesday, September 23, 2008**

**TIME – 7 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Leonard Derkach  
(Russell)**

**VICE-CHAIRPERSON – Ms. Jennifer Howard  
(Fort Rouge)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

Hon. Mr. Selinger

Mr. Borotsik, Ms. Braun, Messrs. Derkach,  
Dewar, Ms. Howard, Mr. Lamoureux, Ms.  
Marcelino, Mr. Martindale, Mrs. Stefanson, Mrs.  
Taillieu

**APPEARING:**

Hon. Stan Struthers, MLA for Dauphin-Roblin

Hon. Nancy Allan, MLA for St. Vital

Ms. Carol Bellringer, Auditor General of  
Manitoba

Mr. Don Cook, Deputy Minister of Conservation

Mr. Doug Sexsmith, President and CEO,  
Workers Compensation Board

Mr. Jeff Parr, Deputy Minister of Labour

**MATTERS UNDER CONSIDERATION:**

Auditor General's Report–Investigation of Hecla  
Island Land and Property Transactions, dated  
August 2003

Auditor General's Report–Review of the  
Workers Compensation Board, dated January  
2006

Auditor General's Report–Review of the  
Unauthorized Release of the Workers  
Compensation Board Report, dated March 2006

\* \* \*

**Mr. Chairperson:** Good evening, ladies and gentlemen. I would like to call this meeting of the Public Accounts Committee to order.

Our first order of business this evening is to elect a Vice-Chair because we have a vacancy as a result of Mr. Maloway seeking a federal election position. So I will now open the floor to nominations for Vice-Chairperson of the Public Accounts Committee.

**Mr. Doug Martindale (Burrows):** I nominate Ms. Howard.

**Mr. Chairperson:** Ms. Howard has been nominated. Are there any other nominations? Thank you.

Ms. Howard. Ms. Howard, are you correcting? You are now elected as Vice-Chairperson of this committee. Congratulations.

This meeting was called to consider the following Auditor General's reports. First of all, the Investigation of Hecla Island Land and Property Transactions, August 2003; the second one was the Review of the Workers Compensation Board, January 2006; and the third one is the Review of the Unauthorized Release of the Workers Compensation Board Report, March 2006.

It was announced that this committee would sit till 9 o'clock this evening. I'm just wondering whether that is agreeable to members of this committee at this time. I'm told by the Clerk—you see, he's always intervening. He's saying, because this was something that was agreed to previously in the House, that we do not have the authority to move beyond 9 o'clock.

**Mr. Rick Borotsik (Brandon West):** Mr. Chairman, we don't have the authority to move beyond 9 o'clock, but do we have to go to 9 o'clock? Normally, we do an hour and then review at that point as to whether there's more time needed. So it would be my suggestion that we set the meeting until 8 o'clock and then, at that point in time, decide whether it's necessary to continue to nine.

**Mr. Chairperson:** I have no difficulty with that if that's in agreement with the committee. *[Agreed]*

Now, you see we found a way to do something different.

I would like to ask what order the committee would like to consider these reports. I need suggestions.

**Mr. Martindale:** As printed.

**Mr. Chairperson:** As printed, says Mr. Martindale. Any other suggestions? I see some discussion. I'll just hold for a second.

**Mr. Borotsik:** Just a suggestion. As printed is fine, but I'm wondering if Mr. Martindale wouldn't mind putting the Review of the Workers Compensation Board, dated 2006, at the end; deal with Hecla first, then with the review on the unauthorized release and then the 2006 report, if he'd be prepared to do that.

**Mr. Martindale:** Agreed.

**Mr. Chairperson:** Mr. Martindale said that's agreeable to him, so that's what we will do.

So the first report will be the Investigation of Hecla Island Land and Property Transactions, August 2003; the second will be Review of the Unauthorized Release of the Workers Compensation Board Report, March 2006; and the third will be the Review of the Workers Compensation Board, January 2006.

As members have no doubt noticed, staff for media services are in attendance this evening to film part of our procedures. The scenes will be included in the updated version of the video, *A Day in the Life of the House*.

So, in dealing with the Hecla Island report, can I call forward the minister and his deputy, please.

Thank you, Mr. Minister. Would you please introduce your staff.

**Hon. Stan Struthers (Minister of Conservation):** I'm joined by the lovely and talented Don Cook, my deputy minister.

**Mr. Chairperson:** Does the minister have an opening statement?

**Mr. Struthers:** Just very briefly. I appreciate the work that the Auditor General has done—a whole number of recommendations that have come forward that we've diligently worked on to try to fulfil. We think that we're going to have a better way to deal with Crown land in this province because of this. That's the end and the all of it for me.

**Mr. Chairperson:** Thank you, Mr. Minister.

Does the critic of the official opposition have an opening statement?

**Mrs. Heather Stefanson (Tuxedo):** No, I really don't have much of an opening statement at this stage, but I'm looking forward to having the Auditor just go through—giving us an update as to where we're at with respect to this report. I think I'll leave it at that.

**Mr. Chairperson:** Does the Auditor General wish to make an opening statement?

**Ms. Carol Bellringer (Auditor General of Manitoba):** I'll start by introducing—there are four staff members of the Office of the Auditor General with me tonight. To my right is Jack Buckwold, who is our Director of Special Audits, and he was the auditor who was principally involved on the Hecla audit. Behind me, Mala Sachdeva, the Deputy Auditor General; Brian Wirth, who's an audit principal in Special Audits; and Maria Capozzi, another audit principal with our office. Brian and Maria were more involved with the reports that you'll be looking at later in the evening.

I don't have an opening statement with regard to the Hecla report other than to suggest the department will be in a much better position to describe what has changed since the audit was conducted. We haven't done a formal follow-up of the audit. There are also some court-related issues that have to do with alleged documents that were forged. I guess, again, the department should be providing you with that update. We can fill in any of the gaps that we may know about.

**Mr. Chairperson:** I thank the Auditor General.

The floor is now open for questions.

**Mrs. Stefanson:** I'm just wondering, with respect to the—I hope they're not catching this in the *Day in the Life* here, but I guess that would be typically in the day of the life of an MLA here.

I'm just wondering if maybe someone could indicate as to—we know that this report goes back to 2003. It's been here for quite some time. If the minister can maybe just give us an update as to where the recommendations are, what he has done to satisfy Manitobans that the recommendations that have been made within this report have satisfactorily been resolved through his actions and within his department.

**Mr. Struthers:** There were 30 recommendations that came forward. Every one of those recommendations we have undertaken to show some progress on. The vast majority of those recommendations we've implemented. Mr. Chair, the ones that we haven't implemented we either have some significant progress on, or we've provided a rationale. In one instance, the circumstances have changed so that the recommendation is no longer significant. So we've got real good progress on all of the recommendations that have been brought forward. We have, I think, not just in terms of the specific report, but we've made improvements to Crown lands and the administration of Crown lands in the province by doing some reorganizations, by putting in place, I think, a better, more accountable process, but also looking at a number of the blockages along the way.

\*(19:10)

I know many MLAs advocating on behalf of their constituents have been frustrated with the time it takes sometimes to move requests through our system so we've been able to make improvements that have worked well for all of our constituents. One of the very effective tools we've used, I believe, is to create a deputy ministers' group that looks at many of these Crown lands questions and, I think, make some good decisions. It makes sure that we're moving quickly on these requests, but it also means that we can be thorough with these so that we're not into the same kind of jackpot as what we found ourselves in a number of years ago.

**Mrs. Stefanson:** Just reading through part of the sewage issues that perhaps had come up in the past, I'm wondering if you can give us an update as to whether or not, in the area, those issues have been dealt with.

**Mr. Chairperson:** Your question is to the minister or deputy?

**Mrs. Stefanson:** The deputy minister.

**Mr. Don Cook (Deputy Minister of Conservation):** Just for clarification, can I ask, was that in relation to sewage treatment at Hecla, or was that specifically in relation to the sewage agreement that was being negotiated with the marina operator?

**Mrs. Stefanson:** I guess I'd look at both, please.

**Mr. Cook:** Just in terms of the bigger-picture items, yes, a new lagoon has gone in at Hecla that includes nutrient removal including phosphorus removal. So a new and expanded lagoon, sort of, for over all. As I

recall, there was one recommendation in the report that related to the marina operator and the hook-up to the sewage treatment line. In return, we made an arrangement whereby, and we did do this, that the washrooms at the marina would be public washrooms that would be made available for the use of the public.

**Mrs. Stefanson:** Well, thank you very much for that update. I'm wondering if the minister and or the deputy minister could indicate how much government money is currently invested in the Hecla Island resort area.

**Mr. Struthers:** We don't have that figure with us. I don't believe it's connected to the document in front of us, but I'll undertake to get that for the member.

**Mrs. Stefanson:** I appreciate that, and I also just wanted to direct a question to the Auditor General. In the Auditor General's opinion, does she believe that the recommendations of the report have been adequately fulfilled, or does she see anything that is glaring out there that needs to be addressed by the department?

**Ms. Bellringer:** We have a follow-up report coming out quite shortly that's going to go through this in more detail. As of today, we haven't gone through every single recommendation to ensure that everything's been put into place that we would expect.

But I will say from what we have seen, and it's based more on anecdotal than audit evidence, and, as auditors, we get quite specific about that, but there's nothing glaring that we would say has been ignored in any way. The reorganization that has taken place would address most of the concerns.

There was also a study that I understand was undertaken as a result of the report having been issued which was done independently, but by the department, that looked into most of the recommendations. What we haven't done is gone through that to say that we haven't re-audited it, to say that we agree or disagree with that. But it's certainly been addressed by the department.

**Mrs. Stefanson:** When can we expect that that audit might take place or the audit of the recommendations?

**Ms. Bellringer:** We're actually working on it right now, and the follow-up report covers a little over 30 reports. So, needless to say, it's a rather large undertaking. We're looking at prior to the end of the

calendar year. If not, very early in 2009 it'll be released to you.

**Mr. Kevin Lamoureux (Inkster):** I do have just a few questions I guess in regard to the report. Firstly, it would be on page 65, the historical perspective. There were 98 properties that were actually affected when the Province had acquired the properties. It gives a nice breakdown where it says 56 properties were acquired by mutual agreement. Then it lists off: one property was transferred to the Province; 18 properties were expropriated and compensated, claims settled. It just lists down the 98 properties. Is there an update to that or are we to assume that hasn't changed? I would ask that for the Auditor or the deputy minister.

**Mr. Chairperson:** Would you please be more specific?

**Mr. Lamoureux:** To the deputy minister.

**Mr. Cook:** Yes, I think to get a picture, a better picture of the whole story, that lists what existed prior to park development. What's clear is that when park development was agreed that's the right way to go for Hecla and when it was determined that the national park folks weren't interested in Hecla Island becoming a national park, there was a decision made to turn it into a provincial park. At that time a decision was made by government that a provincial park—it would be a real benefit to have the Icelandic village re-established at Hecla and along with that to allow for more economic development, to have a north shore cottage lot development created at Hecla.

In creating the village, the department went and identified the individuals that were expropriated and provided them with an opportunity to re-establish themselves at the village at a preferred rate of, I think it was \$5,000 per cottager. I don't have the exact number, but many of those people that were expropriated did take advantage of that opportunity. In addition, others that had voluntary buyout were also offered an opportunity through a draw process to acquire some of those lots that were created at the village as well as if their preference was for the north shore subdivision. So that is a follow-up from what you see here, that there was in fact opportunity provided to individuals that were listed here to re-establish themselves at Hecla.

**Mr. Lamoureux:** Yes, what I want to try to establish is what sort of controversy is currently there? I understand that there is a court proceeding that's going on. Are we talking about three parcels? Can

the deputy minister provide—what sort of an update can he give us as to those individuals that are taking the Province or whomever to court that are still somewhat unknown?

\* (19:20)

**Mr. Cook:** Yes, the court proceedings have not taken place yet. Our latest information is that they will not take place for probably another year or more due to—I don't know the reasons. The individuals that are involved in that court case—I mean, basically, when justice is served, then we'll be able to provide a better answer to your question. Not knowing the results of the court case does not put us in a position to decide on a path forward for the loss that you're referring to.

**Mr. Lamoureux:** So we wouldn't know if it's five parcels or it's 35 parcels where people are upset with the government, or the whole process?

**Mr. Cook:** It's under 10. I think it's either four or five. I believe it's four individuals that are involved in the court case. Then and I think it's four or five pieces of property that are in question.

**Mr. Lamoureux:** Finally, I just wanted to go into one specific, that being the Gull Harbour marina because our office was contracted in regard to that. My understanding is that it was originally expropriated back in 1975. Would the deputy minister have a sense of how much it would have cost the taxpayers to have acquired that property back then, or that—yes, that property?

**Mr. Cook:** Not off the top of my head. I'd have to look into that.

**Mr. Lamoureux:** What I'll do is I'll give—there's a few prices that I'm interested in, and then if the deputy minister could get back to me and then I'll just leave it at that. I'm interested in knowing how much it cost the Province, the taxpayer, to acquire the property, then I understand there was a decision made to reverse the expropriation and someone actually acquired the property, and how much they would have paid for that property. Then I understand that the government back in 1999 reacquired the property or the lease again, and I understand that that was somewhere around 200-and-some thousand dollars, and then I understand in 2001 that the property was sold. So I'm interested in knowing what were the dollar amounts every time it was acquired and gotten rid of, and the actual dates, and if the deputy minister could provide me that sometime in the next few weeks, I'd very much appreciate that.

**Mr. Cook:** Yes, I will look into that. I think I've got your questions listed and see what we can come up with.

**Ms. Bellringer:** With respect to that last question, on page 42 of the report, some of the information that the member's looking for is in the background in that section 9.2. It goes from the chronology from March '99 through to 2000. The 240,000 number you were mentioning is in there.

I don't believe it has all of the information you're looking for, but some of it's there.

**Mr. Chairperson:** Okay? Thank you.

**Mr. Borotsik:** A question that doesn't quite deal with the history of this, but perhaps more of the present. The minister has indicated that in fact there are checks and balances now put in place in his department that certainly will deal more effectively with land sales, land leases, acquisition and disposal of lands.

Currently, there was a change in ownership of the Gull Harbour Resort. It's Radisson at the present time.

To the deputy minister: Was there a request for proposals? Was that part of the plan that your department has in place right now to being seen as being open and transparent? Was there a request for proposals for that particular development?

**Mr. Cook:** Just trying to remember the details on the exact RFP approach that was taken. I want to be accurate with this, so I want to get you the detail on the exact process that was used to gather interest, to gather proposals for the development of Hecla, so, if you don't mind, I'd like to put that together and get back to you.

**Mr. Borotsik:** I wouldn't mind at all. I would be very pleased to receive that piece of information. While you're doing it, I wonder if not only with the process of request for proposals, I do know that the Province of Manitoba has invested in that property. I believe it was \$5 million and you can correct me if I'm wrong, but I believe that that was what the public notice was. If you could just confirm that.

Just in passing, is it a lease arrangement that you have with the operator, or is it a lease sale or is it a sale arrangement? And again, you can come back with the details, but just off the top of your head, is it lease arrangement?

**Mr. Cook:** Yes, it's in provincial parks, it's lease arrangements. The sale is—cottagers don't own their land. They acquire them through a lease arrangement with the Province.

**Mr. Borotsik:** Mr. Cook, I appreciate that. I'll look forward to the information. Thank you.

**Mr. Chairperson:** Thank you. Any further questions? Seeing no one interested in asking questions, shall the Auditor General's Report—Investigation of Hecla Island Land and Property Transactions, August 2003 pass? *[Agreed]*

Second report we'll consider this evening, is the Review of the Unauthorized Release of The Workers Compensation Board Report, March 2006. I'll ask the minister responsible and the deputy minister to please come forward and/or agency CEO.

First of all, I'd like the minister to introduce the staff that are present.

**Hon. Nancy Allan (Minister charged with the administration of The Workers Compensation Act):** Thank you. I'd like to introduce the Deputy Minister of Labour and Immigration, Jeff Parr, and the Chief Executive Officer of the Workers Compensation Board, Doug Sexsmith.

**Mr. Chairperson:** Thank you. I'm going to ask whether or not the minister would like to make an opening statement.

**Ms. Allan:** No, I do not have an opening statement.

**Mr. Chairperson:** Thank you. Secondly, I'll ask whether or not the Auditor General would like to make an opening statement on this report.

**Ms. Bellringer:** Do you have to identify me?

**Mr. Chairperson:** Ms. Bellringer. My apologies. Oh, she's good.

**Ms. Bellringer:** I don't have an opening statement, but I'm happy to answer any questions the members have.

**Mr. Chairperson:** Thank you, Ms. Bellringer.

Does the official opposition critic have an opening statement?

**Mrs. Mavis Taillieu (Morris):** No, I don't have an opening statement. I would just like to ask a few questions.

**Mr. Chairperson:** Thank you. I had a hand up from Mr. Martindale first, though.

\* (19:30)

**Mr. Martindale:** I note, first of all, before I ask two related questions, Mr. Chair, that this report is dated March 2006, so it was released under your predecessor. I assume that you've reviewed it. I trust that you've reviewed it.

My questions are: Are you satisfied that new procedures have been put in place so that this kind of unauthorized release will not happen again or would be much less likely to happen again, and what are some of these new procedures?

**Ms. Bellringer:** Some of the procedures were put in place before I joined the office, but some are those which I have been responsible for, but I'll just blend those together. The question did arise as to whether or not there was the potential that the printer could've released the report early. We don't know the answer to that. But just to protect ourselves against that possibility we do more of our printing in-house now. When there's a sensitive report that we're particularly concerned about we have the covers printed outside, but we're now printing them ourselves in the office so we have closer control of all of those copies before they're released to the members in the House.

The other thing that we're doing, anytime we do need a printer to do the work for us we ask that the printer sign a confidentiality agreement with us and we also are tendering all of that work. The other thing that there's exposure around is when the report is provided to the Web site, the group that's keeping the Web site up to date, we're now doing that ourselves in the office so that there's no added third party that has to have access to anything prior to it being released in the House.

**Mrs. Taillieu:** Thank you very much. I know that this report was referred to the RCMP for investigation, so could you just update us as to what occurred there?

**Ms. Bellringer:** Yes, I actually had contact with the RCMP myself to follow it up within the last year, and several documents that were provided to them they've now returned to us and have said that there's nothing that they consider should be followed up. In fact, one of the things that they referred to was that once the report had been released properly to the members, it was the same report that had come out just prior to that and that there was no financial loss associated with it and, really, the only thing that had been taken was paper.

**Mrs. Taillieu:** Thank you very much. You did indicate that when you engaged a printer for some of the printing that would be needed to be done that you would require them to sign a confidentiality agreement. Would that be just with an officer of the company or with all the employees of that company?

**Ms. Bellringer:** Yes, the actual document is only signed by an officer of the company. It does not directly refer to those employees. And, just as a follow-up to that last comment I made, one of the things that I will say is very important to us and it was the concern around the trust and this being what we considered a breach of trust. I'm not saying that in a legal sense so much as our concern was that there was some way that our reports were not being taken—that it was not being considered a serious issue that the members be the first as a group in the House to receive our reports, and we've re-emphasized that. Certainly any opportunity we have, both internally and externally, that that is absolutely key, even in the way that we actually distribute the reports. The morning that they go out, they're brought to each of the members before they go out to the media, when you're out of session, for example.

**Mrs. Taillieu:** Thank you very much. I just wanted to, again, ask you if you are assured that all the checks and balances and systems are in place that, along with sign-offs and confidentiality statements and all of that through your office, and then anybody who would have access to the documentation—and, perhaps, when you engage outside people for whatever reason, that it be part of the agreement that they require their people to also sign these agreements.

I'm just wondering if you can assure us that the appropriate measures are in place so that we would not see this kind of thing happen again.

**Ms. Bellringer:** We'll never be a hundred percent sure that we can't guarantee that somebody, somewhere, isn't going to do something, but we are very comfortable that the controls we have in place are adequate.

I think the biggest change for us is doing the printing ourselves in-house. We have quite a few security measures within our office itself, including three doors that are all key-coded. We have more than one password requirement before anybody can enter within our premises. I'm not going to get into too much of the detail, just to keep that security as such.



But it is tightly monitored by the IT department, within our own office, around access to computers, access to doors—we have an alarm system. They get reports on that, and we include Government Services on any kind of a—if there was ever somebody who set the alarm off, for example, we have protocols with the building itself, because we do have concerns. Sometimes when they're doing work—in fact, one day last year they were fixing the windows and they entered the premises through the window and set the alarm off. So we're alert to that all of the time because it's not just the reports that haven't been issued, there are a lot of confidential documents that are held within our office.

**Mr. Chairperson:** Any further questions? If not, shall the Auditor's report, Review of the Unauthorized Release of the Workers Compensation Board Report, March 2006, pass? *[Agreed]*

Thank you, Madam Minister. Thank you, gentlemen. The minister informs me that she'd love to stay for the next one as well, so we'll let her.

The next report we'll consider is the Review of the Workers Compensation Board, January 2006.

Does the minister have an opening statement?

**Ms. Allan:** No, I don't have an opening statement, but we are thrilled that we have some additional staff that have joined us from the WCB to assist us in responding to any questions that members opposite or members around the table may have in regard to this report. I would ask Doug Sexsmith to introduce those staff people, please.

**Mr. Doug Sexsmith (President and Chief Executive Officer, Workers Compensation Board):** Yes, we have, going from left to right, Lori Sain, who's our Corporate Secretary and General Counsel; Alice Sayant, who's our Vice-President of Prevention Assessments and Customer Service; Harold Dueck, our Chief Financial Officer; and Rob Campbell, who's Associate Vice-President of Human Resources and Administration.

**Mr. Chairperson:** Thank you.

**Ms. Allan:** Thank you, Doug, and I'd ask Jeff to introduce the other staffperson that is with us today from the Department of Labour and Immigration.

**Mr. Jeff Parr (Deputy Minister of Labour):** Yes, and I'm joined by Rick Rennie, who is the director of policy and research for the department.

**Mr. Chairperson:** Thank you very much. Does the critic of the official opposition have an opening statement?

**Mrs. Taillieu:** I just would like to thank Mr. Sexsmith and Mr. Parr, and all the other staff from the department or from the Workers Compensation Board that are here tonight, and want to recognize that they have done a very good job, I think, of bringing the board back to where it should be, I guess, if I could use that term, in light of some of the activities that occurred not only with Workers Compensation Board but with other entities.

I think that it really gets to part of the things we want to discuss here, which are governance, ministerial accountability and investment management issues. The problems that occurred with governments and with investment governance and with investment decisions and some of the culture, previously, at the Workers Compensation Board, allegations of conflict of interest and monies that may have been lost, actually ratepayers', employers' money that may have been lost through investments into the Crocus Fund or the Manitoba Property Fund.

\* (19:40)

Certainly, if there had been ministerial accountability at the time with the previous minister where, when she received a letter from the CEO, if she had dealt with that in a responsible manner and dealt with the issues that were brought to her attention rather than directing it back to the person whom the letter had issues with— and I think that's even addressed in the Auditor General's report—that this, if had it been addressed at the time, would have gone a long way to alleviating some of the things that occurred with investment, with conflict of interest and, in fact, the firing of the former CEO because of the allegations she brought forward.

So I think we look forward to asking the Auditor General some questions and asking some questions of all the people here.

**Mr. Chairperson:** Thank you, Ms. Taillieu. I have Mr. Martindale—I'm sorry, does the Auditor General have an opening statement? My apologies.

**Ms. Bellringer:** No, that's okay, but, no, I won't make any opening comments.

**Mr. Chairperson:** Thank you. The floor is now open for questions. I have, besides Mr. Martindale, the critic. Mr. Martindale, with your okay, I'm going to ask the critic to ask her questions first. Then I'll go to you.

**Mrs. Taillieu:** Mr. Chair, there are a number of recommendations that have been made following this report. I notice that in the report it does say that the culture surrounding some of the employees at the Workers Compensation Board at the time the audit was done or the investigation was done was such that they did not wish to comply easily with the Auditor General's requests. I wonder if that has been addressed and if the Auditor General can comment on that.

**Ms. Bellringer:** The audit did take place prior to my being in the office, so I'm not speaking to this first-hand. I did understand there was some difficulty getting access to certain documents but, before the audit was completed, anything that the audit team were looking for they did receive.

There's one recommendation in the report around obstruction, and it's definitely a matter of interpretation as to whether or not that would have constituted obstruction. It's not defined in our act. The recommendation is something that we've not encountered, something that we considered serious enough that we've pushed this forward as something that we thought needed to be addressed immediately. We've got it on our list of matters to take into account if we ever do open up The Auditor General Act again.

So, in the end, it was all resolved or you can read within the report those areas that were affected by it, but it didn't mean the withholding of information required to complete the audit at the end of the day.

**Mrs. Taillieu:** I'd like to ask the Auditor General if, in her view, the recommendations have been followed up on and have been all enacted.

**Ms. Bellringer:** Mr. Chair, we've not done a follow-up audit to give you assurance that all of them have been enacted. We're aware of a number of the major recommendations that have been implemented either by the department, by government in general, with regard in particular to the whistle-blower legislation that now would protect any individual within any of the entities that are included in The Financial Administration Act.

The employees of those organizations can come forward with a complaint, with a very formal process

that's now enacted in legislation, that is then followed up through two of the independent officers, the Ombudsman, primarily and, where she requires assistance, she contacts our office and we assist her.

That is really one of the fundamentals that you did mention in your opening comments around had the issue been followed up earlier, that they're certain of the findings in the report that probably would have been dealt with at an earlier stage.

There are quite a few recommendations, in particular, those towards the Workers Compensation Board around the investment management that we haven't looked at. So I don't have the answer to your question as to whether they've enacted it or not and, perhaps, if the officials could give you that, but I'm sorry. I can't.

**Mr. Chairperson:** Mr. Martindale. I'm sorry. Mrs. Taillieu, did you have further questions?

**Mrs. Taillieu:** I do.

**Mr. Chairperson:** Okay. I'm sorry. I'll go back to Mrs. Taillieu.

**Mrs. Taillieu:** Sorry. I was just distracted there for a moment.

But I'll just pose that question, then, to—I guess to Mr. Sexsmith.

**Mr. Sexsmith:** Yes. I would just like to say in a very general way that we have, since the audit was released and, in fact, before the audit was released, we've worked very hard. We believe that we've implemented or found another solution to over 90 percent of the recommendations contained in the report.

**Mrs. Taillieu:** I'd also like to address the question to the minister in regard to the recommendations that were put forward to the government, whether she can confirm that all of the recommendations have been dealt with, been enacted.

**Ms. Allan:** Yes. We're pleased that all of the recommendations in the report that were addressed to the government have either been implemented or there was an alternate solution to make sure that the intent of the recommendation was addressed.

**Mrs. Taillieu:** Could you sort of elaborate on what you mean by alternate solution, and around what recommendation that would be?

**Ms. Allan:** Well, the first recommendation in the report was that consideration be given to amend The

Auditor General Act to extend section 15(2) in regard to no obstruction, and the related offence section 15(3) to all audits conducted by the OAG, which Carol Bellringer has already addressed this evening in her comments.

We committed to take steps to ensure that provisions that would protect the investigations by the OAG from obstruction would apply to all examinations or audits under The Auditor General Act.

Legal counsel has now advised government that there are adequate protections that exist in current legislation for investigations by the Auditor General and that remedies for instances of non-compliance, notably, ministerial responsibility, and the office's right to report to the Assembly are appropriate. Legal counsel has advised us that existing obstruction provisions are in place for circumstances where an arm's-length agency is not directly subject to ministerial direction. No other jurisdiction in Canada has the kind of legislation that includes the specific provisions that were requested by the Auditor General in this report.

**Mrs. Taillieu:** I'd just like to talk a little bit about the whistle-blower legislation because it's curious that that legislation was not brought in as a stand-alone piece of legislation, but actually buried in another bill.

I'm wondering why it was proposed that someone coming forward could not go to their MLA or could not go—it sounds like the first line is to go to their supervisor and, in fact, that may be the person that they want to speak against. So I'm wondering why, perhaps, this hasn't got a more broader application.

\* (19:50)

**Mr. Chairperson:** I'm going to ask the minister to respond to this, perhaps. Madam Minister? Just a minute. *[interjection]* The question was posed to the minister, then?

**Ms. Allan:** You know, I don't want to cut the Minister of Finance's grass, so I will get him to say a few words, because it was his legislation.

I think that the legislation that we passed in the House—the whistle-blower legislation—it is the broadest provincial legislation of its kind in Canada. There is only one other jurisdiction in Canada that has this kind of legislation, and it is Nova Scotia. It does not cover arm's-length agencies like the WCB,

so the law will protect government employees, employees of Crown corporations, regional health authorities, Child and Family Services agency and authorities and independent offices of the Legislative Assembly.

I think we took the recommendation from the Auditor General's report very seriously in regard to the work that was done in crafting this legislation, so that we could make it a model for the rest of Canada. I know that the minister responsible for that legislation, who shepherded it through the House, has some other comments that he would like to add to mine.

**Mr. Chairperson:** Just before we go any further—and I thank the minister for her response and the critic for the question—I'd just like to caution members of the committee that we are straying off the topic of the report. In fact, it's the way, I think, the questions are posed in terms of dealing with the legislation rather than the report itself.

I'll give some latitude to that, but I think we should be mindful that we are considering the review of the report rather than what specifically the legislation may or may not have had in it.

Minister of Finance (Mr. Selinger), do you have something to add to the response?

**Hon. Greg Selinger (Minister of Finance):** Yes, I think the member's question was appropriate in the sense that the member wanted to know what procedures are now in place to protect whistle-blowers. In that sense, I think the question was relevant and I think the Minister of Labour answered in terms of scope, but I just wanted to make sure the member understands that an employee has the right to go to the supervisor.

If they feel uncomfortable doing that for any reason, they can also go to the designated officer in the department or the agency. There's a designated whistle-blower officer and, if they're uncomfortable with that in the agency, they can go directly to the Ombudsman's office which is an external officer, reporting to the Legislature and not directly accountable to any minister of government or the government directly.

So there are three channels to take a complaint. That protects them from any potential feeling that their concern would not be properly addressed through conflict of interest or involvement in the situation.

In addition, the member knows that they have the right to go to the Labour Board if they feel there's any negative consequence that affects their career as a result of whistle-blowing. So the Labour Board can take a look at whether they've been treated fairly in terms of how they're performing their functions and how they're being acknowledged for the performance of their functions in the workplace. We've tried to design this legislation to specifically address the concerns you raised earlier.

**Mrs. Taillieu:** Mr. Chair, I'd just like to ask Mr. Sexsmith if, since the legislation has been enacted, there have been any incidents where people have come forward with information and would be termed whistle-blowers and, therefore, deemed protection under the act.

**Mr. Sexsmith:** No, there haven't been any.

**Mr. Martindale:** Well, is Mrs. Taillieu finished?

**Mr. Chairperson:** I'm sorry. Are you not finished yet? If you don't mind, just raise your hand and I'll know to hold your spot. Thank you, Mrs. Taillieu.

**Mrs. Taillieu:** Thank you very much. I just want to ask—I know that the recommendations here are around implementation of guidelines to be used for ministers to determine good governance and conflict of interest and compensation to board members, per diems, that kind of thing and whether there have been guidelines established.

**Ms. Allan:** Yes, there have been guidelines established for ministers. These guidelines, they provide assistance with the handling of information that is received by a minister about the alleged wrongdoing and the use of the guidelines. They will assist us in providing protection to the whistle-blower. The guidelines reflect the spirit and the intent of The Public Interest Disclosure (Whistleblower Protection) Act. They recognize the importance of confidentiality and provide an appropriate avenue for an allegation to be forwarded for consideration.

**Mr. Chairperson:** Before we proceed, I would like to advise the committee that we are approaching 8 o'clock. I would like to ask the will of the committee with regard to the length of sitting.

**An Honourable Member:** Extend the sitting to at least 8:30, and then we'll review at that time.

**Mr. Chairperson:** Is it agreed to review at 8:30?  
*[Agreed]*

Then we will continue.

**Mrs. Taillieu:** I want to address the mechanisms that are in place right now to prevent any future things that could occur at the Workers Compensation Board. What kinds of things has the minister done to ensure that there are going to be no further issues with investment strategies, or future problems that could occur at the Workers Compensation Board? How do we know what checks and balances are there on a regular basis that we'd be picking up these kinds of things before they become full-blown scandals? So ongoing checks and balances.

**Ms. Allan:** Well, I think probably one of the most important things that we did in regard to the governance structure at the WCB was Bill 25. That was passed unanimously in the House. That piece of legislation was passed before this report was issued. We now have the strongest governance model at WCB of any WCB of any jurisdiction in Canada.

The MLA, in her question, kind of did this kind of broad sweeping, you know, what have you put in place to stop these kinds of things from happening again? I think I talked about the whistle-blower legislation and the guidelines in place for ministers in regard to those kinds of things brought forward to ministers.

Then the MLA, in her question, also mentioned investments. One of the things that we discovered when we were doing the legislation and consulting with governance experts in regard to the legislation, we realized that the WCB, their investment committee was a statutory committee with the Deputy Minister of Finance on the committee, and the chair of the WCB was the chair of the investment committee. So we changed that structure in the legislation. The chair of the WCB can no longer be the chair of the investment committee. That has to be a chair that is a member of the board, but is not the chair of the committee. The investment committee must report to the WCB board as a whole.

The other change that was made in regard to the investment committee was the fact that we could rely on outside expertise and put those individuals that have the investment experience in the broader community on the investment committee to provide advice to WCB on their investment strategy. We've been very fortunate to have a very highly regarded member of the investment community on the committee. His name is Mr. Bob Darling. He is formerly from Investors Group and is now retired, but we're fortunate to have him on that committee.

**Mrs. Taillieu:** I'd like to point to page 7 of the Auditor General's report that, in regard to unanimous approval, and the minister likes to use the word "unanimous" a lot. "Insistence on unanimous"—I'm quoting here— "decisions could potentially create an environment where independent opinion is silenced."

I want to ask Mr. Sexsmith if this is something that the minister demands from Workers Compensation Board, that all decisions coming from the board be unanimous.

\* (20:00)

**Mr. Sexsmith:** No. In my experience, I've never experienced the minister demanding anything in terms of the way decisions are made at the board.

**Mrs. Taillieu:** Can Mr. Sexsmith indicate, then, that board decisions do not require unanimous decision?

**Mr. Sexsmith:** No, board decisions require a majority vote only. They don't have to be unanimous.

**Mrs. Taillieu:** So that's changed then. That's part of the—can you tell me, then, when that changed?

**Mr. Sexsmith:** I don't think in any official capacity it's changed at all. You know, it might be a style thing, I suppose, because, certainly, if you're moving forward with a decision or an initiative or anything that the board decides, you know, the chairs will generally want to have most people on side if they possibly can. But all you need is a majority vote to go ahead, I guess, I would say. One can argue that having unanimous decisions is a positive thing as well.

**Mrs. Taillieu:** I'd like to ask the Auditor General, I just wanted further clarification—on page 12 of the report, it says "The \$2.0 million deemed carrying value of one private placement investment was not supported by a conventional valuation based on the operating performance of the investment, and therefore is uncertain."

Could she elaborate on what that is?

**Ms. Bellringer:** We're not sure which investment that's referring to, but it's quite possible that the staff from the board might know.

**Mrs. Taillieu:** Thank you. Then I would ask Mr. Sexsmith if he can indicate what that refers to.

**Mr. Sexsmith:** That refers to an ownership position that the board has in the True North centre as a result of a loan facility or a loan guarantee that was put in place.

**Mrs. Taillieu:** So the Workers Compensation Board gave the True North centre \$2 million?

**Mr. Sexsmith:** No, actually, Mr. Chair, the Workers Compensation Board didn't give True North any money at all. What we did was provide them with a loan guarantee facility should it be required throughout the period of construction in the early years of the facility and, in exchange for that, we received limited partnership units that were valued at \$2 million.

**Mrs. Taillieu:** So the Workers Compensation Board has \$2-million worth of shares in the True North company?

**Mr. Sexsmith:** That's correct.

**Mrs. Taillieu:** Is there a board decision required to do that, and was that done?

**Mr. Sexsmith:** Yes, that deal was certainly done under the auspices of the investment committee of the time.

**Mrs. Taillieu:** Is this public knowledge that the Workers Compensation Board has a \$2-million share investment in Truth North corporation?

**Mr. Sexsmith:** Yes. To the best of my recollection, it was very public at the time, as were most issues around that particular venture.

**Mrs. Taillieu:** Can Mr. Sexsmith indicate what has been the return on that investment?

**Mr. Sexsmith:** It's an interesting investment and a very good one. In exchange for providing a loan facility which cost the board nothing, we have a \$2 million—we have it on our books at \$2 million, which, I think, would be sort of an infinite return because we didn't put any money forward. So I'm not sure how to answer that any better than that.

**Mrs. Taillieu:** Okay, so just if I understand correctly, then, there was no money put in? Just a loan guarantee?

**Mr. Sexsmith:** That's correct.

**Mrs. Taillieu:** Are there any other such instances where you provide loan guarantees to other private corporations?

**Mr. Sexsmith:** No. That's the only one. I suppose another way you could put this is the \$2 million in value that we received could be called, you know, a fee that we earn for providing the loan facility, but, anyway, that's how it worked.

**Mrs. Taillieu:** At whose request were you—did you provide a \$2-million loan guarantee to the True North corporation?

**Mr. Sexsmith:** The loan guarantee was provided at the request of the officials of the True North venture.

**Mrs. Taillieu:** And who would those be at the time?

**Mr. Sexsmith:** Well, the officials involved at the time would have been, gosh, I can't think of the name of the general manager there now, but certainly the general manager and the chair, Mark Chipman, would have been involved.

**Mrs. Taillieu:** It's just curious that this is the only one of its kind, and it's identified in this report: not supported by conventional valuation based on operating performance of the investment, and is therefore uncertain.

Are you assured that this is a good investment for the Workers Compensation Board and the monies that are gathered from the employers' rates?

**Mr. Sexsmith:** Yes. We think it was a very good investment because, as a result of providing a loan guarantee, we receive an ownership position, an equity position in True North. We put together a very solid deal, which meant that there was no downside risk for the WCB. We wouldn't participate in any further debt or any further calls on money or anything like that.

**Mrs. Taillieu:** Well, thank you, and yet this is the only one of its kind. You've not done it since and not done it prior to that? Would you consider it for a football stadium?

**Mr. Sexsmith:** I think that's very unlikely.

**Mrs. Taillieu:** Well, I didn't mean it to be entirely lightly. I'm wondering, I mean, you said this is the only time it's ever been done, and yet it's a very good investment. So I'm wondering why you would only do it the one time.

**Mr. Sexsmith:** The board has taken the position that it's not going to participate in private placements any further.

**Mrs. Taillieu:** Were there any Workers Compensation Board officials involved in any official capacity in the True North centre at the time of the loan guarantee when it was made?

**Mr. Sexsmith:** No, if I understand your question correctly.

**Mrs. Taillieu:** I'll clarify. I'm just asking if there were any Workers Compensation Board officials that worked at Compensation Board on the board capacity or involved in Workers Compensation Board at the time, were they also involved in any official capacity in the development of the True North complex at the time?

**Mr. Sexsmith:** No. There were no WCB officials involved at True North other than in responding to and negotiating the deal that we made that we've been talking about.

**Mrs. Taillieu:** Could you indicate who negotiated the deal?

\* (20:10)

**Mr. Sexsmith:** We hired a lawyer, actually, who did a great deal of the work for us, and it would have been the senior staff involved as well.

**Mrs. Taillieu:** Who on the investment committee at the Workers Compensation Board would have been involved in this decision and negotiation?

**Mr. Sexsmith:** I apologize. I was distracted there for a second. Can you repeat that?

**Mrs. Taillieu:** Yes. Who on the investment board or the investment committee of the Workers Compensation Board would have been involved in making this decision?

**Mr. Sexsmith:** It would have been the full investment committee of the day.

**Mrs. Taillieu:** And who were those people?

**Mr. Sexsmith:** The investment committee would have been chaired by Wally Fox-Decent at the time, and it would have included—I just have to think back to that period of time of who was involved. I believe it would have been the Deputy Minister of Finance, Pat Gannon, and one other. I believe it was Bob Darling, who was there at the time.

**Mrs. Taillieu:** What year was that investment made?

**Mr. Sexsmith:** I understand it was 2003.

**Mrs. Taillieu:** I'm wondering if you can tell me, Mr. Sexsmith, if there could be a call on that loan.

**Mr. Sexsmith:** There could have been under the terms of the agreement, yes.

**Mrs. Taillieu:** Thank you very much.

I just want to go back to who was on the investment committee. Mr. Sexsmith, you indicated

that the Deputy Minister of Finance was on that committee. Was there anyone from the government, then, that would have been involved in making the decisions?

**Mr. Sexsmith:** No.

**Mrs. Taillieu:** Mr. Chair, while the Deputy Minister of Finance was on the board, so—on the investment committee, I'm corrected—the Deputy Minister of Finance was on the investment committee, so it would seem reasonable that the Minister of Finance, then, would have known any investments that were being made. I'm just wondering if the Minister of Finance knew about the investment.

**Mr. Sexsmith:** I have no knowledge of whether Pat Gannon, who was the Deputy Minister of Finance at the time—I don't know whether it was—I don't know who he discussed it with, but I have no knowledge of him discussing it with government.

**Mrs. Taillieu:** Mr. Chair, if the assistant deputy minister was on the investment committee, then he would have known about the investment and reported it back to government, and so the government would have known about the investment. Was there direction, could there have been direction, then, from the government to invest this money? It just seems strange, I guess, that this is the only time it's happened. You said it was a good investment, yet you've never done it again. I'm wondering why you would have chosen the True North corporation to invest with in this kind of an arrangement.

**Mr. Sexsmith:** Well, as I said before, the board has made a decision not to participate in any further private placements, so that's one reason why it's never been done again. Sorry, I've forgotten the first part of your question.

**Mrs. Taillieu:** Okay, so just to clarify, then, you've said that part of the recommendation was you not participate in private placements?

**Mr. Sexsmith:** Yes, just to clarify that, we would have considered this to be a private placement. In fact, I think that's why it's in the report, that it was looked at as part of the private placements that we had. The board has made a decision not to participate in further private placements. That's what I was trying to say. If someone came to us, you know, with a deal like this, we, under our current direction, wouldn't be participating.

**Mrs. Taillieu:** You said that if someone came to you with a deal like this, you wouldn't be participating. That leads me to believe that someone did come to you with a deal like this that you did participate in. Who was that that came to you with that deal?

**Mr. Sexsmith:** That would be the officials from True North that I mentioned earlier.

**Mrs. Taillieu:** I'd like to ask the Auditor General if she's satisfied that in light of this private placement investment, in light of the fact that the board has now decided not to do this, is she satisfied that the investment strategies are improved now?

**Ms. Bellringer:** One of the things that we're careful not to do as auditors is comment on policy, and in terms of what risk the board is prepared to take is not something we'd comment on. But it is something that we are very much concerned about the board being aware of it and making it as a conscious decision.

In this case, the biggest issue was that the investment committee was operating, in effect, outside of the board approval, and the change that was made to now have the investment committee as a subcommittee of the board reporting back to the board and providing them with adequate information to make those decisions is what's key for us.

The other element of that, certainly the structure of committees is something that is—it's a dynamic that's always changing. The inclusion of the Deputy Minister of Finance is something that goes back in history in Manitoba for many, many years. It was seen as a connection between government and various entities to protect the government's position at many times, but also, in that and in other situations where a government employee is put on a committee, a subcommittee or even a board of any organization outside of their department, it does raise the question as to whom they're accountable. If they're representing, and any board member is required by law to represent the best interests of the organization, it puts them in a bit of a conflict position as to whether or not they're really there to be the spokesperson for the government or whether they're there to be a full-fledged voting member of a committee or a board.

So the change to remove the Deputy Minister of Finance from that committee structure is, again, a structural change that we would support, and it would strengthen the independence of that committee in terms of removing that confusion for the individual.

The way to mitigate the risk at a very high level—the changes to the board governance structure are all of the changes including the separation of the Chair-CEO position, which, again, creates another potential conflict that could really put things at risk.

So all of those board issues are what give us the confidence that the actual investment strategies and investment decisions that are being made are what those board members who've been put on to that organization are accepting in the best interests of the organization on an ongoing basis.

**Mrs. Taillieu:** Thank you very much. I know that the Auditor General—there's a significant segment in the report on investment management, investment strategies, and there was a recommendation that the WCB develop a comprehensive investment strategy for the private placement investment program which considers the following and the breakdown of returns from its private placement investments. It also goes on to say that the investment committee and its advisers make their responsibility of generating the highest possible return the primary consideration in approving private placement investments.

I'd just like to ask Mr. Sexsmith: What was the proposed generation of return when the investment was made in the True North? What return was expected on that investment?

\* (20:20)

**Mr. Sexsmith:** Well, first of all, I just want to mention something for the record here. My CIO keeps reminding me to be careful in the terminology that I'm using. So I want to say the correct term for the facility that we put in place was a secondary loan facility, which was exactly as I described. I just want to make sure I'm using the correct terminology.

You said, what was the return we expected from that arrangement? We knew exactly what we were getting when we negotiated the deal. It was the \$2 million in equity.

**Floor Comment:** Mr.—

**Mr. Chairperson:** Pardon me, the minister would like to elaborate on that.

**Ms. Allan:** Well, I would just like to comment in regard to the questions that the critic had about the Deputy Minister of Finance being on the investment committee and whether or not the Deputy Minister of Finance reported directly to the Minister of Finance.

If the MLA looks at pages 32 and 33 of the Auditor General's report, the Auditor General's report clearly states at the very bottom of page 32: "The former Deputy Minister of Finance who served on the Investment Committee during the period of our review, did not indicate that there was direct accountability back to his Minister, and clearly indicated that the Investment Committee was not in direct contact with the Minister, nor did he perceive his role as that of communicating" with the "Minister/government's direction to the Investment Committee."

**Mrs. Taillieu:** I just want to also note that one of the recommendations, also, that the practice of allocating one million in grants under its Community Initiatives and Research Program be reviewed. I'm just going to ask Mr. Sexsmith if all of the grants under the Community Initiatives and Research Program actually do go towards the intended uses for that fund, which revolves around workplace safety issues?

**Mr. Sexsmith:** Yes, there's a process that we go through every year where people apply for grants under the Community Initiatives and Research Program, and they're approved in line with objectives that are set each year. The money is not spent on other years, pardon me, other uses, if that's what you're asking.

**Mrs. Taillieu:** I'd like to ask the Auditor General if she's planning on doing a follow-up to this audit to ensure that the recommendations have been followed up on?

**Ms. Bellringer:** Yes, our standard practice is to follow a report up three years after it's been issued, so that would be in 2009 that we'd start the work on that.

**Mrs. Taillieu:** Perhaps I'll just, in broad terms, ask Mr. Sexsmith just to outline—there are a number of recommendations that were put forward to the Workers Compensation Board to address, and I know that, having been invited to two of the Workers Compensation Board with Mr. Sexsmith and Mr. Farrell, have the opportunity to meet people there, I'm assured that he has taken this on, but I'd like to hear from him what, if any, recommendations are still outstanding to be implemented?

**Mr. Sexsmith:** Yes, thank you. There are a good number of recommendations here, and, I believe, they're all either completed or in process. There haven't been any of them that we have ignored at this



point. What I would say, though, is that there are a number of very specific recommendations in the investment area, mainly around private placements. So the direction that we've taken now has influenced how we've reacted to those, of course, because we've taken the position at the board that we're not going to do any further private placements, just to be clear.

**Mr. Martindale:** I'd like to ask—I guess either the minister or staff can answer this. What has the WCB board done with regard to implementing the governance recommendations in this report?

**Mr. Chairperson:** Mr. Sexsmith. Is that who you're directing your question to, sir?

**Floor Comment:** Either one of us.

**Mr. Chairperson:** Okay.

**Mr. Sexsmith:** Yes, thank you. Actually the board has done a great deal of work on governance which started, I think, before the report was actually published with the passing of Bill 25 and a number of the provisions therein.

You know, the board has reviewed the structure and activities of all of the committees. They've done a board evaluation. They've passed, improved and updated their by-laws on conflict of interest. They've put protocols in place on respectful workplace activities, and, of course, they've put in place terms of reference for all of the mandated committees under the legislation now. They have brought in a consultant, Mr. David Brown, who was formerly with the Conference Board of Canada, to assist them through a number of activities in terms of looking at how they operate as a board, how effective they are and what not.

So, you know, I could go on and on. The board has worked very hard, actually, at taking the recommendations very seriously and in following up to the legislative changes to make sure they're functioning effectively as a board.

**Mr. Chairperson:** Madam Minister, to elaborate.

**Ms. Allan:** I'd just like to add to the comments that Doug Sexsmith has made in regard to the work that has been done around strengthening the board's governance. There were some recommendations in the report around the minister and how appointments were handled, and I'm pleased to inform committee members that WC Board members now must be appointed for a fixed term not to exceed four years, that provisions are now made for staggered terms for WCB board member appointments.

We also have developed a matrix of skills to make sure that, when we are appointing new board members, we're very careful in regard to looking at the mandate of WCB and how they want to move forward, that we have a really good composition of board members with the appropriate skills. It is a very unique board in Canada, a tripartite board that has representatives from employers, workers and public interest.

So we've taken those recommendations from the Auditor General's report very seriously and made some of those governance changes in regard to how I appoint board members. I communicate in writing to all of my stakeholders when we're making appointments and get their feedback in regard to how those appointments should move forward.

**Mr. Chairperson:** The hour being 8:28, I'm asking the committee for their consideration with regard to proceeding.

**Mr. Borotsik:** Mr. Chairman, yes. I wonder if we can continue till the hour of 9 o'clock which is the maximum, or sooner, whichever should come first, but there are certainly other questions that are to be asked of the WCB executive.

**Mr. Chairperson:** What is the will of the committee? Is that agreed? *[Agreed]*

Thank you very much.

**Mr. Martindale:** How is the WCB doing with respect to financial reserves, and how does its financial position compare to other WCBs across Canada?

\* (20:30)

**Mr. Sexsmith:** Gee, I'm glad you asked that question because I think it was noted in the Auditor General's report that the WCB is in a very strong financial position. We are one of the stronger WCBs across the country. We had total reserves at the end of 2007 of, I believe it was, \$257 million.

I'd also like to mention, and I'd like to put, since you've given me the opportunity, some of the investment comments in context as well. The WCB's investment returns have been very good and very strong and have contributed, certainly, to the reserves that we have in place right now. While we're not making any further private placements, we certainly continue with a good, strong, conservatively invested and well-balanced investment portfolio, which at the end of 2007, I believe, over one year, had the best returns of any WCB in the country.

So, you know, I think we can be very proud of our WCB in Manitoba in terms of the third lowest rates in the country and one of the strongest balance sheets.

**Mr. Martindale:** I have a final supplementary question: Is it fair to compare your investment returns with, say, pension funds? For example, I have money invested in the United Church of Canada Pension Fund, and about two years ago it was receiving over 13 percent rate of return, which was marginally better than the Manitoba Civil Service Superannuation Fund, which I pointed out to the Minister of Finance (Mr. Selinger). Since then, they've both tanked, but are your returns similar to pension funds, or better, or worse?

**Mr. Sexsmith:** Well, you know, we compare ourselves to a number of benchmarks. We hire a number of managers of various styles, whether they be value managers or growth managers. In the equity, we have a balanced portfolio that includes real estate and fixed income. So it's very hard for me to say that it's a fair comparison with any other fund unless you have a look at the composition of that fund. So, having said that, I'm sure our returns are better, but I don't know if they are.

**Mr. Borotsik:** Thank you, finally, but I won't go till 9 o'clock, Mr. Chairperson. A couple of questions, and you touched on it with respect to the investment strategy. You said that the board of directors and the investment committee have changed their investment policies and objectives, whereas, and you have made mention of this, Mr. Sexsmith, you will not do any private placements.

My question is twofold. You do still do real estate, I assume, because you do have some real estate holdings at the present time. By the way, you have an excellent portfolio. This is 2004. You're dealing with some \$700 million. It's not \$700 billion, but it is \$700 million, which is a fairly reasonable amount of money to play with. You are still doing real estate, but you're not doing private placement.

Was the private placement, which you identified or talk about, would that be the Crocus Fund, the private placement? Would that be the private placement that you're referring to?

**Mr. Sexsmith:** Yes, you're correct. We still do invest in real estate, and our policy asset mix is 12.5 percent to real estate.

I didn't make any specific reference to the Crocus Fund, but we did have an investment in the Crocus Fund that I believe was first made in 1996.

**Mr. Borotsik:** But that would be the category that you're talking about private placements, then. How much was lost through WCB on the Crocus Fund?

**Mr. Sexsmith:** Just in terms of private placements, there's one thing that I'd really like to clarify for the record, and it is, actually, stated on page 47 of the Auditor General's report. That is that almost all of WCB's 19 private placements were institutional investments; that is, WCB supplied capital to the managers of a fund to invest on their and other co-investing institutions' behalf. So I don't want to leave the committee with the wrong impression, and that is that there were private placements made in individual small businesses or whatever, helter-skelter, because that certainly wasn't the case. The vast majority of them, as stated here, were in much larger funds that were run by managers.

Your question was about how much money was lost in Crocus. The investment was approximately \$500,000, and that is not settled yet. We would expect to take a loss. I believe we're carrying it on our books at about half the original, roughly half the original value.

**Mr. Borotsik:** When you do the private placements—by the way, as I understand it, your change in strategy, risk return, your change in strategy is not to do any private placements any longer. When you did the private placements, did you take equity positions when you forwarded the cash?

**Mr. Sexsmith:** Yes, I believe some of the investments would have been equity positions. Yes. Some of them were debt as well.

**Mr. Borotsik:** Since you no longer as a strategy wish to do private placements, are you liquidating the private placements that you have currently on the books?

**Mr. Sexsmith:** Yes, we are, but we're not doing it in a hurry. We're waiting for an opportunity to get out in accordance with a reasonable exit strategy.

**Mr. Borotsik:** And the exit strategy would be a return on your original investment. I do appreciate that. You don't sell when it's at the low; you sell when it's at the high. So that's just good business.

I am going back to your secondary loan facility. I think that's what you referred to it as with respect to the \$2 million to True North. It's an interesting

investment vehicle. It's not one that I'm aware of. Again, you have—and let me try to understand this—\$2-million equity in True North, the corporation. There was no cost to that equity. There was simply loan guarantee is the way I understand it. It's simply a signature on a piece of paper and a loan guarantee which the corporation, WCB, is responsible for. Should that loan guarantee be called, you then would be responsible for \$2 million of which you offset with equity in the corporation.

Is this in perpetuity? Is there any way which you can get out of that loan guarantee, or is there any reason why you would want to get out of loan guarantee? Can you sell your equity position in True North at any point in time, I guess, is the question that I have.

**Mr. Sexsmith:** The answer is that, yes, the secondary loan facility does expire, and I just have to check on the expiry date. Looks like we're having trouble remembering here, but it was—okay, I understand it's approximately 2010. It was put in place, you know—just to clarify that, I would elaborate a little bit on that and hope I've got this correct. It was put in place as a secondary facility to the primary lender when they were building the facility and for a certain period of time after the facility so that if they ran into problems, then we would have provided further funds for the construction and/or operations, I guess, immediately thereafter at a guaranteed rate which, I believe, was about 8.75 percent.

So that's why I say we thought it was a very good deal for the WCB because providing that facility gave us an equity position in return for putting the facility forward.

**Mr. Borotsik:** Just a last question on that one. When the loan guarantee expires, the secondary loan facility expires in 2010, do you lose your equity in the corporation?

**Mr. Sexsmith:** No, we don't.

**Mr. Borotsik:** Then it was a fairly reasonable deal.

The earliest or the latest information that I have here in this document is obviously year-end December 31, 2004. You've changed your investment strategy. You no longer are going to place—and this is a decision made by the investment committee. I appreciate that, and there's a lot of

professionals that I'm sure you called on to get investment strategies as to where you can go and where you shouldn't be going.

I assume, and I'll ask you the question, but I assume that your risk is fairly limited, except for some interesting strategies with True North. I would assume that your risk is fairly low risk, and, well, I guess I'll ask the question: What range of risk does your investment committee look at, at the present time with respect to equities, particularly? As we're all aware, Mr. Martindale just indicated that he has had some losses in the market recently. What level of risk is your investment committee prepared to take, and with the volatility of the markets recently, how are you doing?

\* (20:40)

**Mr. Sexsmith:** As I mentioned earlier, I would describe us as, in the scheme of institutional investors, to be a relatively conservative-invested—*[interjection]* I'm not sure about that. But our investment policy calls for 50 percent of the portfolio to be in equities in Canada, the United States, and international equities; a 12.5 percent position in real estate, and the rest would be in fixed income between bonds and mortgages. We do diversify. We hire institutional managers, and we do diversify generally between growth and value, which helps us with risk mitigation because when one style seems to be working, the other one isn't and vice versa. That helps us. You know, for example, a value investor probably would not have been heavily invested in oil and gas when oil was at \$150 or whatever. That, generally, is our approach to risk.

**Mr. Borotsik:** Mr. Chairperson, my last question goes back to the board of directors. The minister did respond with respect to the appointments of board of directors and the matrix that has been developed and certainly the desire and the requirement to have different skill sets when sitting on a board.

It did say in the recommendation here that there could well be a slate of board of directors that are identified with those skill sets. Do you as the CEO of the corporation have the opportunity to view the appointments prior to the appointment by government?

**Mr. Sexsmith:** Well, I certainly do not have a significant role in the appointment of the directors because that's the minister who does that and the Cabinet, but I do have a role in helping the chair of

the board to identify skills that are required. I do, from time to time, discuss those skill requirements with the chair and with the minister.

**Mr. Lamoureux:** I just have three relatively quick questions, one for the minister and two for the Auditor.

The first one to the minister is that, and I'm going back to the former CEO who did what she felt was the right thing in terms of bringing some issues to the then-minister, Becky Barrett. Individuals such as myself and many others felt that was a wrong decision for Ms. Barrett to forward it back to Workers Compensation as opposed to dealing with it herself. Does the current minister, would she concur that that was indeed a mistake for Ms. Barrett to have done that?

**Ms. Allan:** Well, I thank the member for the question. I think it's very, very important to remember that, at the time that the letter was forwarded to the minister, it was clearly identified. If you looked at the letter, it was a conflict between the CEO and the board of directors. It was treated as a personnel matter, and it was referred to the board because the board does operate at arm's length from the minister.

I think it's very, very important also to know that when the matter was referred to the board, the CEO made a request that when the matter was discussed at the board level, the current chair of the board not chair that meeting. She requested that one of the board members, I believe his name was Mr. Ferbers, that he be the chair when the matters were discussed at the board level that she wrote about in the letter. The board of directors did comply with Ms. Jacobsen's request to have Mr. Ferbers chair the meeting and review the matters in her letter.

I believe that was the due diligence at the time because there weren't any policies in place at the time like there are now, and so she acted in accordance with the legislation.

**Mr. Lamoureux:** Just so I'm clear, the current minister believes, then, that Becky Barrett didn't make any mistakes on the issue.

**Ms. Allan:** Well, you know what, that is a very interesting question. I think that I have answered it to the best of my ability, but you know what, I think everybody in this world, from time to time, makes

mistakes. I'm sure the MLA for Inkster doesn't agree with me, but I think everybody does.

**Mr. Lamoureux:** Then there are two quick questions to the Auditor. I'm referring to page, I guess, 5 on the document. It is an issue in terms of accountability, ministerial accountability, and I quote right from the document: "The concerns brought forward to the former Minister by WCB's former CEO related to the operations of the Board and the former Chair. The issues were not addressed by the former Minister, but instead were referred to the former Chair to handle in conjunction with the Board. The former Minister considered this to be a personnel matter. In our opinion, this was inappropriate as several of the concerns raised dealt specifically with the former Chair."

My question to the Auditor is if the Auditor could provide an opinion in terms of what would have been the expectation of a minister, given this situation.

**Ms. Bellringer:** I guess this raises a number of issues that come to mind. One is, I think the audit report that my predecessor wrote is quite clear as to what his position on that was. I haven't seen the letter; I don't know exactly what was included in it. I would say, in any situation, you've always got to watch whether it's a minister or a deputy or anybody receiving, and again, whether it's in a complaint format or in any other one, it gets into the whole conflict-of-interest issue. Bringing something back to someone who's obviously implicated in the discussion is never going to get to the guts of it. We do have the benefit of hindsight, so we do have the benefit of having gone through the audit. I mean, clearly, as a result of what we saw in the audit and that you see in the report, if it had been dealt with differently, it might have been seen sooner. I mean, there's no question now that we're at this point in time.

I cannot answer as to what went through anybody's mind at the time that it happened. I also will say, as a former board member on a number of corporate and private boards, when you deal with situations at the time, it is different than what you see later on down the road.

**Mr. Lamoureux:** The final question is: It then follows by saying we are also aware of one other instance in which the former CEO's letter of complaint to a minister received insufficient action on the part of the minister. That incident, is that something that's been made public? Is it somewhere

in the report? What incident is being referred to here?

**Ms. Bellringer:** I don't know if it's been made public or not. I asked that question today as well when we were going over the report. It is, I believe, the Minister of Education with regard to the teachers' retirement fund.

**Mr. Lamoureux:** Finally, Mr. Chair, and I would seek your advice, I guess, on this. I would like to receive some sort of correspondence as a member of the committee in regard to that, if indeed it's possible. I don't know if it's appropriate for me to ask for it; I would think so. I would look to you as the Chair to—is it something that I could receive, or if the Auditor wants to provide for the comment. Thank you for the opportunity.

**Mr. Chairperson:** Just in response to that, I think that has to be left to the discretion of the Auditor General, and I would allow her to respond to that.

**Ms. Bellringer:** Now it's my turn to apologize. I'm sorry. I got distracted and didn't catch the question.

**Mr. Lamoureux:** Can you provide me just some follow-up information on that particular incident?

**Ms. Bellringer:** I can certainly provide follow-up information. At this point, I don't know what we have or what I can provide to you, but I'll look into it.

**Mrs. Taillieu:** I would also like, if possible, to have that information forwarded to me as well if you're forwarding it to Mr. Lamoureux. Thank you.

\* (20:50)

I just want to go back to the issue of the private placements with the Deputy Minister of Finance on the investment board of the Workers Compensation Board investing in the True North corporation, at the same time that the government of Manitoba, which the Finance Minister is Cabinet member, is also investing in the True North corporation. In light of the fact that Workers Compensation Board, Crocus, and the teachers' retirement fund were investing in the Manitoba Property Fund, I'd just like to ask the Auditor General if she doesn't see any conflict of interest here or certainly some influence here brought

to play and whether that might be worth investigating.

**Ms. Bellringer:** I just want to clarify, with respect to the ABC Fund, is that what—sorry, which aspect exactly were you referring to?

**Mrs. Taillieu:** Just the fact that the Deputy Minister of Finance on the investment board of Workers Compensation Board was investing—recommending investing a private placement investment with True North corporation at the same time the Province of Manitoba, whom the Minister of Finance is a Cabinet minister with, was also investing with the True North corporation. In light of the fact that there were these issues with Workers Compensation Board and Crocus and the teachers' retirement fund all investing in the Manitoba Property Fund, in light of all of the things that were going on, I'm wondering if, just in terms of the True North corporation, them specifically, if the Auditor General feels that there may be a conflict-of-interest situation and whether she thinks that might be worth following up on.

**Ms. Bellringer:** I don't see an immediate conflict; nothing came to our attention. Having said that, I don't want to dismiss the member's comment. We will look and see what we can find on it. I do see it as quite different from the Manitoba Property Fund issue where you had a number of individuals who were, I mean, there were a lot of interrelationships that are referred to. That kind of conflict, where you have somebody representing a different interests, potentially, isn't apparent to me in the situation you describe with the True North. Having said that, we'll have a look at it. I'm not sure at this point what we'll be looking for.

**Mrs. Taillieu:** Because the Auditor General did make recommendations around the practice of placing money in private placements with the Workers Compensation Board, I would just ask her if she's aware of any other Crown corporations who may have made similar private placements with the True North corporation.

**Mr. Chairperson:** I will allow this question to be answered; however, we're dealing with the Workers Compensation Board here and not other boards. So I'll leave it to the discretion of the Auditor General as to whether or not she wishes to respond.

**Ms. Bellringer:** I can say we're not aware of anything. I'm not suggesting there are or are not other things, and I, at this point, don't know where to

go with that other than to say we're not aware of anything.

**Mr. Chairperson:** Mr. Dewar.

Pardon me, are you—do you still have further questions, Mrs. Taillieu?

**An Honourable Member:** No.

**Mr. Gregory Dewar (Selkirk):** Thank you, Mr. Chairperson. Perhaps it's a question to you. I see some members had asked for additional information which will be provided, I believe, by the Auditor or the deputy minister or the minister. I'm suggesting that that information be provided to all members of the committee.

**Mr. Chairperson:** Yes. Thank you for that, Mr. Dewar. That's a good point. A matter of fact, I think the Auditor General will provide that information to the Clerk of this committee, who will then distribute it to all members of the committee.

Seeing no further questions—oh, Mr. Lamoureux.

**Mr. Lamoureux:** Mr. Chairperson, I do have another area that I could probably ask some questions on. I don't know if we—I guess we can always get going on it.

It's to kind of follow up in regard to the involvement in regard to the Crocus and the role that Workers Compensation would've played in terms of its investments. There was a cut-off period where everything was frozen with the Crocus Fund. Can Mr. Sexsmith provide information as to how much money today is currently within Crocus that Workers Compensation has tied into?

**Mr. Sexsmith:** We had a direct investment in Crocus of \$500,000, which I mentioned earlier.

**Mr. Lamoureux:** Now, you have shareholders with Crocus. Would that investment be classified as shares or is it more of a loan? How would you describe Workers Compensation's investment in Crocus?

**Mr. Sexsmith:** We, as I understand it, in the beginning of 1996, we made a direct investment in Crocus of about \$500,000 buying shares. I'm not sure if I'm answering your question.

**Mr. Lamoureux:** The shares have been devalued considerably. If you had purchased \$500,000 back in 1996, do you have any sense of what—maybe I shouldn't even ask the question. Are you involved in any of the—there's the issue going before the courts.

To what degree is Workers Compensation taking any form of action or dealing with the whole Crocus investment?

**Mr. Chairperson:** May I ask for order in the committee, please. We are having difficulty hearing the question.

**Mr. Sexsmith:** I would describe our relationship in the Crocus area as that we are a passive investor here. We haven't launched any sort of action.

**Mr. Lamoureux:** Given that the money that you have invested is indeed considerable, is there not some sort of responsibility for Workers Compensation as a board to try to maximize whatever return it can get out of that \$500,000 investment, and if so, what would you be doing to try to maximize that benefit?

**Mr. Sexsmith:** My understanding is that we'll be in the same position as all other investors, and when the Crocus shares are liquidated, we will get paid out in the same way as everybody else.

I should add, just for completeness here, we did have some other relationships with Crocus over the years. We had an investment in the Science and Technology Fund as well.

**Mr. Lamoureux:** There have been some court settlements that have been already made, out-of-court settlements, I should say. Would Workers Compensation, then, naturally benefit from those out-of-court settlements with the lawsuit that was brought forward?

**Mr. Sexsmith:** No, we haven't benefited from any out-of-court settlements that I am aware of. I'm looking here—no, I don't see any indication of such.

**Mr. Lamoureux:** The Crocus Investment Fund invested in a number of companies throughout the province. Did Workers Compensation invest, to what degree, in the same companies that the Crocus Fund would have invested in?

**Mr. Sexsmith:** Well, the one that comes to mind, as you know, Crocus was a partner in the True North ventures.

**Mr. Lamoureux:** Do you have a list or is there a list provided somewhere within this document that would show what companies that Workers Compensation would have invested in that Crocus would have invested in?

**Mr. Sexsmith:** Another one that comes to mind is the Manitoba Property Fund, which was mentioned

earlier, where we were a partner and so was Crocus. If you bear with me for a moment, I'll glance over my notes here and see if I see anything else. I don't see anything else. Just looking, I'm getting nays from behind me, so I can't think of anything else.

**Mr. Chairperson:** The hour being 8:59:44, I'm going to suggest that perhaps Mr. Lamoureux hold his question to the next sitting when we deal with this matter again.

Its being 9 o'clock—*[interjection]* Is there a will to pass the report?

**Some Honourable Members:** No.

**An Honourable Member:** Absolutely.

**Mr. Chairperson:** The report will not be passed this evening.

The hour being 9 o'clock, committee rise, and I would simply ask if members of the committee please leave reports that we've been dealing with this evening on the table so that they may be used at another time.

Thank you very much. Committee rise.

**COMMITTEE ROSE AT:** 9:01 p.m.

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