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Memorial University

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Honourable Wade Verge, MHA

Public Accounts Committee

Chair: Jim Bennett, MHA

Vice-Chair: Ray Hunter, MHA

Members:

Eli Cross, MHA
George Murphy, MHA
Tom Osborne, MHA
Kevin Parsons, MHA
Calvin Peach, MHA

Clerk of the Committee: Elizabeth Murphy

Appearing:

Office of the Auditor General

Terry Paddon, Auditor General
Sandra Russell, Deputy Auditor General
Scott Walters, Audit Manager
Tracy Pelley, Audit Senior

Department of Advanced Education and Skills

David Pike, Assistant Deputy Minister (Corporate Services)
Bob Gardiner, Assistant Deputy Minister (Advanced Studies)

The Committee met at 9:00 a.m. in the House of Assembly Chamber.

CHAIR (Bennett): Good morning, everyone. This is a meeting, or more appropriately put, a hearing of the Public Accounts Committee of the Province of Newfoundland and Labrador. Today, we are going to have questions and pursue information that came up in the Auditor General's report related to Memorial University. The individuals who are here are actually from the Department of Advanced Education and Skills and I will go into an explanation of why they are here instead of somebody from Memorial University.

I am the Chair; my name is Jim Bennett. I am the MHA for St. Barbe district. I am going to introduce my colleagues, both from government side and the Opposition side, and then the Vice-Chair, Mr. Hunter, will have a word. Then we will invite the other witnesses to introduce themselves so that when they are speaking, anybody who may be watching will know who is speaking, and the people from Hansard will know who speaking so when they record what is said, we will know who said it.

With us today is my Vice-Chair, the Member for Grand Falls – Springdale –

MR. HUNTER: Grand Falls-Windsor – Green Bay South.

CHAIR: The districts are getting somewhat confusing, but that is okay.

Then we have the Member for Cape St. Francis, the Member for Bellevue, the Member for Bonavista North, the Member for St. John's South, and the Member for St. John's East. We have the Auditor General, his staff, the other two witnesses, and my Clerk, Ms Murphy.

Each member, when they pose their initial questions, they may want to introduce themselves because at that time the camera will be on.

Mr. Hunter, you wanted to have a few words.

MR. HUNTER: Thank you, Mr. Chair.

First of all, I would like to just welcome our members from AES, the AG's office, the AG, and my colleagues from the House of Assembly to the Public Accounts Committee. This is my first time, I think, in these types of hearings. I have been on Public Accounts years ago, but it is the first time we held these kinds of hearings. It is a learning curve for me – not that I want to learn too much, after deciding to leave politics in a couple of months.

I would just like to say that I did review the reports, the AG's report, and the documentation that was before us. I have to say a lot of this is over my head. My colleagues and our Chair will try to ask questions the best that we can, realizing that there is no representation here from Memorial University, I take it.

Just brief enough to make it in the record that as Vice-Chair, I am pleased to be here and question the public's concern in how we spend public money, whether it be government departments or Crown agencies. It is incumbent on us as politicians, particularly the Public Accounts, that we look into matters involving public money. I just welcome you here today and my colleagues. Hopefully it turns out to be very meaningful and very productive.

Thank you very much.

CHAIR: Thank you, Mr. Hunter.

The witnesses who are here today are here voluntarily. The Public Accounts Committee could subpoena people, but that would be a process through the House of Assembly. The witnesses who are here are here voluntarily; however, their evidence is sworn evidence.

When witnesses appear before us repeatedly, they are sworn and they stay sworn throughout the session. So some of our witnesses are already sworn and some have not been sworn. I am going to ask Ms Murphy to administer the oath for the individuals who have not yet been sworn or previously sworn. Then I am going to ask Mr. Paddon, the Auditor General, if he would like to say a few comments before we start.

Swearing of Witnesses

Ms Tracy Pelley
Mr. David Pike
Mr. Bob Gardiner

CHAIR: Thank you, Ms. Murphy.

For anybody who may be watching or may read the transcript – heaven knows why someone would want to read the transcript from Hansard, but people do from time to time. So that the individuals are in context, I will ask Mr. Paddon if he would like to just give us some background and/or if members of his audit staff would like to have some commentary on the audit and that sort of thing because it allows a context for the information. Instead of just jumping into the nuts and bolts of how much did this cost and what did you spend on that, it is useful for people to know.

MR. PADDON: Thank you, Mr. Chair.

Good morning, everybody, members of the Committee. We started our audit at Memorial University a couple of years ago. The scope of our audit was the period April 1, 2011 until March 31, 2014, so it covered a three-year period.

We really had four objectives that we were looking at when we commenced our audit: the first was to determine whether the university was adequately monitoring its financial position and operations; the second was to determine whether recruitment and compensation practices were in accordance with university policy; thirdly, to determine whether leave and overtime were properly approved and monitored; and the final objective of our review was to determine whether travel and relocation expenditures were approved and paid in accordance with policy established by the university.

From a scope perspective – relatively limited, so we did not venture outside of those areas – we are precluded from commenting on or reviewing issues that would be sort of academic in nature, if you want to call it that. So we really stuck to the operational side of the university versus the academic side.

In terms of conclusions on our objectives, obviously we would set up a number of criteria, we would review those criteria with the university, then we would conduct our audit and look at the objectives with a view to seeing whether the criteria that we have established were met, and then conclude on our overall objectives.

In terms of the first objective, we did find that the university had adequate processes in place to monitor its financial position and operations – and really, that was not a huge surprise, given the size of the university and the administrative structure that they have in place. You would actually be surprised if they did not have processes in place to monitor their financial position and their operations. There were a number of findings that we had associated with that, but our overall conclusion was that the processes were adequate.

In terms of recruitment and compensation practices, again we found that, based on our samples, the recruitment and compensation practices were in accordance with the university policy; however, we did find some exceptions along the way and we have reported those as findings.

The third objective was around leave and overtime and our conclusion was, based on the review and the samples we looked at, that leave and overtime were not being properly approved or monitored in accordance with policy of the university, procedures, and collective agreements. So we found a number of instances where things that were supposed to be done according to policy were not being done. A lot of it revolved around documentation and processes in place to monitor leave and overtime.

The fourth objective was around the travel and relocation policies, and we did find that the travel and relocation were approved and paid in accordance with the university policy.

Generally speaking, of the four objectives, we found that three were fine and one required some improvement in our view. We did find quite a number of findings, which I guess a finding would be something that in our view members of the Committee or members of the

public or members of the Legislature would find interesting and it sort of highlights some particular issues within the operations of the university that there could be some issues where they could make some improvements along the way. So we highlight those for the benefit of the Legislature and of the Committee in particular.

We had thirty-nine findings in our report overall, and then in terms of recommendations, one of the outcomes of our report is to provide recommendations to the university or to the sponsoring department, as the case may be – all aimed at improving financial accountability, financial reporting, and financial controls, and we have thirteen recommendations that we have provided to the university. As the Committee is aware, after a couple of years we will follow up with the university and inquire as to how they are making out with the implementation of our recommendations and we will report that to the Legislature at that time.

I think that is all I will say by way of background.

CHAIR: Thank you, Mr. Paddon.

Today there is nobody here from Memorial University. Memorial University is relying on a section of the Memorial University Act not to appear. That may seem unusual. I have reviewed the act. This section, which is section 38.2, was passed in 1993, so it is twenty-two years old. Memorial University also relied on this section of the act to not respond directly to the Public Accounts Committee.

When the Auditor General does his review and then makes his report, the report becomes public. The Committee sits with the AG and his staff to review his findings so we can understand exactly what his findings are, more or less in ordinary terms, in lay talk instead of necessarily in accounting terms or in technical terms.

Afterwards, we then analyze the report; we send a letter to whoever is the agency or department. So we send the letter asking for various types of explanations on this point here and that point there. Some things may be clarified; some things may not be clarified. We did this in late March, and approximately a month later Memorial University communicated with the

minister and pointed out to the minister that the Public Accounts Committee has written us asking a variety of questions and here are the answers. They elected not to respond to our questions and instead responded to the minister so the minister could pass the questions on to the Public Accounts Committee.

That is the state of the legislation today. The university claims academic autonomy. The Public Accounts Committee looks into expenditures of public funds generally as identified by the Auditor General. Why I say this is that the questions today of the individuals who are here, they may not be able to answer them with the degree of detail that might be useful if it were somebody actually from Memorial University. Maybe they can. Maybe they will have been fully briefed by Memorial University on all the background of all of the details.

The Auditor General may be able to provide some insight, so I suspect, though I cannot really predict, we will be going to the Auditor from time to time where the representatives from the department do not have the information because we do not have somebody here from Memorial University.

When we do the questioning, the examining, the procedure that we have followed and continue to follow is that we go in rotation, ten minutes per member at a time, and we go Opposition, government, Opposition, government, back and forth. If somebody is at or near or just past ten minutes, if they are pursuing a particular line of questions, then it makes more sense to let them run on for another few minutes or whatever it requires to finish up those questions. So they could be a little bit longer, but generally that is just to make sure all members have an opportunity to ask questions on an ongoing basis.

We have booked the day. There is no way to forecast necessarily how long we will be here; however, the report is long, it is extensive and it is detailed, and there is a book full of appendices of forecasts and so on. That is because some of the questions – it may look like the witnesses are not answering. That is just sort of a caution to anybody who might think the witnesses are not answering for some reason.

The manner that we follow and we elected to follow in Public Accounts, when we began, we created our own practices and procedures manual where none existed. Whereas in court settings sometimes people see an adversarial examination, cross examination, we do not do that. We are more of an inquiry nature, so we are more I think inquisitorial. We ask the questions and get the answers that we hope to get. Also whereas courts seek to find someone who did something wrong, something bad and punish them, we are more remedial. We like to find out what went wrong and how it can be fixed and then it is condensed into the report that we will provide to the House.

Unless anybody has any questions or observations, I am going to go to the first Committee member, Mr. Osborne, and ask if he would like to ask some questions.

MR. K. PARSONS: (Inaudible) opening statement.

CHAIR: Yes. Mr. Parsons, who is the former Vice-Chair and has been on the Committee the whole session and Committees before, has pointed out to me that it is customary for us to invite any witnesses or organizations that show if they would like to make an opening statement for the beginning. Sometimes they are able to say what work they have already done and it saves some questions, and it certainly allows a context. I will do that first.

You need to identify yourself or the people from Hansard will be saying we do not know who is giving the information.

MR. PIKE: Good morning, members.

I would just like to articulate the Chair's observations from earlier. Myself and my colleague, Bob Gardiner, are appearing here today at the request of Memorial University. As we confirmed with the Clerk's Office at the time the invitation to appear was extended, section 38 of the Memorial University Act addresses the autonomy of the university, and in particular, section 38.2(3) does not compel the university officials to attend Committee meetings.

As I indicated, my colleague and I, at Memorial's request, will address any questions

that the members have; and, if required, we will follow up with Memorial University to ensure a written response to support the Committee's report.

Written responses to questions posed by the Chair and Vice-Chair on Memorial were provided to the Committee. In addition, from an accountability and transparency perspective, Memorial has posted a link on their website, or a URL address, to the Auditor General's report, and has provided detailed responses to each of the Auditor General's thirty-nine findings for the university Committee.

We appreciate the analysis completed by the Auditor General and the recommendations on how to improve Memorial University. We accept the recommendations made by the Auditor General pertaining to both the Department of Advanced Education and Skills and Memorial University, and both of our entities take accountability very seriously. Our department will work with Memorial to address the outstanding issues. We hold regular meetings, and we will continue to discuss and address the Auditor General's recommendations.

Just one comment on the agenda: I am referenced there as Deputy Minister; it is Assistant Deputy Minister for the Department of Advanced Education and Skills.

CHAIR: Thank you.

Mr. Osborne.

MR. OSBORNE: Thank you, Mr. Chair.

I will start off by saying that I find it very disappointing and, in fact, disrespectful that Memorial University did not appear before the Public Accounts Committee. I understand and appreciate the academic autonomy of the university, but that does not give them a get out of jail free card. It does not give them the autonomy fiscally where, I believe, they do have a responsibility, still – when they are spending taxpayers' dollars, they have a fiscal responsibility to answer questions and to certainly appear before the Public Accounts Committee, as opposed to playing this cat-and-mouse game of us having to ask officials from the department questions and the officials going

back to the university to ask them questions and get answers. This is a more direct way of asking questions, and it is very disappointing that they did not appear. I just wanted to state my thoughts on that before I start my questioning this morning.

I noted in the letter from the office of the president and vice-chancellor that he pointed out the customary autonomy of the university and the express provisions of section 38.2 of the Memorial University Act not to respond directly to the Public Accounts Committee. He went on to say: Moreover, I note that the Public Accounts Committee has not held public hearings in relation to previous reports of the Auditor General pertaining to the university.

That is unfortunate that did not happen, but maybe it should happen more often. Maybe there should be a greater focus on Memorial University if that is, in fact, an observation of the university as to why they should not have to answer questions or do not feel the obligation to answer questions of the Public Accounts Committee.

My first question – and I will go to Memorial University’s response to the Public Accounts Committee’s questions. The Auditor General reported that the university had failed to recover \$151,340 relating to two employees from shared-services agreements. The Public Accounts Committee had asked the university: What are these shared services agreements and what is the status of the recovery of these funds? Is the failure to recover these amounts the result of a conscious policy decision?

Memorial University responded by saying, “These agreements are managed with due diligence, with the appropriate financial arrangements incorporated within the University operations.” They go on to say that these two instances were related to two unique personnel situations. I would like to ask how they were unique.

MR. GARDINER: In discussions with Memorial on Friday, they indicated that these two particular cases were human resource related whereby there was a sharing agreement between, in one case, the Department of Health and Community Services and Memorial, and the

other case was with Eastern Health and Memorial. In both these cases, the employment relationship between Health and Community Services and Memorial and Eastern Health and Memorial were changed. It was a case whereby Memorial then had to invoice Health and Community Services in one case and Eastern Health in the other case to recover the funds.

So the funds, I think, as Memorial indicated, have been recovered from Health and Community Services, and Eastern Health has been invoiced for the other instance.

MR. OSBORNE: Okay.

I am going to go back to the first paragraph of Memorial’s response: “These arrangements are managed with due diligence, with the appropriate financial arrangements incorporated within the University operations.” In the second paragraph of the university’s response: “These amounts owed were not recovered due to an oversight in the process. They seem like two sentences, one following the other, in two connected paragraphs, but they are two contracting statements. How do you level out those two contracting statements?”

MR. GARDINER: I cannot speak for Memorial, but it is our understanding that Memorial indicates that, generally speaking, there is due diligence; but, in some cases, which would be the anomalies, sometimes things will not be followed in the proper manner. Then, in retrospect, they will follow up and do the due diligence after the fact.

MR. OSBORNE: Okay.

I appreciate the fact that you cannot speak for Memorial University. That is why I am disappointed they did not have the respect for the Public Accounts Committee to show here today.

The amount of the second situation involving an employee who was jointly appointed by Memorial University and Eastern Health but was terminated by Eastern Health, the university maintained the employee on its payroll for an additional period of time, which Eastern Health has agreed to partially fund. First of all, why was the employee maintained on payroll for an

additional period of time? Secondly, what is the status of the recovery of that overpayment?

MR. GARDINER: The employee would have been kept on Memorial's payroll because, again, it would have been a joint relationship, so they would have continued their employ with Memorial. Memorial has indicated that it has invoiced Eastern Health for the outstanding balance.

MR. OSBORNE: Okay, so the employee was terminated from Eastern Health but maintained on Memorial's payroll. Why would Eastern Health be on the hook for some of that overpayment if the employee was terminated by Eastern Health?

MR. GARDINER: I cannot answer that question other than, like I said, it would have been an agreement between Memorial and Eastern Health as to why that would happen. I am not sure why the employee was terminated; those details we would not have.

MR. OSBORNE: You will ask Memorial for the answer to that question?

MR. GARDINER: Certainly.

MR. OSBORNE: I am going to go to Question 5 where the Public Accounts Committee asked Memorial University: Could you provide the Committee with an update on its practice regarding the documentation and approval of academic employee leave and overtime which the Auditor General reported were not being properly approved or monitored in accordance with university policy and procedures and collective agreements?

The response from Memorial was: "The nature of faculty employment, including the absence of prescribed hours or days of work, require very different considerations for leave than for non-academic employees." Can you explain this?

MR. GARDINER: When it comes to academic employees, meaning professors and so on, Memorial will attest to the fact that it is certainly different for academic versus non-academic. The academic employees, obviously, do not punch a clock in terms of a nine-to-five. They work different hours with respect to teaching

and research. Memorial would say that their policies with respect to academic employees and attendance and such would be consistent with all universities across the country, and certainly within North America.

MR. OSBORNE: Okay. The university's response also indicates that the AG's concern was with the lack of documentation and monitoring. Can you explain why – according to the Auditor General's findings – there was a lack of documentation and monitoring of the academic employees?

MR. GARDINER: Memorial has indicated that they are reviewing their policies, notwithstanding the fact that, of course, the academic faculty or academic employees would be handled differently than the non-academic. Currently, the monitoring of attendance, et cetera, is done at the faculty level as opposed to a centralized approach. Memorial has indicated that they are reviewing that process to ensure that the proper checks and balances are in place.

MR. OSBORNE: Do you find that it being approved at the academic level – do you feel that is acceptable?

MR. GARDINER: That would be consistent with other universities in the country.

MR. OSBORNE: Even within our own university, between different faculties, there is a great inconsistency when it comes to how academic leave, sick leave, or annual leave is carried out. Would you agree with that?

MR. GARDINER: Again, Memorial is reviewing that process.

MR. OSBORNE: Okay, so I will go back to your previous answer where you stated that it is consistent with other institutions: Even within our own university, there is great inconsistency. Is that acceptable?

MR. GARDINER: What I am saying is the process that Memorial has in place is consistent with other universities, recognizing that there may be some inconsistencies within different faculties, and that is what Memorial are currently reviewing to ensure that there is more consistency within faculties.

MR. OSBORNE: So other academic institutions across the country have a lack of documentation and a lack of supporting evidence as to when annual or sick leave was taken?

MR. GARDINER: I cannot comment for other universities; I am just saying that the process that is in place in terms of monitoring attendance and such with respect to academic faculties is consistent with other universities. Again, Memorial is reviewing that process within their own institution to ensure that there is more consistency within faculties.

MR. OSBORNE: Okay.

Here is my concern with that. In the university's response to our question: "Annual leave and sick leave are not tracked centrally but are tracked informally" – and I have a huge concern with they are tracked informally – "by deans and department heads within academic units." Is that acceptable, that they are tracked informally?

MR. GARDINER: Memorial would indicate that, again, it would be consistent with other universities and the nature of the academic setting whereby professors are scheduled for teaching particular classes and are held accountable with respect to research, et cetera, that it would be very difficult to track attendance, et cetera, for faculty members on a time-clock perspective. Memorial does have a policy whereby there is no payout of carried over leave when a professor retires, so there is no financial liability from that perspective.

CHAIR: Mr. Osborne, we should go to a government member now.

MR. OSBORNE: Okay, I have one other question on this particular item.

CHAIR: Okay, go ahead.

MR. OSBORNE: "Academic staff members are responsible for informing administrative heads of absences that impact upon their ability to perform their duties and responsibilities." So the staff members themselves are responsible for informing administrative heads. Now, we know, through the Auditor General's research, that did not always happen; they did not always inform.

Basically, we are putting the fox in charge of the henhouse here.

Who determines whether the leave had an impact on their ability to perform their duties and responsibilities? Who makes that determination? Is that the staff member as well?

MR. GARDINER: I can only assume that would be the dean responsible for the particular faculty in terms of the impact of a professor's absence with respect to particularly their teaching accountabilities.

MR. OSBORNE: Okay, but again, the university, in their response to our questions: "Academic staff members are responsible for informing administrative heads of absences that impact upon their ability to perform their duties and responsibilities."

So if the staff member is responsible for informing the dean or the departmental head when the absence should impact upon their ability to perform their duties and responsibilities, who makes the determination, and where is the consistency in determining whether the leave is going to impact on their abilities and their duties?

MR. GARDINER: That would be the individual professor, him or herself, in consultation with the dean indicating what the teaching responsibilities are in particular, and with respect to the research that the particular individual would have. That would be a discussion that I am assuming would happen between the professor and the dean to determine –

MR. OSBORNE: We now know that the academic employee did not always inform the departmental head of their leave even – is that correct?

MR. GARDINER: I would not be able to say.

MR. OSBORNE: The university, if they were here, would be able to.

Okay, thank you.

CHAIR: We will go to Mr. Hunter.

MR. HUNTER: Thank you, Mr. Chair.

I think a lot of the questions we have in mind are probably common amongst my colleagues here, because we are wondering about the same questions. I just have a question right off that was bothering me about the financial position and operations.

Item 1, the university reported unrestricted net deficiency of \$106 million, an increase of 58 per cent over nine years. Is there any mechanism where government and the university would review that on a periodic basis of deficiencies within Memorial, particularly when it comes to the number of employees and the number of students – are they being monitored?

On item 7, since 2004, the university has grown 23 per cent, but the rate of the students only grew 5 per cent. So is there a mechanism that is looked at periodically to see if the spending is consistent with the growth of the university, the courses, number of students, and all that? Do we monitor that somehow, if it is through the university or through government?

MR. GARDINER: That is monitored annually. Memorial is required, under legislation, to submit an annual report to government. We have regular meetings with both the President and the Chair of the Board of Regents.

With respect to the deficit piece, that is the same as any entity, like government itself, in terms of – that would be employee benefits that would be paid out such as severance upon retirement or termination. So that is an ongoing thing, the same as with government, in terms of what they are on the hook for with severance, leave entitlement, and so on.

MR. HUNTER: So post-employment benefits still would be reviewed, monitored, and recorded? Would that also be reviewed on an annual basis, the benefits of post-employment?

MR. GARDINER: That would be part of Memorial's annual report including their audited financial statement, yes.

MR. HUNTER: That is all recorded and discussed in an annual review.

MR. GARDINER: Correct.

MR. HUNTER: There are other questions, but can we come back?

CHAIR: Absolutely.

MR. HUNTER: Okay.

CHAIR: Mr. Hunter was not very long.

Mr. Parsons, in parity with the government and Opposition members, maybe Mr. Parsons would (inaudible).

MR. K. PARSONS: Yes. No problem at all.

I have to say – and now it is not too often I will agree with the Member for St. John's South, but – I am pretty disappointed today that there is nobody here from Memorial University. We do not agree all the time, but I do agree with this one.

As a part of Public Accounts – and I have been on Public Accounts for the last seven years. I think we have a great Committee. There are a lot of results that come from this Committee, answers to questions, clarifications, and stuff like that. It is pretty disappointing to know that the university – Mr. Chair, you suggested in those twenty-two years, I think, since it came in, that maybe it is something we should, on our final report, put in and make a suggestion that we go to legislation and make some changes so that this cannot happen.

We are talking about public money and we are talking about what the public spends, so I think it is something that they should be accountable. We are not that bad here. The hearings are usually pretty good. I really think the questions can be answered and maybe there are good answers to the questions that we will have. It is disappointing that they are not here this morning.

My first question is going to go to the Auditor General. Looking at the responses – and I have been reading the Auditor General's reports for a good few years now. I am disappointed with the responses actually that came because they are a little bit vague and we do not need to answer this.

I would like to know your overall thought on the recommendations, where they are followed, and the responses you received from the university.

MR. PADDON: I guess my initial reaction – just to provide a context and to reiterate what I said earlier, we will be doing a formal follow-up within a couple of years to specifically look at the status of the implementation of our recommendations. So notwithstanding where they may indicate or what their responses are today or as part of this process, we will follow up and look at it.

When I look at the responses the university provided through the Minister of Advanced Education and Skills to the Committee, I think it is probably fair to say that there is vagueness to them. I would tend to agree with you there. At the end of the day, all our recommendations are designed to strengthen control.

The university is spending almost a half-billion dollars of taxpayers' money every year, so our sole purpose in doing the review and making the recommendations is to strengthen the financial accountability around the spending of that money. We would expect that the recommendations, particularly when they surround the financial controls, would be taken very seriously and given due and appropriate consideration.

When we look at issues around, say, leave, leave in an organization the size of the university can be very significant. The non-academic leave liability is \$15 million. That is a significant liability, and while there is no liability to pay out academic leave at the end of a person's career, during the course of their career, thirty or thirty-five years or so, they are still taking leave. So there needs to be a process in place to ensure that each individual is getting no more, no less than what they are entitled to during the course of their career. I think it is important that processes are in place, and consistency of process is a fairly significant issue from our perspective as well. That is one of the things we did see, a sort of inconsistency throughout departments.

It is kind of premature for me to say where I think it is going to be because I will let the process play out and give the university the

benefit of the doubt that, yes, they will take the recommendations seriously and do their best to implement them. There may be certain areas where we will agree to disagree. That is fair enough, but I would still feel strongly about my recommendations.

On the same point, some of our recommendations were directed towards the Department of Advanced Education and Skills. I would hope that they would take those recommendations and give them serious consideration as well.

MR. K. PARSONS: Thank you very much.

I just have some questions. As my colleague just mentioned a little while ago, it is 85 per cent of the expenses of the university for the last nine years. It has increased by 85 per cent. What are the major costs that we have accumulated there?

MR. PIKE: Some of the (inaudible) growth of expenditure for the university has been initiatives and strategic investments that the Province has put into Memorial. For example, over the past nine years government has invested money into the Faculty of Medicine, \$11 million; the Faculty of Nursing, \$1.4 million; and the Faculty of Engineering, \$2.9 million. Of course there are salary increases in accordance with the government template that have occurred over the years as well.

MR. K. PARSONS: I want to just look at tuition and the freeze on tuition. While I think the university has maintained growth, when it comes to students you have been pretty consistent. I think it is pretty good that there has been no decline in student enrolment and stuff like that.

It seems like enrolment for students from outside the Province has increased by a lot. It is good to see that all services and everything can – and we are maintaining that. Just explain to me a little bit about the tuition freeze and the impact it has on the enrolment and to keeping the university where it is today.

MR. GARDINER: Memorial's enrolment, as you have indicated, has remained pretty constant. Obviously, they need that critical mass to keep programs viable. The representation

from Newfoundland and Labrador students, while it is less as a percentage of the whole university population, it is certainly consistent with the decline in the high school population.

I think over the past – from 2005, the number of individuals from Newfoundland and Labrador attending Memorial has declined about 13 per cent. That is pretty consistent with the decline in the high school enrolment as well. Memorial is still capturing approximately the same percentage of Newfoundland and Labrador high school graduates as they have in the past. Obviously the low tuition, as well as the quality of education in Memorial University, makes it attractive to certainly Maritime students, as well as students from across Canada and international students, which account now for about 10 per cent of their population.

It is interesting to note that a significant portion of those who come from away to attend Memorial do stick around after graduation. I do not have the exact percentages now, but I think it was around 70 per cent for international students two years after graduation, and I think 40 per cent to 45 per cent for other Canadian students.

MR. K. PARSONS: Okay, that is good.

What effect does it have on what is offered at the university? As we look, the university has increased the Medical School and students for nursing and stuff like that. The effect of keeping the international students and students from across Canada must also affect the amount of courses we can offer and the quality of our education.

MR. GARDINER: Well, absolutely. Without the sustainable numbers, programs would certainly have to change at Memorial. Increasing the presence of Canadian and international students allows for Memorial to keep the robust programs that it currently does have.

I cannot remember what the second part was.

MR. K. PARSONS: No, that is okay.

MR. GARDINER: Okay.

MR. K. PARSONS: That is basically what I wanted.

I want to go to the infrastructure needs over at the university, and as the Auditor General noted, most of the buildings over there are forty years old. There were some audits done, but I think there was a lack of audits on nine different buildings in his report that were not looked at.

What are we doing? What procedures are in place for our infrastructure spending and our overall maintenance? I know it has increased over the last number of years, but where are we when it comes to the needs of the infrastructure spending? I know there is a big demand over there. Where has it prioritized to and what are we looking at? Is there a process in place?

MR. GARDINER: The nine buildings that did not have the FCI done – I think it is called – there was only one building, I think the Earth Sciences Building, which was accountable for about \$13 million. That has since been done, I think. The other eight buildings are very small buildings and Memorial has indicated that it really does not make sense to take on that process. It would not be cost effective.

In terms of their prioritization for infrastructure, they do have a multi-year infrastructure plan that is posted on their website, and they have committed to updating that annually. Obviously, with unforeseen things happening, the priorities obviously change. One of their main priorities right now, as you probably know, is the Science Building. The Science Building is one of their top priorities to replace, and of course they have embarked on a new core science facility, which is due to open in 2019-2020.

MR. K. PARSONS: Okay.

Now I want to go to a little bit about the leave. It kind of surprises me, the sick leave policy that is in place for the university. Can you explain that to me? Can you explain, because it does not seem like there is any limit to how much sick leave you can take. You can go up to sixty days and there are no limits. What is the policy? Is that some policy that is in all of Canada like you said earlier? What is it?

MR. PIKE: The university has a long-term disability program in place for their employees. After a certain number of days, I think it is sixty days, which is different than government employees, the long-term disability program will kick in and the benefits are then paid through the insurance company.

MR. K. PARSONS: There is no limit to how many sick days you can take?

MR. PIKE: I understand there is a review ongoing now of the whole attendance management process in accordance with the collective agreements that they have in place.

MR. K. PARSONS: Okay. So you can take up to – as long as you take fifty-five sick days a year, then you can go back and in a couple of months' time you can go on sick leave again for the same period of time before having to do any long-term disability. Is that the way the policy works?

MR. PIKE: I am not exactly sure of the policy or the collective agreement requirements, but we can certainly follow up with Memorial if you like.

MR. K. PARSONS: That is what it seems like. There does not seem like there is any limit whatsoever.

I do not know if the Auditor General wants to comment on that. Is there a limit to the sick leave that they can take?

MR. PADDON: The only limit we saw was the sixty days, which were consecutive days, before you access the long-term disability. Other than that, if you took a day here or a day there it did not appear to us that there was an overall limit.

MR. K. PARSONS: Was there any tracking mechanism in place to see who is tracking it? If you have a prof who is gone for sixty days, obviously there is somebody who has to teach those courses.

MR. PADDON: I think that was one of the issues, that it was sort of a lack of documentation and monitoring. That was one of the problems we found.

CHAIR: We will go to Mr. Murphy.

Thank you, Mr. Parsons.

MR. MURPHY: Thank you very much, Mr. Chair.

Welcome to our guests. Thank you for appearing before the Committee.

I do have to start off by saying, as well as my fellow members who have sat here in Public Accounts today, Mr. Chair, that I am quite upset over the fact that Memorial University has chosen to hide behind the act and not appear before the Committee. I know they have supplied answers, and I agree with the other members that some of these answers are vague and begs the question of whether I should be asking personnel from AES about these or asking a representative of Memorial University.

I would rather ask a question or two of a representative of Memorial University, but they are not here. That says a lot about accountability, I believe, when it comes to the handling of taxpayers' funds. I am rather upset about that. As well, I think the people of Newfoundland and Labrador should be upset about the simple fact that they are not here to express the needs of the university, as well as the future asks that the university is going to be coming to the public for.

The act simply needs to change, I would agree with my fellow members on that, the section 38.2. The act obviously is going to have to be reviewed and new legislation is going to have to be coming out because accountability, openness, and transparency are quite important to the people of the Province. Considering the monies that we do put into Memorial University and the monies that the general public puts into tuition and that sort of thing, I think there has to be a degree of accountability in all aspects of this.

My first question, I guess, on that aspect has to do – I have to ask the Auditor General about the degree of co-operation you did have from Memorial University. Did you find, number one, you had issues there that you wanted to tackle but simply could not because of the university not agreeing to you looking at them?

MR. PADDON: No, Mr. Murphy, I think it would be fair to say that we had the complete co-operation of the university during our review. When we first informed the university that we were planning a review, they did point out that a section of their act would limit my ability to look at, sort of, the academic side of things. That was fine. I was aware of that limitation to start with.

Our focus, when we started, was around the four areas that I outlined in our objectives. There was no attempt by the university to deviate us from that. So we did have co-operation of the university.

MR. MURPHY: Okay. That is good to hear on that aspect of it, but I am still kind of upset over some of the questions that I would love to have asked around Memorial University.

Thank you for that.

I wanted to ask also – I think the question has already been answered around the termination of the employees. It says in Memorial’s response that there was a \$30,000 recovery of some of the monies that were initially paid out.

What is being done to recover the rest of the money that was paid out? Or is there any more money that has to be paid back on that particular question?

MR. PIKE: The amount in the recovery in the second employee to Eastern Health has been invoiced and there has been follow up with Eastern Health regarding the overpayment.

MR. MURPHY: So Eastern Health will be paying that bill?

MR. PIKE: I cannot comment on –

MR. MURPHY: Or no response from them yet as regards to that matter?

MR. PIKE: I am not sure of the discussions around that, but I know there have been discussions with Eastern Health and Memorial.

MR. MURPHY: Okay. Thanks for that.

I would also like to ask – you see, again, with no real representative here from Memorial University I do not know how much in tune the government is to these questions, but I wanted to ask some of the questions about the financial positions and operations of Memorial University.

It says here, number 2 on page 6 of the report, “The liability for post-employment benefits has increased 67% over the past four years from \$119.0 million in 2010 to \$198.6 million in 2014.”

What were the chief reasons that these liabilities increased?

MR. PIKE: The amount represents the liability, as the report indicated, for post-employment benefits, and it has increased. There has been natural growth in salary increases, salaries and wages, and it does represent accumulated severance for employees’ health, dental, and life insurance for retirees and their surviving spouses, as well as to voluntary early retirement income plan and a supplementary retirement income plan.

MR. MURPHY: I guess a supplementary to that. Is there a plan in place to have people contribute, for example, a little bit more to their plan so that you can overcome these liabilities, or what is the process here?

MR. PIKE: Well, these amounts are recorded in their financial statements as a future liability. These future benefits are unfunded at the year end, but as the amounts are paid out, they are expensed in the university’s budget.

MR. MURPHY: Okay. So somebody is going to have to try to recoup these in the future.

Number 3, “The University reported a pension deficit of \$222.8 million at March 31, 2014.” What are they doing to overcome this, or are they doing anything to overcome the pension shortfall?

MR. PIKE: In today’s pension environment, it is not uncommon for pension plans such as Memorial to have funding deficiencies. Memorial, in particular, the existing deficit is a consequence of the global financial crisis that

occurred in 2008-2009, wage increases over the number of years. So in accordance with the Pension Benefits Act, this going concern deficit has to be amortized over a period of time, not more than fifteen years.

MR. MURPHY: Okay.

MR. PIKE: As of March 31, 2015, that amount of \$222 million has reduced to \$202 million.

MR. MURPHY: Okay, all right.

MR. PIKE: In the pension plan.

MR. MURPHY: So it has backed down by about \$20 million over that time?

MR. PIKE: It is reducing, yes.

MR. MURPHY: Yes, okay. So it is being addressed here.

You mentioned that it would probably be about fifteen years before it basically comes back to zero if they stay on track?

MR. PIKE: Well, there is a schedule. Each year it is looked at in accordance with the Pension Benefits Act and depending on what the gain or loss is in any particular year, that amount is amortized over a period of time.

MR. MURPHY: Okay, all right. Great, thanks.

Under section 15, "Nine University buildings, with Facility Condition Index costs totalling \$54.2 million, did not have a detailed audit (inspection) completed by engineering consultants." While these audits were being completed, "... the University did not have accurate information to make informed decisions on capital planning and funding purposes."

I am just wondering if they have a problem as regards to building maintenance and the need for inspections, ongoing replacement of buildings that are older – forty years old, we have heard the age of some of these buildings. I am questioning why the university would have taken on more building liabilities. For example, when it comes to the Battery purchase, it was probably a pretty good purchase in the context of things but they still chose to sink money

outside rather than looking after the assets they already had.

Was there any reasoning on the part of Memorial University as to why they needed the Battery in the first place rather than looking at the assets and the asset replacements that they had to undergo?

MR. GARDINER: The rationale for the purchase of the Battery is two-fold. One was they did need some additional graduate residence spaces; as well as the plan is to move a number of arms of Memorial, such as the Gardiner Centre, to the Battery so that it would offset leasing costs.

MR. MURPHY: Okay. They obviously did a study then of the outside leasing costs, for example, when it came to that and they figured they would be in a better position buying this building?

MR. GARDINER: That analysis would have been done three or four years ago before the purchase, absolutely.

MR. MURPHY: Okay. Is there any chance we can get a hold of the analysis to have a look at it, just out of curiosity?

MR. GARDINER: We can certainly check with Memorial to see what they have.

MR. MURPHY: To see if they will make that available, okay.

The other questions that are here – this is what concerns me about the simple fact of Memorial University not being here. I really do not feel like I can ask questions of AES, for example, when it comes to leave and overtime and the documenting process and the effect of monitoring, et cetera, through AES without somebody from Memorial University being here.

So at this particular time, Mr. Chair, again, I will state the fact that with nobody here from Memorial University I do not see the sense sometimes in asking some of these other questions. For the record, I do not know if there is a possibility here – whoever is going to be in government next time or if we are going to be

sitting before – but government needs to change this legislation so that we can have a proper hearing around some of these questions.

CHAIR: Mr. Murphy, to ensure that we get whatever information is available I would recommend asking the representatives from AES, and if you are not satisfied with the answer, maybe follow up with the Auditor General to see if he has any information. We should exhaust the possibilities that there is an answer here.

If there is not, we may want to go back to Memorial University and ask them. We probably should not assume that they have not been briefed on a particular item because we may miss something.

MR. MURPHY: You may be right on that. Okay.

Well, then I will continue.

CHAIR: It is an unhandy way to ask questions just the same.

MR. MURPHY: Yes. At the same time, I would rather hear it from Memorial University and hear government's take on it too I suppose. I just find it remarkable they are not here to – well, in all essence, defend themselves too, if there is something there that needs to be asked.

I wanted to come over –

CHAIR: Before moving on –

MR. MURPHY: Go ahead.

CHAIR: – maybe we should go to Mr. Peach.

MR. MURPHY: Sure.

CHAIR: When you say to defend themselves, we find that agencies come here and they like to come forward and say all the things they have done in response to the Auditor General's report. So sometimes they come here and they have done a really good job, satisfied most of the answers, and put to rest most of the questions that would have come up.

MR. MURPHY: I would agree with you on that aspect. There are still questions around their maintenance programming, I think, that are out there, particularly in the general public when they hear about issues; for example, the replacement of the Science Building and that sort of thing. I will leave it at that.

CHAIR: Mr. Peach.

MR. PEACH: Thank you very much, Mr. Chair.

I too have to echo the concerns of our other Public Accounts Committee members. I was very disappointed to hear that the university did not have anybody here. I read through the report pretty much in its fullness. There were a lot of questions around the report that I had.

I saw the response back. I too thought it was vaguely answered in some ways. No disrespect to the two gentlemen across the way. I am sure you are quite qualified to answer some of the questions, but not all of them. You will get answers for us.

Some questions have already been asked, but probably in a different form than I had here that I want some clarification on. With respect to the two employees – the \$151,340 related to two employees not recovered, the monies not recovered – are these employees still employed with the university now? If they are, how are we getting the money back? If they are not employed, are we still trying to get that money?

MR. GARDINER: To our knowledge, the employees are not employed. The outstanding funds, again, one was from Health and Community Services and one was from Eastern Health. So it was not the employees who had to pay this money back but the organizations: the department and Eastern Health. The funds have been recovered from Health and Community Services and, as stated earlier, Eastern Health has been invoiced for the outstanding amount and MUN fully expects to get reimbursed for that.

MR. PEACH: Okay.

With respect to the leave, I just have a question around that. There are so many deficiencies

here within the whole report. I am just wondering how you would monitor the way that it was done so that people would not actually get more pay than they are actually supposed to have. Was anybody ever in that situation where they got paid more than the actual leave that they were supposed to be granted?

MR. GARDINER: There would not have been any employee who got paid more than what they were supposed to actually get. With respect to the leave, again Memorial would have to speak to it in terms of the processes that are in place; but, with respect to academic staff, they would certainly have responsibility for their teaching duties as well as research. That kind of provides somewhat of a check and balance in terms of whether they are in attendance or not. There certainly would not be any employee getting overpaid because of the leave management system.

MR. PEACH: With respect to the Auditor's report and the recommendations that the Auditor made, I am assuming that a lot of this stuff was done manually before. Is it done electronically now so that one can see if there are any changes or anybody is overpaid and you can pick it up fairly easy, rather than be on a manual basis?

MR. PIKE: The university has undertaken a review of their attendance management practices and processes and have a committee in place to make recommendations for changes to that whole attendance management process. I would assume that process would have identified shortcomings in the current system and what the problems were.

MR. PEACH: With respect to the nine university buildings, the index costs of \$54.2 million, and not having the detail audit done, I am just wondering how we know that we got what we paid for in that respect. If we never had an engineering inspection done, then do we know that the buildings were up to a standard code that we were looking for? At the end of the day, did we get what really we are paying for?

MR. PIKE: The university does have a comprehensive plan that is in place for tracking capital renewal requirements and they do go through a rigorous process, and they have a

published infrastructure plan as well that look at the needs of the university.

I am not sure if I answered everything in your question there.

MR. PEACH: Not really, no – more clarification, if you can.

MR. GARDINER: The FCI – Facilities Condition Index – basically, to my understanding, it is an indication as to the work that would be required to bring a building up to a particular standard. The nine buildings in question, the biggest one was the Earth Sciences Building, which I understand has the Facilities Condition Index currently underway or has been completed. The other eight buildings are very small buildings whereby Memorial would say it does not really make sense to do that piece of work because they are so small and insignificant in terms of what would be required that it would not be cost-effective.

MR. PEACH: Okay.

I am just wondering about the two contractual positions when I was reading through it and I saw that there was no competition conducted. Normal practice within government is that there would be a competition conducted, and in this case here it was not. Can you give us any reason why that happened that way?

MR. GARDINER: Memorial has indicated that the general practice is that a competition would be conducted. There are occasions in these two indications whereby they needed a particular piece of work done and it would not have been prudent to do a competition. It was a defined piece of work that need to be done quickly, and to go through a competition, you would not have gotten a person in place for a couple or three months. So these were contracts that were offered to individuals who were capable of doing the work, but the normal practice certainly is to go through a competition.

MR. PEACH: Just a suspicious mind, I guess – it is not the same two people that were overpaid the \$151,000, is it?

MR. GARDINER: No.

MR. PEACH: Okay, thanks.

I do not have any other questions right now, Mr. Chair.

CHAIR: I will return to Mr. Osborne.

MR. OSBORNE: Thank you, kindly.

I would like to thank Mr. Pike and Mr. Gardiner before I start again. You are doing the best you can to answer questions. I think the frustration of the Committee is at the university, not at you guys; but it is very disappointing, I will say again, that they are not here. Obviously you cannot answer all the questions.

I am going to go back to leave for a moment – I did have another question on that – Memorial University’s response: “The primary mechanism used by academic units for tracking annual leave and sick leave are Absence from Campus forms which are completed by academic staff members on a voluntary basis.” I know that the Auditor General had pointed out that this is not always complied with.

We go to the next question that they provided an answer on which was: “How many non-academic employees are employed by the University? What are the cumulative leave and overtime entitlements of these employees?” To which, in part, Memorial University replied, “Memorial requires that overtime be pre-approved and authorized by a supervisor or manager to ensure that there are controls over the amount granted.”

I am just wondering how can there be two so starkly different policies in place, where for non-academic employees there has to be a pre-approval of a benefit to ensure that there are controls over the amount granted, yet for academic employees, it is a voluntary form to be filled out. I will go back again to the fact that the policies between departments at Memorial University are significantly different. It is not always a uniform policy followed. I know it is under review; but how can we in 2015, where there is such a large amount of public money being spent, give such autonomy to the academic staff in this particular case?

MR. GARDINER: To my knowledge there is no overtime, necessarily, for academic staff. The overtime would be for non-academic staff. As the university has indicated, there would be a pre-approval process. With respect to the academic leave for faculty members, Memorial are reviewing that process currently and will be making some changes based on that review.

MR. OSBORNE: No, I understand that we are talking two different sorts of leave. The non-academic staff, for example, obviously has checks and balances in place, where the academic staff in many instances do not. That is our concern. I think that is the concern of the Public Accounts Committee and certainly of myself in this particular case. Without the checks and balances and forms being filled out on a voluntary basis, and it being the responsibility of the employee to voluntarily inform a department head that they are taking leave, either sick leave or annual leave, and that it is not tracked centrally, that is obviously a concern. So, I am just reiterating that I think that is something that obviously Memorial University needs to fix. They are not here to hear it directly, but I am sure they will read the transcripts, or at least hear it from departmental staff – but that is something that has to be corrected.

Question 8 from the Public Accounts Committee: “How many management employees did the university approve for overtime compensation in addition to vacation in lieu of overtime? How much money did this decision entail?” The response from Memorial University was: “Any payments approved for overtime in circumstances such as these were related to extraordinary events”

I would like to know such as – what are these extraordinary events?

MR. PIKE: We did ask that question of Memorial on what the extraordinary events might be and one of the examples that they provided was when we had DarkNL, the students were relocated from the various residences to the Field House and they required management staff and other staff to oversee the operations during that time.

MR. OSBORNE: Okay

For the year ended March 31, 2012, for example, there was approximately 573 management and professional employees who were eligible for an additional five days of vacation in lieu of being paid overtime. Of these, forty-three management employees were paid an additional \$123,478 in overtime. Did these forty-three individuals receive the five days as well as the additional pay?

MR. PIKE: That is a question that we would have to ask Memorial, but we can certainly follow up, or the Auditor General might be able to determine for us if that happened.

MR. OSBORNE: Okay, I do not know – Auditor General, do you have the answer to that particular question?

MR. PADDON: While I would not be definitive, my understanding is that the overtime was paid in addition to the five additional days leave.

MR. OSBORNE: Okay, thank you.

I will go to Question 9: “Has the University reviewed its policy with respect to senior management travel and if so what steps have been taken to ensure compliance with travel policies?” I know we touched on this a little bit, but I would like some further clarification.

Their response: “Prior to travel, all unit heads and vice-presidents are required to report in writing to their vice-president or the president, respectively, all absences due to travel prior to the travel occurring.” What exactly is the approval that is required and in what form is that approval required?

MR. GARDINER: Essentially, the way the approval for leave at Memorial works is if a vice-president, for example, is going to be away on leave, for travel purposes, they would notify their counterparts, the other vice-presidents, as well as the president. The president obviously then if he or she – in this case, he – has a problem with it, would notify the respective vice-president that he or she is not approved for this particular leave.

They notify their colleagues, as well as their superior, as to when they are going, why they

are going, and who the contact person would be. If their superior has an issue with the particular travel arrangement, then they would let that person know and then obviously travel would not happen.

MR. OSBORNE: Okay.

I know the travel policy is supposed to be reviewed in accordance with Memorial University’s policy framework. What are the proposed changes?

MR. GARDINER: I would not be aware if, in fact, there are any proposed changes or the status of that particular review. I know Memorial has an ongoing review of policies every number of years. I think it is five years they review each policy. I am not aware of the status of their travel policy review right now, but we can certainly follow up with Memorial and find out when it is scheduled.

MR. OSBORNE: Okay.

WITNESS: (Inaudible).

MR. GARDINER: My colleague tells me that it is scheduled to be reviewed in 2016.

MR. OSBORNE: Question 10: Has the university, since the Auditor General’s review, deviated from its relocation policies and is it committed to applying current policy until the review in 2016? Based on Memorial University’s response, it is always dangerous to assume, but you could assume that the answer to that was no. If that is in fact the case, can you explain?

MR. GARDINER: Memorial would indicate that they have not deviated from their travel and relocation policy. Within the policy, there is room for an exemption. For example, recently they relocated an individual from Ontario who was a critical person to move Memorial forward with respect to infrastructure. The example they gave us is – and I do not know the exact number.

So, for example, in their policy there is a limit in terms of the weight that they would reimburse someone for moving. This particular individual was a well-established individual in the field, a long history, an older person who certainly had

more belongings than the 10,000-pound limit, if that is what it was.

In this case, they would say for the sake of reimbursing this individual for an extra couple of thousand pounds, because this person is the ideal candidate, then there is provision within the policy, with the proper approvals, that they can make an exception. They do follow their relocation policy with the provision that there are some exceptions, with the proper approvals.

MR. OSBORNE: Okay.

Finding 37 of the Auditor General's review – and this is why I am surprised that they did not deviate from their policies. We were correct in the assumption that they did not deviate from policy. "Executive and senior management employees were not required to complete and attach documentation that indicated the approval to travel or the estimated travel costs, to the travel claim. As a result, travel expenses could be incurred for travel that did not receive prior approval from the University."

Would that, in itself, not be reason enough to deviate from Memorial University's current policy?

MR. GARDINER: I am not sure what the question – the question I just answered was with respect to their relocation policy. Finding 37 deals with their travel policy and as I indicated earlier, the onus is on the individual, whether it be a vice-president or senior manager, to inform their superior when and why they need to travel. If the superior has an issue with that, then they would indicate it to the person and obviously the travel would not happen. Other than that, then it would be approved.

MR. OSBORNE: Okay.

Item 38 directly relates to relocation: eleven out of thirteen employees were approved by the respective vice-president or their designate at amounts which exceeded that permitted by policy. Given the level of exemptions approved, is it possible that the university policy should be revised?

MR. GARDINER: Again, as indicated in their response, the policy will be reviewed as part of

Memorial's regular review of policies; but, as indicated in Memorial's response, while it appears that it was over and above the normal policy, again there is a stipulation in the policy whereby in extenuating circumstances the approval can be sought to deviate from the policy. While it is a deviation from the policy, the policy allows that deviation in extenuating circumstances.

MR. OSBORNE: Okay.

Again, item 39 of the Auditor General's findings: "All relocation expenditures were not recorded on a Staff Settlement Claim form which is signed by an employee to verify the expenditures. As a result, there is a risk the University may not recover 50% of total expenses paid, if an employee leaves within two years."

Can you elaborate further on this and tell us what, if any, measures are put in place to protect not only the university but taxpayers of the Province in this particular case?

MR. PIKE: The university has indicated that it has developed a new Staff Settlement Claim form which now captures the information that is incurred by a third party as well as the individual, and those are now kept in a file together so that they are followed up and monies are accounted for.

CHAIR: Let's go to Mr. Cross.

MR. CROSS: Thank you, Mr. Chair.

I guess at this point, with seven members on this Committee, maybe the strongest statement is we all reiterate the same things that there is a fair degree of disappointment that Memorial University – and if I can quote a couple of my colleagues – are hiding behind the legislation, behind the act. I think the Member for Bellevue spoke about suspicious minds to the point that maybe everything is okay and everything is fine, but without people being directly in front of us to ask questions then the appearance versus the reality is always a doubt. Where there is doubt, there are suspicious minds as to how things are being conducted, I guess.

This week that we are conducting these hearings is actually orientation week at post-secondary. Students are being oriented and getting fresh starts, and it would be sort of unifying if Memorial University officials were here giving us the fresh start that we could ask the questions to them directly.

With that in mind, I just want to reiterate, to give unanimity to it from the whole Committee, that we are disappointed and the disappointment is not minor. It is a major for everybody on this Public Accounts Committee.

With regard to this portion of the Auditor General's investigations within the last year, the Memorial University investigations they were doing, I guess when the Auditor General undertook to do so, he had certain objectives in mind and certain things you are going to look for. What he brings back to us to review, I guess, there are thirty-nine findings that come out of his report, with thirteen recommendations.

So maybe the remainder of my ten minutes I will give the hon. gentleman opposite a little bit of a break and I am going to concentrate my questions on updates to the three recommendations that were to the department and not to the university. When I get back for my second round, I may throw in some extra questions for the university at that time.

Recommendation 1 – I mean, all three of these recommendations were written and gone to print, and right now time has elapsed since that time, so if we look at the three recommendations that were directly referring to AES or to the Province to respond to, we need to get an update on these as well. For the record this morning, if members opposite could update Recommendation 1: “The Province should review the Provincial funding model to determine if it is efficient and effective and includes such factors as the capacity of the University to deliver programs, program costs per student, enrolment and output results.”

So there is a seven-line answer here in this. Although brief, it says a lot, but do we have an update for what has happened there and if this is continuing?

MR. GARDINER: The department is reviewing the process by which it funds Memorial, but in particular it is important to note that Memorial is undergoing an efficiency review. So that will inform future budget decisions with respect to Memorial and how it is funded.

Typically what would happen is Memorial would come forth in the budget process and identify strategic initiatives that it would want government to support. So, for example, as Mr. Pike indicated earlier, expansion of the medical school, expansion of the engineering building, Marine Institute programs and so on. We would look at the review of MUN's funding as part of their efficiency review, which is ongoing.

They have identified, I think, last I saw – and this is on their website – twenty-two initiatives which identified \$5.2 million in savings. So that would be an ongoing conversation with Memorial in terms of how they are funded and what efficiencies they can realize.

MR. CROSS: Okay.

The second recommendation here, “The Province should review the tuition freeze policy to ensure it is still meeting the objective of providing accessibility to education for students from Newfoundland and Labrador.” In looking through the findings there were some statistics about other Canadian students and foreign students as well, and statistics for enrolment and how it was met. The tuition freeze policy, is there any update to the comments that are in page 56 of this report?

MR. GARDINER: Ultimately, the tuition is set by the Board of Regents at Memorial University. Over the past number of years, in conversation with government, there has been a mutual agreement that government would offset any increase in tuition by increasing Memorial's grant in lieu of tuition. As was stated earlier, currently Newfoundland and Labrador students make up about 70 per cent of the enrolment in university, about 20 per cent come from other Canadian provinces, and 10 per cent are international.

Memorial continues to capture the same proportion of Newfoundland and Labrador high

school students as it had in the past, since 2005. Memorial's Newfoundland and Labrador enrolment has decreased by about 13 per cent. That is consistent with the decrease in the number of high school graduates.

The other Canadian and international students are attracted to Memorial for the low tuition, as well as their robust programs. It is important to note that many of those who come here for a university education remain a couple of years after they have finished. So we would anticipate that they would become residents of the Province which certainly is part of a larger Population Growth Strategy that the Province has just recently announced.

MR. CROSS: Okay. So the number of Newfoundland and Labrador students, although shrinking, the shrinking is in the same amount, you are saying, as the enrolment figures and graduation figures from our secondary schools.

MR. GARDINER: Correct.

MR. CROSS: Okay.

Recommendation 4 says, "The Province should consider a long term plan to address the University's ageing infrastructure and maintenance needs." Now there are quite a few comments. Some comments already have come through with regard to the infrastructure and the age of the buildings at Memorial University.

If you look at the graphs we were presented with, you can see that, obviously. The little pictorials of the bar graphs shows – that we can read rather quickly – that the number of buildings constructed in the last few years are very minor compared to what was constructed between forty and fifty-five years ago. Is there a major update in how the response that was given here has come about in the last little while?

MR. GARDINER: The only update would be the fact that Memorial does have an infrastructure plan – it is posted on their website – whereby they prioritize their infrastructure needs and are in constant conversation with government to facilitate the critical needs. Memorial has certainly stated publicly that they have identified some of their critical needs and have put some monies aside to address those.

They have identified their number one priority outside of – and I guess this could be considered critical as well – it got to happen right now needs. The replacement of their Science Building is certainly their number one priority from an infrastructure process. Work has started on the replacement of the Science Building with a new core science facility which, again, is scheduled to open in September 2019.

MR. CROSS: Do you feel that Finding 16, critical maintenance items that were not being actioned are now actioned in a more a timely manner or that the practice put in place is actually improving that aspect?

MR. GARDINER: I would certainly consider that the university has their house in order with respect to addressing critical needs and are on record as doing so.

MR. CROSS: Okay, Mr. Chair.

CHAIR: Ordinarily I would go to Mr. Murphy, but I think it may be time to take our morning break and resume with Mr. Murphy. If we could commit to be back here around 10:50 by one of these clocks. They are not always the same.

Thank you.

Recess

CHAIR: Okay, we are ready to resume and we are going to go back to Mr. Murphy.

MR. MURPHY: Thank you, Mr. Chair.

I am quite pleased in this particular instance – most of my fellow Committee members have been asking questions that I would have had a little bit earlier, so I only have a few questions left, really. It mainly centres around infrastructure and maintenance needs. I have basically only two or three questions.

In number 4 of the recommendations from the Auditor General on page 51 of the report he states, "The Province should consider a long term plan to address the University's ageing infrastructure and maintenance needs." I wonder if any of you gentlemen from AES might be able to comment on what is being

doing in that regard about addressing the needs of Memorial University.

MR. GARDINER: Memorial University has put together an infrastructure plan, a long-term plan, which it has tabled with the department as well as published on their website. The department is in constant communication with the university in terms of prioritizing that plan and obviously funding that plan.

Memorial will be funding some of the infrastructure needs through their efficiencies, as they see fit. That is a plan that will be updated on an annual basis. So Memorial has done the piece of work to put together an infrastructure plan, and is in constant dialogue with the department in terms of what the priorities are and how best to move forward with that plan.

MR. MURPHY: Did they have a plan previously for building maintenance? The question might even go to the Auditor General on this. Did you find evidence before of a previous maintenance plan that was in place by Memorial University to address the aging needs?

MR. PADDON: I do not think it is a question of a previous maintenance plan.

MR. MURPHY: Yes.

MR. PADDON: I think it is fair to say that the university has a process in place to identify their maintenance needs. I do not think the issue is necessarily with the university identifying the needs. I think it is a question of how much funding is available to address those needs.

MR. MURPHY: Right.

MR. PADDON: If you are only addressing 30 per cent to 33 per cent of your needs a year and your infrastructure is aging, it is going to continue to worsen over time. I think it is a funding issue as opposed to a process issue.

MR. MURPHY: Okay.

This kind of brings me up, I guess, to the next question that I would have for the gentlemen from AES, Mr. Gardiner and Mr. Pike. One of the moves that Memorial University is making to address some of the strategic infrastructure

needs – they have a list of efficiencies and I have gone through the efficiencies here; I am wondering about the efficiencies that they are undertaking.

Is there something put in place to make sure that some of these efficiencies are not going to affect educational needs, for example? I go through the Animal Care one. It says operational changes in Animal Care Services, for example. They will have an annualized savings of \$144,000 which is supposed to be going towards the infrastructure plan.

I am wondering if these savings of \$144,000, for example, that they would – and like I said, just by example, is there a possibility there that it could affect the educational needs of the students involved, number one; and number two, is there somebody who is actually going to be monitoring these processes that they have undertaken to make sure that it is not going to affect education?

MR. GARDINER: The university, with respect to their efficiencies, have undertaken a strategic consultation process with their faculties to ensure that the education itself of students is not impacted. The review is led by the President of the university and they have identified two individuals within the university who are spearheading the review. One person has an academic background to ensure that the integrity of the programs is maintained, and the other person has an administrative background whereby they would review their administrative processes.

Again, they undergo significant consultations with the various faculties. There is a subcommittee, a Senate, that is involved in those consultations as well. All the findings and efficiencies, as you have pointed out, are published on their website to ensure that there is a transparent and accountable process that is in place and it will not have a negative impact on the education perspective from the university.

MR. MURPHY: Okay, thanks for that.

Just as a follow-up to that, when it comes to the report that they have, are they inviting more public consultation or public input as regards to

the processes that they are going to be following in the future?

MR. GARDINER: I am not aware of any formal public consultations, per se. The consultations that they would be involved with would be within the university community itself with respect to the Board of Regents, the Senate, and the various faculties. I am not aware of any public consultations, per se.

MR. MURPHY: Okay, thanks for that.

The only other question that I would have would have to be Recommendation 5 on the part of the Auditor General. It says here, "The University should ensure audits and inspections of infrastructure are completed to identify maintenance requirements, and that critical maintenance work is actioned in a timely manner." Well, that is obviously pretty much the important part of any kind of a maintenance plan.

I guess the question again to the Auditor General probably is a little bit of clarification to your first answer about the maintenance plan. What you were saying, if I interpreted right, was that there was obviously some sort of a maintenance need there, the maintenance plan. People, I assume, were notified that these issues were ongoing and, obviously, it built up to probably more major issues as a result of not being addressed.

If I can frame this right, there is no sense of having a plan if you do not have the money to follow through with the plan is what you are saying, right?

MR. PADDON: Yes, that would be probably a fair summary.

MR. MURPHY: Okay.

So, it is critical that government would have a role in this too, obviously, to address those needs and make sure that what they are asking for is what indeed they are asking for.

MR. PADDON: The university gets money from two broad places: one is a government grant, and two is tuition. So it has to come from one of those two places.

MR. MURPHY: It has to come from somewhere, so obviously – well then, just to sum up. The importance of a maintenance plan is inherently obvious right now. That if you do not maintain something, there is a good chance that tuition will increase as a result. So they are better off following through with a plan and sticking by it and directing money towards the fulfillment of what is required, rather than having to put up fees to pay for a building after, if need be the case.

MR. PADDON: My experience over the years is that the longer you leave maintenance undealt with, your problems essentially compound.

MR. MURPHY: Right. Okay, thank you for that.

Mr. Chair, I have no further questions at this time, nothing comes to mind. Everybody else has been asking the other questions that I would have asked. Unfortunately, a little bit more follow-up from Memorial University – it would have been nice to have them here to answer these questions and to engage with them. It is unfortunate, but it is what it is.

CHAIR: Okay. I will go back to a government member.

Mr. Hunter, do you have questions?

MR. HUNTER: Yes, just a couple of comments, actually. I am still hung up on the sick leave pertaining to the academic employees, the non-academic and the executive employees. I know the AG recommendations are probably the answer to a lot of our concerns and questions. There are key words in all thirteen recommendations, and the AG alludes to efficiencies, effectiveness, results, delivering long-term plans, timely manner, adequate documentation, review, documented track monitor, properly submitted, recorded and approved. These are all areas and every recommendation that can alleviate all of these problems we are seeing.

My hang up with the sick leave is if it is not documented in a proper way than how can the university run smoothly? We are educating people in there to do all kinds of programs related to business and finances and all that, and

then we have a university, such a large institution, that cannot run their own affairs. It does not make a whole lot of sense.

I would like to thank the AG and staff for such a great job in doing the AG's report on Memorial, and the recommendations, which I think is probably the most important part of our exercise of Public Accounts, the most important part of the exercise of the AG's Office. Hopefully, I will see these recommendations come to some type of involvement by government to make sure that the university addresses all these problems because if we do not, then every dollar we spend inefficiently is an issue that will not go away. It is not going away until we find the money to fix it. A dollar saved is a dollar earned to put towards these efficiencies, particularly with the infrastructure.

I do not have a direct question. I would just like to thank Elizabeth for putting together all the stuff for us as a Committee and for such a great job, and you guys for showing up and trying to answer the questions as best you can. The important part of this exercise today would have been to have someone from Memorial here where we could take this document and go through it question by question and recommendation by recommendation.

I still think it was a worthwhile exercise. I think we did pretty good with the questions and answers. We at least got a ball rolling so that we can move forward. So thank you again on behalf of our side of the Committee. I will pass it to you, Mr. Chair.

Thank you very much.

CHAIR: I am going to stay with government members until they have used up ten or fifteen minutes and then go back to Mr. Osborne.

MR. K. PARSONS: I have a couple of general questions, basically. We discussed a little earlier about the tuition freeze and the importance of the tuition freeze, which I understand. It is great to see that. As you look at the chart that is on page 23, we are the lowest in all of Canada when it comes to tuitions right across the country, as far as students. It is great that our young people have the opportunity to go to university with a cost so low.

I was recently at a seminar at the university and we were there with med students. A question came up – and I asked a question. I wanted to know the difference between the tuition fees for med students here in Newfoundland versus – there was a lady there from British Columbia and another gentleman from Ontario. I believe ours were around \$6,300 a year, somewhere in that area. The lady from BC told me that BC's was around \$18,000 and Ontario's was somewhere in the \$20,000 range for tuition fees.

While you stated earlier that it is good that these students are coming here to Newfoundland, is there any policy in place or is there anything we are trying to do – when you are talking that much of a difference for a person's education, I know you said 40 per cent stay and work for the first two years. Perhaps there is something the university and the government can do to ensure that we keep a lot of these students here.

They are getting a great education obviously at MUN or they would not be here. The quality of education is great. The cost is the main reason they are coming here. We as taxpayers of Newfoundland and Labrador are paying for it.

I was wondering what policies are in place to ensure that we get the students? What are we doing to attract students and trying to keep them here in the future?

MR. GARDINER: The short answer to that can be found in the Population Growth Strategy whereby part of the strategy is to make this place more attractive for people to not only come here, but to stay here. So there are certainly a number of initiatives within the Population Growth Strategy.

In terms of focusing on university students who come from other Canadian provinces and territories and internationally, I guess there is no formal policy per se to keep them here, except, obviously, to make the Province more attractive. To keep people here and to attract people here, that would be undertaken in the Population Growth Strategy.

MR. K. PARSONS: I am just wondering if there was some kind of policy in place – not to scare anybody off now or anything. I know in the School of Medicine there are some things

that are offered to doctors to come out to rural Newfoundland in the first couple of years they are doctoring, to stay in rural Newfoundland and stuff like that. I am not sure if it is some policy that we should be looking at also to keep young doctors, engineers, and everyone who is coming from abroad to stay here in Newfoundland. Perhaps there is a policy we can have a look at. It is just a suggestion.

I have another question now for you. It is the last question I am going to ask. I was interested in looking at – we are after hiring provincial pensioners. Obviously, sometimes provincial pensioners are more than qualified for positions over at the university and anywhere else. Where we are in an area where young people are trying to get their feet in the door and everything else, what policies are in place – I know the Auditor General mentioned that the university does not restrict any hiring for provincial government pensioners. What is the reason for that? Are they more qualified? I think it is something they should be looking at.

MR. GARDINER: From Memorial University's perspective, again they are not bound by the policy in terms of hiring government pensioners. Memorial being autonomous, they have their own processes in terms of payroll et cetera. They would say that they would not be able to discriminate against someone who is getting a government pension as opposed to a university pension.

So if a person were to apply for a position at Memorial and he or she was a government pensioner, Memorial would have no way of knowing that particular person was a government pensioner. They would not be obliged to let Memorial know that they are a government pensioner. If Memorial requested that information from the Government of Newfoundland and Labrador from the Pensions Division, they would not be able to give that information from a privacy perspective.

Memorial has no way to distinguish between a government pensioner or not. Consequently, they do not discriminate between if a person is a government pensioner or not. They do have rules and policies in place with respect to hiring people who are on pension from the university

but they do not have the mechanism even to distinguish between government pensioners.

MR. K. PARSONS: Okay. So the university pensioners who are rehired, there is a minimum number of hours per week they can work?

MR. GARDINER: Correct.

MR. K. PARSONS: Okay, so it is twenty hours a week.

Just in conclusion, I am still tied up a little bit on the sick leave bit. I really think there should be some kind of a policy put in place. Sick leave is something – when I came to private industry I worked with a company for twenty-seven years and we were allowed six sick days a year basically. That is just the norm out in any government place or any private industry.

It just seems to me that there is an unlimited number. I really believe it is something that AES should be discussing with the university and saying listen, we need a policy put in place here; this is not acceptable. It may be acceptable in all other universities, but I really believe that it is just opening the door to abuse.

I think it is something that we should be looking at as a government and forcing the policy here a little bit. I do not know what your thoughts are on that.

MR. GARDINER: We certainly will engage Memorial in a conversation on that. It is important to note though, I think that – and again I cannot speak for Memorial in terms of its policies on sick leave, but it is something that we will have a conversation with them about.

Memorial does not have replacement costs for their academic or for any of their faculty or staff in terms of backfilling positions, unless it is long term and they are on long-term disability and obviously they will have to be replaced. They would not be paying a salary if someone is on long-term disability. It is an issue that we will certainly explore with Memorial further.

MR. K. PARSONS: Just in closing now, it is going to be interesting to see what the response will be to your recommendations over the next little while. I guess in two years you will go

back and do an overview of what they have done. It will be great to see what happens there.

I would like to thank the two gentlemen this morning. I appreciate your answers. You gave great answers here this morning. Thank you very much for what you have done here this morning under the circumstances.

Thank you.

CHAIR: Mr. Osborne.

MR. OSBORNE: Thank you, Mr. Chair.

In the Auditor General's report, page 6 actually, and it is item 5, "The Province funds the University using a base-budget approach which uses the previous year's funding levels as a base amount which is amended for programming changes. This approach has inherent risks as annual funding is not directly linked to the University's capacity to deliver programs, registration/enrolment levels, or outputs."

I would just like to ask the Auditor General if you can expand on that and provide some more detail prior to asking questions of the staff from AES.

MR. PADDON: Yes, thank you.

When a budget request comes in from the university to AES on an annual basis the starting point, if you want to call it that, would be the prior year's amount, so the base budget. Then any new initiatives that they would like to undertake, any increased salary, or any increased staff complement, all those sorts of things then would be added on.

From our perspective, at some point you should probably step back and say, in the base-budget amount, what in a sense are you funding and are you still funding things that make sense from a taxpayer perspective. Ultimately, all the money that is going to the university is taxpayer funded.

In our view, there should also be some kind of link to outputs. What, at the end of the day, do you want to achieve? Can you achieve it with the amount of money that is being provided or do you need to have changes? Those are the sorts of things that – by just sort of starting out

with a base budget and not really probing or digging at what is included in the core amount, then you might be missing an opportunity to rejig or re-level the existing budget and provide some capacity, perhaps, to fund new initiatives.

There is a risk, which I certainly understand, around academic freedom and all that sort of thing, which is the purview of the university; but at the end of the day, there is still money coming from the pockets of the taxpayers. So in our view, there should be at least some look at – whether it is every year, every second year, or every five years, it really does not matter but some look at the underpinnings of the budget.

MR. OSBORNE: Okay. I appreciate that. Thank you.

I think that finding was probably as much a suggestion or direction for government as it is for the university. Based on that and the discussion just with the Auditor General, what mechanisms does the university have in place to really go below the surface and look at whether or not some of your funding line items are properly being spent, or whether or not there are savings there?

I know there are fiscal challenges for the university. We have aging infrastructure at the university. We do not hear stories in the media like we do about some other universities across Canada or universities in the States for example, but we know that other universities that are older than Memorial have major infrastructure problems. Memorial University is at a crossroads where you are starting to see an infrastructure deficit.

So, how deep does Memorial University go to ensure that their budget line items are being properly spent, and whether or not there can be savings without affecting the delivery of services? How does Memorial University plan to deal with the infrastructure deficit?

MR. GARDINER: In terms of the base budget model, while it sounds like we start from the previous year's budget line – an element of truth to that – however, it is not simply accepted at face value. Memorial has to table an annual report every year, along with an audited financial statement, which obviously is reviewed

by the department to ensure that Memorial is meeting its obligations.

For example, just this past budget year, Memorial University saw a reduction in its base budget for operations, and obviously needed to realize efficiencies to address that. Again, Memorial, over the past year-and-a-half, a couple of years, are undergoing an efficiency review, which they report to the department on a regular basis and make the findings and savings available on their website.

So, while it is base budget model, it is not simply an accepted fact that that money will be there year over year. Again, I just referenced this last budget year where Memorial's operations budget was reduced by a certain amount.

MR. OSBORNE: Are there efficiencies within Memorial University that can be found to further decrease the areas where there may be wastage?

MR. GARDINER: Absolutely, and they are looking at those efficiencies on an ongoing basis, and again, they post regular updates on their website in terms of the efficiencies that are found and the amount of money that is realized through those efficiencies.

MR. OSBORNE: Okay.

Are you able to share where some of those efficiencies can be found?

MR. GARDINER: Not off the top of my head. I do know the last time I looked on the website I think they identified twenty-three efficiencies for a net savings, I think, of \$5.2 million. Now that is probably a little dated now. They have probably realized more efficiencies than that since, but they certainly regularly report the efficiencies that they found. They have had to do a bit of a deeper dive this year because of their reduction in their operational budget for 2015-2016.

MR. OSBORNE: Okay. Thank you.

Part of the reason for going down that avenue, item 6, the very next item, "University expenses have increased 85% over the past nine years. Cumulative expense growth for the Province

over the corresponding period was 58%." It certainly seems on the surface, other than last year where there was \$52 million in savings, the university bottom line has grown at a much faster pace than the Province's bottom line. Can you explain how that has happened or what the justification is for that, and whether or not all of that increase has been necessary?

MR. GARDINER: I would suggest that the difference between the growth of the funding for the university versus the expenditures by government would be the introduction or the expansion of certain areas within the university. For example, the med school expansion increased by \$12 million. There is an increase in the Engineering and Applied Science Faculty, as well as an increase at programming at the Marine Institute.

Those will be targeted initiatives that would be over and above a normal increase in expenditure such as inflationary costs, salary increases and so on. It would be targeted initiatives that Memorial would have come into government and identified as a priority area such as the expansion of the Faculty of Medicine and so on, whereby the budget would have been allocated additional funds to address those particular initiatives.

MR. OSBORNE: Government's overall budget has doubled over the past twelve years. For Memorial to have an 85 per cent increase and the Province to have a 58 per cent increase over the past nine years sounds staggering. Is all of that 85 per cent increase justified?

MR. GARDINER: I would suggest that it would be justified on a year-to-year basis when Memorial makes its budget submission to the department and identifies strategic initiatives that they would like to focus on. If in fact, through the budget process, government identifies that it is a priority for government and the Province, then they would fund those particular initiatives.

It is not simply providing additional funds to Memorial that are not targeted. Besides regular inflationary increases and salary increases, any additional funds over and above would be for targeted initiatives that Memorial has put forward and government has agreed to fund.

MR. OSBORNE: Provincially, and it would appear, I guess with the university as well, that we have experienced the wealthiest decade the Province has ever experienced, and taking out the chequebook was a little bit easier to do over the past decade. Times are probably changing, and fiscal responsibility and looking for ways you can trim in areas where there is wastage.

With that 85 per cent, was there some level of, it is easy to take out the chequebook with that 85 per cent, or can all of that 85 per cent – it is one thing to say we were able to justify it year after year. I would suggest the Province was able to justify it. If you looked at any line item and said, well, what would you cut? It is a lot more difficult to cut than it is to add to the bottom line.

So, just looking at the increase of 85 per cent over a nine-year period, can we say – without saying we justified it year after year, as the Province did – was all of that necessary?

MR. GARDINER: I would suggest that all of it was necessary to fund the specific initiatives that Memorial came forward with, such as the expansion of the med school, engineering, and the Marine Institute and so on. Those funds were targeted. If government did not provide that funding then the med school would not have expanded, the Faculty of Engineering would not have expanded. Memorial made a good case in all those instances for the expansion.

Again, with normal inflationary pressures, as well as salary increases, that is a natural evolution of the budget process. The other funds would have been required for the targeted initiatives. That said, Memorial's budget was reduced for the fiscal year 2015-2016. They are undergoing a review, obviously, to identify savings to make up for that funding reduction.

MR. OSBORNE: Okay.

Item 7, "Since 2004, the number of employees at the University has grown by 23% ..." – not unlike the provincial government I would suggest, but the rate of growth in the student enrolment has only been 5 per cent. How do you justify the huge increase in staff while the student enrolment was only 5 per cent?

MR. PIKE: The 23.4 per cent increase in the years noted; Memorial has identified that there were two areas that contributed to 15.5 per cent of that overall increase. One of those areas was 456 individuals who were part of the medicine Standardized Patient. They were call-ins.

Basically, for the Faculty of Medicine, individuals would come in with their cases and be diagnosed by individuals in the faculty. That amounted to about 10.8 per cent of that. They were called in as required; one, two days, five days per year, which added to the count. As well, as they indicated, there was medicine non-stipendiary clinical faculty who were placed in positions without compensation because of an agreement that was with the Faculty of Medicine as well as the Department of Health.

The other areas where the increases were, as Bob had mentioned, the targeted initiatives for expanding different areas. So 15.5 per cent of that 23 per cent is in the area of the standardized medicine practices as well as the clinical faculty.

MR. OSBORNE: Okay.

CHAIR: Mr. Osborne, I am going to move to Mr. Peach now.

MR. OSBORNE: Okay.

Thank you.

MR. PEACH: Thank you, Mr. Chair.

I have a couple of questions, maybe for clarification more than anything else. I am still stuck on the overpayments. Going through the report there were a couple of other areas as well.

On page 27, there was an overpayment there for employees of \$8,154. Then on page 28, there was another overpayment there of \$45,268 over and above the \$151,000 for the other two employees. I am just wondering, throughout the Auditor's report he identified several areas where there are overpayments.

It seems like to me, in my mind I am thinking the money must have been handled pretty loosely to have all these overpayments. I am just wondering are those overpayments being

recovered as well, or have they been recovered do you know?

MR. GARDINER: We have been advised by Memorial that some of the overpayments have been received and the other ones they are in the process of recovering.

MR. PEACH: Okay. Thanks.

Unamortized Losses – to the Auditor maybe; it is just a question that is in my mind here – I am looking at 2010-2011 there was none. In 2012, we are looking at \$26,000; in 2013, \$32,000-and-somewhat; and 2014, \$26,700-and-whatever. I am just wondering about these losses.

At one point there I think you identified that the losses have increased by 67 per cent over four years. I am just wondering, who funds those losses? I guess it is probably a foolish question. Is that then back to the government or are these losses just something that is picked up somewhere else? Can you identify that for me, clarify it?

MR. PADDON: As a general rule, if the university's revenue does not meet its expenses that results in a loss for the year. Some of those expenses are expenses that you do not have to pay for today, but you will have to pay for down the road such as severance costs, or accumulated sick leave that are paid out when people retire.

Sooner or later, while you may not pay cash today, you recognize the expense today, but the cash has to come somewhere down the road. That cash, ultimately as I had indicated before, will have to come from one of two places, either from a grant from the government or through tuition fees.

To a certain extent it is a question of timing of when you have to pay for it. Ultimately, if you have accumulated a loss over a period of time, sooner or later that has to be paid for.

MR. PEACH: So it does get paid for?

MR. PADDON: It may be twenty years from now, it may be ten years from now, but sooner or later, yes, you pay the piper.

MR. PEACH: It is not something that is just written off and forgiven.

MR. PADDON: No.

MR. PEACH: Okay.

The other question I have is on the graph on page 20, Figure 2. I look at the increase in students, 5 per cent, and then I look at the note that you had made there of the university employees has grown by 23 per cent.

I am just wondering why the big increase of staff. If the students did not grow that much, then why did the staff have to grow 23 per cent? Can anybody answer why that would be?

MR. PIKE: In my earlier response I indicated that part of that growth that was identified of 23.4 per cent had to do with some standardized patients who were used in the Faculty of Medicine. The other ones were clinical staff who were on the payroll system and had a title for academic purposes. So they represented 15.5 per cent of that overall growth of 23 per cent. The other ones, other areas, primarily dealt with the strategic investments that the Province and Memorial have placed into different faculties.

MR. PEACH: Was that a change in what happened from 2004, we will say, to 2007? I am just looking at the graph there – yes, and then it started to climb up then after that. So something changed there for that to happen?

MR. PIKE: It is my understanding that the standardized patients and the clinical faculty were not included in the 2004 numbers.

MR. PEACH: Okay.

Then on page 14, Table 2, I am looking at other revenues there, \$61,489. Maybe the Auditor General could probably clarify that one. I am just wondering where that money would be identified as coming from?

MR. PADDON: I am not sure. I do not have that information, Mr. Peach.

MR. PEACH: Okay. I was just looking at the table there, Table 2. I was just looking down

through it there and I saw government grants, then student fees, and then other revenue.

MR. PADDON: That other revenue could come from a variety of sources. It could come from grant revenue or revenue that they get for grants for specific purposes. It could come from sales of – although sales are different. It could come from the federal government. There are a variety of other sources where money may come from.

MR. PEACH: So it just cannot be identified as to –

MR. PADDON: Pardon me?

MR. PEACH: It could not be identified other than other revenues, could it?

MR. PADDON: Well we just took this information straight from the financial statements of the university. So this was how they would have categorized it on their financial statements.

MR. PEACH: Okay.

Mr. Chair, I am just wondering if I am in order by asking a question on student loans.

CHAIR: Sure.

MR. PEACH: It is just something that recently came up on student loans. Would you gentlemen be able to answer something on student loans?

WITNESS: (Inaudible).

MR. PEACH: Okay. I had a couple of students who went to university last year. Their parents moved away within the last sixteen months to Alberta somewhere to go to work, but the students did not move. They were living in St. John's, boarding in St. John's, renting in St. John's. In the summer, they went and lived with their grandparents for the summer in Newfoundland.

When they came back to go to school, to re-enrol again this year, they got turned down on their student loans in the Province. They had to apply outside the Province. So they had to go

immediately and apply in Alberta. Most of them did not know before the last week or the last two weeks because they had thought that the same procedure would be in place for them again this year, where they had been enrolled last year and going to school last year. So they had thought that everything would be in order. When they came back about two or three weeks before the school opened and applied for their student loans, they got turned down.

So I am just wondering what the policy – now, I am told the policy is that if your parents are living outside the Province, well then your home of residence, because you are not at the age of twenty-four, is with your parents. Those people are twenty, twenty-one years old. They are out there on their own renting here in St. John's, going to school in St. John's. I am just wondering why that policy would be that strict to students at that age. Can you answer anything on that for me?

MR. PIKE: I cannot talk to the specifics of the case. We can certainly follow up with you on that, but it sounds like it is the residency requirements that are entrenched in the legislation for student financial assistance, but we can certainly follow up on that for you.

MR. PEACH: It certainly puts them in a bad situation. Last year they went to school, they have one year in, and now they are finding that they cannot afford to go. If they do not get a loan through Alberta, then they cannot go to school, so they have to step out now – they have a year gone, and now they have to get out. It does not seem to be fair to them. I am just wondering if that policy could be looked at, because it certainly puts them in a poor situation.

It might not be somebody who is living with their parents, but their parents have moved away and, for some reason, they could be living with their grandparents. Because they are living with their grandparents for a year or whatever, then they have to abide by that policy. So they have in a bad situation. Either they have to make a decision now not to go to school and step out, or if Alberta does not given them the money, well – they are not getting money from the parents because the parents are away and they are living here in Newfoundland. The parents cannot afford it.

MR. PIKE: Each one of the provincial jurisdictions that administer student financial assistance have a common set of residency rules that is entrenched in the legislation, but we will certainly follow up on that.

MR. PEACH: All right, thanks very much.

Thank you, Mr. Chair.

I just want to make a comment. Again, I still have to express my disappointment that the university was not here, but due to the questions that were asked and the expertise of the two gentlemen on the other side, you did a fantastic job this morning and I want to thank you for answering the questions the way that you did to the best of your ability.

Also, to the Auditor General and their staff for the co-operation that we got over the last while with regard to the meetings that we have had with the university and other things that apply to the Public Accounts Committee, and to Elizabeth for the fantastic job that she has done over the last while in getting out all the correspondence and setting up the meetings and everything else.

Thanks very much.

CHAIR: We will move to Mr. Murphy, I think, next.

MR. MURPHY: I have nothing else, Sir.

CHAIR: Mr. Osborne.

MR. OSBORNE: Yes, thank you.

Just a couple of final questions and then I can clue up as well. Item 11, on page 7 of Auditor General's report, "In excess of \$112 million of the Provincial 2013-14 operating grant to the University effectively subsidizes students from outside the Province – an increase of \$80 million since the start of the tuition freeze." I am just asking the department officials if you can elaborate on why that is. What makes up that \$80 million of the \$112 million in operating grant?

MR. GARDINER: I can only assume that number came from a proportion of the

university's funding. That obviously would be per pupil or per student funding. As well, obviously this university or this Province, the same as any other province in Canada, does not discriminate against students coming in from other provinces or territories with the exception of Quebec. Quebec does have a tuition fee for Quebec residents that are significantly less than for students from out of Province.

Obviously, any student coming here from other Canadian provinces, territories, or international students does benefit from the lower tuition, which could be considered a subsidy from government. That said, from an international student perspective, the tuition fees are higher than they are for Canadian residents.

MR. OSBORNE: Okay. Over the past decade, what has the increase in local Newfoundland and Labrador students been versus Canadian students, versus international students? What percentages have we been, say, a decade ago and what percentages are there today?

MR. GARDINER: I would suggest that ten years ago the student enrolment at Memorial University would have been comprised of approximately 90 per cent of Newfoundland and Labrador students. Currently, it is comprised of 70 per cent, approximately, of Newfoundland and Labrador students, 20 per cent from other provinces and territories in Canada, and 10 per cent international.

I would suggest that is not a result of a decline in the participation rate of Newfoundland and Labrador students. Over the past ten years our high school population has declined approximately equal to the decline in the number of Newfoundland and Labrador students attending university. I would suggest that seventy, twenty, ten as opposed to ninety ten, ten years ago, was a result of an increase in the number of other Canadian students and international students attending Memorial as opposed to a decrease, proportionately, of the number of Newfoundland and Labrador students attending Memorial.

MR. OSBORNE: Okay.

I just want to go back to the infrastructure deficit at the university again for a moment. The

university themselves identified that approximately \$145 million was needed to address urgent deferred maintenance over the next five years. Where does the university plan to come up with that funding?

MR. GARDINER: Currently, this year, I think the university has identified \$7 million worth of what they would consider urgent infrastructure needs. The infrastructure needs typically would be met by Memorial from savings from their efficiency review, as well as any funds that government would provide in their infrastructure budget. Again, as noted, Memorial's budget was reduced for 2015-2016 fiscal but they have identified, I think it is \$7 million that will take care of the urgent needs with respect to infrastructure.

MR. OSBORNE: There were two contractual positions that did not have competitions conducted, as found by the Auditor General. As a result, there was no documentation to support that the most qualified individual was hired for the position. How can the university justify that these two individuals were the most qualified?

MR. GARDINER: The university adheres to a policy whereby they do go through a competitive process for positions. In a number of cases, in the two cases here, they identified two instances where competition was not suitable simply because they needed these individuals in a timely manner. They identified people who were qualified for the position and, again, not having time to go through the competitive process. They acknowledged these two individuals as being qualified for the positions and they offered them the contracts.

MR. OSBORNE: Does that adhere to the hiring practices of Memorial University?

MR. GARDINER: That I cannot answer, other than the fact that I would suggest there is probably room within their policy to make exceptions when warranted; similar to government policy, whereby you can hire someone on a short-term contract while you are waiting to go to a competition or to carry out a specific set of duties.

MR. OSBORNE: Okay.

That is it for me, Mr. Chair. I thank the staff of the Auditor General; as well, the officials from the department today.

CHAIR: Do any other government members have a question?

Mr. Cross.

I will have a few questions when members finish, and that may generate more but I would prefer to hear from members first.

Mr. Cross, and then Mr. Murphy.

MR. CROSS: Just a couple of comments, I guess, and then to reiterate a couple of things.

In some of the Findings, if we just take some open-ended statements, it says: inadequate documentation to support additional salary payments; Employee positions were not always classified; Bonuses were not always supported by established criteria; Documentation not always on file to support administrative stipends – and there are several others of these as we go through.

I am trying to say it is a way, that without the appropriate personnel here to answer these questions, I feel in my heart of hearts that is an exception as opposed to the rule. Some of these statements are there but as long as we do not have someone here who can sort of explain or back up, it leaves us with the suspicion, or suspicious minds theory again, that we do not have all of the answers. That is the one thing about this hearing today is we do not have all of the answers.

Despite it all, I still think there is enough evidence through the Auditor General's report and whatever, we do have confidence in this institution that we call Memorial University and the role it plays in educating students for the future and also the status that it has in other institutions across the country and worldwide. I think we have to sort of balance that off. I know many of us have said our disappointment in people from the university not being here to answer these questions today. Despite it all, I think we have to balance that and look at the other parts of this that come through.

Our disappointment stated, I think we need to thank the gentlemen across for their answers and members of the Auditor General's Office for the answers that we have here this morning. In moving forward, I guess the challenge is to us to take that ball, those of us who get re-elected back to the House of Assembly, and make sure that policy is changed.

Other than that, just a concluding comment. I think I want to leave it as an open question with no answer to it as opposed to asking someone to answer it, if that is okay with the Chair.

CHAIR: For sure.

MR. CROSS: Thank you.

CHAIR: Mr. Murphy.

MR. MURPHY: Thank you, Mr. Chair.

While the Member for St. John's South was asking you questions, another question occurred to me as a bit of a follow-up to the question that he was asking around the \$112 million of the provincial 2013-2014 operating grant. We were talking about that. We were talking about tuition.

All of a sudden it occurred to me that while the Province is putting money into this operation over at Memorial University, and it is a positive thing as regards to education and everything, I have to ask the question about the possibility of any increase in tuition rates that could happen in the future, either (a) because there is a decline in the number of students like we were talking about. High school graduations are well down. Birth rates are obviously being impacted.

We have a university that shows growth, but we have population decline at the same time. We find that we are getting more international students and more from outside the Province. However, there is a possibility here that we can have a very intense competition between universities, which is probably good on the tuition aspect, I would say, if it is going to keep tuition rates down.

If Memorial University runs into the problem where they have a decline in student enrolment – that is where I am going with this. I do not

know if you can answer this question. Does Memorial University have a plan in place in the event that there is a decline in student enrolment that would impact the buildings, for example, that they would need? Are they ready to manage decline if decline happens?

MR. GARDINER: Memorial University does have a strategic enrolment plan which, I think, was published in 2014. I think it is a ten-year plan whereby they are looking to grow, actually, the number of graduate students. So that plan is online.

They certainly are anticipating capturing as many Newfoundland and Labrador high school graduates, as they currently do, percentage wise. Their main focus in terms of enrolment increases or to stabilize the enrolment is to attract more graduate students.

MR. MURPHY: Okay. I am guessing then that they would obviously have some sort of a plan there for decline if decline happens. Like I said, it seems, almost North America-wide anyway, that there has been a decline in the birth rates and that sort of thing. So the chances of it happening are probably distant for now, but they cannot be dismissed.

As far as you know, have they talked about that in their plans about the possibility of decline here, or in the event like I said all of a sudden there is something competitive that happens between universities, MUN has to increase tuition rates or others lower their tuition rates and end up competing with Memorial University for a captive market, so to speak, when it comes to education?

MR. GARDINER: I am not aware of exactly what is in their strategic enrolment plan, other than again the fact that they are anticipating less Newfoundland and Labrador high school graduates in the future as the high school population, obviously, decreases; but they are anticipating that will stabilize, as is the case with the high school population. Again, their focus to maintain their current enrolment is with respect to focusing on graduate programs and graduate students.

MR. MURPHY: All right.

Just in summing up, I would like to thank the two gentlemen, Mr. Gardiner and Mr. Pike, for their attendance today and thank them for all their input and for their quite informative answers as regards to what we were asking and leave it at that.

Thank you very much.

CHAIR: Thank you, Mr. Murphy.

I have some questions, and probably most of them will be to the AG related to the report because I suspect that the other witnesses may or may not have the necessary information. Before going there, when you were prepared for today, how did that take place? Did you sit down with the questions and answers and ask Memorial – what is the background on your preparation for today? How much preparation did they give you?

MR. GARDINER: Basically what we did to prepare for today was again we reviewed the AG's report, Memorial's response, as well as Memorial's responses to all the thirty-nine findings, which are posted on their website, and we did have a number of meetings with Memorial to have a discussion and to probe them a little bit more. The last meeting we had was Friday afternoon with the vice-president of finance and administration.

CHAIR: Were all the questions that you posed answered to your satisfaction?

MR. GARDINER: I would say yes.

CHAIR: Okay.

MR. GARDINER: As has been indicated earlier, Memorial would indicate – and I think it has been acknowledged here today – that for the most part Memorial has its house in order. As with any large organization, there will be anomalies. Memorial certainly appreciates the AG pointing out some of the findings. Certainly, as indicated earlier, they will be reviewing policies and following up on some of the shortcomings identified.

CHAIR: In response to the first question the \$151,340 – that was the first question from the Public Accounts Committee. I think that part of

their response was that what they are doing is consistent with other universities. Do I understand that to be right?

MR. GARDINER: The first one, in terms of the \$100,000-plus recoverable, I am not sure that I would say that is consistent with other universities. I am not sure what the other universities policies would be, but Memorial has assured us that – I think this is what we are talking about – Health and Community Services has paid back what they owe, and Eastern Health has been invoiced, and Memorial is following up.

CHAIR: Okay.

So the AG, I think, has referenced two employees, but in their response they said the university has numerous shared-services agreements with external partners and agencies. Did they say how many others there are, or did they just stick to the two that are in question?

MR. GARDINER: Primarily it would be in the medical field, whereby they have doctors who work with Eastern Health or Health and Community Services who are also on faculty teaching at the med school. Those would be most of the shared services.

CHAIR: Okay.

In the case of the employee on the payroll for an additional time, how long was the additional time? Was it a matter of weeks, or months, or years?

MR. GARDINER: I am not sure –

CHAIR: Okay.

MR. GARDINER: – but we can certainly follow up with Memorial to find that out.

CHAIR: Maybe the Auditor knows.

Is there any indication of how long that the employee stayed on the payroll for an extra period of time?

MR. PADDON: You are speaking of the shared-services agreement?

CHAIR: Yes, the one which Eastern Health agreed to partially fund.

MR. PADDON: These could range from a month to a couple of years. There is a variety of arrangements, so it really depends on the specific.

CHAIR: So the one where they are attempting to get the recovery from Eastern Health, I think it sounded like Eastern Health terminated the person, but they stayed on at Memorial – is that what happened?

MS PELLEY: Regarding the shared agreement with the employee in relation to the Eastern Regional Health Authority, there was an agreement in place, and at the time I was doing the audit he was still working on site. So, I am not sure when he actually terminated, because the agreement could have been terminated midway. I think it was at the time a five-year agreement. So, he could have not finished that agreement, I am not sure, because it was after my audit.

CHAIR: Okay, so you recall that it was a five-year agreement?

MS PELLEY: I believe it was a five-year agreement. I could verify that.

CHAIR: Do you know how far through the agreement it was? Was it a year, two years, or four years?

MS PELLEY: I am not sure on that. I would have to verify with my records to see what the dates were on the agreement.

CHAIR: Was there a copy of that agreement provided? Was it a written agreement with Eastern Health?

MS PELLEY: I believe the agreement was probably co-chaired with MUN and Eastern Health.

CHAIR: Is there a copy of the agreement available?

MS PELLEY: There is a copy available, yes.

CHAIR: This agreement – you say that the person had continued to work, they were still on staff?

MR. PADDON: At the conclusion of the audit, that individual was still working pursuant to that shared-services agreement. So Tracy cannot – we cannot say when they concluded because it was after the scope of our audit period.

CHAIR: If the person was still working, they would be working pursuant to the agreement.

MR. PADDON: Right.

CHAIR: So how could Eastern Health terminate them? How could you terminate one-half of the person or one-half of the agreement without having the whole deal either wrapped up or – what happened there?

MS PELLEY: I cannot get into the details as such, but there were different positions that he was holding; one was with Eastern Health and one was with MUN. So they terminated their position with him and the relationship still continued on with MUN.

CHAIR: Okay. Do you recall if there was a provision in the agreement that if Eastern Health terminated the person that there would be a rollback of that amount of pay? Or a person would continue in whatever the position was, but Eastern Health is no longer responsible for the half, or quarter, or whatever?

I am trying to determine how this could happen. I am not saying it could not happen, but it seems unusual. Why would Eastern Health pay something back for someone they terminated?

MR. PADDON: From our perspective, the only thing we were concerned with was the recovery of the money pursuant to the agreement. The details around what they were doing and, sort of, the timelines was almost – not irrelevant, but from our perspective it was not the focus of the finding.

We had an issue where money should have been recovered from Eastern Health for their share of the cost and it was not. That was the crux of our finding, not the whys and the wherefores of how you got to that point.

CHAIR: If that agreement is available, I think the Committee could benefit from that, knowing what it is and if the person was – maybe there was some flexibility there, we could terminate our half or our third, you continue on with yours. If it is available, if you could supply it to us, at least we could have a look at it. It may come up in our recommendations at some point.

I am going back to the actual Auditor General's report, page 14. This is 2012, 2013, and 2014 and I guess it shows the revenue and expense statement, income statement, for the university. In 2014, 73 per cent of Memorial's total operating budget was paid by a government, provincial or federal, or all provincial?

MR. PADDON: That is both levels of government.

CHAIR: That is –

MR. PADDON: That is both levels of government.

CHAIR: Both levels, and 10 per cent came from student fees?

MR. PADDON: Yes.

CHAIR: So that is tuition?

MR. PADDON: That is right.

CHAIR: If we increase tuition 10 per cent, that only goes up one percentage point.

MR. PADDON: That is right, you get \$6 million.

CHAIR: So the overall cost to run the university to graduate students, what we are doing there, ten cents on the dollar is a tuition dollar?

MR. PADDON: That is right.

CHAIR: Seventy-three cents on the dollar is a public dollar by the taxpayers.

MR. PADDON: That is right.

CHAIR: The public dollar has been increasing year by year, percentage wise, 71 per cent in

2012, 72 per cent, and 73 per cent. The student fee dollar has been declining slightly: eleven, eleven, and then ten. So percentage wise the taxpayers are continuing to support a higher portion and the student population, a lower portion.

MR. PADDON: That is right.

CHAIR: In any event, still only 10 per cent of the money to run the university comes from tuition.

MR. PADDON: That is correct.

CHAIR: I know universities are always sensitive about academic freedom. I am not sure that I have actually ever seen a definition that was agreed upon with academic freedom being able to teach whatever you want and learn whatever you want and that sort of thing as a university ideal. Sometimes ideals cost money.

In this case with nearly three-quarters of the cost being public dollars, in the offerings of the university, could you tell if the university does anything so that students will be more marketable when they graduate? Is there any exercise that happens there? I am an arts grad, so I had no marketable skills when I graduated.

MR. PADDON: That, Mr. Chair, is really outside the scope of the audit. We did not get into that. Really, we focused on more administrative side of things and once you start to get into the academic side, you are risking a conflict with the Memorial University Act.

CHAIR: Okay.

Under item 9 – not item 9 actually, it is Question 9 from the Public Accounts Committee whether the university reviewed its policy with respect to senior management travel and, if so, what steps have been taken to ensure compliance. Then the response says: Prior to, all unit heads and vice-presidents are required to report in writing, but that does not say they request approval. It says I am telling you I am going here, this is to let you know, and you are going to get the bill or whatever.

In this senior management travel, is there any requirement that the travel costs actually be approved before it is undertaken?

MR. PADDON: I believe the policy would be that notification should be made to the department head or whoever your superior is prior to travel. The issue for us then was when it comes to doing a travel claim at the end of the day to get reimbursed for your costs, in a lot of cases you did not see the notification of approval to travel attached to the travel claim or we could not find any approval at all.

CHAIR: Could you find notification that travel was going to be undertaken?

MR. PADDON: In some cases I guess we would, but in some cases we would not.

MS PELLEY: Typically, I found when I was reviewing it, they said it would mostly be through emails and you were not required, according to policy, to place those emails with the travel claim. I believe out of the ones that I reviewed I might have found one copy of an email stating that they had contacted the appropriate officials.

CHAIR: Departmental members, did you have insight into that? Do you have any background or information on management travel?

MR. GARDINER: As stated earlier, any individual who is traveling needs to report it to their supervisor. If it is the vice-president then obviously you would report it to the president. With respect to costing, MUN's policy articulates that they must use the most economical means possible.

CHAIR: Could you tell if that was being applied?

MR. GARDINER: I certainly cannot, because I did not review the files, but maybe the Auditor –

MR. PADDON: No, we did not have any finding around the most economical means of transportation. I guess when I consider travel, in the government circumstance – I know they are a separate entity – you are required to have approval before you travel, in writing, and you

cannot get reimbursed for your travel unless that approval is attached to your travel claim.

So you have that control feature that ensures the travel was authorized to begin with before the claim is paid. I guess that was what we saw as, in some cases, lacking at the university, is that the documentation around the approval of travel was not included with the package of reimbursement documents.

CHAIR: So, did you actually see a written travel policy that says the most economical and probably defined it? Did it say like economy as opposed to business class if it is a flight, airfares?

MS PELLEY: Yes, it was on the back of the travel claim. It would reiterate the policy, so it was similar to what the provincial government would do. It was stipulate what the restrictions would be regarding the most economical means, if you prefer to do business versus first class regarding airfare, or when it comes to travelling you travel using private vehicle versus airfare, such as those.

CHAIR: Could you tell if the university has an agreement, say, within the Province for air travel; for example, with Provincial versus Air Canada or something like that, like the provincial government has? Do they go to a carrier where they have a particular deal, an agreement?

MS PELLEY: If they do have an agreement in place with Provincial Airlines, I am not sure.

CHAIR: Yes. Could you not tell if a lot of it was air travel within the Province?

MS PELLEY: Mostly we looked at going across the country regarding executive staff, or someone in the Province it could be relocation as such. Typically, we seen across the country.

CHAIR: Apart from relocation, what is the annual travel budget for Memorial University?

MR. PADDON: I am not sure if we have that information.

CHAIR: You may not have it?

MR. PADDON: We may not, no.

MS PELLEY: The actual at that time was \$8.7 million.

CHAIR: It was \$8.7 million?

MR. PADDON: That was how much they actively spent.

CHAIR: Do you know how much was budgeted?

MR. PADDON: No.

CHAIR: There is an issue, or at least something came up with respect to the pension deficit and the accumulated deficit of the university. Could you explain what the pension deficit is as opposed to the university deficit? To me, it would seem like they should be combined like a consolidated financial statement, but I do not see that.

MR. PADDON: No, the university does not consolidate its pension fund into its operations. They have two separate sets of financial statements, which was why I added them together just to provide an indication of the total amount of deficit that the university would have been carrying, related to the decisions that it made related to operations.

CHAIR: Are the people of the Province liable for the pension liability?

MR. PADDON: In fact, the pension deficit of Memorial University is carried on the public accounts of the Province. So it is included in the unfunded pension liability that the Province reports on its financial statements.

CHAIR: Okay. So that has been included in the overall pension arrangement or the pension solution.

MR. PADDON: That is right. If you look at the (inaudible) of the Province's financial statements, Memorial University is identified as a –

CHAIR: Could you tell if the Memorial pension deficit was growing at a more rapid rate than the general provincial pension deficit?

MR. PADDON: I do not know. I would say it likely has the same trends, but whether it is growing at a faster or slower rate, I would not be able to say.

CHAIR: For a number of the past years I think Memorial also ran an operating deficit on a number of years.

MR. PADDON: Yes, in 2013-2014 there was an operating deficit of \$12.5 million and \$9 million, respectively.

CHAIR: Were you satisfied that the deficit was unavoidable?

MR. PADDON: We did not look at whether it was avoidable or unavoidable, why the deficits; it is really just a statement of fact that they carry deficits. We were looking more to determine whether the university had processes in place to identify and monitor and understand where their financial position was. I think it is clear that they have those processes in place. As to why the deficit was carried in 2013 or 2014 that was not part of the scope of our audit.

CHAIR: I think I heard you say earlier that the trend for budgeting for Memorial has been to take whatever we used last year and apply some sort of an increase for this year. I mean, that is very simplistic –

MR. PADDON: Essentially the process is that you would start with your base. Okay, here is the core services that we provide and here is the cost of providing those services. At a minimum, we are going to need that to start with next year. Plus then there are additional initiatives that we would like to fund because we would like to add this program or that program. So, if the Province is willing, please provide the funding.

We also have wage increases and those sorts of things that need to be funded and so on and so forth. That is I guess, in essence, the budget process; but it does not necessarily go back and say is what is in the base the best spending of money.

CHAIR: They do not go back to a zero base? They say these are our fixed, so we will be starting there and we go forward. We do not sit

back and say can we refinance or rebuild, or knock down buildings or whatever.

MR. PADDON: No, I would not say, as a general rule – and, to be honest, Memorial is not much different than most other entities that report to government: the health boards, schools boards, those sorts of entities. It would be a similar process. Not to say that they should not also go back and relook at their base as well.

CHAIR: I noticed in some of the maintenance issues – and we were supplied a very large appendix of various items that will need attention in the future. One area that caught my attention was the hot water heating system seems to be relatively old; it is oil fired I think. Maybe the AES people may know some of this. Has any attention been paid to how it is fuelled, whether there would be some opportunity to market pellets even instead of – it looks like fuel. In some places they say we need to replace a certain number of fuel tanks.

Fuel generates an environmental liability and we have to buy it forever. Do you know if Memorial has turned its attention to its heating globally, maybe for retrofit? Instead of just buying more tanks and buying more oil which is cheap today, but it will not always be.

MR. GARDINER: No, I am not aware of anything that they have under consideration right now.

CHAIR: For the AES witnesses – and this goes back to a question. I am not certain which other member asked the question. Organizations are often planning for growth. We are not experiencing growth – we are also experiencing a flat-lining population.

Does Memorial have any sort of a plan whereby they may need to shrink the number of offerings, or to reduce costs, or maybe increase the number of offerings, or increase the number of graduate students? I think I heard one of you refer to, potentially, a ten-year plan. That seems like a long way away. What are they doing today?

MR. GARDINER: While it is a ten-year plan, there are annual targets and projections that they are looking at. So it is not like they are looking to where they want to be in ten years' time. It

obviously is an annualized plan whereby they plan for each year.

With respect to course offerings and so on, it is something that Memorial looks at on an annual basis in terms of where their pressures are, where the labour market demand is in terms of the number of course offerings and what programs they actually offer. The oversight body for that would be Memorial's Senate which meets once a month, the second Tuesday of every month.

CHAIR: I am referring to page 42 now of the AG report under Finding 29, "Four professors retired immediately after taking their sabbatical leave, and as a result, the professors did not comply with the work requirements, as stipulated in the MUNFA collective agreement." I am not sure who is best able to respond to that. Can someone explain what the sabbatical leave is?

MR. GARDINER: Sabbatical leave; my understanding is basically when a professor goes to another university and teaches at that university for a period of time. Typically I think it is a semester. I am not really familiar with how it operates, but basically they are on leave from Memorial in this case and they would be teaching at another university.

I think, based on the collective agreement, there is a stipulation in that there is an expectation that once the sabbatical leave is over that they would return to Memorial for a certain period of time. Again, I am not familiar with the collective agreement, in terms of exactly what the time requirements are.

MR. PIKE: In terms of those four professors, one faculty member did not return for health related reasons; two faculty members did not return in accordance with an early retirement agreement negotiated as part of the MUNFA collective agreement; and one faculty member did not return following leave and is currently employed as a faculty member, but is of an age where he is entitled to collect both his salary and his pension.

CHAIR: I understand that a sabbatical is for tenured professors only. That every seventh

year they get a year to do with whatever they want, typically to research or write.

Mr. Paddon, is that your understanding?

MR. PADDON: That is my understanding. That is right.

CHAIR: The teaching requirement for a tenured professor, I understand, would be nine hours a week. Do you know if that is accurate? Three courses, three hours per course, nine hours per week, and an academic year is two thirteen-week semesters. So, nine hours per week, twenty-six weeks, is 234 teaching hours per year for a tenured professor. At the end of six years, there is a year off for sabbatical. Now I do not know if anybody has any other information, but that is my understanding of how it works.

So, to not get somebody back after they have had the sabbatical, they have had the six years, and now you would expect them to come back the following year to participate as part of the teaching staff. The theory, I understand, in academic circles is that because the professor has been off for a year, that person comes back with the benefit of that research, the benefit of having published. Part of that may well be at another university, and may well be having some teaching responsibilities. Was there any other explanation offered as to why the university was not able to benefit from the return of these four sabbatical professors?

MR. PIKE: No, that was the only explanation that was provided to us for that. We can certainly follow up with Memorial for that question.

CHAIR: Could you tell if there are other professors who stay on after retirement, professors emeritus who stay on and offer their – they teach course by course?

I am not sure if the members have any questions.

I am going to ask the witnesses if they want to make any observations or whatever. You do not have to, it is not expected. Sometimes we close off, we are about to conclude, and then you did not have an opportunity because we might have missed something. Is there anything that we

should have asked you and did not ask or whatever?

WITNESS: No, good.

CHAIR: For sure. Thank you for coming.

Mr. Paddon, you or your staff, do you have any other questions or anything we should have asked that we did not ask?

MR. PADDON: No, I think the coverage of the questions was fairly broad and comprehensive, so that is fine.

CHAIR: Okay. Thank you for coming.

Do we need a motion on the minutes or anything? I almost always forget to ask to have the minutes passed at the last meeting while we have people here. Have they been circulated?

WITNESS: Yes, they have.

CHAIR: These are the minutes of the –

WITNESS: (Inaudible).

CHAIR: Yes. So they have already been circulated to my members. I will ask for a motion to adopt the minutes of June 24, 2015.

Moved by Mr. Parsons; seconded by Mr. Peach.

Do we need to do anything else?

WITNESS: (Inaudible).

CHAIR: In that case, we are adjourned until tomorrow. We do not need to come back this afternoon.

Thank you very much for attending.

On motion, the Committee adjourned.