

**Fourth Session - Fortieth Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Public Accounts**

*Chairperson*  
*Mr. Reg Helwer*  
*Constituency of Brandon West*

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Fortieth Legislature**

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

**Wednesday, January 28, 2015**

**TIME – 2 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Reg Helwer (Brandon West)**

**VICE-CHAIRPERSON – Mr. Matt Wiebe (Concordia)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Hon. Messrs. Dewar, Gerrard*

*Messrs. Helwer, Jha, Maloway, Marcelino, Martin, Pedersen, Saran, Schuler, Wiebe*

*Substitutions:*

*Mr. Martin for Mr. Friesen*

*Mr. Saran*

**APPEARING:**

*Mr. Norm Ricard, Acting Auditor General*

*Mr. Tyson Shtykalo, Assistant Auditor General*

**WITNESSES:**

*Hon. Greg Dewar, Minister of Finance*

*Mr. Jim Hrichishen, Deputy Minister of Finance*

**MATTERS UNDER CONSIDERATION:**

*Public Accounts for the fiscal years ending March 31, 2011, 2012 and 2013 (Volumes 1, 2, 3 and 4)*

*Public Accounts for the fiscal year ending March 31, 2014 (Volumes 1, 2 and 3)*

*Auditor General's Report–Annual Report to the Legislature, dated January 2013*

*Chapter 1–Accounts and Financial Statements: Section 10 Annual Report*

*Auditor General's Report–Annual Report to the Legislature, dated March 2014*

*Chapter 1–Accounts and Financial Statements: Section 10 Annual Report*

\* \* \*

**Mr. Chairperson:** Good afternoon. Will the Standing Committee on Public Accounts please come to order.

This meeting has been called to consider the following reports: Public Accounts for fiscal years ending March 31, 2011, 2012 and 2013, Volumes 1, 2, 3, and 4; Public Accounts for the fiscal year ending March 31, 2014, Volumes 1, 2 and 3; Auditor General's Report–Annual Report to the Legislature, dated January 2013–Chapter 1–Accounts and Financial Statements, Section 10 Annual Report; Auditor General's Report–Annual Report to the Legislature, dated March 2014–Chapter 1–Accounts and Financial Statements: Section 10 Annual Report.

Pursuant to our rule 85(2), I would like to inform the committee of the following substitutions for today's meeting: Mr. Martin for Mr. Friesen, and Mr. Saran.

Are there any suggestions from the committee as to how long we should sit this afternoon?

**Mr. Blaine Pedersen (Midland):** Mr. Chair, I would suggest we sit 'til 4 p.m. unless we get all the answers we need before then.

**Mr. Chairperson:** Is 4 p.m.–is that acceptable to the committee? *[Agreed]*

Are there any suggestions as to which order we should consider the reports?

**Mr. Pedersen:** Mr. Chair, I think it's been the–that we've done these in global fashion, so I would suggest that.

**Mr. Chairperson:** Global, is that acceptable to the committee? *[Agreed]*

Mr. Minister, welcome to the committee. Would you invite your deputy and staff and introduce any staff that you've brought with you, please.

**Hon. Greg Dewar (Minister of Finance):** I'm joined by Jim Hrichishen, the deputy minister, and he can introduce the staff.

**Mr. Jim Hrichishen (Deputy Minister of Finance):** I have with me my colleagues today.

Helen Hasiuk is manager of Public Accounts, and Michel St. Amant is manager of Accounting Standards, and they work with our Comptroller's office. They've helped prepare the '13-14 Public Accounts and have a tremendous background and wealth of knowledge and, hopefully, will keep me on the straight and narrow as I attempt to help you.

**Mr. Chairperson:** Thank you.

And we have the acting Auditor General, Norm Ricard. Would you introduce any staff you have with yourself—with you today, sir.

**Mr. Norm Ricard (Acting Auditor General):** Certainly. With me today is Tyson Shtykalo—he's the Assistant Auditor General responsible for Financial Statement Audits—and Bradley Keefe, who is the principal responsible for the Public Accounts audit. Both were instrumental in drafting two sections of the—of our report that we have before us today.

**Mr. Chairperson:** Thank you. Do you have any opening statements for this?

**Mr. Ricard:** Because these two sections were presented to Public Accounts Committee at an earlier meeting and I made opening comments there, I don't have any opening comments today.

**Mr. Chairperson:** Thank you.

Does the deputy minister wish to make an opening statement?

**Mr. Hrichishen:** I do.

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** I'd like to thank the committee again for the opportunity to provide some brief comments on the Public Accounts for the years ended March 31, 2011 to 2014. As the 2011, 2012 and 2013 Public Accounts and January 2013 report to the Legislature have been under consideration before the committee on previous dates, I will focus my opening statement to the March 31, 2014, Public Accounts, and the March 2014 report to the Legislature.

So we are proud of the fact that we have received an unqualified audit opinion on the Summary Financial Statements. The statements present fairly in all material respects the financial position and the results of operations of the Province in accordance with the Canadian public sector accounting standards. The auditor's report to the Legislature is designed to assist legislators and

the general public to understand the Summary Financial Statements and summary budget. The RTL also provides an opportunity for the Auditor General to report to legislators significant matters that have arisen from their audit of the government's accounts and other reporting entities that comprise the Summary Financial Statements.

The March 2014 RTL includes seven new recommendations, and, as has been discussed, the Province agrees with all the recommendations except for recommendation No. 4 for the establishment of fixed dates to release the Province's quarterly reports.

\* (14:10)

The Province's Public Accounts for the year ended March 31, 2014, volumes 1, 2 and 3, were released on September 30th, 2014. Volume 1 includes the economic report, the financial statement discussion and analysis and the audited Summary Financial Statements of the government. Despite some unanticipated cost pressures, the Province experienced a summary loss of \$522 million, which was \$4 million over the budgeted loss of \$518 million. Summary net debt as of March 31, 2013, is \$17.3 billion, a \$1 billion, 451 million increase from the previous year. The increase in the net debt was the result of the combination of a summary net loss of \$522 million, net increases in intangible capital assets investments of \$757 million, changes in other non-financial assets of \$5 million and unrealized foreign exchange losses or unrealized losses on investments of \$167 million for government business enterprises as a result of the mark-to-market accounting.

Volume 2 includes the audited schedule of the public sector compensation payments of \$50,000 or more and the unaudited schedule of government departments' and special operating agencies' payments in excess of \$5,000.

Volume 3 includes unaudited supplementary schedules related to the core government and other information required for statutory reporting requirements.

So I want to thank the staff of Comptroller Division who work continuously on the public accounts all year, and I also want to thank the Office of the Auditor General's staff who audit the public accounts and prepare the RTLs, and I—finally, I want to acknowledge the Office of the

Auditor General's very professional and collaborative relationship with the Department of Finance. We do appreciate their thoroughness of their work, their useful recommendations and, over the long term, will provide a strong control environment over public resources.

And I'd like to add that my odometer has clicked over in one year in this position, and one of the great pleasures that I have had is working closely with the auditor and hearing about their professional attitude, their thoroughness, their commitment and their dedication. That has been a great pleasure for me through the first year, and I want to build on that and will continue that into the future, I'm sure.

**Mr. Chairperson:** Thank you.

And, before we get into questions, I'd like to inform those who are new to this committee of the process that is undertaken with regards to outstanding questions. At the end of every meeting, the research officer reviews the Hansard for any outstanding questions that the witness commits to provide an answer and will draft a questions-pending-response document to send out to the deputy minister. Upon receipt of the answers to those questions, the research officer then forwards the responses to every PAC member and to every other member recorded as having attended that meeting. At the next PAC meeting, the Chair tables the responses for the record.

Now, one last item, I would like to remind members that questions of an administrative nature are to be placed to the deputy minister and that policy questions will not be entertained and are better left for another forum. However, if there is a question that borders on policy and the minister would like to answer that question or the deputy minister wishes to defer it to the minister to respond to, that is something we would consider.

The floor is now open for questions.

**Mr. Pedersen:** In—Mr. Deputy Minister, in your opening comments you mentioned \$167 million in foreign exchange losses. Do I find that somewhere in here, or can you explain that for me?

**Mr. Hrichishen:** Yes, I can point you to schedule 3 of the '13-14 Public Accounts—

**Mr. Chairperson:** Just a moment, Mr. Hrichishen. Because we're dealing with so many volumes here,

perhaps we should start out with the year and then the volume number and then the page number.

**Mr. Hrichishen:** So I would point you to, please, '13-14 Public Accounts, volume 1, schedule 3, on page 105. So that's volume 1 of '13-14. Sorry, page 105.

So, on the column, total 2014, there is, along the left-hand side of the page, a category of change in equity referred to as other comprehensive income or loss, and for the 2014 year ending March 31, 2014, that amount is \$167 million, approximately. That represents the unrealized amount at a point in time, at that particular time, March 31; it's a one-day estimate, and it fluctuates with the markets. The unrealized gains or losses are dependent on interest rates and exchange rates at a particular moment. It's a mark-to-market adjustment to the equity amounts.

So, in terms of the source of the 167, there was a negative adjustment for Hydro of \$203 million, positive adjustments of \$12 million for MPI, positive adjustments of \$22 million for Workers Compensation Board, minus \$6 million for Deposit Guarantee Corp. of Manitoba and a positive adjustment for Manitoba Liquor & Lotteries of \$8 million. The total of that—those adjustments altogether on March 31, 2014, were \$167 million.

**Mr. Pedersen:** So is it fair to say that most of this loss, then, would be occurring because of the devaluation, the drop in the value of the Canadian dollar? You mentioned Canadian dollar and interest rates, but seeing how interest rates have been fairly stable, this is mainly due to a drop in the Canadian dollar?

**Mr. Hrichishen:** Yes, I believe it's mainly foreign exchange adjustments for Hydro.

**Mr. Pedersen:** May as well get it out of the way early if the Chair's going to rule me out of order. So, moving forward, we've had a great drop in the Canadian dollar since March 31st, 2014, so that we can expect your projection would be to see an even greater loss on this in the coming year?

**Mr. Chairperson:** Mr. Hrichishen, you're—we're asking for forecasts here, which is not what we're dealing with, but I'm sure your department is working on it, so I'll give you latitude.

**Mr. Hrichishen:** We do not—as background, we do not forecast in the budget documents other comprehensive income. To a large extent, because

it is a one-day snapshot, variations in the exchange rate and the interest rate could have a significant impact, so we do not project it. I do not have a projection now. We'll—as we move forward, we will seek that information from the government business enterprises, these entities.

**Mr. Chairperson:** So for me to clarify, then, this is to do mostly with Hydro. Is that for hydro sales to the US or are they priced in Canadian and some of them priced, then, in Canadian dollars, not in American dollars?

\* (14:20)

**Mr. Hrichishen:** So I'm advised the answer is not easy. The—it has to do with their cash-flow hedges. So, when they're hedging their American dollars, their exchange rate, their—those instruments are subject to this valuation, and that is on the basis for which this evaluation is made.

**Mr. Pedersen:** So, moving back into the year, rather than projecting—we're dealing up to March 31st, 2014. Does Manitoba Hydro—does the government, on behalf of Manitoba Hydro, do any hedging on the Canadian dollar, or is that Hydro itself that does it or—there's a loss in here for Manitoba Hydro. Was that—is it Hydro doing the business or does the Finance Department do the business on behalf of Hydro?

**Mr. Hrichishen:** So, in fact, it's Manitoba Hydro who indicates to us what they wish their US dollar exposure to be and also what amount they want Manitoba Finance to hedge back through hedges on the currency, what they want that exposure to be. I—the—Hydro's thinking on this, of course, is predicated on their understanding of what their US dollar revenue is, so there is a—they have a US dollar exposure on the revenue side as well as the expenditure side on US dollar denominated debt.

**Mr. Pedersen:** So just one final question on their—and I'm quite familiar with hedging with—on the Canadian dollar, so I don't know, but there's still lots to learn on there. So does—when Hydro is actually hedging, or you, as a department, are hedging on behalf of Manitoba Hydro, do you pick up the hedge costs of that or does it—Manitoba Hydro do that? You have to put money up ahead on those.

**Mr. Hrichishen:** So, when we borrow on behalf of Hydro or undertake capital market transactions on their behalf with hedges or swaps, that is all passed

through to Hydro. We—whatever implications of those transactions are eventually borne by Hydro and we act as their agent.

**Mr. Pedersen:** I expected that, and like any good commission agent you've probably taken a commission from Manitoba Hydro to do it, so.

Just moving on here, there's some other questions, and on Public Accounts, volume 1, page 76, you have a budget projection for total expenses of fourteen billion, seven hundred and twenty—\$14.727 billion, whereas in your—

**Mr. Chairperson:** Mr. Pedersen, could we make sure that we've got the right volume here in front of the deputy before you—the year?

**Mr. Pedersen:** For—the year ended March 31st, volume 1, Public Accounts—

**Floor Comment:** That's 2014.

**Mr. Pedersen:** Sorry, ending 2014.

**Mr. Chairperson:** Twenty-fourteen.

**Mr. Pedersen:** It's only a year out. It's all right.

March—year ended March 31st, 2014, volume 1, page 76: Your total expenses is \$14.727 billion, whereas, in your budget, from Budget 2013, budget and budget papers 2013, page 2, your total expenditure is \$14.847 billion. Why is there a discrepancy between those two numbers?

**Mr. Chairperson:** Mr. Hrichishen, I know the budget may not be something that you have in front of you at this time, but I'll give you an opportunity to respond.

**Mr. Hrichishen:** My colleagues have identified, in fact, that the difference is the lapse factor. So every year, when we produce the budget, we include a lapse factor, which is the estimated or projected amount for revenue that we do not anticipate we will get, but historically we can expect a positive, or an underexpenditure. So it is, in fact, a reduction. It—we do not allocate it to revenue or expenditure. It is an amount that—an adjustment that is made to the bottom line, if you will, so—and if I could add just for your further information that the \$150- million lapse factor included in the budget this year was \$70 million pertaining to core and \$80 million for OREs, other reporting entities.

**Mr. Pedersen:** It seems like—so what you're giving us, then, is that you're giving yourself a slush fund

from your own budget from one—including the same year. You—I don't understand this. You're putting out a budget, and yet what you're doing is giving yourself some room on a budget. Budgets tend to be projections, and yet you're changing your projection on your projection, if I can go that route. Is this—*[interjection]* We'll just let him answer now.

\* (14:30)

**Mr. Hrichishen:** So I would not characterize it as a slush fund. The lapse factor throughout a couple of decades has been a factor that we've included in the budgeting process to recognize the fact that departments will not spend, to a large degree, as an example, all that they are allotted. We're—we allow them to spend a certain amount, but we in Finance would say, not a penny more. In fact, in a perfect world, that would happen. So we make the allowance. History tells us that departments—due to factors around weather or whatever limitations on departmental expenditure programs may arise during the year, it will not be spent. So that is, in fact, what the lapse factor reflects.

**Mr. Pedersen:** So is this lapse factor, as you call it, is this—you're telling me that this happens every year. So, if we go back, we can see this—is this particular spread larger or smaller than previous years or how does—in other words, how does this compare with other years if you are, in fact, using a lapse factor every year?

**Mr. Hrichishen:** Yes, I can confirm that, yes, if you do go back—I remember it's always a discussion that we've had even through the '90s and the 2000s, what's the appropriate lapse factor. We do it based on experience and our own expectations, professional judgment. There's a fair bit of thought and consideration that goes into that number and it is a standard practice in our budgeting.

**Mr. Pedersen:** So do I understand this correctly then, that if I hit the time lapse correct—and please tell me if I'm not correct—but which—you put out your budget first at 14.8—which number came first, 14.87–847 or the 14.727?

**Mr. Hrichishen:** Okay, so I think it would be fair to say that we determine what the expenditures will be and then we estimate what potential lapses may be for those expenditures.

**Mr. Pedersen:** All right, then moving on in Public Accounts, volume 1, March 31st, 2014, pages 98 to 100.

**Mr. Chairperson:** Year first, please, Mr. Pedersen. We'll get the order eventually. So, 2014, volume 1, pages?

**Mr. Pedersen:** Ninety-eight to 100.

**Mr. Chairperson:** Ninety-eight to 100.

Go ahead with your question.

**Mr. Pedersen:** And then in the Auditor General's report—oh, sorry, just a minute—page 98—hold on, hold on. Where's the settlement? Just give me a minute, okay? Where do I find this?

**Mr. Chairperson:** Mr. Pedersen.

**Mr. Pedersen:** All right. Thank you, Mr. Chair, for your patience.

Note 11 on this particular page 98 of 2014 Public Accounts, volume 1. In note 11, it talks about different types of risks, so it's the Province is borrowing, and it's based on exposure to foreign exchange risk—interest rate risk, credit risk, liquidity risk, et cetera.

So Moody's downgraded Manitoba's credit outlook last year citing execution risk; that was the term that Moody's used. Is that a type of risk that it's evaluated by the Auditor General's office, and how does the department respond to execution risk?  
*[interjection]*

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** Sorry, Mr. Chair. My interpretation of execution risk as was described in the Moody's announcement surrounding their change in their outlook for Manitoba related to the—their concern about the Province's execution around meeting its longer term fiscal plan. It was not around the execution of any deliberate borrowing program or risks associated with foreign exchange transactions or, you know, capacity to access the market.

In fact, the—one of the Moody's comments, as I recall, was that Manitoba Finance has—I won't—I'll paraphrase—excellent access to international markets. It's something we work very hard to develop, maintaining contacts globally with—not just with Canadian and local financial industry but investment dealers around the world and investors directly around the world. We reach out to them and put a large degree of effort in making sure that they understand Manitoba's situation and understand the—both the positives and the negatives of Manitoba's credit.

**Mr. Pedersen:** So, if I interpret what you said correctly, it's—execution risk is not about meeting the financial objectives—meeting payments, repayments, et cetera. It's about the—questioning the ability to meet financial forecasts. *[interjection]*

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** I'm sorry. That was my interpretation.

**Mr. Pedersen:** Just wondering if the acting Auditor General had any comments on execution risk.

**Mr. Ricard:** Unfortunately, no. I have no additional comments to make on that at all.

**Mr. Pedersen:** Again dealing with interest rates, and the estimate is given for the cost of a 1 per cent rise in interest rates to debt servicing costs. What would be the estimate of a similar assessment for a scenario like today, the foreign exchange value of the Canadian dollar? We know the Canadian dollar has dropped. Is that going to affect the financial outlook on the budget? You've pegged in a dollar value, and then how does this affect your projections moving forward?

**Mr. Hrichishen:** Sorry, just to clarify, we're talking about our interest rate forecast, our projections for interest rates at this time or going ahead, or does this relate to the—

**Mr. Chairperson:** Mr. Pedersen.

**Mr. Pedersen:** No, it's—there are forecasts. In fact, in your note 11, you have outlooks for a rise in the interest rate, but is there a similar assessment done—you've done the assessment for the what if they give a 1 per cent increase in interest rates in debt servicing costs, but is there a similar assessment for the—what would happen if the Canadian dollar dropped or rose? Because this is dealing—you're dealing in a budget for the coming year. How does the Canadian—value of the Canadian currency affect your projections?

\* (14:40)

**Mr. Hrichishen:** So the Province of Manitoba is fully hedged against currency, so all of our debt is either directly or hedged back into Canadian dollars. There is a Manitoba Hydro component that is not fully hedged, as you alluded to before, but I have no information on Manitoba's hydro—Manitoba Hydro's exposure in that regard. But, again, we have no US dollar exposure in terms of

our current borrowing program. That's a policy that we've adopted and maintained for several years.

**Mr. Chairperson:** A question about interest rates, Mr. Hrichishen: Most of our—Manitoba's debt, as I understand, is syndicated, and there's a variety of groups that you source that revenue or that funding from. When you see a decline in interest rates, as we've seen here recently from the Bank of Canada and the other banks, that, as I understand, doesn't affect you immediately. That's down into the future because your debt is in a—fixed. Is that correct, Mr. Hrichishen?

**Mr. Hrichishen:** That's fair to say. When we go into our borrowing program, our borrowing program is, as you may know, this year was close to \$5 billion, then this new debt that we're acquiring, these new instruments will reflect the current market situation, so it's not, you know, the current outstanding debt portfolio of Manitoba does not come up for renewal every year, of course. It's the new debt, the new debt meaning new borrowing associated with programs as well as refinancing associated with existing debt that is turning over.

**Mr. Pedersen:** So March 31st, 2014, volume 1, page 106, it shows your consolidated statement of borrowings and you're showing Canadian bonds and debentures—I would assume these are coming due in the years coming forward—totalling \$28 billion for Canadian bonds and debentures and US. Just so I have it clear again, are these actually Canadian dollars borrowed or are they hedged—are they US funds which have been hedged to a US currency limit?

**Mr. Hrichishen:** Yes, you're right. The Canadian dollar bonds and debentures of 28,178 is the amount borrowed in Canadian dollars or hedged back into Canadian dollars from other currency. The US dollar amount of 1,880 that you refer to is related to Manitoba Hydro, and that is, in essence, the US dollar borrowings on behalf of that business enterprise.

**Mr. Pedersen:** So, in the same page, then, and I'll just pick 2015, you've got \$2.365 billion coming due in 2015. So you—pardon me—you would have had that money hedged if it was non-Canadian funds, and then—but is that money—and perhaps I should've used, you know, going forward to 2019, a hedge fund that's out there. Is it hedged 'til then or is it hedged part of that time period or do you hedge it to maturity?



**Mr. Hrichishen:** So at the time the bonds are issued, the time the money is borrowed, we hedge at that time the full amount so that the interest and the principal are hedged.

**Mr. Chairperson:** Sorry, Mr. Pedersen, the question was to maturity, and Mr. Hrichishen the answer is—

**Mr. Hrichishen:** Correct. Correct. I'm sorry.

**Mr. Chairperson:** And you have an additional staff person. Can you introduce this staff person?

**Mr. Hrichishen:** I'm sorry.

Mr. Garry Steski is our acting assistant deputy minister of Treasury Division.

**Mr. Chairperson:** Thank you.

**Mr. Shannon Martin (Morris):** In the Public Accounts for a fiscal year ended March 31st, 2014, on page 76—

**Mr. Chairperson:** Which volume, Mr. Martin?

**Mr. Martin:** Volume 1.

**Mr. Chairperson:** And page?

**Mr. Martin:** Seventy-six.

**Mr. Chairperson:** Seventy-six.

**Mr. Martin:** I note that mining tax revenue is—in 2013, the actual was 38, the budget of 40 for 2014, which would appear to be reasonable based on 2013 actuals, was down from an estimated \$40 million to \$8 million, which, obviously, is a \$32-million decrease in revenues or an 80 per cent reduction. Is the discrepancy a result of what? Is it a result in simply a reduction in mining production in Manitoba? Is it the result of—I mean, that's a significant discrepancy between the budget and the actual, an 80 per cent difference.

**Mr. Hrichishen:** I believe the majority of the weakness in the mining tax revenue was related to weakness surrounding the prices of various metals that we produce here, including nickel and copper.

**Mr. Martin:** In the—in Public Accounts, volume 3, for the year ended March 31st, 2014, section 1, page 2—

**Mr. Chairperson:** Okay, go ahead, Mr. Martin.

**Mr. Martin:** It noted that the estimated revenue from, quote, "Service Fees and Other Miscellaneous Charges" was \$1.34 billion. And the actual revenue from that category was about \$100 million higher

than projected. I'm wondering if it's possible to see which service fees or other miscellaneous charges contributed to this additional \$100-million spike in revenue.

**Mr. Hrichishen:** The information is available. We do not have that information now. The information comes from multiple entities, and we will give you as a good a breakdown of that information as we can to help you.

\* (14:50)

**Mr. Martin:** Moving along to quarterly reports, the Public Accounts, volume 3, for the year ended March 31st, 2014, section 1, page 3. The third quarterly financial report for the fiscal year 2013-14 projected a summary deficit of \$432 million, but the Public Accounts for that year revealed the deficit to be higher at 521.7, and I'm just wondering if you could identify what caused this discrepancy of about—the \$90-million discrepancy in the projected summary deficit.

**Mr. Hrichishen:** So the major factors in explaining that variance was a \$100-million—excuse me.

So I believe that a couple of the major factors to explain that variance was a—\$63 million due to an unusually high accident loss around the extreme weather related to MPI's performance in '13-14. As well, there was an additional \$30 million required to remediate the Ruttan Mine site near Leaf Rapids.

**Mr. Martin:** Can you restate the—what you'd indicated about Manitoba Public Insurance? I thought you said a \$63-million loss related to weather-related claims by Manitoba Public Insurance. Is that—

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** Yes, higher than anticipated claims.

If I could add—

**Mr. Chairperson:** Sorry, Mr. Hrichishen, go ahead.

**Mr. Hrichishen:** Yes, there is a somewhat more eloquent description on page—sorry—in '13-14 Public Accounts, volume 1, page 7, in the statement by the minister of Finance that relates to the Manitoba Public Insurance claims and the Ruttan Mine site near Leaf Rapids—costs associated with preventing acidic tailings from causing long-term environmental damage.

**Mr. Martin:** So, just in terms of my own information, then, so Manitoba Public Insurance losses are then part of the Province's debt? *[interjection]*

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** Sorry. In respect of the deficit, that is the case.

**Mr. Martin:** One of the recommendations by the auditor in—same quarterly reports—in the Office of the Auditor General, March 2014, page 65—the big one.

Anyway, I mean, while you dig it up, I'm sure it won't come as a surprise. It has to do with the Province's failure to release quarterly reports promptly as identified by the Auditor General. In fact, it noted that Manitoba, and I'm quoting the Auditor General's report, Manitoba takes the longest average time to release its quarterly reports of any of the provinces that they reviewed, and in recent years, again, from the Office of the Auditor General, the Province has taken longer to release these reports, from an average of 65 days in 2012 to an average of 93 days in fiscal year 2013.

Now, the response from the department was concerns that quarterly reports should not be released at the expense of their reliability. We've seen a lot of fluctuation in the numbers, so I'm just wondering if you can identify, perhaps, what in particular—what—how much more accuracy could be at stake given some of the fluctuations that we see in the reports that would be risked from having set—a set schedule in terms of the release of quarterly reports.

**Mr. Hrichishen:** So, you're right, we do follow a very comprehensive consolidation process. That is one of the key issues for us in putting together financial reports, both for revenues and expenses for the government reporting entity, as well as consolidation impacts such as pensions and interest, which also must be reflected in those reports, and that is—puts us really on a different page, to a large degree, with other jurisdictions where they have—I won't overstate the case—but in some cases substantially smaller GREs and less onerous reporting practices.

Our quarterly reports do provide actual year-to-date and forecast information with the exception of the first quarter where we do not provide a forecast. These reports are restated for in-year reorganizations, which is a very detailed

process. From Manitoba's perspective, this adds value and quality and information to those who read the statements and provides them, essentially, with an apples-to-apples approach by which to evaluate the financial results. So for all these reasons, gathering the information from the entities and analyzing these entities, the information for inclusion in these reports does take time.

The government continues to be committed to providing good quality reports but will not compromise this quality reporting in order to release the reports faster.

And it's difficult to compare quarterly information between provinces; for example, Saskatchewan, Nova Scotia and Quebec show all consolidation impacts on one line, not consolidated within the source of revenue or sector of expenditure as we do, and do not provide quarterly data. They only provide, in some cases, year-end projections. So the whole question of how broad is our GRE is one that I think has to be borne in mind.

In 2013, staff at Manitoba Finance undertook a survey of all the provinces to say, well, what are we including in the GRE? What's in there? And, of course, we found that Manitoba has, in all likelihood, the largest GRE and must draw on information from many external sources in order to produce our quarterly reports and our public accounts and so on. And just by means of example, I would say that, for example, in the post-secondary education sector, Prince Edward Island, Nova Scotia—with a couple of exceptions, Quebec, Ontario and Saskatchewan—do not include their universities. Prince Edward Island does not include, in their financial statements, colleges.

\* (15:00)

Health-care institutions, there are differences between provinces. Workers Compensation Board is probably one of the more clear examples of our very broad definition of the reporting entity. Newfoundland and Labrador does not include workers' compensation boards in their GRE, nor does PEI. Nova—I won't go down the list, but basically only Manitoba and Saskatchewan include the Workers Compensation Board, and so on. So it's by virtue of the need to collect this information we continue to work with the GREs to encourage a more—as timely as possible provision of this data to us so that we can assemble these reports in a reliable way. We certainly—again, as you noted, we

are always concerned about the reliability of the information when we produce it.

**Mr. Martin:** And I can appreciate your remark that—I mean, obviously, it's the issue of, you know, comparing a—to paraphrase, apples to oranges between two jurisdictions in terms of the information that's being provided publicly through its quarterly reports and what's contained in those reports.

So, while the provincial comparison may not be the apples to apples that you suggested or that it may be, but in terms of actual apples to apples, then, how can—what would your comments be, then, relative to the fact that back in 2011 the quarterly report release dates—dates release were 49 and now, in 2013, they're up to 92. There's been a steady progression, again, looking at the auditor's report on page 65, a steady increase in the delay in releasing information, so we've gone from 49 to 92, meaning your comment when talking about the information and that the caution when comparing interprovincial comparisons—you talked about making sure that the information, the provincial quarterly reports were released as timely as possible, and yet your statement that they should be released as timely as possible seems to be contradicted by the actual release of that information, where the time is actually increasing.

So can you explain why we're seeing an almost doubling in—from 2011 to 2013 in terms of the dates release of quarterly reports?

**Mr. Hrichishen:** Let me say two things about that. First, we have added some items to our government reporting entity. I believe that may have something to do with it. I think more broadly, though, as we go forward we gain experience and understanding of the reliability of the data and the thoroughness of the data, and we will provide the information as quickly and expediently as possible.

**Mr. Martin:** And I can appreciate if different information is now being included in this quarterly report which may result in a change in the ability of staff to compile it, but I'm wondering if you can identify, then, when and which years that new information was introduced, so we as legislators can see if there's a pattern from that point forward. I mean, because, obviously, looking at the benchmark that the auditor puts forward at 49 to the current 92 seems a dramatic increase, but if the data change, say, was in two thousand, you know,

twelve, going from 81 to 92 might be more 'reasonable.'

**Mr. Hrichishen:** So, in the interests of providing the comprehensive answer that I want to provide, I'll take that question on notice.

I will also point out, as my colleagues have pointed out to me, was that in 2012 there was a change in the PSAB reporting requirements for entities outside of the general government, for government business enterprises—pardon me, other—government reporting entities, forgive me, which contributed, in our view, fairly substantially to the reporting time required to produce the reports, but I'll—

**Mr. Chairperson:** I've got a question. Is it carry on, Mr. Schuler, or is it—okay, Mr. Schuler, go ahead. Or is it a I've got a different report I want to ask a question about?

**Mr. Ron Schuler (St. Paul):** Actually, it's a continuation of a question that my colleague had been asking about mining.

**Mr. Chairperson:** Okay. Go ahead, Mr. Schuler.

**Mr. Schuler:** And I wanted to go back to the mining year-end numbers, and there's a concern. And I've pulled some numbers out, so I'll read them, and they're all from the reports.

The 2011 actual mining tax collected was \$42 million. If you go to 2012 year-end mining tax, the budget was \$35 million and the actual was \$62 million. If you go to 2013, budget versus actual was a budget of \$35 million income and an actual of \$38 million, so they went up. You go to 2014, and that you can find—if people want to follow along, it's the annual report for the year ended March 31st, 2014, page 76—there again, the budget was \$40 million and the actual was \$8 million.

So, if you go back and you look historically, the budgeting was either close or it was slightly under. If you would take the missed budgeting for that line item, for the budgeted versus actual, if you look at the drop of \$32 million, which is basically what it is, of the \$522-million deficit that was run in 2014, that's actually 6 per cent of the deficit that was incurred, which is a substantial miss in projection.

And I guess the question would be—and I have no idea if this is in scope, so I'll ask it and then I guess we'll find out if it's in scope—is: Should there be a concern that some of the targets are being

missed that substantially? I mean, 6 per cent of the entire deficit incurred in 2014 was because something was budgeted for and didn't even come close; in fact, it's an 80 per cent miss on the actual versus the budget. Should there be concern about some of the projections that are being put forward? *[interjection]*

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** Oh, sorry. I think any time we make—there is a variance around revenue, we become concerned.

I can speak from personal experience, having worked in the revenue forecasting area through the 1990s, that mining tax is very difficult to forecast. It's a problem we see with all resource revenues. I would include here, say, Alberta and Saskatchewan where there is a substantial amount of their revenue, upwards of 25 per cent of their own-source revenue, coming from resources. If you don't get the price right, you will stand to be very wrong.

We bring to bear the best analysis we can in creating these projections, and I would argue that Manitoba's own-source forecasting record is amongst the best in Canada. I can provide plenty of examples. C.D. Howe, for example, looked at our forecasting record and found out overall that we're, I believe, fourth best amongst the 13 jurisdictions that they looked at in terms of their performance over the last decade. As you pointed out, there were a couple of years where we did quite well in terms of our forecasting; 2013 was not that year.

\* (15:10)

We, at the same time, post-actual review, within the Finance Department, are always concerned when we miss, and we will bring to bear whatever knowledge and experience we have in attempting to provide an accurate estimate going forward. That includes statistical techniques, talking to the industry, looking at independent forecasts for metal prices. Again, because metal prices in particular—as an example, I would say the oil price. If I would've sat here last September and told you about the—a \$40-price of oil or \$50-price of oil, it would've been with tremendous disbelief that you would've listened to me talk about that scenario.

But again in terms of post-actual review, any time we miss we look at our forecasting techniques, we look at our record. Mining tax, for example—and I believe I'm correct on this—over the last decade has ranged from \$110 million to eight. It's very

difficult with that potential variance to forecast mining tax revenue and natural resource revenue generally. At the same time that doesn't mean we won't try for that narrowing the margin on our forecasts. And that applies to every other revenue source that we forecast. We take that very seriously and work very hard to be accurate.

**Mr. Schuler:** So our oil—or taxes on the oil from the oil patch, are they included in mining?

**Mr. Hrichishen:** So, in fact, I'm told mining is just mining, and the oil and natural gas tax I would point the member to '13-14 Public Accounts, volume 3, page 1-5, statement of revenue. And the '13-14 revenue in that year was approximately \$5.6 million. In—and—I'm sorry—and in volume 1 that is combined into other taxes, the amount for which is reported in actual in '13-14 fiscal year, page 76, other taxes.

**Mr. Schuler:** Appreciate that answer, because if you look at the other taxes the budget was for \$600 million and the actual was \$609 million, but if you go to mining there's an 80 per cent drop. So the question is, did—is it that the amount of product that's being mined is dropping or is it that the price for the commodity is dropping?

**Mr. Hrichishen:** It is a combination of the price and the volume. I suspect price is more important in explaining the variance for this particular year.

**Mr. Schuler:** So has there been such a catastrophic drop in the price of the material that we're mining that it would equal or surpass the drop in oil and gas?

**Mr. Hrichishen:** So let me take that question as notice and I'll provide detailed information in terms of the volume performance and the price for Manitoba's major metals that will help you understand the nature of that.

**Mr. Schuler:** Yes, and if I understand correctly, in the 2014-2015 budget the—it's budgeted for approximately \$29 million income. Is that correct?

**Mr. Hrichishen:** I do not know.

**Mr. Schuler:** I'll wrap up with this and just saying that it is quite surprising that, you know, we've seen an 80 per cent drop in mining tax, because clearly that shows that there's something going on. If you want to see where the economy is, you go to retail, right? If you want to see where things are going in the mining industry, one of those indicators would be the kind of taxes that are collected, and I guess—

perhaps it's just me because I've been focusing more on what's happening with oil, I did not realize that there was that catastrophic drop in the price of the stuff that we're mining that would've precipitated an 80 per cent drop in revenues. And—

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Schuler:** I'll just wrap. And I take it all of that's being now factored in for our next budget that's being presented, because, you know, an 80 per cent drop, again, that was 6 per cent of the entire deficit that was calculated for the end of 2014.

So, anyway, I appreciate the Chair's indulgence on my part.

**Mr. Hrichishen:** And as we attempt to put together, we will provide you with the information on volumes and prices. I would also add that mining tax is largely a profits tax as well, so that the huge amount of investment—the large amount of investment that we've seen in mining in the province over the last number of years may also factor into that. But I'll provide more detailed information.

I would not—okay, my understanding is that the metal prices, although they've been weak, have not declined catastrophically. Now, like most farmers—and I know this first-hand—when the price of grain falls by 25 per cent, people go, well, that's not too bad, but if you're producing it, then it's catastrophic. So I don't know what kind of adjectives to use around that word, but—around that term. But I can say that generally, again, we're looking at overall global weakness, associated—whether it's China or Europe and so on, has substantially weakened the outlook for the global economy going forward.

Will we reflect those latest forecasts that, in fact, reflect that outlook as we plan ahead for the budget? We will. We base them on independent forecasts of economic activity. It may be—and let me admit here this is entirely hypothetical—that the projections may be for nickel prices, copper prices, oil prices to rise next year versus this year. I don't have that information with me, but rest assured that our forecasting techniques are based on independent forecasts and we use the very best statistical techniques available to produce those revenue forecasts, and we have done so for decades, and we believe in continuous improvement around that.

So, rest assured, it's not lost on us, that that mining tax projection was a substantial variance.

\* (15:20)

**Mr. Chairperson:** Mr. Hrichishen, you mentioned the oil and gas tax revenues. Can you tell me what the majority of that revenue comes from? Is it drilling or is it land rent or what is the majority and on what other things are—will fit in that category?

**Mr. Hrichishen:** I regret that I'll have to take that question as notice as well. I do not know.

**Mr. Chairperson:** All right, that's fine.

Now, I do have a question going back to January 13 report to the Legislature and the Auditor General's chapter 1 there. There was a—I guess, call it a difference of opinion, on page 35, and turning in—in terms of the international polar bear conservancy centre recorded as an asset but should be expensed. And we had some discussion at that time about that difference of opinion. Has there been any change from the department in its stance? And then I'll ask the Auditor General after.

**Mr. Hrichishen:** So, with the auditor, we continue to work collaboratively on many issues. That is one of the issues that we will work with the auditor on. I have no resolution to report at this time and I cannot give you a precise time where this could be resolved, whether or not we can come to a common understanding on the treatment of this. However, we continue to discuss with the auditor this question, bearing in mind that we're jointly looking for the right solution here.

**Mr. Chairperson:** Mr. Ricard, did—can you give us any guidance on how we would conclude this issue or come to a resolution so that both groups can find it acceptable?

**Mr. Ricard:** So this is one of the issues that's been outstanding for a number of years, and every year we enter discussions with the department. This year, in particular, there were a number of them that we wanted to address, and this is an issue that we are anticipating a—an updated—I think the right word would be analysis or position from the department to support their position. And once we get that we will review it and assess whether or not it supports a change in our position. Currently, we stand by our position and our—we're waiting for a department analysis. We hope that we can resolve this in the current year.

**Mr. Martin:** On the—continuing on—sort of on the broader subject of lapses or—I note the levy for health and education amount or the payroll tax has always been an interest of mine in a previous life and continues to be—I noticed a lapse of almost \$7 million in terms of the estimated in 2013-14 to the actual in 2013-14, and I'm wondering what that can be contributed to, from your perspective.

**Mr. Hrichishen:** So the projection of—and I will point to '13-14 Public Accounts, volume 1 of page 76. The amount budgeted, the levy for health and education budgeted amount was \$326 million, and the actual amount was \$315 million. I think, generally speaking, it's related to the tax base not growing as much as we had anticipated at the time of budget.

**Mr. Martin:** I'm sorry. I was looking at the addition that was placed in our books here, the notice of adjustment for volume 3, supplementary schedules, is that three-page sheet that was placed in. But, I mean, it doesn't—I mean, the numbers—so your numbers and my numbers are different, but the answer remains the same. *[interjection]* Okay.

**Mr. Pedersen:** I would like to go back just a little bit to the annual report, March 31st, 2014, and on page 7 where the—

**Mr. Chairperson:** Volume?

**Mr. Pedersen:** Volume 1. The former Finance minister—

**Mr. Chairperson:** And the page we're—

**Mr. Pedersen:** Page 7. It's a year-end review on that. Just for clarification, the annual deficit, \$522 million, slightly higher, she says in here, there's three primary environmental and weather-related issues, et cetera, et cetera.

Now, a settlement provision for costs associated with the effects of long-term flooding issues in four First Nations communities. So was that money spent? Is it allocated? What is the—like, how does that show up financially? And do you have that amount?

**Mr. Hrichishen:** Right. So the \$100 million is a provision for a future settlement. No money has gone out, so to speak. It is an allowance for dealing with the operation of the Fairford River water control structure that flows into Lake St. Martin.

The—back in—I'm trying to think. It was later in '13—okay. Yes, back in 2011 there was, as

you might recall, a tremendous dislocation cost associated with flooding in Manitoba, and late last year the government of Manitoba announced that it is setting aside \$100 million in '13-14 as part of negotiations towards a comprehensive viable settlement package that would address all past and future claims of First Nations communities.

Those negotiations continue at this time. The negotiating framework for the final settlement packages, I understand, outlines flood mitigation members—measures, pardon me, replacement lands and compensation for damages and infrastructure.

**Mr. Pedersen:** So that is money that is not spent. It's \$100 million that's not actually spent, but because of the commitment to it, it shows up as a cash expense on this government's books? *[interjection]*

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** Sorry. It's not a cash expense; it's an accrual. So we've set up an accrual in respect of future compensation allowances based on the agreement that we achieve.

**Mr. Pedersen:** So this is way too deep in the accounting side if it's an accrual expense and yet you're claiming it as a cash expense on a deficit.

\* (15:30)

**Mr. Hrichishen:** So it does speak to the nature of our accounting system which is accrual accounting system. We set up an accrual so that it does reflect our expectation for an expenditure associated with this particular item.

**Mr. Pedersen:** So what is the—and I would assume—again, it's an accrual method, but the funds, what is set aside for the remediation of the Ruttan Mine site near Leaf Rapids?

**Mr. Hrichishen:** Yes, that is an accrual as well, and that is approximately \$30 million.

**Mr. Pedersen:** Okay, so now we're going to get into numbers. You've got \$100 million for First Nations; you've got \$30 million for Ruttan; you've got \$45 million in losses to MPI, which is \$175 million.

Now, Budget 2013, you budgeted for—on page 4 of the Budget 2013, you budgeted for a \$72-million profit from Manitoba Hydro, a \$10-million profit from Workers Compensation Board and \$18 million from MPI.

Now, if we go to Public Accounts 2013-2014, ended March 31st, 2014, volume 3, page 1-2, it shows, in fact, that Manitoba Hydro made \$174 million rather than the budgeted \$72 million. Workers Compensation Board made \$78 million instead of the \$10 million projected. So you've got an extra \$170 million in there, and yet it sort of offsets what you've told me you're spending in—on extra funds here. So—and yet our deficit continued to increase—our annual deficit continued to increase.

Is there other factors that come into here, then, for the increase in the deficit?

**Mr. Hrichishen:** So, yes, you're right. There are many positives and negatives as we move from budget to the Public Accounts revenues and expenditures. We will provide you—I was hoping to point to a couple of places here where we could easily give you the answer. We want to provide that information, but I will provide that information at a later time. We'll take that as an undertaking to get that to you.

**Hon. Jon Gerrard (River Heights):** One of the questions which you talked about right at the beginning was the—had been raised by the Auditor General, that was the public sector disclosure accounting policy as inconsistent, and one of—and I think that you indicated that you were fully on board with addressing this in your opening statement. One of the big inconsistencies that I see is that people can have income from government which is from two different places, all right. So that somebody can have \$40,000 from one place and \$48,000 from another place and their combined income will be \$88,000 that year and yet they're never reported, because, in fact, they've got to meet a \$50,000 threshold in one place or the other in order to meet it. And you would have other people who would have a \$55,000 threshold for one income and a \$40,000 threshold for the other; they get reported as \$55,000 instead of \$95,000.

You can take it further. You could have somebody who's got \$100,000 at one place and \$200,000 in another or \$500,000 in one place and \$500,000 in another, and when somebody's looking through and they see this individual reported as this earning, there's a presumption that the whole earning from the government or provincial sources is captured, and yet, in many cases, it's not being.

So I'm just wondering whether this will be addressed and sorted out so that, you know, that

people can get an accurate assessment when they look at this—of what a person's income is.

\* (15:40)

**Mr. Hrichishen:** So thank you. The reporting that you see here in the public accounts is based on a combination of legislative reporting requirements as well as existing administrative policy around how compensation vendor payments, so on, are reported. We have in the past discussed with the Office of the Auditor General the question of these reporting provisions, and we have had discussions and will continue to have discussions around seeing to what degree we can make enhancements to the nature of this report.

**Mr. Gerrard:** My next question—we're dealing in a number of places with tangible capital assets and infrastructure. If you go to the Public Accounts for the year ended March 31st, 2014, volume 3, page 1-3, there's a list of expenditures, and one of those is municipal government—expenditures or transfers to municipal government, which for core government was \$378 million. Now, a substantial part of that, I'm presuming, is for building of roads by the municipalities. Would the roads built by municipalities under these funds be considered as tangible capital assets and amortized or not?

**Floor Comment:** Excuse me.

**Mr. Chairperson:** Mr. Hrichishen.

**Mr. Hrichishen:** Forgive me, the number you're referring to is?

**Mr. Gerrard:** Okay, so we're on page—it's 1-3, summary expenditures. There's a municipal government line. For core government, it's \$397.8 million; for consolidation impacts, it's 11.2; for the summary total, it's \$409 million.

**Mr. Hrichishen:** Those are principally grants. That is not tangible capital assets at all there.

**Mr. Gerrard:** Good. Thank you.

Now, in one of the previous meetings when we were discussing the fiscal year reports for March 31st, 2011 and 2012—this is the meeting of February 25th—there was a question which was raised by Mr. Pedersen, and that question was provided an answer by Mr. Clarkson, who was deputy minister, and he said the attached spreadsheet and the financial administration manual—da, da, da, da, da—are providing the answers. This was the Excel—a copy of the Excel

spreadsheet. I have a few more copies for people to look at. In this spreadsheet there is the dealing with infrastructure, there is the—for example, under transportation, \$228 million of addition of new infrastructure, there is \$162.7 million in settlements, there is 115—or close to \$116 million in amortization, and the net TC additions at \$274 million. Can you explain what the settlements and the—you know, where the amortization—what's being amortized and where that number comes from?

**Mr. Hrichishen:** I'm sorry. Forgive me. The number you just referred to at the end of your question?

**Mr. Gerrard:** All right. For this fiscal year, which was 2011-2012, there was a transportation column. You've got amortization—sorry, settlements of \$162.7 million and amortization of a hundred and—almost \$116 million. So the question is explaining this settlement number, precisely what that means, and the amortization number, where that comes from and what's being amortized.

**Mr. Chairperson:** Honourable—or, Mr. Hrichishen.

**Mr. Hrichishen:** Not as honourable as I might like. Thank you. I'm sorry. The answer is simply that the settlements refer to projects which are being transferred from the category, Assets Under Construction, and being allocated to an appropriate category of asset, in this case, Land and Land Improvements, Transportation, dam and water structures.

So, if I read this correctly, the total is zero; insofar as that I'll refer to the 504556001 Assets Under Construction, it's a negative, and that is distributed into the other three categories of assets.

**Mr. Gerrard:** The amortization is \$115 million, which is amortized, which—where does that come from? Is that only a proportion of the addition is actually being amortized or—so that I understand it?

**Mr. Hrichishen:** So the amortization is simply the normal amortization of assets that we undertake through the normal course of accounting, where asset—the various asset categories are amortized based on useful life and so on. I believe there is, in some of our documents, references to the useful life of assets and the amortization rates.

**Mr. Gerrard:** I don't have a problem in understanding the process of amortization. What

I'm trying to understand is that amortizing this year's or the construction or the infrastructure that was done this year, or is that amortization from previous years?

*Mr. Vice-Chairperson in the Chair*

**Mr. Hrichishen:** So I hope this answers your question.

*Mr. Chairperson in the Chair*

New assets are amortized for half a year. We call it the half-year rule, for which amortization applies for only half the amount, and the regular amortization on a full-year basis, so that's the difference between the new assets and existing assets.

**Mr. Gerrard:** So, in this case, this \$160 million, is that half of the new assets constructed, and if that is the case, then you would have some amortization from the previous year that would be half of what was done previous year, which is not there.

\* (15:50)

**Mr. Hrichishen:** So it is—this amount is a combination of the existing as well as the new assets, so it's not just related to the new assets.

**Mr. Gerrard:** Okay, I think I've got that.

One of the things I did note, the original question that Mr. Pedersen had asked—yes—it dealt with getting a list of actual projects and it actually—what was provided here was a summary, and so my question is, you know, would it be possible to get a list of actual projects?

**Mr. Hrichishen:** Yes, we can help you, we can provide a detailed list as you request.

**Mr. Gerrard:** Yes, that would be very helpful, all right, and if you could do it for, you know, the '13-14 year, would that be—I mean, we have—we're talking about the Public Accounts for the year ending March 31st, 2014, would it be possible to—for that year?

**Mr. Hrichishen:** So just to clarify, we're—what would be—

**Mr. Chairperson:** Honourable Dr. Gerrard.

**Mr. Gerrard:** Perhaps I can help. If you could provide a table for the year ending March 31st, 2014, that is similar to this one, okay, and then a breakdown of this—of the new additions, right, of the—by individual projects.



**Mr. Hrichishen:** So we will provide you with the existing records in support of your question, so.

**Mr. Pedersen:** I'd like to go back closer to the beginning of our discussions this afternoon.

You talked about lapse factor. In Budget 2013, page 2, you show this \$150 million, and that should be a—because it's in brackets would be a gain in your budget numbers, correct?

**Mr. Hrichishen:** I don't have the budget but I believe that's the way it would be reflected.

**Mr. Pedersen:** Okay.

So is it—to your knowledge, is it standard practice for governments in Canada to assume an in-year lapse of 1 per cent of expenditures?

**Mr. Hrichishen:** So we—I do not know what other jurisdictions do, but I do know that our practice of budgeting about 1 per cent as a rule of thumb—I think that there have been years where we haven't done exactly that—but about 1 per cent of expenditures as a lapse factor goes back to the early—pardon me—late 1980s, so that we're continuing with that practice.

**Mr. Pedersen:** And because this—in this case, this \$150 million is actually—should actually be in less expenditures, correct, because it's shown as a net gain here?

**Mr. Hrichishen:** I think we put that in there with the recognition it could be related to revenue or expenditure.

**Mr. Pedersen:** In the March '14—sorry, March 2014 Annual Report to the Legislature by the Auditor General's office, page 41—at the bottom of page 41, it talks about figure 6, and it says: Figure 6 shows that an in-year lapse is expected to be at \$150 million for the next four years. These savings will need to be achieved as part of the Province's planned return to an operating surplus in the 2016-17 fiscal year.

Do you agree with that statement?

**Mr. Hrichishen:** So I would reflect on this statement and say that it appears to be directed towards expenditures, when, in fact, I'll say again that the lapse factor is related to revenue or expenditure; it's not wholly related to expenditures like—in a manner—the 150 is the lapse factor based on our—as our best analysis that the government would encounter going forward.

**Mr. Pedersen:** Lapse factor is based on both revenue and expenses. Based on expenses only, the department has not met a 1 per cent savings in—for many years. Would that be a correct statement? Based on expenses only.

\* (16:00)

**Mr. Hrichishen:** So the \$150-million lapse factor reflects our expectation, our forecasts for the provincial budget going forward, including all government entities.

**Mr. Chairperson:** Any further questions today? We have reached 4 o'clock, which was the agreed upon time.

Chapter 1—Accounts and Financial Statements: Section 10 Annual Report of the Auditor General's Report—Annual Report to the Legislature, dated January 2013—pass.

Does the committee agree that we have completed consideration of Chapter 1—Accounts and Financial Statements: Section 10 Annual Report of the Auditor General's Report—Annual Report to the Legislature, dated March 2014?

**Some Honourable Members:** Agreed.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no.

Volumes 1, 2, 3 and 4 of the Public Accounts for the fiscal year ending March 31st, 2011—pass.

Shall volumes 1, 2, 3 and 4 of the Public Accounts for the fiscal year ending March 31st, 2012, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. These volumes are accordingly not passed.

Shall volumes 1, 2, 3 and 4 of the Public Accounts for the fiscal year ending March 31st, 2013, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. These volumes are accordingly not passed.

Shall volumes 1, 2, 3 of the account—Public Accounts for the fiscal year ending March 31st, 2014, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. These volumes are accordingly not passed.

That concludes the business before us.

Thank you to the honourable minister, the deputy minister and his staff and the acting Auditor General and staff, to our page and our clerk and Hansard staff. This concludes the business before us.

Before we rise, it would be appreciated if members would leave behind any unused copies or reports so they may be collected and reused at the next meeting.

The hour being 4:01, what is the will of committee?

**An Honourable Member:** Committee rise.

**Mr. Chairperson:** Committee rise.

*COMMITTEE ROSE AT: 4:01 p.m.*

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