

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

Chairperson
Mr. Larry Maguire
Constituency of Arthur-Virden

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, February 15, 2012

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Larry Maguire (Arthur-Virden)

VICE-CHAIRPERSON – Mr. Gregory Dewar (Selkirk)

ATTENDANCE – 10 QUORUM – 6

Members of the Committee present:

Hon. Mr. Struthers

Mr. Allum, Ms. Braun, Messrs. Dewar, Helwer, Jha, Maguire, Pedersen, Mrs. Stefanson, Mr. Wiebe

APPEARING:

Ms. Carol Bellringer, Auditor General

WITNESSES:

Hon. Stan Struthers, Minister of Finance

Mr. John Clarkson, Deputy Minister of Finance

MATTERS UNDER CONSIDERATION:

Auditor General's Report – Audit of the Public Accounts for the fiscal year ending March 31, 2010

The Public Accounts for the year ending March 31, 2010 – Volume 1

The Public Accounts for the year ending March 31, 2010 – Volume 2

The Public Accounts for the year ending March 31, 2010 – Volume 3

The Public Accounts for the year ending March 31, 2010 – Volume 4

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Mr. Chairperson: Welcome everyone then to our Public Accounts Committee meeting here for February the 15th and to the Standing Committee on Public Accounts. I want to welcome everyone this evening and outline that we have two reports before

us—well, a number of them. The main two are: the Auditor General's Report – Audit of the Public Accounts for the year ending March 31st, 2010; and the second one being—a number of them—the Public Accounts for the year ending March 31st, 2010, Volumes 1, 2, 3 and 4. And we'll be dealing with those this evening.

And I wondered if there are any suggestions from the committee as to how long we should sit this evening.

Ms. Erna Braun (Rossmere): Perhaps we could sit until 9 o'clock.

An Honourable Member: Or before.

Mr. Chairperson: It's been suggested that we sit till 9 o'clock or before if it's the wish of the committee. Is that agreed? *[Agreed]*

And is there a suggestion in regards to the order in which we should consider these reports that I've just outlined?

Ms. Braun: The order as printed.

Mr. Chairperson: Okay. Is that agreed by the committee? *[Agreed]*

Okay, we'll deal with the reports as listed. Yes, that says as printed on your agendas as the matters under consideration for this evening.

So, we may ask the minister and deputy minister to sit at that—to come forward to the table then, as well, and ask you to take chairs at the ends of the table. *[interjection]* I won't go there in regards to what the minister just indicated, but I would—I appreciate his advance of humour this evening. I hope that's what it is anyway.

And so, does the Auditor General wish to make an opening statement in regards to the reports?

Ms. Carol Bellringer (Auditor General): So the staff joining me tonight from the Public Accounts audit are Tyson Shtykalo, who was the audit principal in charge of the Public Accounts audit for the last few years. He's now the assistant auditor general responsible for managing all of our financial statement work, and he's joined by Fraser McLean

who conducts our information technology audit work.

The Auditor General Act requires us to report to the Assembly each year about our examination and audits under section 9 of our act and that's the section that relates to the audit of Public Accounts and other financial statements. We're required to indicate anything resulting from that work that we consider should be brought to the attention of the Assembly and we issue a report on our findings each and every year.

* (19:10)

I did make an opening statement at the May 25th, 2011, Public Accounts Committee on this report. I'm just going to briefly summarize that. We issued an unqualified audit opinion on the summary statements for the '09-10 year. We also issued an unqualified opinion on the calculation of balance under The Balanced Budget, Fiscal Management and Taxpayer Accountability Act. We noted in the report that after year-end, the government had passed legislation removing the requirement for a positive balance for the next four years. So while we do not, and cannot, comment on that policy decision, from a management perspective we did make the observation that over the years the legislation has contributed to strong financial management and we urged government to use other mechanisms to ensure spending continues to be within voted budgets.

We also included information about areas for improvement. We covered a number of areas from information technology, forecasting, capacity for financial reporting at the Manitoba Housing and Renewal Corporation, allocation of income by the Public Trustee, revisiting the need for an audit of the Cooperative Loans and Loans Guarantee Board, a suspected fraud within the Winnipeg Regional Health Authority and the requirements for supplementary audit reports. And just to make note of the fact that we have since issued our 2011 report; although it's not on the agenda for tonight, it is available to the members and was distributed in January 2012. It's chapter 1 of our annual report.

Mr. Chairperson: Thank you very much, Madam Auditor General. Would the deputy minister like to make an opening comment?

Mr. John Clarkson (Deputy Minister of Finance): Thank you. John Clarkson. I just want to take the opportunity to thank the Committee to provide us with this opportunity to update them on the

2009-2010 Public Accounts and the accompanying report to the Legislative Assembly.

As mentioned by the Auditor, we do have, and are proud of the fact that our—once again, we have tabled an unqualified audit opinion on its—on the summary financial statements. And that the statements, therefore, present fairly, in all material respects, the financial position and the results of operations in accordance with the public sector accounting standards.

There were a number of recommendations that were made, and there has been work that has been progressed on these recommendations. There's certainly—from the previous audits, there were three outstanding recommendations, of which two have been completed, and they were discussed at the May 25th meeting. And there's still one that remains in terms of work in progress. From the 2009-10 report there were seven new recommendations in the report to the Legislature, and those we also addressed in terms of status of the implementation at the last committee meeting.

So I would like to just take the opportunity to thank the Auditor General and her staff for the continued work and suggestions that they have made. The ideas have helped us in terms of managing the reporting of information and the risks associated with running governments, and they have been important for us in terms of ensuring that we provide appropriate information.

We do appreciate the thoroughness of their work and their collaborative approach with our staff over the course of the Public Accounts audit, and in developing recommendations which, over the long term, which will provide a strong, controlled environment and ensure that the summary financial statements continue to be reported in an accurate and timely manner, and includes information that will be useful to all leaders. So thank you very much.

Mr. Chairperson: Thank you, Mr. Clarkson, deputy minister, for your opening remarks, and I would throw the floor open to any questions on the reports that members may have.

Mrs. Heather Stefanson (Tuxedo): I just want to thank the deputy minister for his comments and for—and to the Auditor General for her comments. I believe we have asked a number of questions concerning this report, so I think at this point in time we'd be happy to move on to the other—the Public

Accounts themselves, unless there are other questions that people have.

Mr. Chairperson: Is that the wish of the Committee to be able to move forward? *[Agreed]*

All right, we would move forward with further questions on the—this is on the other—on the public—on the volumes. Yes, we'll go ahead with that.

Oh, your opening statement—was for both reports or did you want to have an opening statement in regards to volumes or—?

Floor Comment: So Mr. Chair, I don't have an opening statement, just to clarify on the record. So the Public Accounts, themselves, are the property of the Government of Manitoba. They are prepared by the Department of Finance, and what we do is conduct an audit of those financial statements. So we do quite a lot of work to verify the completeness and accuracy of them, and that preparation in accordance with public sector accounting standards.

And so I certainly may have some information on and have some answers to some of the members' questions, but most of those I would assume will be directed towards the department who prepare them.

Mr. Chairperson: Thank you for that.

Does the deputy minister have any further comments in regards to the volumes?

Mr. Clarkson: No, we have no further comments in terms of the volumes.

Mr. Chairperson: *[interjection]* Yes, I should have said Mr. Clarkson and Ms. Bellringer before, but I'll get used to this Chairman's role.

So I'll open the floor again to questions on the volumes.

Mrs. Stefanson: Actually, my first question is for the Auditor General this evening and just with respect to the fact that the government has moved to summary budgeting and these reports don't necessarily have all of the information with respect to Crown corporations and—that should be. If you're moving towards summary budgeting, then presumably you should be moving towards summary reporting, and I'm just wondering if you could make some comments on that as to what your thoughts are on that issue.

Ms. Bellringer: Certainly. Now, the summary financial statements reflect full public sector

accounting standards, so we certainly support the standards and we believe that that provides you with the most complete and accurate picture.

Anything that links to it, our position is you should be able to see how it links, so in particular—and it is a comment we made in 2011, so I appreciate it's not on the table tonight in the reports, but it reflects our position—and it is that everything included in Volume 3 of Public Accounts, which are all the supplementary statements—we don't audit those, but they link into the audited summary statements—that they should link appropriately so that you're able to understand exactly how the numbers that are included in the financial statements on a summary basis, how you can then see what the breakdown of that is.

So we did recommend in 2011 that a study be done of that because it's not so simple. It's quite complex and there's been an evolution of where those various statements have come from, and so we would expect that there would be a fairly complete analysis of the needs of those so that it's providing the detailed information you need. And, yes, we would suggest everything that is disclosed for departments, and we would expand that not just to the supplementary statements but to all disclosures.

We reported it on compensation, we've reported it on expenditures over a certain amount. We think the threshold should be increased on both of those that are included in Volume 2 because they're too low right now; they're giving you too much detail. But once the threshold is adjusted, we still think that also should be available on a summary basis.

Mrs. Stefanson: I thank the Auditor General for those comments. And just to the deputy minister, in terms of Volume 2 and where the salaries are—of employees in the different government departments are listed, as—those over \$50,000, I believe. Firstly, is there discussion about changing that and increasing that threshold?

Mr. Clarkson: Certainly we understand the recommendations that have been made around the various different schedules that are attached to the—included, I should say, in the financial statements for the government. We are looking at those kinds of issues in terms of ensuring that we are providing appropriate and accurate information to the Legislature for the purposes of understanding where we are.

Where we will get to on that, I don't know yet, but, yes, that is one of the areas that we'll continue to look at.

Mrs. Stefanson: Is it possible, for example, because we are going—we are in summary budgeting now and part of that is—includes the Crown corporations, is it possible, then, to get a list of, for the individual Crown corporations, those employees right now that are—whose salaries are over \$50,000?

* (19:20)

Mr. Clarkson: Any of the Crown corporations are required to produce that report. We don't include it in our schedules, but they are available through the Crown corporation themselves.

Mrs. Stefanson: Okay, and, I guess, here we are at Public Accounts. I can't ask the Crown corporations themselves specifically what—for that information. Is it something that a department could provide for us, I guess, now, or do we have to go directly to the Crowns to get that?

Mr. Clarkson: It's not information that I currently have with me today. It is information that is publicly available and is genuinely accessed through the Crown corporations themselves.

Mrs. Stefanson: And if I were to request that information, do I do it through you now here at Public Accounts and you would get the information for me or, I mean, is this something—I mean, I know sometimes if we go through freedom of information and those types of venues, I mean it takes quite some time to get the information. I think it's information that should be available for us now, given that we are, you know, in summary budgeting and we should have summary reporting and that information should be available to us. Is it possible to go through you to get that, or do we have to go to the Crown corporations and go through the more cumbersome process of getting this information?

Mr. Chairperson: Oh, just one moment. I remind all members that questions are to be directed through the Chair.

Is that the process? Mr. Clarkson?

Mr. Clarkson: My understanding is that we currently don't have that information with us, that if we were going to get it we would have to go to all the Crown corporations to get it. Historically, what the members of the committee have had to do is go to the Crowns to get that information directly themselves.

Mrs. Stefanson: Thank you, and I know historically that probably would have been the way it was done and that perhaps would have been at a time when we were not in a summary budget scenario because it's only been around for the last couple of years, and I'm wondering how we might be able to move forward to get that information. I don't know if I ask the Auditor or if I can ask Mr. Chair or the deputy. I just know that it's difficult sometimes for us to go directly to the Crown corporations and get this kind of information. Someone would have to, I would think, direct them to give us the information.

And so I'm wondering how we would go forward. I'm hoping that, going forward, that that information will be included in these documents, and perhaps I'll ask you that: Will that information in the future be included in the Public Accounts documents so that we can see it as we can see for all the different government departments?

Mr. Chairperson: Yes. Deputy Minister Clarkson?

Mr. Clarkson: Included in our review will be those kinds of issues to ensure that we are providing complete reports in the future to the members of this committee. They won't be available with the report that was tabled for January—in January of 2012 for the 2011 time frame because those reports are already done. But we are looking at this as one of those changes that need to be made in future going forward.

Mrs. Stefanson: And so, I guess, if in moving forward you talked about a review process that's taking place right now. Could you just explain what's happening with that review? Are there some time frames in terms of what recommendations you want coming out of that when that review process will be completed?

Mr. Clarkson: Given that we've just received the recommendations on the—in 2012, we're still looking at what the time frame around that is, but we can certainly report back on what our processes and time frames around that will be so that people can get a handle on where we're going with that.

Mrs. Stefanson: But it is the—the department does agree that because ever since the government has moved to the summary budgeting that we should have access to that information now if we choose to request it. Is that the department's position?

Mr. Clarkson: The department agrees that there are a number of really good recommendations that the Auditor has made to ensure that we can provide you

with complete information on these issues. And I think it's more than just examining whether these reports are included; it is in certainly examining that the information is presented in an appropriate way to make sure that you have complete information that's there.

Mr. Chairperson: Deputy Minister—or, pardon me, Mrs. Stefanson.

Mrs. Stefanson: I'm wondering, Mr. Chair, if I could ask the Auditor to maybe comment on this issue.

Ms. Bellringer: The compensation specifically, actually, we did look at—I can't remember whether it was—I think it was attached to the '09 Public Accounts audit. We had a separate chapter right—just on an analysis of the compensation disclosure.

So, it was a little different from what we were recommending in this—and again, yes, it is '12 and it is more recent—around making sure that the schedule—sorry, Volume 3 ties into the summary statements.

On the compensation, the disclosure is governed by a piece of legislation. And I can't remember the full name of the legislation, but it's the compensation disclosure act. And it's required not only for government departments and Crown corporations but even anybody receiving grants over a certain dollar amount.

And so we looked at it quite thoroughly back then. And it is a fairly complex issue to, first of all, decide which organizations should report, at what dollar level and then how. And so we looked at it and we asked each of those Crown corporations and the grant recipients. We had to get a complete list of all these; there were hundreds of them. And we asked them all, how many times have people been requesting this? And the legislation requires that they have the information available on request, so they must have it, and it must be audited. So there's quite a big process that goes on right through the systems.

We suggested on some of the smaller organizations or the not-for-profit organizations that, in fact, did not be required to be audited. It may be available, but does it really need to be verified to that extent? So we did recommend the legislation be reviewed.

We recommended that the threshold be increased, for example, because we looked at it and

said it's giving way more—we actually looked by organization how many people were now included in the disclosure today versus at the time that the legislation was introduced, and it's increased exponentially. So we suggested the threshold be increased because it should be capturing senior salaries because that was the intent, but also that there be a mechanism or a place where you could access it more easily, because we were finding nobody was obtaining the information. In our opinion, it was because it's too hard to get for the very reason that you're bringing up here: that you would have to ask each and every one of them to provide you with that information. Most people won't go to the trouble of doing that, so you can't see it all in one place.

So we did recommend that, in fact, it be included—for example, that link on the website at Department of Finance. But we also understand that that's a big process to get it there. So that was how we had addressed that particular issue.

Mr. Reg Helwer (Brandon West): Through you, Mr. Maguire, to the Auditor General: Do you have a recommendation for what level that should be set at for the salaries and what needs to be changed in terms of legislation for that to happen and also for future years—obviously, it's going to continue that you might have to look at this again, so how do you make sure this happens every year, every five years, that you look at the different salary levels that you're going to increase it to?

Ms. Bellringer: I don't have the report with me. I'm fairly certain that what we did was—what we said was, because it was intended to capture a certain percentage—you'd have to go back to the report to see what that number was—that it be increased. And I believe we said \$75,000 would capture the same thing that it was originally intended to capture. Certainly, that call is still a policy call that's up to government and the Legislature to discuss. Do you want to even have the disclosure? So that's a policy call. But if you want it to do what it used to do, then increase it to \$75,000.

We also recommend there be a mechanism entrenched right in the legislation to allow for the increase or decrease of the value of money so that you don't have to go back and do that kind of revisiting, that it just be automatic in terms of the way the legislation's written.

* (19:30)

Mrs. Stefanson: Speaking of Volume 2, and perhaps, I guess, I know a number of—I mean, all the way through here in a number of the government departments, there is a line in there that specifies for Probe Research, where money has been paid to Probe Research for a number of different government departments. Now, I'm not sure if you have the information here in terms of, you know, if—I mean, we can go through it on a department-by-department basis as to what that would be or is that a question, you know, maybe more appropriately put at a different time in Estimates or—I mean, I'm not sure what kind of information you have here with respect to this document.

Mr. Clarkson: The Volume 2 payments that capture the individual payments to companies are a summary of all the various payments that take place to those companies during the year and then for each of the individual departments. That's not information that we have here with us. It is information that takes a great deal of effort to go and try and accumulate what those—each one might be for. So that is information that you would have to go to the individual departments to request at the appropriate time, whenever that might be.

Mrs. Stefanson: You know, I thank you for that, and this might go along the same line then, and I'm looking at the Volume 4 here, but, specifically, under First Nations of Northern Manitoba Child and Family Services Authority, just on the statement of financial position, it states—and, again, I'm not sure if I should go through you to get this—the answers to this or if I have to go through the department, but I will pose the question that it just—2010, as compared to 2009 under the accounts receivable, I'm just wondering if you could explain why that amount would be double from the previous year.

Mr. Clarkson: Volume 4 is just a compendium of all of the various financial statements from the reporting entities. They are not something that come through us, and, therefore, you would have to go directly to the departments themselves to get that information.

Mrs. Stefanson: Thank you for that, and we will endeavour to do that in Estimates then.

Just in going through, generally speaking, some of the templates that have been used for—and I'm looking specifically at just comparing the First Nations of Northern Manitoba Child and Family Services Authority with the Southern Manitoba

Child and Family Services Authority, the templates that are used for the statement of financial position, all the information is there. The information is what it is, but I'm wondering, is it because there's sort of different templates it's sometimes more difficult to compare maybe between different areas. Is there—does your department look at ways that you can make them a little bit more uniform in terms of the templates and how these authorities present their financial positions?

Mr. Clarkson: The financial statements are clearly the responsibility of the individual entities, and we let them dictate their own ways in which they should be presenting that information themselves.

Mrs. Stefanson: Okay, that's fine, thank you very much for that.

And just to get into some general questions just on net debt, I'm wondering if you can provide an update on the net debt level since March 31st, 2010.

Mr. Clarkson: In terms of an update in terms of net debt, it's increased an additional billion dollars from \$11.794 billion at March 31st—oh, just a second here, sorry—yes, from \$11.794 billion at March 31st, 2010 to \$12.837 billion at March 31st, 2011.

Mr. Blaine Pedersen (Midland): And I'll ask this of the deputy minister, then, Mr. Clarkson. And on page 29 of Volume 1, halfway down the page it says, the increase in net debt in 2009-2010 is related to investments in tangible capital assets, including increased infrastructure stimulus spending.

Can you explain some—or give me an example of some of those tangible capital assets?

Mr. Clarkson: Generally speaking, the things that would fall into the category of tangible capital assets would be buildings, roads, infrastructure related projects.

Mr. Pedersen: In the business world, a tangible capital asset has a sale value, is worth something. Are we putting capital asset values on roads to—pretty difficult to sell a road right now in Manitoba. Is—so is that what you're—you're using that as a capital asset, but it has no—it has a tangible asset because you've invested money in it, but does it have market value? Or is market value different than tangible capital asset?

Mr. Clarkson: The policy is to allocate the costs of the asset over the capital life of the asset, and that's what's reflected in the tangible capital assets.

Mr. Pedersen: But again, capital asset should have a value, a saleable value, so that's—you've now given a tangible capital asset a value, but you're not talking about resale value.

Mr. Clarkson: That's correct. We're not talking about resale value. We're talking about the value covered over its useful life.

Mr. Pedersen: Does this road then have depreciation value built into the capital asset value?

Mr. Clarkson: Yes, it does.

Mr. Pedersen: Which would be over the useful life of the road, then? Is that—or using roads as an example, what would be the depreciation rate of a road?

Mr. Clarkson: Depending on the type of asset that would fit into that category, the road could be anywhere from 10 to 40 years, just depending on what it's been classified as.

Mr. Pedersen: No comment. I got some roads out my way I think have depreciated a heck of a lot more than that, but I guess we'll leave that one alone.

I just wondered, Mr. Chairman, if I can ask the Auditor General if she has any comments in regards to this tangible capital assets and using the money invested in them as an asset, but yet it has no intrinsic value for resale, if she has any comments on this.

Ms. Bellringer: Mr. Chairman, I probably have lots of comments. One thing I'd refer you to just for further information right in those statements. If you go to page 82 in Volume 1, there's quite a good description of how the tangible capital assets and the amortization rates on those. You've hit on one of the main points that would be a difference between government accounting and a corporation that's generating revenues as a profitable organization. And government accounting went to full accrual about, oh, geez, I don't know, 10 years ago, something like that. And in the process of doing so, capital assets were brought onto the books. It—many years ago they were not part of the accounting for governments and that became one of the generally accepted accounting principles to record assets. And you'll see that's what—why they're positioned where they are, though, because they are different. And you see where it goes through—like the—you get it—the net debt figure is calculated after you look at your financial assets and then you reduce that by your liabilities; you get your net debt. And the tangible capital assets show up on

your balance sheet after that. So, in a for-profit corporation, you'd see those tangible capital assets before you look in your liabilities.

* (19:40)

So there's this whole way that government balance sheets are shown that's quite different from a for-profit corporation. So it's not there for the same reason. It's there to show you how the tax dollar is collected, and so on, and other sources of revenue, how they have been invested, and it is only hard things. It's now—we've had discussions around the Public Accounts Committee about softer things like people, like the investment in people, and I know there's other members who have an interest in that. It's a bit of a future discussion and people are talking about maybe we should be recording the value of our investments in education and so on.

Well, in today's accounting standards that's not the case. But they do record the investment in those tangible assets, and that depreciation it's also at a historical cost, which again is a major difference with government accounting versus for-profit. Basically everything in government accounting is going to be at your original cost with, you know, there's all kinds of variations on that, but basically. Whereas if you look at a for-profit company today it's almost all based on fair values—on today's values. So they're quite different.

Mr. Pedersen: I could go for two hours on this. I'd have no problem at all on that.

But—so, obviously, when government is borrowing money then and, as the deputy minister says our debt is gone up over a billion dollars in the past fiscal year, this is how these assets then are also being used as equity to secure this long-term debt? That's the way a private company would operate, so is this also helping then to secure additional borrowing capacity?

Mr. Chairman, I'll turn the question over to the deputy minister, then, and let him handle that one.

Mr. Clarkson: The borrowing requirements for government are looked at based on what its cash requirements are to undertake the programs that are put in place, which include both our operating capital expenditures. They're not a reflection of what the assets are in that sense to be able to borrow against as you were referring to in private sector operations. But we are measured based on changes in our net debt, and it's particularly net debt to GDP as one of the critical factors that borrowing rating agencies

look at to determine in what the cost structures might be around our borrowing activities.

Mr. Bidhu Jha (Radisson): Well, I'd like to make a comment on this particular question was asked. I may like members here to listen to the Auditor General referred—three years back when I was a member of this committee I asked a question to her.

When you invest something in the private corporation, you invest and then you record in the asset against liability, accounts receivable—or whatever you call it—asset.

In the government sector, when you do things, invest for prevention, it is not recorded. It is an expense. But in the true sense, in intellectual terms, that has a value.

So it's debatable. We can't debate that here, but I think there are certain expenses which happen for, like, flood expenses. These are some of the things that communities will realize that these are investments which are called deficit or whatever you may call it. In terms of reality it is not something that I as a member—I'm not talking about as a government—

Mr. Chairperson: If I could just interject—

Mr. Jha: —realize that this is important for us to also realize that we have to do that.

Mr. Chairperson: Mr. Jha, if I could just ask you, do you have a question or is this a point of order?

Mr. Jha: No, I just made a comment. It is not a question. Thank you.

Mr. Chairperson: Yes, thank you.

Mr. Helwer: Well, Mr. Chairman, going back to some of the questions Mr. Pedersen had on the tangible capital assets, this was then a change that was made to how we accounted for these, and what year did this change occur? I'm not sure which party should answer that.

Mr. Chairperson: I'll first ask the deputy minister then.

Mr. Clarkson: My understanding is the first change was made in 1999 for general assets, and in 2004 for infrastructure assets.

Mr. Helwer: Yes, Mr. Chair, I guess then back to the deputy minister.

So, at that time, are we talking depreciated capital assets or was depreciating started at that

time? Because we're bringing an asset on the books that was in existence, was depreciated. Is it the depreciated value that we brought on or is it the capital value and then we started depreciation from there?

Mr. Clarkson: Existing assets were brought on the books on the basis of a depreciated value.

An Honourable Member: All right—

Mr. Helwer: Next question, then, yes, Mr. Chair. I think probably, back to the deputy minister. We talk about the net debt that we've had here, and, again, was that a similar year that that started, or when did we start talking about net debt?

Mr. Clarkson: We're not actually sure when the measurements actually started using net debt, but we know that it's been for a considerable period of time that net debt has been one of the measures that has been used in terms of measuring government activity.

Mr. Helwer: Okay, so it's—we don't have a date for that, but I guess when we look back at previous years, again, Mr. Chair, through you to the deputy minister, obviously we want to compare apples to apples, and if we're—if we start at net debt, let's pick a year, whatever, if it happened to be 2004, did we go back and revisit the previous years and recalculate the financial statements for those years so that when we're looking back and comparing them we are comparing apples to apples, or are we just starting new at that year and we really can't compare anything? So some of these comparisons that we get out from these documents or in the media really don't mean anything.

Mr. Clarkson: We restated the financial statements based on the accounting changes back to 1999 and so that they, from that point on, are comparable in that sense.

Mrs. Stefanson: I'm wondering if, as we're speaking of net debt levels, how does Manitoba compare to other jurisdictions in Canada. Do you know that?

Mr. Clarkson: The actual comparison of net debt to various different provinces isn't actually a meaningful figure because of the various different capacities that exist across the country. A couple of comparisons, though, is that we do know in '09-10 that all jurisdictions actually had an increase in their net debt numbers because of the various activities taking place related to stimulating the economy at

that time and impacts they were all having in terms of their own revenue and expenditure needs. One of the measures, though, that we do use is often the debt servicing costs, and, in that case, Manitoba's has been around the 6 per cent level in '09-10 and it's the third lowest in terms of Canada.

Mrs. Stefanson: I'm wondering if you could indicate what steps are being taken by the department to control and reduce the deficit.

Mr. Clarkson: You know, in terms of the government's looking at the way in which it wants to balance its budget, there is a five-year plan that the government tabled in 10 thousand-'10-11 which outlines the strategy that they're moving forward with to achieve their balanced budget by 2014-15.

Mr. Jha: Knowing that all provinces receive the federal transfers, I'm wondering, can the deputy minister inform us, the committee, about how Manitoba compares with other provinces with regard to the transfers. How do we rank and has this changed, and what is the trend of the federal transfers to the provinces, particularly in the Manitoba context?

* (19:50)

Mr. Chairperson: I'm assuming the question you're asking is up to the March 31st, 2010 area, or you're more general, up-to-date—it's regards to the report we're in? I know there'll be another one that—

An Honourable Member: Well, in a way, it relates to the figure that we show—

Mr. Chairperson: Mr. Jha.

Mr. Jha: —debts here, and then we are trying to find out the revenue side of the debt reduction, and we do have to know the federal transfers. How do we compare with other provinces in the past and how the future looks?

Mr. Chairperson: That's a general question.

Mr. Clarkson: In terms of federal transfers there are a number of different transfers that governments receive. Clearly, the major transfers relate to the Canadian health transfers, second one being the Canadian social services transfers, and, of course, the third one being equalizations. So, currently, all provinces receive that. The percentage of revenue that that makes up across the country ranges anywhere from about 14 per cent to 43 per cent on each of the individual jurisdictions. Ours is around 31 per cent, so we're in the upper end, but just above

the middle in terms of the category of where provinces sit on transfer payments today.

Mr. Chairperson: Are there any further questions?

Mr. Gregory Dewar (Selkirk): I just wanted to comment about the net debt versus the gross debt, and my question would be to the deputy. When a bond rating agency grades a jurisdiction like a provincial government or federal government, what do they rely on? Do they rely upon the net debt of a jurisdiction or the gross debt as an indicator of the debt of the jurisdiction?

Mr. Clarkson: Generally speaking, in those discussions, they will focus on the net debt.

An Honourable Member: Mr. Chair, through you to the deputy minister, so, again, maybe I could go—

Mr. Chairperson: Oh, pardon me. Mr. Helwer.

Mr. Helwer: Sorry—go back to the business world little bit, and there's obviously there's things you do to the books to make them look more attractive to the banks. What types of things along that line can—has the Province done to make things look more attractive for the bond rating agencies?

I'm talking about these years.

An Honourable Member: Yes, I just wanted to confirm that we're talking about '09-10, right?

An Honourable Member: Yes, exactly.

An Honourable Member: What we did at that point. Okay. Just to be clear.

An Honourable Member: Not current years, no.

Mr. Chairperson: Minister Struthers, do you—

Hon. Stan Struthers (Minister of Finance): No, Mr. Chair, thanks, I was just—I was just wanting to make clear that we were talking about what the government would have done in '09-10, in answer to the question from the member for—

An Honourable Member: Yes, exactly.

Mr. Struthers: Thank you.

Mr. Chairperson: Okay.

Mr. Clarkson: Just in terms of two components to that answer, the first component is that the financial statements are prepared on the basis of generally accepted accounting principles. And so we don't change from those standards when we're reporting in terms of the activities that takes place, and that's what the Auditor reports on as well too. But in terms

of our presentations to the credit rating agencies, a fair bit of the activities focus on net debt, changes related to that. The overall performance and capacity of the economy itself and the plans that the government has already tabled in terms of a go-forward strategy and where it wants to be.

They are looking for stable and normal kinds of changes that would take place to ensure that the environment is an appropriate place to invest in.

Mrs. Stefanson: I think, given it is 2012 and we have discussed these reports before, that I think at this point in time we're prepared to move towards the question of passing the reports.

Mr. Chairperson: Okay, if there's no further questions, I will ask the question:

Auditor General's Report – Audit of the Public Accounts for the year ending March 31st, 2010—pass.

The Public Accounts for the year ending March 31st, 2010 – Volume 1—pass.

The Public Accounts for the year ending March 31st, 2010 – Volume 2—pass.

The Public Accounts for the year ending March 31st, 2010 – Volume 3—pass.

The Public Accounts for the year ending March 31st, 2010 – Volume 4—pass.

The hour being 7:55, what's the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise? Okay. Thank you very much.

That ends our committee for this evening and we look forward to our next Public Accounts Committee meeting on March the 8th, I believe it is—3 p.m. on March the 8th, I believe.

Committee rise.

COMMITTEE ROSE AT: 7:55 p.m.

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