

Third 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, March 19, 2014

TIME – 7 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. Mr. Gerrard, Hon. Ms. Howard

Messrs. Friesen, Helwer, Jha, Marcelino, Martin, Pedersen, Whitehead, Wiebe, Ms. Wight

Substitutions:

Mr. Marcelino for Mr. Dewar

Mr. Martin for Mr. Schuler

APPEARING:

Ms. Carol Bellringer, Auditor General

WITNESSES:

Hon. Jennifer Howard, Minister of Finance

Mr. Jim Hrichishen, Deputy Minister of Finance

MATTERS UNDER CONSIDERATION:

Auditor General's Report—Operations of the Office for the fiscal year ending March 31, 2013

Public Accounts for the fiscal year ending March 31, 2011 (Volumes 1, 2, 3 and 4)

Public Accounts for the fiscal year ending March 31, 2012 (Volumes 1, 2, 3 and 4)

Public Accounts for the fiscal year ending March 31, 2013 (Volumes 1, 2, 3 and 4)

* * *

Mr. Chairperson: Good evening, everyone. Will the Standing Committee on Public Accounts please come to order.

This meeting has been called to consider the following reports: Auditor General's Report—Operations of the Office for the fiscal year ending March 31st, 2013; Public Accounts for the fiscal years ending March 31st, 2011, March 31st, 2012 and March 31st, 2013, Volumes 1, 2, 3 and 4.

Committee Substitutions

Mr. Chairperson: Pursuant to our rule 85(2), I would like to inform that for tonight's meeting, Mr. Marcelino will be substituting in for Mr. Dewar, and Mr. Martin will be substituting in for Mr. Schuler.

* * *

Mr. Chairperson: Our first item of business is the election of a Vice-Chairperson. Are there any nominations?

Mr. Ted Marcelino (Tyndall Park): I most respectfully nominate Mr. Matt Wiebe.

Mr. Chairperson: Mr. Wiebe has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Wiebe is elected Vice-Chairperson. Please join us.

Prior to dealing with this evening's business, I'd like to inform our new members as well as those present, of the process that is undertaken with regards to outstanding questions. At the end of every meeting, our 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 to the deputy minister. Upon receipt of the answers of 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.

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

Mr. Blaine Pedersen (Midland): Mr. Chairman, I would suggest we sit 'til 9 p.m. and then revisit to decide whether we need to go any longer.

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

We shall sit 'til 9 then and reconsider at that point.

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

Mr. Cameron Friesen (Morden-Winkler): I would suggest that we consider the reports in a global manner, Mr. Chair.

Mr. Chairperson: Would I—could I suggest we look at the Auditor General's Report, Operations of the Office first, and then perhaps the global?

Mr. Friesen: I think that would be a good idea.

Mr. Chairperson: Okay. Is that acceptable to the committee? *[Agreed]*

Does the Auditor General wish to make an opening statement?

Ms. Carol Bellringer (Auditor General): I'll introduce my staff, who have chosen to sit at the back, I see.

Norm Ricard is the Deputy Auditor General, and upon my retirement on Monday week, he will most likely be—assume all of the powers and responsibilities of the office. And Maria Capozzi is an audit principal in the office, who is our support person on the—all of the work of the Public Accounts Committee from our side.

And Tyson Shtykalo is the assistant auditor general responsible for the financial statements, so not so much in terms of the Operations of the Office report, but he will be my resource person as we talk about the public accounts, and he's joined by Bradley Keefe, who's the audit principal on the public accounts audit.

On the Operations of the Office report, the only comment I wanted to make was that the budget for our office and the financial statements for our office are included in here, but both of those are approved by—well, the budget is approved by the Legislative Assembly Management Commission, and the financial statements for our office are provided to them. They're audited by an outside firm that they appoint, and the statements are provided to them for their information. So it's included in here as an annual report because we're required to do so. The other thing we use this report for is to provide you with a list of audits that have been released during the year as well as a list of audits that we're working on.

So the list in this March 2013 report of audits that we were working on are, in fact, those that were included in the report that we issued today.

Mr. Chairperson: Thank you, Ms. Bellringer.

Are there any questions on this report for the Auditor General?

Hon. Jon Gerrard (River Heights): First of all, I would like to thank the Auditor General for her excellent work over the last number of years and thank the Auditor General for the reports that you provide on the Operations of the Office, which you appear to have run very efficiently. I have a—just a couple of very brief questions.

You've listed non-agency audit fees deposited of \$542,000, and I'm just curious: What are the non-agency audit fees?

Ms. Bellringer: So organizations in the government reporting entities: So, when I'm talking about the broad group, there's about 200. The majority of them have the ability to appoint their own auditors, and when they do that, they hire the auditor, they pay the auditor, and that's that. There's a number of pieces of legislation where the Auditor General's office is the appointed auditor. It says in the legislation it must be our office. We do the audits of the Public Accounts, and we never agent that out. We directly do audits of—and we actually have a list in the appendix to this report—of those that we do directly. Last year we did the University of Manitoba, University of Winnipeg, Public Schools Finance Board, and so on. And all the pension plans.

We do those ourselves; because of the staffing constraints, we want to have people free to do project audits as well. We actually hire agents to do some of the other audits, and they actually report on those audits directly to us, and then we issue the audit opinion on them, and those are the agents. And so they pay—the organization that's being audited pays us, and then we in turn pay those audit firms to conduct the work for us.

Mr. Gerrard: I have one other small question. I'm just curious. You've got an amount listed. It's not very much. It's \$240 for debt servicing. And I just would—looking for an explanation of, you know, what the debts were and what servicing was needed.

* (19:10)

Ms. Bellringer: So I'm going to look for somebody in the back to stop me if I'm incorrect, but we actually have our own bank account. And so it would be some kind of bank charges. And I'm getting a nod, so that's all it is.

Mr. Marcelino: Yes, I was supposed to raise a point of order, but it was not.

May I request that all members—when they ask questions and if they are referring to any page in any

of the reports, please mention the page so we don't have to fumble and waste time.

Mr. Chairperson: I think that's a good suggestion. If you are asking about a particular page, please make sure that everybody else is on the same page. Good plan. Thank you, sir.

Any other questions for the Auditor General?

Seeing no further questions, then we'll ask the Minister of Finance to join us at the end of the table and the Deputy Minister of Finance and for the minister to introduce her staff.

Hon. Jennifer Howard (Minister of Finance): I'm joined here at the table by Jim Hrichishen the Deputy Minister of Finance; Betty-Anne Pratt, the Comptroller; and Colin Cassidy, who works with Betty-Anne.

Mr. Chairperson: Thank you and welcome.

Does the deputy minister wish to make an opening statement on the Public Accounts volumes?

Mr. Jim Hrichishen (Deputy Minister of Finance): I'd like to thank the committee for this opportunity to provide some brief comments on the 2013, 2012 and 2011 Public Accounts.

We are proud of the fact that we have received unqualified audit opinions on the summary financial statements for all three fiscal years.

For all three years the statements present fairly in all material respects the financial position and the results of the operations of the Province in accordance with the public sector accounting standards.

As the 2011 and 2012 Public Accounts have been under consideration before the committee on previous dates, I will now narrow the scope of my opening statement to the Public Accounts for the year ended March 31, 2013.

The Province's Public Accounts for the year ended March 31, 2013, volumes 1, 2 and 3, which include the summary financial statements is—were released on September 30th, 2013.

Volume 1 includes the economic report, a financial statement discussion and analysis and the audited summary financial statements of the government. The Province experienced a summary loss of \$580 million, which was an improvement of \$3 million over the third-quarter forecasted loss of \$583 million.

Summary net debt as of March 31, 2013, was \$15.9 billion; a \$1,343,000,000 increase from the previous year. The increase in the net debt was the result of the summary net loss of \$580 million, net increases in tangible capital assets of \$745 million, changes in other non-financial assets of \$6 million and unrealized losses on investments or foreign exchange of GPEs of \$12 million as a result of the mark-to-market accounting.

Volume 2 includes the audited schedule of Public Sector Compensation Payments of \$50,000 or more, an unaudited schedule of government departments and special operating agencies payments in excess of \$5,000.

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

Volume 4 was released on March 5th, 2014. Volume 4, which is a compendium of audited and unaudited statements in the special funds, Crown organizations, government business enterprises and other public sector organizations that make up the government reporting entity, is prepared on an annual basis as a supplement to the annual Public Accounts.

Due to the independence of these organizations, the Department of Finance does not have information readily available to respond to questions on the financial statements for entities within the government reporting entity volume 4.

These statements are prepared by the entities, audited by their external auditors and submitted to central finance for inclusion in the summary financial statements. Specific questions related to these entities will have to be forwarded to the entity officials for response.

When you look at the volume of paper in front of you, you can tell that the preparation of the public accounts is a massive undertaking. I want to thank the staff of the Comptroller's Division who work intensively on the public accounts from about January to the end of July. We also want to thank the Office of the Auditor General's staff who work on the public accounts to the end of August to ensure that these reports are audited prior to September 30th and are made available to Manitobans and to members of this committee.

I want to end by acknowledging the Office of the Auditor General's very professional and collaborative relationship with Finance. We do appreciate the

thoroughness of their work and of their recommendations, which, over the long term, will provide a strong control environment and ensure that the summary financial statements continue to be reported in an accurate and timely manner and includes information that is presented fairly and is useful to the users.

Thank you very much.

Mr. Chairperson: Thank you, Mr. Hrichishen.

Now, before we get into questions, I would like to remind members that questions of an administrative nature are 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 wants to defer it to the minister to respond to, that is something we would consider.

Now, before we start, thank you to Mr. Marcelino for his recommendation. We have a large volume in front of us, of paper, and it has on the front of each document the volume. So, when you're asking a question, please refer to which volume and date you're asking the question about and which page number in that volume so that people have a chance to catch up with you and make sure that they're understanding the question properly.

The floor is now open for questions.

Mr. Friesen: I just want to take this opportunity to welcome the deputy minister and his staff as well. And I don't know if it is customary to do so, but I welcome the deputy minister also, because it's the first time he appears in this capacity. I know he is not new to the enterprise, and I know that he is not new to the department, but he is new to sitting in that chair, so we do welcome him here this evening and thank he and his staff for the work they've undertaken in this regard.

I want to look first this evening just at—I'm looking at the answers that have been supplied to this committee subsequent to the last time that the annual reports were before this committee. I'm looking at the answers that were provided by the deputy minister's predecessor. There were seven questions that I think were taken under advisement and committed to report back, and I'm looking at that—at those answers now. I know the first one pertained to increased income in Liquor & Lotteries and there was a request to supply specific information about

the revenues generated—the increased revenues in those areas.

I see from the former deputy minister's response, that was dated May the 17th, that the income from the two GDEs in 2012—I guess there was an increase of \$43 million—that's for, I guess, MLC and MLCC. And there was additional income reported for Manitoba Liquor Control Commission of \$17 million. Some other profits reported there. And as well there was profits reported \$26 million up for Manitoba Lotteries.

Now, I see that the request was made—I believe this request was made in pertaining to the 2012 and '13 fiscal year. Is that correct, I ask the deputy minister?

* (19:20)

Mr. Hrichishen: It is related to the Public Accounts for the fiscal year ending March 31, 2012.

Mr. Friesen: Thank you for that clarification.

I guess my next question, then, for the deputy minister would be turning to the fiscal year ending 2013. Can the deputy minister also indicate, then, if 'revenues'—revenues for these government business enterprises were also up for that fiscal year-end and to what amount? Could he provide that information to the committee this evening?

Mr. Hrichishen: Yes, I can tell you that for the fiscal year ending March 31, 2013, Manitoba liquor control commission, lotteries were in the amount of \$260,609,000. That is up approximately \$6 million from the previous year of \$254,270,000. Manitoba Lotteries Corporation, conversely, the amount declined to the amount of \$297,542,000 in fiscal ending March 31, 2013, from \$338,295,000 in fiscal year ending March 31, 2012.

Mr. Friesen: Just for the deputy minister. I might have missed it, but what was the net decline for Lotteries?

Mr. Hrichishen: It is approximately \$41 million.

Mr. Friesen: I see that the second question that had been taken under advisement was pertaining to the breakdown of net acquisition of tangible capital assets. The question I think arose from the 2012 annual report, so I'm going to take my colleague's advice and I'm going to indicate that I'm looking at the annual report, this is volume 1, 2013, year ending 2013, and I'm on page 129—no, I'm not at 129—I'm rather on page number 78 and I'm looking at

the summary financial statements, consolidated statement of change in net debt, and I'm looking at that same line item for net acquisition of tangible capital assets. I think the first question I would want to have is, can the deputy minister once again—I understand that he probably won't have this information at his fingertips—but will he again commit to supply a list for net acquisition of tangible capital assets for the fiscal year ending 2013?

Mr. Hrichishen: We can table that list at this time.

Mr. Chairperson: Do we need—Mr. Deputy Minister, do we need to make copies of that list for the committee?

Mr. Hrichishen: I think so, yes.

Mr. Chairperson: All right, if we can do so, then we'll distribute it to the committee. Thank you.

Mr. Friesen: Already that operation's going to be very efficient under this deputy minister. I think it took five months for his predecessor to supply the same information.

I thank him for having that here this evening.

I do have a question pertaining to that same line item. Being new to reading the annual reports, I do notice a difference here that I wanted to ask the deputy minister to comment on. That is from the 2012 actuals, those—the tangible capital assets summing up to 910—we're measuring in millions—and there was a budgetary indication of being over a billion, but the actual figure is reported as \$745-million. So that is sharply down, like 25 per cent. Can the deputy minister indicate what would have led to the, I guess, underspending—the differential between the actual and the budget for this particular fiscal year?

Mr. Hrichishen: Yes, we do not have that information at this time, but I'd be happy to provide that information to you.

Mr. Friesen: And I thank the deputy minister for that response. As I say, being new to reading these particular lines, I understand that these, of course, are all the tangible capital assets that, you know, are—that are—fall into separate subcategories and they occur across areas of government expenditure. But they do fall into subcategories, and I believe we have a copy of that overview.

I wonder if the deputy minister could indicate—even if he doesn't have perhaps at his disposal the rationale for the underexpenditure in that category—

could he provide an idea of in what subcategory we saw the most of that underspending, because it falls into two categories of general and infrastructure and into subcategories in both. I'm wondering if perhaps it would've been the case that the underspending would've occurred more of a result of, you know, a decision to not update vehicle fleets, or if it could've been more related to IT initiatives, or it could've been something pertaining to perhaps building and leasehold improvements and capital acquisitions in that regard.

Could he just indicate maybe by subcategory if he knows where we should be looking for the differential between budget and actual?

Mr. Hrichishen: I regret we do not have the detail in respect of the budgeted amount at this time.

Mr. Friesen: Thanks. Then we'll just look for that explanation at a later time.

I wanted to go to the third area of inquiry that had been taken under advisement. It would—had to do with payments being made towards net debt this past year. And I see that, according to the answer that was supplied at a later time, the indication is that, while the Public Accounts for the year 2012-13 are not yet final, I'm quoting from the response supplied by the predecessor of the deputy minister, and he had indicated at that time there was \$140 million budgeted for that debt repayment.

I wanted to ask the deputy minister, now that the 2012-13 fiscal year is finalized, what is the amount for the debt repayment?

Mr. Hrichishen: Yes, I can confirm the amount was \$140 million.

Mr. Friesen: Well, thank you. So it was—I guess it was targeted at \$140 million at first, and now it has been confirmed at 140. I thank the deputy minister for that response.

Just as an aside to that, I did want to ask the deputy minister: So these payments to which the questions were pertaining and to which the answers were supplied, these are all as a result of the—I guess, the rationale provided in Budget 2014. I'm looking at Budget 2014 in the budget and budget papers on page 15, and I see there's a rationale provided there for the payments against the debt of the Province, and it indicates amounts being withdrawn in fiscal years 20—

An Honourable Member: Point of order, Mr. Chair.

Point of Order

An Honourable Member: I think you're referring to the budget papers—is that right?—for this year. Is that the document you're referring to? That's not a document for discussion at this committee. That's a discussion for—

Mr. Chairperson: No, that's—if it's budget papers for this year, that is not under discussion.

* * *

*(19:30)

Mr. Friesen: Okay, that's fine. I wasn't sure this would be ruled out of scope. I just wanted to know how this answer supplied had pertained to the projections that were being made in the current budget document, but that's fine. I can—

Mr. Chairperson: We're not in current budget year at the Public Accounts Committee tonight.

Mr. Friesen: I can reword.

So am I to understand, then, that the \$140 million is part of the overall payments being made against the debt during a period of time referred to as a period of economic recovery? That's questions for the deputy minister.

Mr. Hrichishen: Yes, it is.

Mr. Friesen: And, to clarify that, in what—which fiscal year did those payments commence?

Mr. Hrichishen: It was 2010-11 fiscal year is what we believe, and I will confirm that for you.

Mr. Friesen: I'm looking down—thanks—I thank the deputy minister for that response. I'm looking down at that response supplied by the deputy minister's predecessor in response to the question that was originally asked when the annual reports were considered last, and I'm looking at the changes. He's providing a rationale here to the changes—the amendment to The Balanced Budget, Fiscal Management and Taxpayer Accountability Act and, as we discuss, he indicates there's a terminology employed here referred to as an economic recovery period, and during this economic recovery period it indicates that the annual transfer to the Debt Retirement Account has been suspended.

So, based on what the deputy minister has said, we understand that that suspension, then, commenced in 2010. But the predecessor to the deputy minister indicates that the period of economic recovery is defined as ending March the 31st, 2014.

Can the deputy minister confirm that the economic recovery period, as referred to probably in the amendment to the act, was indeed defined as ending March the 31st, 2014, in other words, in about two weeks' time?

Ms. Howard: Yes, I believe this is really a question of policy, changes to legislations, not something covered in the Public Accounts. The legislation was changed to extend the economic recovery period to the end of March 31st, 2017.

Mr. Friesen: I'm happy for the minister's response, but I can assure her that this is the response provided by the deputy minister's predecessor in a direct question asked by the committee only a year prior. So I think it's well within the scope of our discussions right now.

My question for the deputy minister is, then, pertaining to the \$140-million payment that he referred to earlier and the fiscal year ending 2013. So what is the total amount of debt payments that have been made on the debt during this period of time as defined by the economic—as the economic recovery period from 2010 to 2014? What is the total debt payment amount?

Mr. Hrichishen: The amount over the three fiscal years was \$340 million.

Mr. Friesen: And, then, can the deputy minister indicate here—well, I guess we can't. It would be out of scope if it's pertaining to the current fiscal year. That's fine; I won't ask that question. Instead, I will ask a question pertaining to the fifth item that was agreed to be answered at a later time. I know that there have probably been very fulsome conversations with respect to appropriation XXVII.

For the purposes of the committee tonight, unless my colleagues feel otherwise, I just wondered if the deputy minister would provide a brief explanation to me of how appropriation XXVII works. I know that there was a schedule attached, and we were glad to have received the attached spreadsheets that were supplied by the former deputy minister. But how does appropriation XXVII work? And what is it designed to do? I ask that question of the deputy minister.

Mr. Hrichishen: So appropriation XXVII is related to—it's a regular appropriation. It's voted on like any other. It's—the sheet that you were provided for '11-12 were flood costs related to emergency spending in 2011.

Mr. Friesen: And just to clarify for me, so, then, which particular departments of government would have had monies flowing through appropriation XXVII for that fiscal year 2011-12?

* (19:40)

Mr. Hrichishen: Those would include several departments. We would include here MAFRI, Infrastructure and Transportation, Conservation and ANA—so.

Mr. Friesen: Okay. So I'm just working through because I don't understand how appropriation XXVII works, but, in terms of being a framework, you know, to be able to, I guess, apportion amounts through departments and to be kind of the nucleus for that kind of—those transactions going through, would I find that somewhere in the annual report where it talks about the payments in—out of that appropriation, or is that not listed here somewhere in the documents in front of us?

Mr. Hrichishen: Forgive me. To clarify, is this in respect of the '11-12 fiscal year or '12-13 fiscal year?

Mr. Friesen: Oh, I'd be happy to see it in either document. I was wondering where in the—perhaps in 2011-12, for the year we were discussing, we'd be able to find that particular information.

Mr. Hrichishen: Yes, to answer the question, please refer to volume 3, page 1-63, Other Appropriations, vote XXVII—[*interjection*]

Mr. Chairperson: Oh, hang on there, Mr. Deputy Minister. We're digging them out here. Volume 3—

Mr. Hrichishen: In '11-12 fiscal—

Mr. Chairperson: —'11-12.

Mr. Hrichishen: —page 1-63.

Mr. Friesen: Thanks for getting us to that page. I appreciate that information. As I mentioned earlier, I'm sure there have been very comprehensive discussions on these matters, probably by your predecessor and by mine in this context, but I'm just wondering, for the purposes of this committee and for looking at the information that was supplied to us subsequently, I'm wondering whether it's a very small amount pertaining to local government for that same fiscal year, or if it's a very large amount pertaining to something like Water Stewardship.

How does the verification on these amounts work? I'm sure there's a process, but how does Finance receive these amounts, and how do the

allocations work out so that there is a paper trail and there is authentication of these expenses, because these are some large amounts?

Mr. Hrichishen: The Emergency Measures Organization manages vote XXVII. They track the—and document expenditures and—inclusive of claims with the federal government related to those expenditures.

Mr. Friesen: Okay, so this is done through EMO. I wonder if I might just ask the Auditor General because I don't understand how the process works then; I know we're examining the annual reports this evening. Is this an area that her office also expresses an interest in or examines in the context of the oversight they provide for the annual reports? Can I ask the AG to comment on that?

Ms. Bellringer: So, yes, we are auditing all of those appropriations in context of our Public Accounts audit. Just, one thing, just to make sure it's clear in terms of the numbers, as the deputy minister points out, and volume 3 is detail with regards to the core. So it's my understanding that none of—the figures that were given to the committee as a follow-up to the questions from the last meeting as well as the schedule that you're taking a look at would not include the Crown corporations, so—or agencies, boards, commissions, Crown corporations outside of the departments. And, in that year, the MASC, the Manitoba Agricultural Services Corporation, would have—a lot of the expenses would have been showing up in there. So that's where you get into, you know, at a summary level we are doing an audit of the summary financial statements that includes the complete picture. We don't look at the detailed breakdowns in volume 3, and we don't verify the specifics in there, but we do some work to ensure that those, you know, those details are definitely tying into the totals that we're looking at in the summary financial statements, but there's no audit opinion on volume 3.

Mr. Friesen: I thank the Auditor General for that clarification; that is helpful. I wanted to ask the deputy minister just to, also to clarify for me, just because I'm not seeing numbers that—identical numbers. Now there might be a reason for that in terms of when we receive the numbers, but I wonder if he can just refer me to the line item on that same volume 3, 2012, 1-63. What is the line I would be specifically looking for with respect to the total for 2011-12, '11 spring flood?

Mr. Chairperson: Mr. Friesen, that question is for the Auditor General or the deputy?

Mr. Friesen: That question is for the deputy minister.

Mr. Chairperson: For the deputy, thank you.

Mr. Hrichishen: Okay, thank you. Other Appropriations (XXVII) includes amounts related to the flood but also includes firefighting and other emergency-related expenditures. Now, it is possible that—it is possible and we will provide as fine a breakdown in respect of desegregating the flood costs at the earliest opportunity.

Mr. Friesen: Okay, I thank the deputy minister for that response. So, then, for clarification, where I see any number of perhaps 10 or 12 sub-items listed under emergency expenditures, is the deputy minister indicating that the list I see that I was supplied by his predecessor, these amounts might fall under any of these subcategories? It could be transportation, it could be communication, and these are the aggregate areas of expenditure, and that's why I'm not seeing a—clearly a connection between the number I see on the page supplied and the number in the revenue expense audited statement?

* (19:50)

Mr. Hrichishen: That's correct.

An Honourable Member: Okay.

Mr. Chairperson: Can I ask a further question to that, Mr. Deputy Minister? When you are able to disaggregate the flood cost, is it possible to separate out the costs that were allowed under DFA and costs that were not?

Mr. Hrichishen: I believe we can, yes.

Mr. Chairperson: Thank you.

Mr. Friesen: Continuing on the same line of questioning, I am now opening my volume 3, 2013 Public Accounts. I am on page 1-51—

Mr. Chairperson: Mr. Friesen, could you slow down so everybody can find the appropriate volume and the appropriate page.

Mr. Friesen: We're in Public Accounts 2013. We're in volume 3, and I'm turning to page 1-51.

Now your staff will correct me if I'm not looking at the correct page, but I believe yes, I believe that is Other Appropriations, again, under XXI—or XXVII. And now what I'm wondering between these

documents is—the deputy minister indicated that every year, this Other Appropriations (XXVII) does appear in the budget.

I'm wondering are—if there are reconciliations that occur from the 2012 year into the 2013 year? I'm not sure how the—how it works, the process of receiving these amounts from departments, making disbursements. There's a cut-off point, obviously, because we have to report the finances. Are there other reconciliations, then, that pertain to those flood expenditures that we would then also see under those aggregate areas, under Emergency Expenditures in the 2013 document?

Mr. Hrichishen: May I just inquire as to what reconciliation—explanation of reconciliation, please?

Mr. Friesen: Sorry, I might be using a term in the wrong sense. I haven't checked my glossary of terms in the back.

What I'm wondering about is—there are costs pertaining to the 2011 flood. These costs are captured under the—yes, it's the Emergency Expenditures, (XXVII); these are reported in the 2012 annual report.

I'm wondering if there are additional costs that weren't captured in the document that was provided to us by your predecessor, that then would have been subsequently remitted, adjudicated by your department, payments made, amounts received that we would then see also in the 2013 year.

Mr. Chairperson: Mr. Friesen, are you meaning that the—maybe flood costs that did not hit the cut-off date in the one year that were carried forward to the next? Is that the direction of the question?

Mr. Friesen: That's indeed the direction of the question.

Mr. Chairperson: Okay.

Mr. Hrichishen: Yes, we can—we do not have, but we can provide information related to costs associated with the 2011 flood within this category. Just to be clear, they are costs incurred within '12-13 fiscal year but related to the '11 flood. We can estimate those. I—we can estimate those.

Mr. Friesen: And one last question on that same area, then: Would there be reason to believe that even in the next fiscal year there might still be clean-up costs going on under that same appropriation pertaining to the original 2011 spring flood, or will all those costs be concluding in the annual report that

we have before us, ending 2013? My question's for the deputy minister.

Mr. Hrichishen: Yes, there are such costs, and they will be there.

Mr. Shannon Martin (Morris): Yes, to the deputy minister, you made reference to a number earlier indicating that a total debt repayment of \$340 million during the economic recovery period of 2010 to 2014.

Mr. Hrichishen: Yes, it was over three years to—up to and including the '12-13 fiscal year. So the amounts were \$140 million in '12-13, \$110 million in '11-12, and \$90 million in '10-11 fiscal year.

Mr. Martin: Now, to the deputy minister: Correct me if I'm wrong, but those payments aren't actually made against the debt. They go to a debt retirement fund, and they're not allocated to the repayment of the general purpose debt?

Mr. Hrichishen: Those go towards the debt directly.

Mr. Martin: So is there still an allocation committee that determines the debt repayment funds which are allocated to the pension versus the general debt? I know, when changes are made to retire the pension liability, starting in 2000, that about a third of the—of debt repayment goes to the general purpose debt. Roughly, two thirds have been designated by—again, by the debt repayment allocation committee. About two thirds have been designated to the pension liability. I'm wondering if that continues, that ratio.

Mr. Hrichishen: I would draw your attention, please, to volume 1, page 127, in respect of the Debt Retirement Account—

Mr. Chairperson: Sorry, Mr. Deputy Minister, of which year?

Mr. Hrichishen: I'm sorry, '12-13.

Mr. Chairperson: '12-13—

Mr. Hrichishen: Yes.

Mr. Chairperson: Volume 1—

Mr. Hrichishen: Volume 1, page 127.

Mr. Chairperson: Mr. Deputy Minister.

Mr. Hrichishen: Okay. Footnote 4 13(2) of the act was amended to not apply for those periods falling within the economic recovery period ending March 31, 2014. And, as a result, there is no transfer from core government operations for the specific purpose of reducing general purpose debt and

pension obligations. And that is why there's no transfer from the Debt Retirement Account, which you referred to, for the specific purpose of providing future retirement of pension obligations, in accordance with subsection 14(1) of the act.

Mr. Chairperson: Oh, sorry. Ms. Howard.

Ms. Howard: If you correct—earlier the question was asked about how that act was amended. I'm not sure I put the right date on the record. The date that it was amended to is March 31st, 2016. So I just want to make sure that it's clear the economic recovery period now ends March 31st, 2016.

Mr. Friesen: I want to ask the minister for clarification of that. The information that was submitted by the former deputy minister, received by members of this committee, makes very clear, and I'm referring to that information right here, it says that the act was amended in June 2010, and that this amendment recognizes an economic recovery period that runs from April 1st, 2010, to March the 31st, 2014. So it looks very clear that the period of time designated by the government as an economic recovery period is drawing to a close in a matter of two weeks.

Is the minister claiming that the deputy minister was wrong to assert that?

Ms. Howard: No, I'm not saying the deputy minister was wrong. At that time that he answered, that was correct. Last year, in BITSA, that act was amended so that the economic recovery period ends March 31st, 2016.

* (20:00)

Mr. Friesen: My question, I guess, is for the minister now. So, on what basis, was the decision made to extend the period of the economic—

Mr. Chairperson: I think that's out of the scope of this committee, Mr. Friesen. That is a question you can ask in the House, but does not fall under the Public Accounts.

Mr. Friesen: Mr. Chair, I would just indicate that my question is in direct response to the information that the minister has put on the record—

Mr. Chairperson: I'm going to have to rule that out of order and ask you to ask it in the House, not in this committee or in Estimates.

Mr. Friesen: Thank you, Mr. Chair, and I look forward to those conversations that I will be able to have perhaps tomorrow with the minister pertaining

to what can only be understood as an increase without rationale to the economic recovery period. But I understand what you're saying and I'll continue my questions.

So I have a question as well, then, pertaining to the same information that was provided by the deputy minister, and it has to do with the amounts of debt repayment—or perhaps my colleague already asked some of those questions pertaining to the scheduled debt payments. But I wanted to bring the deputy minister back to what he referred to. The Debt Retirement Account, and I see that this—I'm looking at the same page he was, so I still am in the annual report 2013. I'm in volume 1 and still on page 127, and I notice that the account balance is zero for 2012, zero for 2013. He perhaps said it already, but I'll just ask for a clarification. When was the balance of the Debt Retirement Account drawn down to zero?

Mr. Hrichishen: Okay, in note 3, it's probably the best explanation. Again, that's in respect of page 127 of volume 1 for '12-13 fiscal year. In accordance with 14(2) of the act, which requires a balance of debt repayment—retirement, pardon me—account to be transferred to the core government at least once every five years for the purpose of reducing general purpose debt, the government transferred \$145-million from the Debt Retirement Account to the core government on April 14th, 2010.

Mr. Friesen: I also note on the same page of the same volume of the same report that the rationale provided for the Debt Retirement Account was so—it was to assist in the orderly repayment of debt pursuant to the Act.

So now that there is no balance remaining in the Debt Retirement Account—I won't suggest that there will be no orderly fashion in which debt repayment is conducted, but I do want to ask the deputy minister, so is there a schedule on which payments are made into this account in effect? It should—I know we won't see one for this year. There is no payment made into the account. There was no payment made into the account in 2012, but do we—should we anticipate that there will be payments made into the account at some point in time, or, if that is not the case, is there a plan to retire the Debt Retirement Account?

Mr. Hrichishen: Yes, those payments would resume with the end of the economic recovery period after March 31, 2016, starting in fiscal '16-17 with return to balance.

Mr. Martin: Mr. Deputy Minister, I note that the—when the government began the process of allocations for *[inaudible]* to address the unfunded pension liability, indicated at the time, they were looking at a—that the liability, if no action had been taken at that time, would grow to some \$8.4 billion by 2028, which was the original retirement date of the general purpose. The government had proposed an end date for the—sorry, the fully recording and funding of the pension liability by 2034.

Does the government have a revised schedule for the pension liability? The last date that I'm publicly aware of is 2034.

Mr. Hrichishen: Yes, we do not have a re-anchoring of the date.

Mr. Martin: So I just want to be clear. So, if I understand correctly, there is no end date or target date in terms of retiring or fully—sorry, for retiring this general purpose debt or fully recording and funding the pension liability of the Province of Manitoba?

Mr. Hrichishen: I believe, once repayments are resumed, then we will have the opportunity to re-evaluate a date at that time.

Mr. Martin: Again at this time there is no date. There is no retirement date.

Mr. Marcelino: If the question is sufficiently vague, you get sufficiently vague answers.

There had been that question that flies over my head.

Mr. Chairperson: The question, Mr. Marcelino, is not for you, but for the deputy minister, and he's doing his best to answer it, so we'll give him that opportunity. Thank you.

Mr. Marcelino: I understand, but we need to understand, too, what the question was.

Mr. Chairperson: The question, as I understand it, is that there is a retirement date for the pension fund liability. Is that correct, Mr. Martin?

Mr. Martin: Yes.

An Honourable Member: Then ask the question in complete form.

Mr. Chairperson: I believe, Mr. Marcelino, that it is what Mr. Martin asked, and we'll allow the deputy to address that question.

Mr. Hrichishen: The process by which a date could be established is sufficiently complex that, at the moment, without having information in regards to the amount of payments, and so on, there's so many factors that I cannot establish a date at this time. We cannot establish a date at this time.

Mr. Martin: I appreciate that answer.

On page 46 of, sorry, the year end of March 31, 2013, volume 1, it notes under Risks and Uncertainties that one of the government's identified risks is exposure to interest rate fluctuations. Now I know to minimize this risk that Manitoba utilizes derivatives to manage fixed and floating interest rates in its debt portfolio. The last information I have, and granted it's a couple of years old, I think it was from 2010 that I looked in this, the Province had about an 87 per cent of debt at fixed rates, each varied on their own terms and conditions and about 13 per cent at floating rates. I'm wondering if the deputy minister can update those numbers.

* (20:10)

Mr. Hrichishen: Yes, I can answer that question, and in respect of that question, in respect of interest rate risk, please refer to page 97 in volume 1 of the '12-13 fiscal year. As was noted, the last paragraph on that page indicates that we do take into account derivatives used to manage interest-rate risk, investments held in sinking funds and eliminating debt incurred on behalf of Manitoba Hydro. And the structure of debt, as of March 31, 2013, was 88 per cent fixed, 12 per cent floating rates. That's a difference relative to the previous year; 90 per cent fixed rates and 10 per cent floating rates.

Mr. Martin: So I notice, obviously, a certain degree of stability in those numbers. Is that the government's target, then, that general target in terms of fixed and floating?

Mr. Hrichishen: Yes, our Treasury Division establishes a band that they feel is successful in terms of minimizing risk, minimizing debt costs, of course, and these are within those parameters—approximately 90-10.

Mr. Martin: Just a question, and I note on the information that you just identified on page 97, that it states that a "one percent (100 basis points) movement in interest rates on the 12% floating rate debt for an entire year would increase"—or decrease, which I kind of doubt will happen—"debt servicing costs, net of recoveries, by \$24 million."

Just—I'm wondering if the deputy minister is—has an idea or can share with the committee what the average interest rates have been over the last five years? I'm just trying to get an idea that—because you—well, you—but—or going back in the last 10 years. I'm just getting, I mean, an idea—sorry—of the exposure to interest rate fluctuations, as identified.

Mr. Hrichishen: We do not have that information here, but we certainly can provide that information to you, and we will.

Mr. Martin: Just in points—just a clarity, in terms of providing the information, if the minister could provide that information going back, say, the last 20 years, which, I think, would probably provide a fairly good averaging to get an idea of where interest rates wax and wane during periods of lower economic growth and higher economic growth.

Floor Comment: Yes, we will.

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

Mr. Friesen.

Mr. Friesen: I'm on page—

Mr. Chairperson: Volume, please.

Mr. Friesen: Volume—

Mr. Chairperson: —and date.

Mr. Friesen: Let's do this in some kind of cohesive manner.

Mr. Chairperson: Date first.

Mr. Friesen: I'm in 2013 annual report. I'm in volume 1, and I am looking, Mr. Chair, at page 122. And, for convenience, I noticed that if I lay these side by side, both of those fiscal years have the same chart in page that I'm looking at on that same page number, so page 122 in both documents.

I'm looking at the Fiscal Stabilization Account. Now I notice, with respect to the answers supplied by the deputy minister's predecessor, in that No. 4, where he was talking about the transfers from the Fiscal Stabilization Account—I'm looking here at the total account balance for the Fiscal Stabilization Account, I see that that balance was indicated in 2011 as 681 million and then as 526 million in 2012 year, and then that number, in the more recent book, decreases to 374 million for the end of the 2013 year.

So I will just ask the deputy minister for clarification: To begin with, then, the money—the

draw down on the balance of that account is pertaining to the payment against the debt to which he referred earlier. Is that correct?

Mr. Hrichishen: On page 123 of the '12-13 fiscal year, Public Accounts, volume 1, there is a detailed exposition of the Fiscal Stabilization Account, supplementary information, unaudited, which provides details in respect of the operation of the Fiscal Stabilization Account, inclusive of the General Program plus the Health Program and provides, in a detailed way, information relating to the change in the balance of the fund between the fiscal years that you referred to. The largest single item is, as noted, the Transfer for General Purpose debt reduction of \$140 million.

Mr. Friesen: In what line do I see transfers into the account? And my question is for the deputy minister.

Mr. Hrichishen: Yes, there are no transfers into the account due to the fact that we're not in a surplus position but a deficit position in that fiscal year.

Mr. Friesen: And so the same will be the case for the 2012 year? If I lay it out here, I will not—also not see a transfer into the account at any time? Is that correct?

Mr. Hrichishen: I believe in the current fiscal year that will be the case.

Mr. Friesen: As an aside, I noticed at the top of this chart, the title of this chart is Fiscal Stabilization Account, Schedule of Supplementary Information, and indicates that this particular page is unaudited. Why is it that that page is not part of the audited financial statement? And my question is for the deputy minister.

Mr. Chairperson: The deputy minister or the Auditor General?

Mr. Friesen: For the deputy minister.

Mr. Hrichishen: If I may, I would propose that the question be redirected to the Auditor General.

Ms. Bellringer: I'm not even sure where to start when we get into the Fiscal Stabilization Account. They're probably going to regret having suggested that.

So, I just, like—for the summary financial statements, the Fiscal Stabilization Account has no impact on the current year final summary numbers. There's no current revenue going into it; it's a creature of the past. And so, it is just an allocation amongst accounts, that at the end of the day it

changes nothing. Your financial position does not change in the current year because you've chosen to set money into one account and take it out of another, and so on. And so that particular statement that you were referring to is this moving of things around within the core. It's just like having a series of different kinds of little bank accounts and you just decide to move it out of one account and into another account, and where you choose to do that is just an arbitrary allocation that you've chosen to do. So you'll borrow the money and then you'll take it and put it in your saving accounts, and you've not changed your situation at the end of the day. So, we, some time ago, suggested that it was not something we were able to audit.

Mr. Friesen: I'm not sure if the Auditor General's response creates more questions for me than it answers, but it probably does.

I guess what I'm trying to do is reconcile the Auditor General's statements against the explanation provided by the deputy minister's predecessor, where it clearly says—and I know I'm within scope here, in case the minister thinks otherwise, because I'm reading off the response provided by the deputy minister's predecessor. It clearly says that the \$600 million of the balance in the Fiscal Stabilization Account be applied to the amortization of increases in the general purpose debt.

* (20:20)

Now we've already referred to payments that the deputy minister has clarified as \$340 million in the fiscal years ending '10—no, probably '11, '12 and '13, totalling \$340 million. I guess my question back to the Auditor General, perhaps, and, if the Chair wishes, he can redirect it, would be, does the Fiscal Stabilization Account continue to exist simply to satisfy the wording of the amendment that says it must be drawn from the Fiscal Stabilization Account?

Ms. Bellringer: So I'm not going to comment or speculate on motivation. The only thing I'd add to complicate—completely complicate the discussion is whenever we're looking at the change in debt, we actually disregard any of the movements in and out of the Debt Retirement Fund or the Fiscal Stabilization Fund. Those are internally management-driven, policy-decided movements. So what I would be looking at is, for example, in the Consolidated Statement of Cash Flow; it is on a summary basis, so we look at it for all of—it does not include the Crown corporations that are business

enterprises, but for everything else you can see the change in the year for financing activities. You can see how much debt was issued. So for 2013 that's \$4 billion, and debt redeemed 2.3. And that—I'm sorry; I'm in the 2013 annual report, volume 1, on page 79. That's the Consolidated Statement of Cash Flow.

So I mean, it's not that it's not a useful tool for management purposes, but it's not a—those aren't the numbers we look at when we're doing the audit of the Summary Financial Statements.

Mr. Friesen: Okay. I thank the Auditor General for that explanation. I wonder—I have a question as well pertaining to page 122 in that same fiscal year ending 2013. I'm in volume 1, so I've only gone over one page; I'm on 122, and I'm looking at the explanation provided under 4, and there, under subsection 26.1(2) of The Financial Administrative Act, it indicates that the Minister of Finance shall make every effort to ensure that the balance of the Fiscal Stabilization Account at the end of each fiscal year be at least 5 per cent of the core government expenditures for that year.

Has that been maintained? My question is for the deputy minister.

Mr. Hrichishen: I regret we don't have that ratio at the moment. We do recognize, of course, that as footnote 4 indicates, the Minister of Finance shall make every effort to ensure that the balance of the account at the end of the fiscal year is at least 5 per cent. We'll have to do those calculations.

Mr. Friesen: Can the deputy minister indicate what the core government expenditures were for the year ending 2013?

Mr. Hrichishen: Yes. The core government total expenses for the year ending March 31, 2013, were 11 billion, 850 million, using that as a denominator, and that ratio yields approximately 3 per cent for the fiscal year ending March 31, 2013.

Mr. Friesen: And just for the purposes of this committee, could we also ask the deputy minister to indicate for the fiscal year ending 2012, what was the core government expenditure for that fiscal year?

Mr. Hrichishen: Certainly, the core expenditure for the year ending March 31, 2012, was \$12,098,000,000.

Mr. Chairperson: Mr. Deputy Minister, while Mr. Friesen's calculating here, I have a question for you in Public Accounts, 2011-2012, volume 3, on

page 3-7. And if we look down under Department of Innovation, Energy and Mines, we see: to provide funding for the net set loan-loss provision of \$4.7 million.

Can the deputy explore with me why that loan-loss provision is there? Was the loan at risk? Were there terms that were not fulfilled? Why is it on the books as a what is essentially a bad and doubtful debt?

Mr. Hrichishen: We will have to get back to you on the reason why that amount was provided for. I do not have that information.

Mr. Chairperson: Okay. I am in—have been in communication with the company here, and they were surprised to see it in the books there. This is a private company, and when numbers of this nature show up in government accounts, it does leave some of their lenders to question their financial ability, especially when, in their terms, they feel they have met all the terms of the loan from the government. So it was a great concern to them to see this in this report, and I am concerned as well that we are setting aside money that is anticipated it has been—or will be repaid, but the government's looking at it as a bad debt, perhaps.

So I'll leave that with you to look for a response.

Mr. Friesen: Just getting back to my previous line of inquiry. I wanted to ask the deputy minister then: He's provided the number of the total core government expenditure for the year 2012. I wondered if he could indicate the percentage, then, of core government expenditure that the account balance for the fiscal stabilization is for that year.

Mr. Hrichishen: Certainly. Yes, we've just calculated that at approximately 4 and a half per cent.

Mr. Martin: Mr. Deputy Minister, I noticed—and I apologize if I'm not aware of the answers—the minister referred to changes to BITSAs, which expanded the economic recovery period from five years to a seven-year economic recovery period. Does that also change, then, the direction to transfer \$600 million from the Fiscal Stabilization Account to the core government to support amortization and increases in general purpose debt?

Ms. Howard: No, that doesn't change that requirement.

Mr. Martin: So they—just to be clear what the minister is advising, then. The—so the—it's during the

seven-year economic recovery period the minister is directed to transfer at least \$600 million from the Fiscal Stabilization Account to the core government?

Ms. Howard: By the end of March 31st, 2016, the direction is to transfer \$600 million from the Fiscal Stabilization Account to core government to support amortization of increases and general purpose debt.

* (20:30)

Mr. Chairperson: Mr. Martin, we're treading on ground that might have to go into another area because we are looking into the future here, not the past.

Mr. Martin: Sorry, I appreciate it—sometimes I get confused, Mr. Chair. The government is so often looking to the past. But, to that, I will pass it on to my colleague then.

Mr. Friesen: I wanted to take us back to that same page, 122, Fiscal Stabilization Account, looking at the numbers provided by the deputy minister and the percentage of core government expenditures represented by the balance of the Fiscal Stabilization Account, I wanted to ask, based on the requirement in The Financial Administration Act that the balance of the account be maintained at, at least, 5 per cent of core government expenditure, is there not a breach of the act here?

My question's for the deputy minister.

Mr. Hrischishen: No, I just reiterate that, in respect of the Fiscal Stabilization Account, as outlined in footnote 4, the Minister of Finance shall make every effort to ensure that the balance of the account at the end of each fiscal year is at least 5 per cent of the core government expenditures for that year. But it is not a legal requirement that that be done.

Mr. Friesen: I wanted to ask the deputy minister: What were the generally accepted accounting principles that would apply to determine whether the Minister of Finance had made every effort, but I guess that wouldn't be something that would be easily measured. It's probably something better for the House or for Estimates, so I will refrain from asking that question of the deputy minister.

In any case, I did want to invite the Auditor General one more time now that she has had an opportunity to comment on the Fiscal Stabilization Account and why it should appear as unaudited. I wondered if she also would want to take a moment to comment on the Debt Retirement Account. Now, I realize that's not an unaudited area of government

reporting, financial reporting, but it does certainly have a relationship to the Fiscal Stabilization Account. Both funds are supposed to be there to assist in paying down debts.

Does the Auditor General have comments to make on the Debt Retirement Account, the DRA, which seems to be DOA?

Ms. Bellringer: Our office issues audited opinions on both of those statements, purely for determining whether or not the statements are presented to comply with the act. So we don't see those as being information that should be used in another context. And our office has, for many years, expressed concern over both, well, over the—and I mentioned it already—just both the Fiscal Stabilization Fund and—Account and the Debt Retirement Account do not factor into the current year numbers in the Summary Financial Statements. And, when you do look at the breakdown between core and summary, you can see the movement in and out of those funds in the core, but you'll see those same transactions reversed to get to the number that's sitting in the summary. So they just don't factor into the current year numbers.

So we, in fact, have had requested that that breakdown between core and summary be removed from the audited financial statements which they have been because we're just not—we would have to qualify our opinion with respect to that—to that detail.

Mr. Pedersen: Mr. Chairman, I would like to turn to the tangible capital assets and just a few questions on there and I thank you for providing the list for '12-13 and so we don't have to wait for them. That's very good of the department.

Just a couple of questions on this. These are showing up, then, as assets for the government and its land, buildings, equipment, general and infrastructure. It goes across the spreadsheet. Do these—how do these show up in the financial statement, then, as—are they show up as a net worth of government?

Mr. Hrischishen: I'm very sorry we didn't have the sheets. We were not given copies back. *[interjection]* So we have them now. I apologize. Could you repeat that question?

Mr. Chairperson: Mr. Pedersen, repeat the question then, please.

Mr. Pedersen: Repeat the question? Okay, yes. No, there's lots of books floating around here tonight and lots of papers, so I am quite willing to slow down on

this too. But I'm looking at the Tangible Capital Assets—whether it's 2011-12, 2012-2013. The spreadsheets—at least I have a spreadsheet here for 2012-13. So you have assets, both general and infrastructure. Do those show up as—on these summary sheet, do they show up as an asset of government, then, and where do they show up on the financial?

Mr. Chairperson: Mr. Deputy Minister. So you'll need to tell us which book to look in.

Mr. Hrichishen: Please refer to volume 1 for the year ending March 31, 2013. In respect of the statement of Tangible Capital Assets, please refer to page 78. And on the tables we distributed, we have a net tangible capital assets additions of approximately \$745 million. That is shown in 2013 actual Net Acquisition of Tangible Capital Assets. That's the change in Tangible Capital Assets for the year.

The balance for the full tangible capital assets balance would be found on page 75: the Summary Financial Statements, of that same volume, in the amount of \$9,842,000,000. And the difference between the \$9,842,000,000 and the previous year, \$9,097,000,000 is the \$745 million that is shown in the sheets that we distributed.

Mr. Pedersen: So I'm used to small business where you have assets, you claim assets, they're worth so much. If you sell them, they're worth x number of dollars. If you borrow against them, they are worth usually less than what they're worth, but that's the way business works. So just so you explain this to me now, so this \$9.8 billion worth of assets, then, as in 2013, that—you're using that as assets to borrow money on then?

* (20:40)

Mr. Hrichishen: Yes, although we borrowed to acquire assets, we do not use them, if you will, as collateral or as backing towards some debt instrument—so.

Mr. Pedersen: So I'm not quite sure I understand then. You're not using them as collateral to borrow money on, but you're claiming them as an asset, because—if I understand this, then, you're—you were spending the money to build a road, buy a truck, or whatever, so you're claiming that money then as an asset on that capital expenditure?

Mr. Hrichishen: Right. So, under generally accepted accounting principles, we record the value of these assets at cost, make adjustments for

amortization, and that's the value that we state in our Public Accounts.

And just, on page 65, if it's more useful, of volume 1, there is the definition of Tangible Capital Assets: "Assets with a useful life extending beyond one year, which are acquired, constructed or developed and held for use, not for resale." So that is precisely what we're describing here.

Mr. Pedersen: So, again, just so I understand. Is amortization the same as what we could call depreciation? That's the 'useful'—usable life of the asset?

Mr. Hrichishen: Yes. *[interjection]*

Mr. Chairperson: Mr. Pedersen.

Mr. Pedersen: Sorry, Mr. Chair. So, if I go across in this handout that you gave us tonight here, the Net TCA Additions for 2012/2013, this spreadsheet that you handed out—I guess if I got out my calculator, I would be able to figure out what you're calling an amortization I'm calling it depreciation is of these various assets that you're claiming, whether it's buildings and lease holds, computers and in—over into infrastructure. Would that—would I be able to use that amortization rate as depreciation—or as the—what I call depreciation rate?

Mr. Hrichishen: Yes, we can show that amortization, or depreciation, if you will, but we call it amortization for these purposes would show up. I draw your attention to page 108 of the accounts for the fiscal year ending March 31, 2013, volume 1, Summary Financial Statements, Consolidated Statement of Tangible Capital Assets. And there is an amount for 2013 on the extreme right-hand side of this table, near the bottom—amortization amount of \$511 million. And that corresponds to the information that we've provided to you on the sheet, Public Accounts Committee Net TCA Additions.

Mr. Pedersen: Okay, I think I'm following you on most of this, but just for clarification, then, again—and I'll revert back to the spreadsheet that you gave us, because this is Net TCA Additions. This is additional capital assets purchased during 2012-2013?

Mr. Hrichishen: Yes, I'd hope to clarify that by saying that in the table we provided, Net TCA Additions, it should've perhaps more appropriately been changes to better reflect the incorporation of this information into this table on schedule 7 I referred to.

Mr. Pedersen: Okay, that does clarify it somewhat. This is the changes in—and that's—I'm just sort of—under this—here I'm looking at under general is computers. So you've—the changes are \$84 million in computers, based on your spreadsheet here. And if I look on page 108 of your consolidated statement of tangible capital assets, do you have a—this is changes to your—coming down to the bottom, that \$306 million, that's what you have in total. But, over 2012-2013, there was \$84 million worth of purchases, less your amortization, which then leads you down to the bottom—ah, so you now have \$306 million worth of computers total in the government.

Mr. Hrichishen: Yes.

Mr. Martin: To the deputy minister, in Public Accounts, volume 3, 2010-11, on page 3-7—*[interjection]* Sorry, Public Accounts 2010-11, volume 3, page 3-7. Okay, just a quick question.

Under Department of Infrastructure and Transportation, in terms of special warrants, it notes a payment of approximately \$953,000 for interim assistance to Greyhound bus lines. I'm not aware of the—fully aware of the background on that, so I'm just curious: Was this a one-time payment or was this part of a schedule of payments?

Mr. Hrichishen: We don't have that information here, but we'll take it as notice and provide that information to you.

Mr. Martin: Public Accounts 2011-12, volume 3, special warrants again, page 3-7. Under Department of Infrastructure and Transportation, notes to provide assistance to Lake Line railway, CPR, related to the Winnipeg Beach subdivision rail line, as well as the Winnipeg Jets True North Foundation and Winnipeg Blue Bomber Football Club, specialty licence plates, a special warrant in the amount of just over \$2 million.

I'm wondering if you can advise what the breakdown is between the special warrant related to the assistance to the Lake Line railway and that provided to the Winnipeg Jets and, as well, to the Winnipeg Football Club in relation to the specialty licence plate program.

* (20:50)

Mr. Hrichishen: Yes, we do not have that information here, but we will endeavour to provide it to you.

Mr. Martin: Would there be additional special warrants associated with other specialty plates that the government has issued? I think there's about—I've lost track, I mean eight or nine specialty places—but if the government has made—sorry—has made a special warrant relation to these two plates, would there be similar specialty warrants related to the other specialty plates?

Mr. Hrichishen: I regret that I don't have that information, but we will provide that information to you as soon as possible.

Mr. Martin: Special warrants 2012-13, volume 3. So page 3-6, volume 3, 2012-13. Just curious what the additional funding for the Farmland School Tax Rebate due to higher participation in the amount of \$4.8 million, I'm wondering how the government determines, or—sorry—estimates participation in the program. Would it—I just find the increase odd since the government has had the rebate program for some time and the only difference has been the amount that's been rebated, notwithstanding the recent cap.

Mr. Hrichishen: Yes, I regret that I don't have that information, but I will provide that information.

Mr. Martin: One last question to the deputy minister in relation to the special warrants in the Department of Justice. I noticed in all these special warrants there's a consistency: provide additional funding for increased staffing resulted from increased custody costs in adult correction facilities, ranging from roughly 21 to 27 million dollars in terms of the special warrants. Increased custody, I assume that's just jargon for over capacity at Manitoba's correctional institutions?

Ms. Howard: Yes, I think we're straying into the realm of questions better asked in Supply. I think it is exactly what it says: increased custody counts in adult correction facilities, increased staffing costs to assure that you have the right staffing mix to ensure that people are safe, both staff and inmates.

Mr. Martin: But that would be a result of the facilities being overcapacity, though? I mean you wouldn't need additional staffing to make sure you have those ratios if the facilities were at the appropriate levels.

Mr. Chairperson: I think, Mr. Martin, that's a question you can explore in Justice.

Mr. Martin: Okay. Thank you.

Mr. Gerrard: Yes, let me start with volume 1, '12-13, page 37. There's a graph there showing—or a table—public debt charges to total revenue. And I am presuming that the reference to public debt charges is a reference to the interest paid on the debt, is that correct?

Mr. Hrichishen: That's correct.

Mr. Gerrard: I would also presume, but I would like to get your, you know, 'assertation' that this is correct—that if you go to page 47 as an example of the same volume, that under the 2012-2013 actual you've got debt servicing, which I presume is interest of \$839 million and a total revenue of 13 billion, 786 million, that the public debt charges to total revenue would be the 839 to the 13 billion, 786. Is that correct?

Mr. Hrichishen: Yes. It should be, yes.

Mr. Gerrard: If one goes next to the page 113 and 114, there is a listing of the debt servicing under various groupings, and that adds up to the 839 on page 114. Now, the—as I look at those numbers, the interest that is listed here is the interest on core government debt. It doesn't appear to include interest on the debt of Manitoba Hydro, for example, as a government business enterprise. Is that correct?

Mr. Hrichishen: So, on page 96 of volume 1, '12-13, note 8, there is a description of the means by which the 839 is calculated—

Floor Comment: What page?

Mr. Hrichishen: Forgive me, page 96. *[interjection]* Note 8.

So the 839 is, in fact, net of the interest recoveries for government business enterprises, which, in this case, is Hydro, and includes 38 million representing interest expense of other Crown organizations. That is the means by which that interest amount is calculated.

Mr. Chairperson: We are approaching 9 o'clock, which was the agreed upon time which we would revisit to see what the will of committee is.

Mr. Pedersen: Mr. Chairperson, I take it Mr. Gerrard's got a few more questions, and we have a few more questions. If we could say 10 o'clock, but we will most likely be done before then.

Mr. Chairperson: All right. Is the will of committee 10 o'clock? Hearing no noes, we—

An Honourable Member: Make it 11, and then revisit.

Mr. Chairperson: Stay 'til 11 and then revisit? Sure, we'll stay 'til 11 and then revisit.

* (21:00)

Mr. Gerrard: Okay, so the—in that note, the government business enterprise debt-servicing costs of 496 million, right, are they reported anywhere on page 113 or 114?

Mr. Hrichishen: So, please refer to schedule 9 on page 114 of the volume 3—pardon me, volume 1 of fiscal year ending March 31, '13, there is a line under revenue, contributions from entities within the government reporting entity, and the net results here include the consolidation effects of all the GBEs that is shown that, in fact, incorporates the interest costs.

Mr. Gerrard: Okay. I've got you the revenue, the contributions from entities within the government reporting 'entity.' There's some under Justice, some under general government, some under adjustments and then there's a total figure there, so which specific numbers do they—are included?

Mr. Hrichishen: Yes, Manitoba Hydro is included in the general government category of 745 for contributions from entities within the government reporting entity.

Mr. Gerrard: Just a question to the Auditor General—when we're looking at the graph on page 37, right, which is the public debt charges to total revenue, that's using summary budget figures. But, in fact, the debt of Hydro is reported as a revenue because the government is lending money and makes a little bit of a profit on the money that Hydro lends, right? It seems an anomaly that we are, in fact, you know, have a summary budget in which we don't recognize the interest payments on Hydro debt, which is almost \$500 million as, you know, interest payments on the total debt. Maybe you can help me in clarifying.

Ms. Bellringer: So, for accounting purposes, those are the accepted accounting practices across Canada, and it's very specific to how Crown organizations such as Manitoba Hydro should be accounted for, and it would not—it—the way the Public Accounts consolidates those, it's called modified equity, and that's the appropriate way to account for it.

Doesn't mean you shouldn't take it into account in understanding the finances of the Province. So while this is the correct calculation and this

graph does show what is being pulled out of those summary financial statements—there's nothing incorrect about the graph. But I also don't think there's anything inappropriate; in fact, it's very much appropriate for you to also consider what are the impacts of the Hydro—like what is the extent to which there is debt in Hydro and what are the interest costs on that debt? And, as I say, it's a consideration that should be made. It just doesn't change the fact that this is the correct calculation. I'm not sure if I'm explaining it well to really explain that. There's probably some further analysis of that that would be useful in the report that's not in the—on the agenda for today that we just issued. Because we did get into some discussion in there on the Hydro debt to make sure that it's well understood that it's not included in those numbers.

I think that's the most important factor, is to understand when you do look at the summary statements, when you do look at the debt levels, the gross number is disclosed very clearly. The reduction of that, due to the Hydro debt that's issued by the Province but on Hydro's behalf, is removed from that and that net number is the only one being carried forward to your borrowings. And that is the appropriate accounting for it, but as I say, important to acknowledge that that's the fact and be aware of the fact that there's still a risk associated with the Hydro debt that the Province has to assume.

Mr. Gerrard: This came out of a innocent question which I got from somebody who said, how much interest are—the government paying on its debt, right? And so in the answer on—one way of looking at it would be \$839 million. But if you look at it in terms of the interest that the government as a whole, including Hydro, is paying, then it's 839 plus 496. It's quite a bit more. Okay, I'm just trying to clarify it and get—I see the Auditor General's nodding her head. So thank you.

Ms. Bellringer: There is a difference between the two, but they both are still there. I mean, the difference being one is going through the general revenue process, and the other is sitting in a government business enterprise that's—that has its own self-sustaining operation.

Mr. Gerrard: My next question to the deputy minister just is in part a little bit about the budgeting. My understanding is that for the most part that when you have a budget for a department, when that department—and at the end of the year, for example, comes in under budget, that the money doesn't stay

within the department. It, in fact, reverts to general revenue and then the department has its new budget for the next fiscal year. Is that a reasonable understanding of what happens most of the time?

* (21:10)

Mr. Hrichishen: So, when a department does not spend its appropriation, the amount is lapsed. It is not spent.

Mr. Gerrard: I mean, in the accounting, those lapsed monies revert then to general revenue. Is that correct?

Mr. Hrichishen: So I understand, in fact, we only record expenses that are incurred and any expenses not incurred do not go into general revenue. There is no such transfer or allocation.

Mr. Gerrard: I think what you're trying to say is that the allocation is never made in the first place. Is that what you're saying?

Mr. Hrichishen: That's correct, yes.

Mr. Gerrard: What I'm trying to distinguish is between, you know, where the money is, right, that if it is not spent it—that money remains in general, the general account, as opposed to being usable by the department for the next fiscal year. The department then has its next budget for the next fiscal year.

Mr. Hrichishen: Yes, in fact, when a lapse occurs, departments cannot take those funds and roll them over into another fiscal year. You cannot transfer them into a fiscal year. Those—there's a new process by which the budgets are established.

Mr. Chairperson: Maybe I can ask a further one on that one, Dr. Gerrard.

So is there any possibility of a department putting it into a reserve fund to move it forward into the next year?

Mr. Hrichishen: We do not create reserve funds.

Mr. Gerrard: Yes. My follow up is are there any exceptions to this process of lapsing funds, right, staying in—whether it's general accounts or what have you, as opposed to, oh, being continued to be spent by the department on whatever circumstances?

Mr. Hrichishen: Unspent appropriations are lapsed.

Mr. Gerrard: So there are no exceptions?

Mr. Hrichishen: Under accounting principles as I understand them, that's the case.

An Honourable Member: Is that what the Auditor General's understanding of the accounting principles is?

Ms. Bellringer: Yes, that's correct. I mean, the only thing I'm-like, I'm wondering if there's something behind this that is possibly misunderstood somewhere else. For example, one of the benefits to the consolidation of the summary financial statements is you can't move money out of, say—you can't overvote a grant for example, once it—and then it goes out somewhere and that organization is now sitting with this in a reserve or a surplus. Once it's brought together in the consolidation in the summary financial statements, the whole point of it is it eliminates that possibility. So it only shows the total revenues coming in and the total expenditures that have been made in the current year against those same revenues. And any kind of reserve-like, reserves that somebody might set up in a separate organization they don't—won't show as a reserve when you get to the summary level.

So—I mean that's the only thing I can think of that someone's saying in whatever organization it is—I have a reserve; I have a surplus. Those things are eliminated when you get to the summary financial statements. And what the deputy minister has said is accurate, that you will not find that kind of thing where money's been sort of set aside in a—you know, squirreled away in a little account.

Mr. Gerrard: Just to clarify, you could have a line item setting aside funds. We have, you know, in a sense, a line item for a contingency fund for Lake St. Martin flood put in this year. But that is not—that is a rare exception.

Ms. Bellringer: What I'm hearing is a description of an accrual. Like, if it's something—in order for it to be shown as an expenditure in the current year it has to relate to the current year. And so it may very well be that, you know, the bill's in your bottom drawer sort of thing. You have to set those monies up as expenditures in the current year even though you haven't paid them, and similarly they'll be estimates for things that you know you've already incurred it but you just haven't paid it out. So—but that's on the expense side.

And so—again, I'm not too sure what it is that's behind the question. I have a feeling we're not quite answering it, but I'm not sure I understand why.

Mr. Gerrard: I mean, I just wanted to understand the process, and what I'm hearing is that funds lapse and that's it. Right? And that's very clear. And I just wanted to understand because, you know, the department couldn't rollover funds, right? That, in fact, they lapse and that's it? Yes. Okay. Good. Thank you.

I have a question on—where is it?—it is 2012-2013, volume 3, page 3-11. This is the statement and expense related to roadway and municipal infrastructure. And in—I'm just trying to figure out, on the expenditure side you've got construction and maintenance, maintenance and preservation of provincial trunk highways \$151 million, and so on. You've got infrastructure assets \$245 million, and so on. Where did those numbers appear, you know, either in this—what you've provided, the publically net PC editions or in, for example, the details of government expended revenue and expense in—on page 142 and 143?

* (21:20)

Mr. Hrichishen: We can provide that answer; we don't have the exact information to provide it at this time, so we'll take as notice and provide that information to you.

Mr. Gerrard: Thank you.

In the funding of the flood, there was funds which flowed from the federal government for housing, for example, for evacuees from Lake St. Martin, which went to the provincial government and which were then paid to MANFF, the Manitoba Association of Native FireFighters. Where do I find that money tracked in the public accounts?

Mr. Hrichishen: The expenses referred to are, in fact, included in appropriation XXVII, which we discussed earlier. The revenue associated with those expenditures from the federal government are included in cost-shared revenue, also in this budget. But I can't specify exactly—apportion it amongst housing and other categories to which you refer. So we can provide that information.

Mr. Gerrard: Yes, appropriation XXVII is to—is what page?

Mr. Hrichishen: It's in volume 3.

Yes, I apologize, it's in volume 3 for '12-13, appropriation XXVII is on 1-51, Emergency

Expenditures, Other Appropriations. For the '11-12 fiscal year, it's on page 1-63 of volume 3.

Mr. Gerrard: You referred to the transfer—or the cost shared, where would that be found?

Mr. Hrichishen: So, for the fiscal year ending March 31, 2013, volume 1, please refer to page 76. There's an amount of \$594 million under federal transfers, shared cost and other, and that is where that revenue would be recorded.

Mr. Martin: To the deputy minister, in—sorry, volume 1 of the 2013—for the year ended March 31st, 2013, page 96, just a quick clarification.

I think I know what the answer is, but it's in relation to the amounts due to the government of Canada in relation to the impact of the federal accounting error of '96-99, that \$91-million loan. I note that the amount as of March 31st, 2013, the loan payable has been reduced to \$9 million. I know it's looking forward, but is it the anticipation that this loan will be retired at the end of the fiscal year?

Mr. Hrichishen: I believe that that loan is now repaid.

Mr. Martin: Sorry, volume 1 for the year ended March 31st, 2011, page 94, and I'm just looking on page 94 under the stadium loan, the loan to the BBB Stadium Inc.

So my first question to the deputy minister, I note that in it it notes that the government has committed up to \$160 million as a loan to the University of Manitoba, and the University of Manitoba has committed that loan, I guess by extension, to BBB Stadium Inc. As of March 31st, 2011, \$24 million of the committed loan had been advanced to BBB Stadium. I note that—unless I'm missing it—in subsequent Public Accounts, either for the year ended 2012 or 2013, I don't see the stadium loans in those documents, and I'm wondering why that is.

Mr. Hrichishen: Yes, at the time the Public Accounts for fiscal year '10-11 were prepared, the stadium loan was a government commitment. Once the loan occurred, it becomes a loan as recorded in a different manner.

* (21:30)

So I would draw your attention to page 102 of the '12-13 Public Accounts, volume 1. *[interjection]* Sorry, page 102, and it is schedule 2. So this schedule is our consolidated statement of loans and

advances. Under Other, there is a stadium loan note b identified, and the amounts both for fiscal year ending March 31, 2013 and 2012, are shown. Note b indicates the terms for that.

Mr. Martin: So if I am—if my quick math is accurate, it's \$299 million that has been advanced in stadium loans in 2013, 2012.

Mr. Hrichishen: Sorry if I was unclear. The amounts are, in fact, the balances at the end of those years. So the amount at the end, March 31, 2012, was \$128 million. The end of 2013 fiscal year the amount was 171. Sorry, if I—

Mr. Martin: And if the deputy minister can advise, what is the payment or repayment schedule for those? And maybe if it's in a footnote, that's fine. *[interjection]*

Mr. Chairperson: Mr. Deputy Minister.

Mr. Hrichishen: Sorry. The terms are in the footnote.

Mr. Martin: Have payments—have repayments on the loan begun, and if so, when? And as well as the amount.

Mr. Hrichishen: So it's my understanding that the payments have not started yet, but we would expect them to begin in '14-15 or shortly thereafter.

Mr. Martin: I note in the notes that it indicates that the loan is in two phases and has amounts—payments due in varying amounts of 2038 and 2058 for phase 2. Is the nonpayment of—the nonpayment to date, does that impact these dates of 2038 and 2058 for, I guess, the maturity of the loans?

Mr. Hrichishen: No, those—that's—these are the terms of the loan. So they're not related.

Mr. Friesen: I'm looking at volume 1 of fiscal year 2013. I'm on page 37, and I'm looking at a rationale provided that talks about own-source revenue to provincial GDP. I'm somewhat unfamiliar with the terminology, own-source revenue. I'm wondering, I don't seem to see a breakdown of what comprises own-source revenue. Could the deputy minister point me to the page where the own-source revenue is broken down?

Mr. Hrichishen: Yes, on page 47 of that same volume, there is a breakdown of own-source revenues under Revenue, page 47, the Variance Analysis. We have for '12-13: Income Taxes, Other Taxes, Fees and Other Revenue, Sinking Funds and

Other Earnings, and Total Own-Source Revenue shown there.

Mr. Friesen: Thank you and I thank the deputy minister for that response. Can the deputy minister provide, even if not in this context, to further break down detail for us to be able to see within these subcategories to disaggregate the data even further?

Mr. Hrichishen: Excuse me, I'm drowning in paper at the moment.

To—I'd refer you, please, to volume 3 of the fiscal year ending March 31, 2013, page 1-2. So, just to try to match the two tables, most of the aggregates within the category on page 47 of volume 1, are reflected in the Summary balances on page 1-2 of volume 3; for example, the 3.3 billion approximately for Income taxes, Other Taxes of 3.571–3.572 billion and so on, down the line.

We don't include in this category of own-source revenues, of course, we would not include the Net Income of Government Business Enterprises and we would not include Federal Transfers, as these are not own-source revenues.

Mr. Friesen: Thank you, and I thank the deputy minister for that response. The minister—the deputy minister indicates that they do not report the net income of government business enterprises for the purposes of this report. Does the government track the net income from government businesses—business enterprises? My question's for the deputy minister.

* (21:40)

Mr. Hrichishen: So we do not include the net income of government business enterprises as own-source revenue, but we do, in fact, record the net income and that's shown on 1-2.

Mr. Friesen: Thank you, to the deputy minister, for that response. I'm going to go all the way back. I'm going full circle here, right to where we began the evening.

There was question that was provided by the deputy minister's predecessor that I did not address and that was the question that had to do with details regarding reliance on federal transfer payments, and I'm going back to the response that was provided, subsequent to the last time the annual reports were at committee.

In the response provided, it indicated that with respect to Manitoba and Prince Edward Island, the

Estimates for 2012-13 suggest that PEI would have the highest ratio total transfers, but Manitoba's ratio would be 28 per cent. So, that's for the fiscal year ending in '13. It says falling in the middle and ranking fourth among the provinces. Can I just ask for clarification? Does that refer to fourth from the bottom or fourth from the top?

Mr. Hrichishen: In terms of total transfers, it would be the fourth from the top. We're at—I—for '12-13 fiscal year, we're 28.7 per cent and the range was from 12.4 per cent, in the case of Alberta, to as high as 38.6 per cent, in the case of New Brunswick. And this is based on update, the latest information which may not have been absolutely reflected in the last response. But—

Mr. Friesen: I thank the deputy minister for that response and I know it's never advisable to go to war with people who use their calculators for a living. But I wanted to ask for a quick clarification because I am arriving at a different number than you. I just wanted to know if the deputy minister could indicate two figures for me. For the 2012-13 year, could he remind me, based on the budget or the annual report, of the total amount of federal transfer payments accruing to the provincial government and of the total revenues of government.

Mr. Hrichishen: Yes, the—in doing that calculation, the numerator would be federal transfers of 3.953 billion, which can be found on page 47 and total revenue—pardon me, of volume 1, and total revenue of \$13.786 billion, also found just below that on page 47.

Mr. Friesen: I thank the deputy minister for that clarification, and I think I understand why there was a difference of what I was arriving at and what he was arriving at; there was a difference in total revenue by the Province.

I did want to take a moment just to ask a quick question with respect to one document that has presently escaped my vision. I'll ask my colleague to just quickly jump in.

Mr. Martin: Just a point of clarification on a comment that was made in relation—this is the—sorry, the loan made to BB stadium inc.—BBB—three Bs—BBB Stadium, Inc., and I believe that amount was \$171 million, if memory serves me correct.

Mr. Hrichishen: Yes, I—yes, that is correct.

Mr. Martin: You know, the original terms of the loan that—that I'd referenced that the government had

committed \$160 million to BBB Stadium, Inc. This is what was—sorry, this is what was noted—just on page 94, Public Accounts 2010-11.

Mr. Hrichishen: As I understand it, the 160 is the original loan amount, and the balance—or the difference is the amount of the accrued interest, because payments are not being made, as I understand it.

Mr. Friesen: I found my missing document. I'm looking at volume 3 of fiscal year 2011-12. Looking at page 1-64, I understand—

Mr. Chairperson: Could you just hold on a minute, Mr. Friesen, while they—when we're referencing the documents, if you say the year first, it would help, because we have three volume 1s. Just—

Floor Comment: Which one was it?

Mr. Chairperson: The year was 2011-12, volume 1, page 1-64.

Mr. Friesen: I'm looking at the—under department and appropriations, I'm looking at No. 3, Manitoba Floodway and Eastside Road Authority, showing amounts expended, the departmental total being 600 and—oh, I might not be looking in the right place. Total amounts being recorded there, then—oh, I see; unexpended balance, and there's an amount expended and an amount authorized there.

I'm just wondering, with respect to the Manitoba Floodway and Eastside Road Authority—so these are not government business entities; they're not Crown corporations. And so I was looking for more detail on these government entities, and I was wondering on what page I would find more detail, a breakdown of the expenditures pertaining to both of those entities.

Mr. Hrichishen: Yes, the detail that you are requesting would be found in volume 4 of the Manitoba Floodway and East Side Road Authority.

Mr. Friesen: Thank you for that response. Could the deputy minister just indicate one more time the page in volume 4 where that information can be found?

* (21:50)

Ms. Howard: I think, given the size of volume 4, no, they don't have the page number. We can wait if you want to look through it.

Mr. Friesen: If the deputy minister can get us that information, you know, specific to the page number with respect to where we can find that detailed

breakdown, that would be appreciated. I know I have other questions pertaining to the operation of those areas, but those are probably questions best left for the Estimates process, and I look forward to being able to pose questions to the ministers with respect to that part of the operation.

I wanted to just turn to the back—okay, let's do this—2013. I'm in volume 1 and I'm at the back of the book on page 129, and I wasn't certain whether to start the evening at this point or to end the evening there. But I have to say that as someone who is new to this committee and someone who is new to my role, I have endeavoured to try to understand better the relationship between the reporting of core government expenses and summary expenses. I know that I've read that the Auditor General has spoken about this too. She made statements in her annual report that was just released today that had to do with the necessity for government reporting to be comprehensible and to be accurate.

Now, as a layperson, when I look at this document I would assume that if I was reading down the column on core government, and arriving at the very bottom the net result for the year after transfers being a \$538-million deficit, I would assume that the way to arrive at summary would be simply to then also consider the consolidation impact, the net income from government business enterprises. And I would do a calculation, and I would subtract 161 from the 538 that is—we start out in negative—and I would arrive at a figure of minus 377 million. Now, I understand that's not where we in actuality arrive. We arrive at \$580 million in deficit after the summary's considered.

Now, I understand that the issue becomes the consolidation impact, and the impacts—the consolidation impacts are the adjustments needed to bring revenue and expenditure of the other reporting entities into summary. And I understand, as well, that then what we do is we eliminate duplications to make sure we haven't counted something twice.

But I wonder if we can—and I want to give my colleagues around the table the confidence that, you know, I don't intend to spend 10 hours here—but in an endeavour to better understand the impact of the consolidations on summary—when I look at something, for instance, like, if I just take, for instance, the other taxes. And we'll see that there are taxes reported in core government for 2013 of—that would be, like, \$3 billion, just over. But there's a consolidation impact there indicated of \$494 million.

So can the deputy minister indicate to me, then, where do I go looking for an explanation of that consolidation impact?

Mr. Hrichishen: In respect of the other taxes, I believe the great the majority, if not all, of the consolidation impact relates to education property taxes. However, more generally, there is no detail that describes precisely the mechanics of the consolidation impact and how that consolidation impact is performed within the Public Accounts.

Mr. Friesen: I'm just puzzled by the deputy minister's response. Why would there be no detail in the document when we're talking about a \$500-million impact on core government from where we started at that's—it's hugely significant for where we arrive at. It's a good explanation for me to receive because I will know the next time I'm looking that the primary impact on this figure is education property taxes.

But it would not be solely education property taxes, so I just wonder, for the purposes of this committee, could the deputy minister indicate what per cent of that consolidation impact is education property tax, what per cent is something else, and what is the something else?

Mr. Hrichishen: I do not have that information with me, but I will provide that information. I certainly will.

Mr. Friesen: And by no means being an expert in this, I just find it surprising that we would not have that information on hand. It's being reported; it's right in the consolidation impact. And in an endeavour to understand these numbers, to—and an endeavour to understand the difference between core and summary, this is how we report, it's tremendously important for us around this committee table to have that explanation provided. And I know that during a considerable hunt through the documents—I had chalked it up to, perhaps, inexperience with handling this vast amount of information—that I was not able to locate it. But it's interesting to note that the information can be provided, but it is not readily available.

Let me ask another question. I see a significant issue here pertaining to fees and other revenue. Now, fees and other revenue under core government are reported at just over \$500 million, but the consolidation impact is \$1.5 billion, give or take, arriving at a summary statement of almost \$2 billion. So could the deputy minister indicate what is—what

things are going into that consolidation impact of \$1.5 billion?

Mr. Hrichishen: I will take that as notice and will provide the detail that's requested. I will observe that I believe approximately \$900 million of that amount is related to university and college tuition fees. There's also fees of other Crown agencies, and we will provide the detail.

Mr. Friesen: And I thank the deputy minister for his willingness to provide that documentation. I'm curious as to whether, as the Public Accounts Committee meets in previous years to consider the annual reports, whether these questions come up on a regular basis, but it does seem to be fundamental to this exercise to understand the implications of the consolidation impacts.

Just to help me continue with this line, if I take a look at the next line down under revenue, this one is applicable because the deputy minister just answered a question for us minutes earlier about the total federal transfer payments that he indicated as 3.953. Now, I see that number because here it is reported in summary. I guess I could have asked the deputy minister previously and said, what is the core government amount and then what is the consolidation impact, and perhaps it's a good lesson for me to learn is to begin to ask the questions in such a way that we can also capture at the outset the consolidation impact.

* (22:00)

In any case, I guess the question I would have with respect to federal transfers is what would be the \$273 million that did not come through core government? I imagine the core government—if I was to surmise, it would be the equalization payment, the health transfer payment, the social payment, the—I guess the general payment—but I'm wondering if the consolidation impact might be cost related to the flood. I'm guessing, but maybe the deputy minister can give me an idea of where to go looking.

Mr. Hrichishen: Okay. In respect of the Consolidation Impact of the \$273 million, we can identify for you that the MASC, principally related to crop insurance, the amount was \$104 million. The MHRC received \$63 million, principally related to social housing, and \$85 million was due to advanced education for items such as research grants and other cost-shared arrangements. There is a residual, and, if you'd like, we can provide that further reconciliation for you.

Mr. Friesen: I thank the deputy minister, and yes, we would like to receive that further reconciliation. So I would like to ask a question just with respect to the Sinking funds and other investment earnings. Now, I noticed there's no item—or there's no amount indicated under Core Government and under the Consolidation Impacts, there is \$242 million. Could the deputy minister also comment on what comprises that Consolidation Impact?

Mr. Hrichishen: Yes, we'd be pleased to add that to the list of items, which we'll return and provide that information to you.

Mr. Friesen: I thank the deputy minister for that. As a matter of fact, I think what I'll do, then, is I will just ask the deputy minister to provide the consolidation impacts for the entire 2013 fiscal year, both for revenue and expenditures, and that would give us the detail—the degree of detail that I think would be helpful for us to understand.

I will ask him one point of clarification, and that is, is there a consistent manner, a repeatable manner by which the consolidation impacts are comprised? In other words, if Education Property Taxes appears either under Other Taxes, does it consistently appear under there? If the MASC insurances appear under Consolidation Impact for Federal Transfers, do they consistently, and year after year, appear there? These amounts, in other words, are not moved around to other areas?

Mr. Hrichishen: Yes.

Mr. Friesen: I thank the deputy minister for that point of clarification.

My question next is for the Auditor General. And I noticed that the information that we're looking at here, at the very back of the book—and I mean the very back of the book, the very last page, page 129—it used to not appear at the back of the book. As a matter of fact, if I go back only as far as 2011, I notice that this summary financial statement is referred to as schedule 10. And this year, as it appears, and indeed last year, if I look at the 2012 book, it appeared as an unaudited statement.

And I would ask the—or the Auditor General if she has a comment about the—this way of reporting and if she believes there's any merit to my considerable consternation arising from the consolidation impacts.

Ms. Bellringer: There are quite a few questions in there.

I think it is really important for members to understand what the consolidation impacts are, because we still hear a reference—right around the House, and so I'm not—this isn't a comment from any political side—about core. And I don't think core is all that well understood. It includes those amounts that you voted on through the appropriations, and I think it's really important to understand what parts are not included in there. So, in terms of the kinds of questions you're asking, I think those are critical answers that you need to get.

When it was included in the audited statements, the concern I had was without that information, is it going to be—you know, I have a difficulty putting an audit opinion on the core number. I have no problem putting an audited opinion on the summary number. We do our audit to the summary, we're comfortable that the summary is—it's complete and it's accurate within materiality. Where I have difficulty is on what basis is the core and the consolidation impact understood. And I find that it's—it can be completely misunderstood, and so I was very uncomfortable having it in the audited section of the report.

But I think it's information that's useful to the members, and so I'm pleased that the report remain—that that particular schedule remains within the book so that you can ask the kind of questions you are asking, because that reference to core remains, it's still in the discussion. So you have to understand why it is that that's different from the summary.

I would be—I would think that a further solution to it would be to provide additional information, not to eliminate it. So we've also made reference in a number of our documents in the past and in the—today, about the need to make sure that all of the schedules reconcile to the summary. So one example of that would be volume 3. In a number of the schedules in volume 3, they give you the information around the core, but not the summary. And I appreciate a lot of them are coming in from Crown corporations—or agencies, boards and commissions, not the government business enterprises but those other organizations, and without knowing where it's coming in from, you really don't know what's making up the number in the summary.

So it comes from a long tradition of having done it that way, and I understand that, but, at the same time, you still don't have full information to really understand what's sitting in that summary number. So we're—we've recommended that that be expanded.

Same thing with things like compensation disclosure and other expenses that are listed in volume 2, we have said the thinking, we believe, should be around the summary, but we appreciate there are times where you have to then just say—and there's an amount that relates to these 200 organizations, and it would be impractical to list them all, but at least understand how you get from one to the other. And in some cases, you want to see the detail; in other cases, it's okay to say here's the detail in the core and here's the difference coming in from the Crowns.

* (22:10)

So I don't know if I've provided enough around that, but we do really—we actually do quite a bit of work to understand what the consolidation impacts are, and we're satisfied with them. But it really is not enough information for you to just know the numbers like this.

Mr. Friesen: I thank the Auditor General for that information; it is helpful to us.

She made the comment that she had made the recommendation and more detail be provided. I wondered if the Auditor General could just indicate: Are there other jurisdictions in Canada that do report in this manner, who do provide more information in the consolidation impact?

Ms. Bellringer: I don't know enough about it to be able to answer that question.

I would say the only other province in Canada that still has a concentration on the equivalent to core, as well as the summary, would be Saskatchewan, and they still produce a second set of statements around the general revenue fund for—which is quite frequently misused in all kinds of things. We noticed in—when we did the deficit project and we looked at Canadian publications, in a number of cases, the audited financial statements for their govern—general revenue fund, which is the equivalent to core, were used by these organizations, and yet they sit with the qualification in the audit opinion that says they're wrong.

So, you know, it's—having said that, you won't find the same disclosures in every province. And Manitoba does provide a lot of disclosures in volume 3. So I can't comment on how common that is, but I would say it's a rich amount of information and all we're looking for is that it's easy to see how it rolls in to those summary numbers, which give you

the big picture for where's Manitoba, in terms of its financial position and how's it done for the year?

Mr. Friesen: I thank the Auditor General for those comments.

And turning my attention to the deputy minister, I would invite his response in this regard. I think about the work of this committee and what we do here, and looking forward I don't know if I can ask for a commitment of the deputy minister and his department to provide such information and that level of detail, but I can see if I foresee a year from now, and if we're all in the same position, sitting around the table in the same place, then I could see us being at committee and, once again, having a long conversation around consolidation impacts and asking for explanations and the deputy minister can agree to provide that information.

But I wonder if there would be a way to do this on a more conciliatory basis, whereby we could either see the information presented in the report or I could contact the deputy minister's office in advance of the annual reports and ask if he'd be willing to include outside of this data some—or come prepared to table a document that would give us that level of detail.

I'm just inviting the deputy minister to comment on the annual—on the Auditor General's statements in this regard.

Mr. Hrichishen: Yes, I would say, most generally, that our Finance Department is always looking for ways to be more effective communicators, to be more explanatory in the way we provide information. I think that we'll continue to look at means by which we can improve all our reports. So, having said that, we'll take your comments under advisement and give it due attention.

Mr. Chairperson: I would have to agree with Mr. Friesen, that the more detail we get, short of, say, volume 4, would help us to determine when we're comfortable with the reports, and that's, of course, the intent of the committee, to make sure that we fully explore them, and if we have to wait for answers, like we're doing tonight, we're going to have to, I assume, revisit these reports at a future time, and that delays the considerations of the committee.

So I'd encourage the deputy, and I appreciate his co-operation, as he just mentioned, to look at how we can improve this communication.

Mr. Martin: This is actually a fairly easy question.

I notice in Public Accounts, in terms of source of revenue, under other taxes, it makes reference to gasoline tax in the 2011 and 2012. And, in 2013, they reference fuel taxes. Just in terms of consistency, so I'm comparing apples to apples, is it just a change in terminology or are we capturing—am I missing the capture of an additional fuel tax outside of gasoline?

Mr. Hrichishen: Okay, I believe the change results from the fact that previously we had a motive fuel tax act and a gasoline tax act. And as part of our effort to modernize and simplify statutes, we consolidated those acts and now we've brought them together, and that, I believe, is the reason for the name change.

Mr. Martin: Okay, so just so that—just, again, so that in my own calculations when I'm determining—calculating it that I'm on the apples to apples, then, so if I was to take the gasoline and motive fuel tax that's outlined in the 2011, then that—and also in the 2012—I can relate that directly to what is now called fuel taxes and that would be an apples-to-apples comparison?

Mr. Hrichishen: Yes, it is.

Mr. Martin: I'll reference volume 1 for the year ended March 31st, 2011, page 98.

Mr. Chairperson: And a page number, Mr. Martin?

Mr. Martin: Yes, sorry, page 98. Yes.

Under Borrowings, I note that borrowings include \$475 million, up from 445, owed to Manitoba Public Insurance Corporation relating to the capital financing of school board and health-care facilities. I also note that this line of borrowings from—or owed to Manitoba Public Insurance Corporation is also found in the other two volume accounts for the year ended of March 31st, 2012 and 2013.

So I'm just wondering, being, again, unfamiliar with the process, is this—how long has this been going on for?

Mr. Hrichishen: So I'm told by my colleagues that this has been occurring for—we guesstimate at least 15 or 20 years. And this relates to debt of school divisions purchased by MPI.

* (22:20)

Mr. Martin: Sorry, school division debt that's purchased by the Manitoba Public Insurance? As well, I assume, then, because it also references health-care facilities, so this would be debt as well purchased by—sorry, health-care facility debt purchased by Manitoba Public Insurance as well?

Mr. Hrichishen: That is correct.

Mr. Martin: You know, I—again, I appreciate that clarification.

It also makes note borrowings also include debt in the amount of \$289 million and \$40 million owed to MPIC and Manitoba Hydro-Electric Board respectively, related to the financing of other government programs. And again I see similar amounts are also noted in the other two years of Public Accounts as well.

I'm just wondering if the deputy minister can identify which government programs and the amounts the respective Crowns are financing. And I don't expect the deputy minister to have that information on hand.

Mr. Hrichishen: I regret we'll have to return with that information—or provide that information to you in the near future.

Mr. Martin: The debt question related to Manitoba Public Insurance Corporation, does MPI debt for financing show up under total provincial debt?

Mr. Hrichishen: Yes, MPI does not have any debt.

Mr. Friesen: My final questions for the evening have to do—pertain back to that same list of tangible capital assets that were supplied by the deputy minister's predecessor. And so much of this evening surrounds very serious issues and very weighty matters and a lot of numbers, and I just noticed one that was more lighthearted was I found an expense in the list of tangible capital assets acquired during the year '12-13. There's an archives building expense for the amount of \$6.50. That one stood out because I couldn't find any other amount under the threshold of a—you know, of a thousand dollars. I was just wondering, is there a threshold for actually reporting expenditures, or is this everything. Is this from soup to nuts every expense in that fiscal year?

Mr. Hrichishen: Could I get a page reference, please, in respect to that?

Mr. Chairperson: Uh oh. Mr. Friesen, is there a page number on that?

Mr. Friesen: I'm actually sorry to take the minister–deputy minister's time to do that. There isn't a page that actually is indicated, but I can tell him it falls under the total general assets under construction. So the bigger question, of course, was not pertaining to the expenditure of \$6.50, but the question I had was is there a threshold for reporting items that have been—or purchased?

Mr. Hrichishen: Yes, we do have thresholds. It's possible that this could have been an allocation from a much larger expenditure that had been allocated to various departments and just was very—the allocation itself was very small, but might have been a—larger. I believe it was a larger expenditure in total.

Mr. Friesen: And I think that's quite possibly the case because I noticed in that same page, even further down, they do talk about repointing the building exterior of the Manitoba archives, and so—I look forward, in any case, to attending the departmental Estimates to get a more thorough understanding of the nature of that \$6.50 expenditure.

But I assure the deputy minister, there is one serious question here that I did have, with respect to this. It was: I had failed to ask earlier, when it comes to these expenditures that we see for the tangible capital assets, is—the expenditures I see here, what is the threshold for tenders on these kind of expenditures? So at what point in time does the process become open to tenders? Is there indeed a threshold, or is that kind of determination made department by department?

Mr. Hrichishen: So all capital projects are tendered, except if there's an emergency or—there is the expectation that they will be tendered, unless there's an emergency or some extenuating circumstance. That is the axiom, if you will.

Mr. Friesen: But just to clarify, then, there is—the deputy minister is saying there is, in most cases, there is an—there is expectation, but to understand it correctly, then, there is no threshold amount beneath which it could be decided within department or within that area of government business enterprise that a tender would not be necessary. Because those things exist, you know, by scale, across private sector. And I know they also appear in government.

So I'm just wondering, with respect to the tangible capital assets, it would seem like it would be very efficient to indicate that expenditures under \$250 or \$1,000 or \$5,000 would not have to proceed

to a formal tendering process. Could the deputy minister just provide a clarification?

* (22:30)

Mr. Hrichishen: Generally speaking, capital, by its very nature, is sufficiently large enough that a tender would occur. I cannot say whether there's a very, very, very small capital project that might cause a reconsideration of those rules, but I will undertake to answer that specific question for you.

Mr. Chairperson: Were there any further questions on these reports this evening? We have some outstanding questions that we're waiting for responses on, obviously.

Seeing no further questions, we will go to—back to the very beginning here, and we will deal with this report, first of all, the blue book.

Auditor General's Report—Operations of the Office for the fiscal year ending March 31, 2013—pass.

We will now move on to the year 2011. Most of you have it, again, blue copies, a lighter blue.

Shall volumes 1, 2, 3 and 4 of the Public Accounts for the fiscal year ending March 31st, 2011, pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: Hearing a no, the volumes are not passed.

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: Hearing 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: Hearing a no, these volumes are not passed.

This concludes the business before us. Thank you to the minister and her staff. They did very well

this evening. To the Auditor General and her staff—
[interjection] Yes, the deputy minister, I did
mention. And to our own Clerk's staff and the page,
thank you for this evening. So thank you, everyone.

This hour being 10:32, what is the will of the
committee?

Some Honourable Members: Rise.

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

Committee rise.

COMMITTEE ROSE AT: 10:32 p.m.

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