

**Fourth Session – Forty-First Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Public Accounts**

*Chairperson*  
*Mr. Matt Wiebe*  
*Constituency of Concordia*

**Vol. LXXII No. 1 - 7 p.m., Tuesday, December 4, 2018**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-First Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
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ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CLARKE, Eileen, Hon.	Agassiz	PC
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MARCELINO, Ted	Tyndall Park	NDP
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**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Tuesday, December 4, 2018**

**TIME – 7 p.m.**

**LOCATION – Winnipeg, Manitoba**

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

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

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Messrs. Bindle, Helwer, Johnston,  
Ms. Lamoureux, Messrs. Maloway, Marcelino,  
Michaleski, Ms. Morley-Lecomte, Messrs. Wiebe,  
Wishart, Yakimoski*

*Substitutions:*

*Ms. Lamoureux for Ms. Klassen*

**APPEARING:**

*Mr. James Allum, MLA for Fort Garry-Riverview  
Mr. Norm Ricard, Auditor General*

**WITNESSES:**

*Hon. Scott Fielding, Minister of Finance  
Mr. Jim Hrichishen, Deputy Minister of Finance*

**MATTERS UNDER CONSIDERATION:**

*Public Accounts for the fiscal year ending  
March 31, 2018 (Volumes 1, 2 and 3)*

*Auditor General's Report – Public Accounts and  
Other Financial Statement Audit, dated  
August 2018*

*Auditor General's Report – Understanding our  
Audit Opinion on Manitoba's March 31, 2018  
Summary Financial Statements, dated  
September 2018*

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

*Chapter 6 – Managing the Province's Adult  
Offenders*

*Auditor General's Report – Follow-Up of  
Recommendations, dated May 2016*

*Managing the Province's Adult Offenders*

*Auditor General's Report – Follow-Up of  
Recommendations, dated March 2017*

*Managing the Province's Adult Offenders*

\* \* \*

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

This meeting has been called to consider the following reports: Public Accounts for the fiscal year ending March 31st, 2018 (Volumes 1, 2 and 3); the Auditor General's Report–Public Accounts and Other Financial Statement Audit, dated August 2018; Auditor General's Report–Understanding our Audit Opinion on Manitoba's March 31st, 2018 Summary Financial Statements, dated September 2018; Auditor General's Report–Annual Report to the Legislature, dated March 2014, chapter 6–Managing the Province's Adult Offenders; Auditor General's Report–Follow-Up of Recommendations, dated May 2016, Managing the Province's Adult Offenders; and the Auditor General's Report–Follow-Up of Recommendations, dated March 2017, Managing the Province's Adult Offenders.

I'd like to inform the committee that in accordance with rule 103, Cabinet ministers are ineligible as members of PAC. Therefore, the following membership substitution has been made permanently: Mr. Wishart for Ms.–the Honourable Mrs. Mayer.

**Committee Substitution**

**Mr. Chairperson:** Also, I'd like to inform the committee that under 104(2), the following membership substitutions have been made for this meeting: Ms. Lamoureux for Ms. Klassen.

\* \* \*

**Mr. Chairperson:** Before we get started, are there any suggestions from the committee as to how long we should sit this evening?

**Mr. Jim Maloway (Elmwood):** Mr. Chair, I'd suggest we meet 'til 8 and revisit at that time.

**Mr. Chairperson:** Okay, the suggestion has been to meet 'til 8 and then revisit at that time.

Is there agreement of the committee? *[Agreed]*

It is my understanding that there is a willingness to deal with Managing the Province's Adult Offenders first. Is that agreed? *[Agreed]*

Everybody's awake around the table? Okay. *[interjection]* Okay, yes. Yes, I think. Okay.

Are there any questions or comments on these reports? Seeing none, does the committee agree that we have completed considerations of chapter 6—Managing the Province's Adult Offenders, Auditor General's Report—Annual Report to the Legislature, dated March 2014. Agreed? *[Agreed]*

Does the committee agree that we have completed consideration of Managing the Province's Adult Offenders, Auditor General's Report—Follow-Up of Recommendations, dated May 2016? Agreed? *[Agreed]*

Does the committee agree that we have completed consideration of Managing the Province's Adult Offenders: Auditor General's Report—Follow-up of Recommendations, dated March 2017? *[Agreed]*

Are there any suggestions as to the order in which we should consider the other reports on today's agenda?

**Mr. Maloway:** Well, I suggest we follow the agenda.

**Mr. Chairperson:** In a global fashion?

**An Honourable Member:** Sure.

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

At this time, I'd like to invite the minister and deputy minister to the table, and, if you—and your staff. And, if you could, please introduce the staff that are with you here.

**Mr. Jim Hrichishen (Deputy Minister of Finance):** I'd like to introduce my colleagues, the Provincial Comptroller, Aurel Tess; and Andrea Saj, the Public Accounts Manager for the Province.

**Mr. Chairperson:** Thank you very much, Mr. Hrichishen.

Does the Auditor General wish to make an opening statement?

**Mr. Norm Ricard (Auditor General):** Yes, I do, Mr. Chair.

I first would like to introduce the staff members who are with me today. To my right is Tyson Shtykalov. He's the deputy Auditor General, also responsible for our audit of the public accounts, as well as all other

financial statement audits that the office conducts. And behind me is Natalie Bessette-Asumadu, who is the principal responsible for our audit of the public accounts.

Mr. Chair, at the conclusion of every financial statement audit, an auditor issues a report containing the auditor's opinion on whether the financial statements are presented fairly. An unqualified opinion is issued when the auditor is satisfied that the financial statements present fairly, in all material respects, the financial position and results of the entity being audited, in accordance with the accounting framework they are prepared under.

Essentially, an unqualified audit opinion indicates that the financial statements are reliable and that they are prepared based on the relevant, generally accepted accounting principles. For governments, these principles are the Canadian public sector accounting standards developed by the Public Sector Accounting Board, an independent standard-setting body.

Adhering to independently set financial reporting standards is critical to promoting public confidence in the financial statements prepared by public sector entities. Standards help ensure consistent reporting of financial transactions, which allows for comparability of results from period to period and between jurisdictions.

When an auditor has significant concerns about an entity's compliance with accounting standards, a qualified audit opinion is issued. Qualified opinions explain the concerns an auditor has with the quality and accuracy of financial reporting. The qualification highlights where users need to be cautious when relying on the financial statements that it is attached to.

Our audit opinion for the March 31, 2018, public accounts includes two qualifications. Prior to this, unqualified opinions had been issued every year since 2008.

The first qualification deals with the government's decision to no longer include the Workers Compensation Board within the government reporting entity. Public sector accounting standards are designed to show a government's performance and financial position by accounting for the full nature and extent of the resources and programs it controls.

As such, the government reporting entity must include all entities controlled by government. Accounting standards define control and identify criteria to be used to assess whether an entity is controlled by government. The WCB has been

considered a part of the government reporting entity since it was first defined in 1989.

\*(19:10)

The criteria for control under public sector accounting standards were last reviewed in 2005, and, at that time, the Department of Finance assessed the relationship between government and the WCB against the new criteria. They came to the conclusion that government controlled the WCB, and the Auditor General at that time agreed.

There have been no significant, relevant changes in the Workers Compensation Board act since 2005 to trigger a reassessment of control. In addition, we updated our analysis based on the criteria of control and concluded a government control the WCB.

By not including the Workers Compensation Board in the government reporting entity, the equity in government business enterprises is understated by \$658 million, and the deficit is overstated by \$82 million.

The second qualification deals with the recording of an unauthorized transfer. The government recognized an expense, as at March 31st, 2018, for a \$265-million transfer from Manitoba Agricultural Services Corporation's insurance reserve funds to two trust accounts that they had not yet created. In our view, the authority to make the transfer payments was not exercised until mid-September 2018 when the trust account agreements and the contribution agreements were signed.

At March 31st, 2018, they had not lost discretion to avoid proceeding with the transfer. By recording this unauthorized transfer, accounts payable and the deficit were both overstated by \$265 million.

We are currently assessing whether the two trusts were—are controlled by government or not. This future assessment of the trusts did not impact our qualification, because regardless of whether the trusts are included in the government reporting entity or not, the authorization for the transfer was not in place at year-end. In total, the reported deficit was overstated by \$347 million.

I want to stress that our audit opinion is based on a rigorous, evidence-based process conducted by experienced designated accountants. My office adheres strictly to the Canadian auditing standards developed by the Chartered Professional Accountants of Canada, and, in addition to our internal supervisory and quality

assurance processes, we participate in external peer reviews.

So when we say the statements comply with public sector accounting standards or that certain aspects don't comply with the standards, know that these opinions are supported by an objective, unbiased and demanding process.

Mr. Chair, I will conclude by saying that we remain committed to working in a proactive and collaborative manner with the Comptroller's office when assessing the appropriateness of proposed accounting solutions.

Our goal, as always, is to ensure continued or enhanced transparency and accountability within the areas in question and that accounting standards are well understood and applied.

Thank you, Mr. Chair.

**Mr. Chairperson:** Does the deputy minister wish to make an opening statement?

**Mr. Hrichishen:** I do. Thank you, Mr. Chair.

First, I want to thank the committee for the opportunity to provide some brief comments on the Public Accounts for the year ended March 31, 2018, on understanding the Auditor General's audit opinion on the March 31, 2018, summary financial statements and Public Accounts and Other Financial Statement Audit, dated August 2018.

Please note that I will endeavour to answer all administrative-related questions posed by the committee on the reports reflected on tonight's agenda.

As always, it is possible we may need to take some questions as notice and provide a specific response to the question in writing at a later date.

The Province's Public Accounts for the year ended March 31st, 2018, volumes 1, 2 and 3, were released on September 28th.

Volume 1 includes the economic report, the financial statement discussion and analysis and the audited summary financial statements of the government.

The Province experienced a summary loss of \$695 million, which was \$145 million under the budgeted loss projected at \$840 million.

Summary net debt, as at March 31, 2018, was \$24.4 billion, a \$1,071,000,000 increase from the previous year. The increase in net debt was the result of the summary net loss of \$695 million, a net increase

in tangible capital asset investments of \$363 million, in unrealized losses on investments of \$14 million at government business enterprises due to market-to-market accounting, often referred to as other comprehensive income adjustments.

In addition to the financial statements, the financial discussion and analysis report, the FSDA, includes trend information on the financial condition of the government. During 2017-18, the FSDA outlines a number of key indicators. For example, one such key indicator was the net debt of the government as a percentage of provincial GDP. In fiscal 2017-2018, this percentage was 34.6 per cent compared to 34.5 per cent in fiscal 2016-17. This increase of 0.1 per cent is not a substantial change compared to previous fiscal years as can be seen on page 34 of volume 1.

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

Volume 2 also includes the statement of payments in excess of \$50,000. Public Accounts 2018 is the second year for the \$50,000 threshold. It was previously \$5,000, and had not changed since it was established in 1983. A change in the threshold was recommended in the March 2014 report to the Legislature by the office of the Auditor General. Changing the threshold did not require any changes to legislation.

Finally, volume 3 includes an audited supplementary schedules related to the core government and other information required for statutory reporting requirements.

The office of the Auditor General released a special report to the Legislature entitled Understanding Our Audit Opinion on Manitoba's March 31, 2018 Summary Financial Statements, dated September 2018. The report provides the Legislature and the public with a deeper understanding of the two qualifications of the Province's summary financial statements in fiscal 2018 from the perspective of the Auditor General.

It is important to note that Manitoba does not take the qualified opinion lightly. It has been over a decade since Manitoba received a qualification from the OAG on the summary financial statements. In the case of the 2018 qualifications, the Department of Finance has a professional disagreement with the Auditor General on the application of public sector accounting standards. In the case of the MASC transfer to the trust accounts,

it is the position of Manitoba that the standard for authorization of a government transfer was met under the accounting standard for government transfers.

I want to thank the staff of the Comptroller's division who prepare the Public Accounts, and I want to thank Mr. Norm Ricard, the Auditor General, and his office of audit professionals. I want to acknowledge their professional and collaborative relationship with the Department of Finance.

Thank you.

**Mr. Chairperson:** Thank you very much, Mr. Hrichishen.

Before we proceed any further, I'd like to ask leave of the committee, if we could, to allow for the staff members who are at the table, if the deputy minister so wishes, to defer a question to them that they be allowed to answer the question here at committee this evening.

Is there leave?

**An Honourable Member:** Leave.

**Mr. Chairperson:** Great. Thank you very much.

I'd like to inform those who are new to this committee of the process that is undertaken with regard to outstanding questions. At the end of every meeting, the research officer reviews Hansard for any outstanding questions that the witness commits to provide an answer to, and we'll draft a questions-pending-response document to send to the deputy minister.

Upon receipt of the answers to those questions, the research officer then forwards the responses to every PAC member and to every other member recorded as attending that meeting. Therefore, I am pleased to table the responses provided by the Deputy Minister of Finance to the questions pending responses from the June 18, 2018 meeting. These responses were previously forwarded to all members of this committee by the research officer.

\* (19:20)

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

The floor is now open for questions.

**Mr. Maloway:** I'd like to begin by asking the Auditor General some questions about this qualified opinion. He'd indicated that the last qualified opinion was 2007. Can you explain to us what that qualified opinion was about and how it was resolved.

**Mr. Ricard:** You'll have to excuse—I don't have the details because it's going back a number of years and I was in a different part of the office at that time. But the qualification related to the recording of school divisions as part of the—at that point in time, school divisions were excluded from the government reporting entities, so we qualified because they were excluded. It was a different situation because they were in a process of including them.

So the standards had changed around that time, so they were in a process now—because of the change in the standards of including the school divisions within the government reporting entity, so it was a bit of a transitional qualification.

**Mr. Maloway:** So it cured itself over time, is that what you're saying?

**Mr. Ricard:** Yes, it did. The following year, the school divisions were included in the government reporting entity, and the qualification, that was gone.

**Mr. Maloway:** I realize that you're having a difference of opinion here on this issue with the government, and hopefully we can work out some sort of resolution.

The report is that there is—\$265 million was transferred to the Manitoba Agricultural Services Corporation insurance fund to trusts. Can you describe the mechanics of how that—has done.

**Mr. Ricard:** So the work that we did this year is limited to looking at whether the transfer should be recorded. We are currently in the process of looking at the set-up of the trust.

So in terms of the mechanics, I wouldn't be prepared to talk about the mechanics of the transfer from the reserve fund to the trust accounts because we focused on whether or not the transfer should be recorded at all. And our conclusion was that the transfer hadn't been authorized so it shouldn't be recorded.

**Mr. Maloway:** Understand that. I'm trying to get—my question really is to whether or not this money is being transferred from government investment vehicles to any private wealth management firms or management firms.

**Mr. Ricard:** So you're getting into an area where you really need to pose those questions to the deputy minister. My understanding is the intent is to transfer the money into a reserve, into a trust. Who will manage that reserve, that money, once it's in the trust, it's not a question I can answer.

**Mr. Maloway:** Then perhaps you could, could you tell us about the trust then. Who sets up the trust? Are these outside legal firms or government lawyers?

**Mr. Ricard:** So, once again, these questions about how the thing is set up and it should be directed to the department, to the deputy minister.

**Mr. Maloway:** Now, in your experience with other Canadian jurisdictions, the federal, provincial, and territory levels, are there qualified opinions on public accounts of government reporting in these? Are they very common or are they very rare?

**Mr. Chairperson:** I'm just going to ask members of the committee, I understand you're sitting right across from each other so it's a bit odd, but the rest of the committee I think is straining to hear. So if we can just project to the rest of the committee, it would be appreciated. Thank you.

**Mr. Ricard:** So the occurrence of qualified opinions on government—on senior government financial statements within Canada has increased in recent years. So a number of jurisdictions over the past five years have had qualified audit opinions for a number of different reasons. Some of them got resolved, some of them didn't.

**Mr. Maloway:** So would—is it your opinion that qualified opinions are a serious matter of public concern?

**Mr. Ricard:** Qualified audit opinion on a public sector entity is definitely a matter of serious public concern.

**Mr. Maloway:** And can qualified opinions issued by an independent office impact the confidence of other organizations—for example, the public or creditors—in terms of the presentation of the Province of Manitoba's fiscal position? Bonding—bond rating agencies, organizations like that?

**Mr. Ricard:** Our qualifications provide useful information to—in our view, to bond rating agencies. How they react to it is not something that I can speculate on.

**Mr. Maloway:** Prior to your office issuing this qualified opinion, were there discussions with officials from the government where you expressed your

concerns, and how many discussions took place prior to the publication of the public accounts?

**Mr. Ricard:** So it's very normal throughout an audit process to have numerous discussions with officials, particularly if there's a disagreement that emerges between our office and the department or the entity in terms of how transactions should be accounted for.

In this case, there were definitely several—I don't know how many exactly, but many meetings, certainly, at the auditor level and then all the way up to myself and the deputy where we discussed our concerns with respect to the accounting treatment for the WCB as well as for the emerging conversation that was occurring with respect to trusts that were being developed with respect to MASC.

**Mr. Maloway:** Did you raise any of your concerns to the level of the Minister of Finance and the Premier (Mr. Pallister)?

**Mr. Ricard:** The—as part of our normal audit process for the public accounts, we had what we call an exit meeting, for lack of a better word, with the Minister of Finance. And there, we did express our concern with the qualifications, and we did ask that the statements be corrected.

**Mr. Maloway:** And so, what was the result of that conversation and meeting?

**Mr. Ricard:** The minister, as I recall, thanked us for our work and for our comments but acknowledged that there was a disagreement between our office and the department and that the statements would proceed unedited.

**Mr. Maloway:** So there was no indication at that time that there was a possibility of a resolution of this issue?

**Mr. Ricard:** There was no indication that it would be resolved, certainly, before the publication.

I'm trying to recall if we talked about going forward what would be required to remove the qualification. Because as it currently stands, the qualification of the WCB will be recurring until something happens between—in the act to change the relationship between the WCB and the government that would give us comfort that the WCB was no longer controlled by government. But I'm not clear on whether anything's in the works for that.

\* (19:30)

**Mr. Maloway:** Well, it would seem to me—and certainly from past experience, there's usually a resolution process that takes place whereby the—you

know, the government ends up doing the right thing at the end. There's, to my mind, no point fighting with the Auditor General for year after year on an issue like this without trying to resolve it. So it is surprising that this amount of time has gone by and that there's been no resolution to this at this point.

Have you received any further communications or information from the government since your office issued this qualified opinion? Like, are there any other type of communication or information that you've gotten from them on this matter?

**Mr. Ricard:** We've received nothing with respect to the WCB situation. With respect to the MASC trust account situation, we are in the process of finalizing our review of that arrangement, and so there has been some communication with the department in terms of the timing of our review and that sort of thing, but nothing of a nature suggesting a change in approach on their part.

**Mr. Brad Michaleski (Dauphin):** Just going to go back a little bit to the—that MASC trust. Clearly, there's a difference of opinion—

**Some Honourable Members:** Louder.

**Mr. Michaleski:** —between government and the auditor—

**An Honourable Member:** Outside voice.

**Mr. Michaleski:** Eh?

**An Honourable Member:** Louder.

**An Honourable Member:** Outside voice. Like when you yell at me outside.

**Mr. Michaleski:** Okay. Right on.

Again, there's—obviously, the government decided it needed to—needing to do this, and there's a difference of opinion why. Is there any indication that the MASC funds were being used inappropriately?

**Mr. Chairperson:** That question was to the Auditor General?

**An Honourable Member:** Auditor General or the deputy minister.

**Mr. Ricard:** I'm not aware of any concerns that the MASC funds were being used inappropriately.

**Mr. Hrichishen:** I concur with the auditor.

**Mr. Ian Wishart (Portage la Prairie):** When it comes to the workmen's compensation issue, your condition on concern on the audit regarding that, I understand

that GAAP principles apply across Canada, they're standard across Canada, and it's my understanding that eight other provinces find that this is an acceptable practice. How is it that eight other provinces—Auditor Generals in eight other provinces can agree with the government on this and that you do not? Who's wrong?

**Mr. Ricard:** So when looking at whether an entity is controlled, even an entity like the WCB that has similar counterparts across the country, you have to look at how it's organized within that jurisdiction and compare that to the criteria of control. And so how it functions in Ontario is different from how it functions in Saskatchewan and how it functions in BC and in Manitoba. So just because Ontario doesn't consolidate them or BC doesn't consolidate them—I will note that Saskatchewan does consolidate the WCB; everybody fails to mention that one.

But there are two jurisdictions—there have been two jurisdictions, Manitoba and Saskatchewan, that concluded that the WCB in their jurisdictions, based on their analysis or review of the act and the criteria of control, that they were controlled entities within those jurisdictions. I can't speak to the WCB in Ontario or Newfoundland or New Brunswick or BC; I can only speak to the WCB in Manitoba.

And when we look at the act from an unbiased and objective perspective, the preponderance of evidence, when you look at how the relationship between the WCB and the government, preponderance of evidence is, when you look at the criteria of control, that they are controlled by the government.

**Mr. Wishart:** On the issue of the MASC trust fund issue, your concern principally seems to be a question of timing, and certainly there's a disagreement with the Province in regards to that, and that'll be something that, in my mind, by the—this time next year, will be a past-tense issue. Over time it'll be resolved.

The big question will be regarding the trusts, whether they're properly put in place and the issue of control. And as we had a brief discussion about earlier control of the surpluses in the MASC account doesn't rest entirely with the Province of Manitoba. There is federal legislation that is very specific as to how that money must be paid out and so the control is not with the Province. So, given time, your concern in this area will probably disappear.

**Mr. Ricard:** So in trying to answer that one, the initial qualification, the \$265-million transfer, potentially is just a timing issue. It depends on where we land in

terms of concluding on whether that trust account—those trust accounts are controlled by government or not.

If we conclude that the trust accounts are controlled by government, therefore recorded within the government reporting entity, then the transfer is a non-issue. It doesn't occur. It's within the government reporting entity.

If we conclude that the trusts are properly recorded outside the government reporting entity, then, yes, the transfer issue becomes a timing difference in terms of it should be recorded in this fiscal year, not the previous fiscal year.

I think I've addressed—

**Mr. Chairperson:** Mr. Allum.

**Mr. James Allum (Fort Garry-Riverview):** And I want to thank the Auditor General and his staff for coming today as well as the Finance Minister and deputy minister and my question is for the deputy minister, although I think that at some point the minister may want to enter into the conversation, and that's as it should be, Mr. Chair, I believe.

In the first sentence, or the last sentence of page 2 of your opening statement, it says: It is important to note that Manitoba does not take the qualified opinion lightly.

And then later in that same paragraph you seem to say the Department of Finance—well, you don't seem to say it, you say it. The Department of Finance has a professional disagreement with the OAG, as though you've agreed to disagree. That kind of suggests to me that you are taking the opinion lightly because it doesn't seem to be that there's any remedial action.

What remedial action is the government taking to ensure that the Auditor General doesn't need to issue a qualified opinion like this in the future?

**Mr. Hrichishen:** Thank you for the question. I want to make it clear that the—again, that Manitoba doesn't take the opinion of the OAG lightly, and that we recognize it has been a number of years since Manitoba received a qualification from the OAG on the summary financial statements, and in the case of the 2018 qualifications, the Department of Finance has a fundamental professional disagreement with the Office of the Auditor General on the application of public sector accounting standards where considerable professional judgment must be applied, as the auditor has indicated.

It is also important to note that the Department of Finance, the Workers Compensation Board and the Manitoba Agricultural Services Corporation invested significant time, significant effort, in developing analysis and discussion that took place with the Auditor General as he's indicated in working through our respective positions in how these professional judgments should be applied.

In respect of the WCB, Finance undertook a review of the control indicators applicable to the Workers Compensation Board. We also undertook a jurisdictional scan of the applicable legislation culminating in a position paper on this important subject.

The analysis clearly showed that Manitoba was, indeed, a significant outlier in the assessment of control of the equivalent of the WCB across the country. The analysis proved that only two provinces consolidate their equivalent of our WCB organizations, and that's Manitoba and Saskatchewan, despite the fact that the legislation and assessment of control indicators were virtually the same.

If we look across jurisdictions, there are examples in other provinces where governments have professional disagreements with their respective Auditor Generals, and we also see that auditors across the country do not necessarily agree on the interpretation of accounting standards given that professional judgment is involved in how the standards are applied.

\* (19:40)

This is exactly the case with regards to the assessment of control over WCB. In that case, there are eight Auditor Generals in Canada that have assessments that largely support Manitoba, in line with similar legislation and control indicators in those jurisdictions.

The Province of Manitoba has been following the direction provided by the OAG in moving towards greater focus on summary reporting. In doing so, we have realized that the summary financial statements have been prepared in a manner that includes some reporting entities where control indicators may not have been reviewed for quite some time, such as the Workers Compensation Board.

In the case of the timing of the transfer of the 'trusk' account to MASC, it is the position of Manitoba that the standard for authorization of a government transfer is met under both of the two situations outlined in the accounting standards.

We are dedicated towards the focus on summary reporting, and we have stated publicly in both the 2018 Budget and in our responses to the report to the Legislature. Having said that, it is of course incumbent on all of us to do our due diligence to ensure that the summary financial statements are as accurate as possible. And it is for that reason that though—the public accounts reflect the changes to the WCB and MASC, as presented in these volumes.

**Mr. Allum:** Well, I appreciate that. I—although it's hard for me to understand if you have many meetings with the Auditor General and staff and they don't budge from their definition of control, which includes four key features: board members are appointed by government—still happens; government can disallow any regulation made by WCB; government controls which employers pay premiums; and fourth, WCB provides an annual grant to the Province.

Those are the four factors of control that the Auditor General identified to the department as exercising control over the institution in question. Now, when the Auditor General's office says this is our definition of control, it sounds to me like the department says, well, we don't really care what your definition of control is because eight other Auditor Generals somewhere else have a different opinion—we're going to ignore that and just decide to go our own way.

How would you come to the conclusion that you would ignore the Auditor General's definition of control?

**Mr. Hrichishen:** So the question of control, as I hope we've inferred from the auditor's comments, as well, is not a straightforward one.

A review of the control indicators at Workers Compensation Board had not been performed for a number of years. The only review the department could locate went back to 2005. Based on the age of the previous assessment and the fact that Manitoba was an outlier, an updated control assessment was required by the department. Our updated analysis indicated that governments had no ongoing access to the assets of the organization and the ability to direct the ongoing use of those assets. So we discovered that what we previously viewed as a persuasive indicator was not considered by other provinces to be a persuasive indicator of control.

The Lieutenant Governor-in-Council appoints the board. Two thirds of the board are nominees of the employers and employees. In fiscal 2017-18, we removed the Workers Compensation Board from

Manitoba's GRE based on these findings because it was the right thing to do.

The prior inclusion of the WCB was an error that required a correction through a restatement of past financial statements.

**Mr. Allum:** I'm gulping hard at that. It was an error characterization when it was pretty clear that the Auditor General, in the course of several meetings with the department—I would suggest probably political staff and ministers as well—set out what the terms of control meant in Manitoba, and yet that was—seems to have been ignored and characterized, apparently, as an error made by the Auditor General, of all people.

I just have two more questions, Mr. Chair. The first is this: Can you explain to me, if possible, why it is that the trust agreements were not signed until the date the audit opinion was signed? There seems to be a rare coincidence there that strikes us as being a little strange.

**Mr. Hrichishen:** Thank you for that good question. In regards to the government transfer authorization, in fiscal 2017-18, the—we, the Province, established two trusts for the benefit of agricultural producers with the authorization of the government of Manitoba. The authorization occurred in February 2018. The approval of the government was in place, but there were still additional details of the trust arrangements to complete the required due diligence on the part of the trustee. These details were resolved during what's called a stub period from April 2018 to September 2018. The agreements were executed, as you indicate, in September 2018.

It is the position of Manitoba that the standard for authorization of a government transfer is met under both the two situations outlined in the existing accounting standards. The Department of Agriculture had sufficient enabling authority by way of surplus and reserve balances and operated within the existing legislation to effect the transfer. The decision, direction and authority to recognize a transfer to the trust was made by Cabinet in February 2018, well in advance of the year-end date.

**Mr. Allum:** Yes, I hear what you're saying. I just find it quite remarkable, to be honest with you, that at the very moment where the auditor's signing off on their audit opinion, all of a sudden the trust agreements are coming together on the very same day. That's a remarkable coincidence. And a different interpretation might be that the agreements were pulled together at

the last second to try to ward off even more damaging information coming from the auditor on this very thing.

But I want to say to you—and I think you know that I have enormous respect for you and we have a professional relationship on our own and a good friendship—and my—I have different interpretation, I suppose. You're suggesting that this is a professional disagreement among professionals, and I would respectfully suggest that, in fact, you're very bravely taking a bullet here for the government, and in fact this was a political decision that was made in order, one could say, to cook the books in order to show a higher deficit than otherwise existed, cook the books to show a higher deficit than otherwise existed because you can hardly justify an ongoing and relentless austerity program when the deficit is \$325 million less than the government purports it to be.

I don't expect you to answer that question. I see the minister raise his hand. It should be noted he wasn't the minister at the time, and it might have been helpful to have the former minister of Finance, who probably directed this whole enterprise, at the table so that we could ask him some direct questions. But I'm willing to hear for what the current Finance Minister has to say.

**Mr. Chairperson:** Thank you very much, Mr. Allum.  
\* (19:50)

**Hon. Scott Fielding (Minister of Finance):** It's always entertaining hearing the member from Fort Rouge, is that Fort Rouge?

**An Honourable Member:** No, grassy knoll.

**Mr. Fielding:** Grassy knoll.

First of all, I do want to thank the Auditor General for his hard work on this opinion. As the deputy minister had talked about, there is professional discretion as relates to things like Workers Compensation Board. What I can tell you, the Workers Compensation Board, and the government can agree, it's—there's no government money that's in the Workers Compensation Board it's made up of employers' and employees' money that's there. There is eight different provinces that have taken a different opinion, so, respectfully, there is—clearly is a professional difference from the provinces as it relates to having a trust. A trust is not a bad thing. There's over a billion dollars from the government in terms of public trustee and others that are formed in trust. They're a good thing.

I can tell you that we think having a true sense of where the financial dollars are—I want to compliment

the Auditor General of his work. I would say he'd taken a real leadership role in terms of encouraging governments to go toward summary budgeting that hasn't happened in the past. But we think that is a true indication of government in how taxpayers' monies are being spent, and as such, we want to clean up the books and make sure that Manitobans have a true sense of how the economy is doing, how the government is doing.

I'll give you an example per Workers Compensation Board, and some examples, let's say in 2012 where the government really took about \$91 million of money, what we call kind of fake income to a certain extent because there's no government money that was involved in it, and made the summary financial look better. Now that's a professional discretion. That's something in other years also. Let's look at 2014—

**An Honourable Member:** Is there a qualified opinion about that?

**Mr. Fielding:** No, but there was a qualified opinion in 2008 when the current government of the day didn't include the school trustee or the school in the summary financials. But just to finish my—*[interjection]*

**Mr. Chairperson:** I'm just going to ask the committee to limit the crosstalk and allow the recognized speaker at the committee to have the floor.

**Mr. Fielding:** Thank you. So, you know, thank you Mr. Chair and, you know, to be fair, I did give you your time so I appreciate the fact giving our time.

So there is some professional discretion that's a part of that, as mentioned. I have a listing of all indicators in terms of control as relates to Workers Compensation Board. What I can tell you that is government controls only one third of the board appointments, one third of the board appointments are appointed by the government. There's one third appointed by the employers and one third appointed by the labour in so many different ways, the employees that's a part of it.

So even if we did want to make a decision, the government only has control over one third of the board. So, clearly, we don't have discretion of that. There is no government money, and in previous past, there was credit that was given for net income that was associated through essentially more money that would come in through the Workers Compensation Board.

So we wanted to clean that up to have a truer sense of where the books are and we believe this is an

important step to cleaning up the books and moving to summary financial. So, again, I want to thank the Auditor General for his important leadership role and work on that.

We also—and I can tell you as vice-chair of the Treasury Board through this whole process that these decisions were made in MASC in here. That's the issue. I don't think the issue is with trust accounts. Again, there's a billion dollars the government holds in terms of trust accounts that are there. The issue is in regards to timing. As the deputy minister indicated in terms of our opinion in terms of the professional standards that was met, I can tell you clearly the decision was made in here.

And so those are important decisions, and the reality is the reasons why we're doing this is we wanted true indications so Manitobans have a true indication where the books are. To a certain extent, you have Workers Compensation and MASC producing income that, really, there was no—really—credit. The government was taking credit for a lot of income that really wasn't anything to do with worker compensation. Again, there's no money that's affiliated with that, and there's eight other jurisdictions that have—that account for this not including summary.

So we think it's important steps to be open and transparent, and that's really the reason why we did this, and we've moved toward summary accounting. I think that it's important steps. We've made significant progress on our budget. We came in 147 and 145 million dollars less than we budgeted over the last two years. So we're making substantial progress in terms of reducing our deficit. We know that net that the GDP had dramatically increased over the last number of years, and we stabilized that. In fact, we're going to see over the next number of years a reduction in terms of our net GDP which is kind of the gold standard, if you will, in terms of the amount of debt that Manitobans are taking on with their government.

So I hope that answers your question. Although the Auditor General and myself might have a professional and respectful difference of opinion, I think we may have a difference of opinion on a political level on this idea too, as well, so.

**Mr. Chairperson:** Okay, thank you very much, Mr. Fielding.

Mr. Ricard, you wanted to chime in on the member's question as well?

**Mr. Ricard:** It was more—I wanted to clarify—or to—just to provide my perspective on a couple things I heard the deputy say and then I heard the minister say regarding this notion that eight other Auditors General are concluding that the WCB is controlled, and this one isn't.

It's important to remember that those eight other—however many there are—Auditors General are not opining on the same thing. They aren't opining on whether Manitoba's WCB is controlled by the government. They're opining on whether Ontario's WCB is controlled by the government.

It's completely different, and I just—I take some exception to saying we're an outlier. We're looking at the organization of the WCB in Manitoba, comparing it to the criteria of control. I have to say that many Auditors General before me, many comptrollers before the current comptrollers, concluded that the WCB was controlled by the government.

And, since 2005, nothing has happened—nothing has happened—to change the relationship between the WCB and the government. So it's just—it's—what's motivating the change in perspective, I don't know, but it's not a change in the relationship between the WCB and government.

So, you know, I respect my predecessors, and Mr. Singleton, Ms. Bellringer, they all concurred that the way the WCB, the relationship between the current—the WCB and the government, it was a relationship of control.

And I've heard nothing from the government—and I asked them specifically, what prompted the change? What prompted the reassessment? And don't tell me it's other jurisdictions don't consolidate them. That's not relevant. It's what factors have changed in Manitoba to cause you to believe that the government does not control the WCB. And I got nothing, other than other jurisdictions don't consolidate.

They didn't try and explain why Saskatchewan did, but—so I just wanted to be clear. I don't see us as an outlier. I don't see it as the same situation where other—where Auditors General may disagree on the application of an accounting policy across the nation. This is not that at all.

This is—there's—I believe there is consistency in the application of the criteria of control and the determination of what's a government reporting entity. It's just that it's jurisdiction-specific.

**Mr. Chairperson:** Thank you very much, Mr. Ricard.

I do see that we're coming up on our time that we had agreed to meet. I have four people on the speakers list at this point. So maybe I'll just throw that out to the committee.

**Mr. Maloway:** Mr. Chair, I suggest we meet 'til 8:30 and then revisit that.

**Mr. Chairperson:** Okay, is there agreement that we meet until 8:30 and revisit at that time if we need more time? *[Agreed]*

**Mr. Ted Marcelino (Tyndall Park):** Yes, let me give Mr. Hrichishen a rest. Let me go back to the MASC.

So you're still—this question is more appropriately to the Auditor General—you said that you're still investigating whether the reporting of the transfer will be included in your 2018-2019 audit if it is part of the GRE report.

**Mr. Ricard:** The work that we're currently doing is looking at whether the trust accounts that were created are controlled by government or not, to determine whether they should be included in the GRE or be accounted, as the government wants, outside the GRE. So we're looking at how they're structured to determine whether they are a controlled entity or not.

\* (20:00)

**Mr. Marcelino:** Yes, and do you have copies of the board resolution of the MASC authorizing the devolution of the—into two—the two trust accounts, as you said? The funds were transferred to two trust accounts.

**Mr. Ricard:** So we have copies of the signed—you know, the signed trust agreements and the signed contribution agreements. With respect to the board resolutions for the transfer, I'm not—we can't recall if we have the copies of that or not and when, in fact, it would have occurred. We were really focused on whether the transfer should be recorded in the summary financial statements.

As for the—

**Mr. Chairperson:** Mr. Ricard.

**Mr. Ricard:** Sorry.

**Mr. Chairperson:** Mr. Ricard.

**Mr. Ricard:** Sorry for the delay.

As part of our audit of MASC financial statements, we did look at the signed agreements. And it's the signed agreements that lay out the transfer—the details around the transfer of funds into the trust account.

I'm not too sure that there are, in fact, board resolutions to deal with that.

**Mr. Marcelino:** And how much money altogether were in the reserve funds of the MASC at the time that you were investigating this thing? Say, March 2018.

**Mr. Ricard:** So first, just to clarify the use of the word investigating. We didn't investigate, we were auditing MASC. It's a big difference for us.

And so the total in the two reserve funds was \$663 million. That's before the transfer.

**Mr. Chairperson:** Mr. Maloway—or, sorry, Mr. Marcelino.

**Mr. Marcelino:** And of that amount, the transfer was done to irrevocable trust, I suppose? Am I correct?

**Mr. Ricard:** That's exactly what we're just looking at. We're looking at the trust accounts to understand whether they are controlled or not. And that would include the question of irrevocable.

**Mr. Marcelino:** And when we say trust, there is a trustee. And you can identify who the trustees are of those two trusts that were created?

**Mr. Ricard:** Yes, as—we understand that the trustee for both trust accounts is the—is MASC. The corporation MASC. The Manitoba Agricultural Services Corporation.

**Mr. Marcelino:** And those are in the agreements that you have in your possession while you are auditing MASC? That's correct?

**Mr. Ricard:** That's correct. The agreements identify the trustee as MASC. *[interjection]*

**Mr. Chairperson:** Mr. Marcelino.

**Mr. Marcelino:** Sorry—are those agreements available today?

**Mr. Ricard:** Any request for documents like that would have to be made to the department. As an office, I wouldn't forward other departments' information.

**Mr. Marcelino:** Can you undertake to have that done, please?

**Mr. Chairperson:** Was that question, then, I guess to the deputy minister?

Mr. Hrichishen—we do need it on Hansard.

**An Honourable Member:** Yes, yes, of course there would be.

**Mr. Chairperson:** Mr. Fielding—or Mr. Hrichishen.

**Mr. Hrichishen:** I'm sorry, Mr. Chair. Certainly, we'll undertake, we'll look into it. And, if at all possible, in all haste, we'll provide it.

**Mr. Marcelino:** Can that be done before March 2019?

**Mr. Hrichishen:** Yes.

**An Honourable Member:** Thank you.

**Mr. Maloway:** My question's to the deputy as well. I was interested in knowing, you know, the mechanics of setting up the trust, the two trusts. Who are the trustee—who is the trustee? Who's managing the trusts? You know, who's the law firm that was used to set up the trusts?

And the question is are these all government functionaries or are these private functionaries, because, presumably, before—prior to the situation now, this was all—the monies were in the government realm and invested using the government, you know, authorities that are there right now.

So how does this trust business, how is it different from where the money—how the money is handled now, currently?

**Mr. Hrichishen:** First, I'd like to point out that our public accounts does illustrate or state, for our illustration perhaps today, that there are other amounts held in trust, and I'll refer to volume 1, page 100, where a number of the existing trusts are listed. These include Manitoba Development Corporation insurance fund, Production Insurance Trust, public guardian trustee.

On your question, just to give you some background and some context, the working—a working group was established with representatives from Treasury Board Secretariat, the Comptroller's office, Agriculture, MASC, Legislative Counsel and Civil Legal Services. In order to mitigate volatility, the objectives of the working group was to pursue the establishment of trust in a manner that clearly establishes the funds outside the government reporting entity.

Some major organizations, such as MASC, are creating significant volatility to the summary financial statements. Reducing volatility in the government reporting entity is a stated policy direction.

In terms of the MASC, surpluses from AgriInsurance program are to be set aside by MASC in reserve for the payment of future indemnities as required by section 59 of the MASC act.

MASC was—has created trust accounts, as you've referred to. They hold funds solely for the benefit of the AgriInsurance and Hail Insurance participants. The terms of the trust agreements have been agreed to, in principle, and will be completed—or were completed—pardon me, in August 2018. It is anticipated that this will be—pardon me, the trust agreements have an effective date of March 31, 2018.

\* (20:10)

The specific details of the trust agreements: The trusts are administered by a government or government organization excluded from the government reporting entity, and trusts, again, to your point, are defined as property that has been conveyed or assigned to a trustee to be administered as directed by agreement or statute.

In a trust relationship, the trustee holds title to property for the benefit of and stands in a fiduciary relationship to the beneficiary. The government financial statements should disclose in a note or schedule a description of trusts under administration by a government or a government organization in a summary of trust balances. Which we do.

The two MASC trust funds would qualify for trusts under PS1300.4 and are excluded from the government reporting entity based on the following: MASC as trustee stands in a fiduciary relationship to the beneficiaries who are the participants in the AgriInsurance and Hail Insurance program; MASC as trustee will hold title to the funds, the trust funds would include AgriInsurance and hail surplus, including those under the existing Canadian Agricultural Partnership. It would also include investment income on the funds. The corporation must contribute to the trust from time to time, so much of the reserve held under paragraph 2.2 as the trustee determines is necessary to meet the obligations of the trust.

The proposed use of the trust funds would be primarily restricted to paying out indemnities to the participants of the AgriInsurance and Hail Insurance programs. MASC and the Province would not have unilateral authority to change or amend the trust agreements and the trust funds would be administered by the trustee in accordance with the agreements.

Finally, MASC as trustee would be accountable to the participants in the AgriInsurance and Hail Insurance programs, MASC would be responsible for preparing a set of audited financial statements for each of the trusts as of March 31 of each fiscal year.

I hope that provides enough of the context and detail.

**Mr. Maloway:** It doesn't sound like any, much has changed here because the funds are—were with the government now; they're being put in the trust, but the investment decisions on this money are—the same as they were before? Is Finance doing the investing?

**Mr. Hrichishen:** The principal factor in the creation of the trust is that they are irrevocable, and irrevocably go to the participants in the programs.

**Mr. Maloway:** So my question, really, is, is the funds that are being invested, okay, before—who was managing the investment before, and who is managing it now under the trust?

**Mr. Hrichishen:** I believe in both cases it would be our treasury division in Finance. However, I'll take the question as notice and confirm that to you.

**Mr. Maloway:** So you say the, you think the treasury is in, of Finance is doing the investing?

**Mr. Hrichishen:** I will confirm that you. I believe that is the case.

**Mr. Maloway:** My question is when are you going to get back to me on that? How long will it take?

**Mr. Hrichishen:** As soon as it takes. I'd like to, I hope that it will be a week or two.

**Mr. Kelly Bindle (Thompson):** My question is to the Auditor General referencing the explanation of their opinion of the Auditor General's report. It's, under your, in your report where you state your analysis of Workers Compensation Board based on the criteria for control in the PSAS and the relationship between the province and the Workers Compensation Board as defined in the WCB act, you state the fourth item on page six that you believe the following factors indicate the government controls the Workers Compensation Board. Item 4 states that the WCB must provide a grant to government from its accident fund to cover expenses incurred by government in its administration of The Workplace Safety and Health Act and to the tune of \$8.7 million.

How is that different than a fee for service?

**Mr. Ricard:** So just a point of clarification on—it's—the member references the fourth bullet in our list; it's the least compelling of the four. It's an indication that the government does have access to some of this money that is provided by employers. So let's make that point first.

And in terms of a fee for service, well, normally, it's the government who contracts a service and pays a fee for service, pays an agency. This is the other way around. This the WCB providing the government with the funds it needs to provide. It's programmed. So I'm not sure that answers the member's question, but—

**Mr. Bindle:** Is that fee based on services provided?

**Mr. Ricard:** You know, the exact answer to the member's question eludes us.

It's—the amount is determined, as we understand, through the WCB act. It can be increased every year through some provision of the act. But the question might be best forwarded to the deputy minister because it relates to the functioning of it and not as a criteria of control.

**Mr. Reg Helwer (Brandon West):** To the Auditor General, my understanding of an audit or an audit opinion is it's a snapshot in time; it's not a continuum. And I would suspect that the OAG has never been asked to offer an opinion either on WCB control nor on MASC. And to say that your predecessors, Mr.—Ms. Bellringer and Mr. Singleton, agree with your audit opinion, I think is, perhaps, not appropriate. They're not the auditor at this chime; you are.

Has the office ever been asked for a particular opinion, either on WCB or on MASC prior to this, in this detail?

**Mr. Ricard:** So just for clarification, I indicated that in the past, the former AGs, Ms. Bellringer and Mr. Singleton, concurred with the assessment of control when they were issuing opinions in years gone by. I wasn't indicating that they concurred with my opinion this year. I'm just saying that it's consistent with their opinions in the prior years. It's a big difference.

After that, I forget your question.

**Mr. Helwer:** Well, my question was do you know that Ms. Bellringer or Mr. Singleton were ever asked for an opinion on control of either WCBE or MASC in this detail? Or were you asked prior to this year?

\* (20:20)

**Mr. Ricard:** As part of their ability to offer an opinion on the public accounts for the various years that they were AG, that—they would have to—embedded in that opinion is the concurrence that all the entities within the government reporting entity are controlled. So it would be embedded in that assessment, whether they were specifically asked to opine on the details or the

specifics around how it is that the WCB is controlled, I'm not aware that that occurred. Certainly, I wasn't asked.

**Mr. Helwer:** So, Mr. Hrichishen, you know, the government's a big entity. The auditor can't look at everything every year in terms of opinions or anything of that nature. In your knowledge, was the Auditor General's office ever asked for an opinion on control of WCB or on MASC prior to this occasion?

**Mr. Hrichishen:** Consulting with my colleagues, we're not aware of one.

**Mr. Ricard:** I might just add, given the significance of the WCB, the magnitude of the organization—it's one of the few government-business enterprises—it's very likely, I would say, that both Mr. Singleton and Ms. Bellringer would have ensured and been involved in any conversations around whether those were controlled entities or not, whether the WCB was a controlled entity given the magnitude of it, the significance of it.

**Mr. Helwer:** Thank you for your opinion on whether that may or may not have happened, but I think what I'm trying to find here is some middle ground between your office and the department, that this is a new occurrence, that we're looking for ground to be covered whether it looked at—the OAG looked at this particular—these two particular entities in this detail is unlikely and you gave a clean audit opinion on the things that you looked at. So I'm trying to say that there is an opportunity here for both the government and the Auditor General to find common ground moving forward here on this, as opposed to trying to say what happened in the past may or may not be wrong.

They were correct in those opinions, but now we're in a new time where we're moving to summary reporting at—urged by the Office of the Auditor General. We're trying to introduce the best knowledge we can to Manitobans. So I think there's ground there for the OAG and the department to work together to make sure that Manitobans have the best summary reporting they can moving forward.

**Mr. Ricard:** I agree there is room for the department and my office to work together, and we have had conversations on what would it take to—or what will it take to remove the qualification down the road. And that's where we talked about the WCB act and the various provisions within it that gave the minister the powers that we think provide the government with control. So it's a matter of looking at the organization of the WCB and its relationship with the government

and making the necessary changes so that it is no longer a controlled entity.

**Mr. Chairperson:** For the information of the committee, I have four speakers and six minutes. There are some second-time speakers as well on this list. We can certainly extend the time, but maybe we'll just see how far we can make it through the list.

**Mr. Scott Johnston (St. James):** I would like to ask the deputy minister and perhaps the minister, if he wishes to chime in, in regards to—my question to be in regards to the October of 2018 report in regards to deficits, debt and debt servicing costs. In the chart on page 5, the report shows continual deficits from 2009 to 2017, and often the deficit was higher than the budget for that year, and after eight consecutive years of deficit and growing debt, can the deputy minister indicate, what were the primary factors contributing to that situation?

**Mr. Hrichishen:** I think, simply put, that the expenditure growth exceeded the growth of the tax base, and that pushed up the deficit—or, maintained a deficit at a level that would not allow for a balanced budget.

**Mr. Johnston:** What initiatives has the government taken to eliminate or alleviate that problem?

**Mr. Fielding:** Yes. As a government, we've really tried to control spending. Number 1, we've got a plan to get us out of deficit in our second term. Part of that is, you know, also, we know that Manitobans are taxed to the max. Part of that will include our reduction—our PST, and increasing tax brackets by indexing tax brackets and allowing more personal—people to have more—increasing the basic personal exemption.

But essentially, what we're doing is trying to control our spending. We're trying to transform the civil service and ensuring more spending money on infrastructure—that we're spending it in a way that's appropriate—there's a return on investment. I think the auditor had pointed out two different reasons why the deficit had gotten out of control. And that is related to infrastructure spending. I think there was upwards of \$13 billion of infrastructure spending over that time period, as well as the continued deficit reduction.

And so we're making actions to get our house in order and reduce our deficits. And, so far, we've been able to do that—ratchet down the deficit.

**Mr. Johnston:** Just further to debt and debt servicing, the credit rating that the Province experiences—with that accumulated debt and deficit, can you comment on

how it's affected the Province's credit rating and the challenges that the Province has to deal with based on that?

**Mr. Hrichishen:** So—thank you, yes. So to your question, from July 2015 to July 2017, Manitoba has had three downgrades from two credit rating agencies. And these downgrades were the first since 1988.

Manitoba's credit rating is—has deteriorated but is not amongst the lowest amongst the provinces. We've had—large deficits, a rising net debt, a delay in returning to balance and a rising debt burden associated with Hydro were all factors identified by credit rating agencies.

**Mr. Chairperson:** Mr. Michaleski. Oh, sorry, Mr. Johnston.

**Mr. Johnston:** Further—one final question to the Auditor General.

The Auditor General has stated that increasing debt servicing costs is a very serious situation and has associated risk. Can the Auditor General comment on that?

**Mr. Ricard:** The intent of our comments in this report was just to highlight the fact that debt servicing costs will soon exceed a billion dollars. And that makes it, in fact, the third largest—I believe there's only three departments larger than that in—expenditure-wise.

And that because of that, it's important that, while we don't comment as an office—we don't comment on debt levels or deficit levels because we consider those a matter of policy, it's important that policy decisions around deficits and debt be properly risk managed, because the consequences of rising debt is ever-increasing debt servicing costs. And in an environment of increasing interest rates, the debt servicing costs will begin to escalate well beyond a billion unless debt levels can be—unless there's a plan for curtailing, you know, the level of debt.

\* (20:30)

So it's all about risk management, and the piece was written to highlight the need for debt management—for risk management and to act on the considerations that were raised by our office in the deficits and debt research study that we did back in 2014.

**Mr. Chairperson:** We—I see that our allotted time has expired. I have Mr. Michaleski, Mr. Yakimoski and Ms. Morley-Lecomte still on the list.

What's the will of the committee?

**Mr. Maloway:** Mr. Chair, I'd suggest we go 'til 9 o'clock, reassess it at that time, in case we want to go later.

**Mr. Chairperson:** Okay. Is there agreement to sit until 9 o'clock and—yes, Mr. Michaleski—or, sorry—yes, Mr. Michaleski.

**Mr. Michaleski:** Yes, there's a lot of information in these reports, and, of course, lots of people haven't asked questions.

I would ask that if the will of this is to sit 'til no later than midnight, to ensure that all the questions are asked.

**Mr. Chairperson:** Okay. So is there agreement to—for the committee to sit 'til midnight?

**An Honourable Member:** No.

**Mr. Chairperson:** Okay I hear a—do I have to—okay, so I'll put the question first to the committee.

Is there agreement to sit 'til 9 p.m. and reassess at that time? *[Agreed]*

All right. So I just wanted to assure members, though. It is true that we, as a committee, are committed to making sure that we get all the questions in. I don't think there has been a circumstance where we've shut down questions.

But saying—you know, having said that, if we can keep questions as relevant as possible, as always, and you know, with some consideration to the time, because I do hope that there's another opportunity for us to come back together as a PAC and have another kick at either this report or others.

**Mr. Michaleski:** Well, thank you, Mr. Chairman, on the—for the opportunity to ask. I've got a couple of different streams here to go on. One's a happy one. It's dealing with the 2018 economic report. A lot of positive information coming out of that, positive directions, positive trends.

There's—again, I'm from Dauphin. We're right in the middle of agriculture production zone, and those are—those things are important to rural Manitoba. So I have a stream of questions that I'd like to talk about agriculture and maybe some future projections on—but I think I'm going to postpone that one, because I want to—the second stream is one that's really got me perplexed, and this is to do with Investors Group Field.

I appreciate the information that's provided to try to sort this thing out. It's—from my perspective, the soft version of this is it's an elaborate scheme at the very

least, shady at the other end. So somebody has to make sense of this thing to me.

And we have three partners in this scheme. And my question is specifically about the U of M and the roles and their responsibility in this partnership, and are they out of line with their role?

**Mr. Chairperson:** If I could just ask members of the committee to limit the cross-talk, if I could, and also to remind members to place your questions through the Chair to the members of the committee.

Oh, sorry, and if you could just clarify, Mr. Michaleski, the question was to—

**Mr. Michaleski:** Yes, Mr. Chair. I apologize for not directing, but I think this is to the deputy, to the minister and the Auditor General as well, because Auditor General has tried to make sense of this for us, and I really, really appreciate it. It is a lot of moving parts in this. I read it a couple times, I still can't figure it out. And, of course, I look at it and I'm a little bit concerned that—the conclusion that I get out of this thing is the NDP essentially gave the city of Winnipeg a stadium for nothing and the rest of the province is paying for it. That's what I'm hearing.

So maybe some of that can be clarified as well.

**Mr. Chairperson:** This was to the deputy.

**Mr. Hrichishen:** So there's a saying of drop 10 and punt.

It—in this case, I'd refer you to what I consider to be the definitive review of the transactions associated with Investors Group Field in the report prepared by the auditor, Public Accounts and Other Financial Statement Audit, 2018, which, to my mind, is the quintessential description of the many moving pieces associated with the arrangements around Investors Group Field.

And I'll try to answer your question relatively succinctly and invite the auditor, who's—again—outstanding insights in this very good analysis if he wishes to add to it.

So, as you probably know, construction of IGF was financed with funds provided primarily by the Province of Manitoba. And in 2011, to your point, the Province loaned \$160 million to the University of Manitoba. They, in turn, loaned the money to BBB Stadium Inc., a nonprofit corporation responsible for building, owning and maintaining IGF.

As the OAG's report will indicate, there were a couple of phases and other non-GRE entities involved

in various stages of the financing of the field. I think most relevant for our purposes today in respect of this public accounts report is that we've recorded an \$82-million provision in the '17-18 public accounts for the phase 2 provincial loan to support construction of Investors Group Field. And that provision reflects the remaining balance of the phase 2 loan at March 31, 2018.

The provision, which we've established was based on our analysis that showed that the Winnipeg Football Club will not have sufficient cash flow to repay the phase 2 loan after considering its requirement to pay infrastructure maintenance costs of the facility—as such, the loan is impaired and an \$82-million provision has been established in the 2017-18 public accounts to establish an allowance for the loan.

**Mr. Chairperson:** Mr. Ricard, do you wish to add to that?

**Mr. Ricard:** Sure.

The one thing that I would add to what the deputy minister has said is we—first of all, thank him for his description of our section where we attempted to describe the Investors Group Field arrangement, both from a financing to a repayment and accounting perspective.

One of the things that we continue to look at—there's two things that we're continuing to look at, which we hope to be able to report in our report coming out in February 2019, is we are looking at—in more detail at the—at how the projections were developed both from the Bombers as well as with respect to the TIF funds, and to understand the total revenue—anticipated revenue coming in from those two sources to repay those—the phase 1 and phase 2 loans so as to be able to identify how much interest and principal will likely go unpaid, which, in my mind, would be the amount that the member talked about, the amount left for the general public purse to fund.

\* (20:40)

Another thing that we're looking at is what Triple B—the role that Triple B plays. They are the owner of the stadium. They are to oversee the stadium, and, as we understand it, they are the ones who should be managing the arrangement to ensure that the loans can be repaid. So we're looking at what Triple B's role was and what they did and whether they did it well.

**Mr. Michaleski:** Yes, so correct me if I'm wrong. Again, this is a very complicated scheme. So the three partners in Triple B are the Province, through the

U of M; the City of Winnipeg; and the Winnipeg Football Club, correct?

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

**Mr. Michaleski:** So I guess, again, the U of M is a GRE of the Province. Is that—or—is that correct term?

**Mr. Ricard:** The U of M is a controlled entity of the Province, yes. It's included in the government reporting entity.

**Mr. Michaleski:** So is the U of M, then—again, they're a controlled entity of the Province. Did U of M—again, as a partner, so you might as well say it's the Province did—was U of M used inappropriately for this scheme? And, ultimately, what liability does the U of M have, or does that have anything, or does it all rest with the Province?

**Mr. Ricard:** So I can't comment on the first part of your characterization of the use of the U of M.

In terms of—I'm trying to remember now, the second part was in relation—

**An Honourable Member:** Liability.

**Mr. Ricard:** Oh, well, the—they are liable to—they have a loan with the Province, so they—but it flows—the money to repay the loan they have with the Province comes from—how does that work again?

Triple B pays U of M, and then U of M pays the Province.

**Mr. Michaleski:** Okay, just two questions. Well, one first.

So this \$160-million loan that the government gave the U of M, is this normal practice for the government to do with other lending—with other education universities, colleges, across Manitoba, or is this unique for this particular thing—was directed at a football stadium in Winnipeg. Is there—is this unprecedented, or can you show me somewhere where this has been done before?

**Mr. Ricard:** So I think that question was directed to me, but I would suggest that it's better answered by the deputy minister.

**Mr. Hrichishen:** We're not aware of any such arrangement.

**Mr. Michaleski:** Okay, so the U of M's role in all of this, I guess, you know, they are an education facility in the province. They, more or less, set tuition rates. So this risk of defaulting, let's say, even though they can't, because the Province would be on hook, does this have

any effect on tuition rates for people that come from Dauphin and go to university or anything like that? I don't know. It is a U of M liability. It's on the U of M—is it on the books as a U of M liability?

**Mr. Chairperson:** Once again, just a reminder that questions should come through the Chair and that crosstalk should be limited.

**Mr. Ricard:** So, just to clarify the U of M's responsibility, and they discussed this in their financial statements, but they are responsible for repaying the Province only to the extent that they receive funds from Triple B. So they—if the Bombers, if the whole flow of money from the TIF, or flow of money from the stadium isn't enough to repay the loans, they're only responsible for paying the money that they receive.

**Mr. Michaleski:** So, the City of Winnipeg has the TIF—correct me—and the Province is holding the bag. Is that sort of the deal?

**Mr. Ricard:** Well, there's two components to the TIF. There's a provincial TIF, so money flows from the Province, but there's also money from the City on the education component.

**Mr. Michaleski:** And again, that TIF is connected to a down—to a property near Polo Park, disconnected from where the stadium is built, to quote: a completely different area of the city, correct?

**Mr. Ricard:** The TIF relates to the former—the property where the former stadium resided, so, near Polo Park.

**Mr. Michaleski:** And, of course, the City is under no obligation, if the thing goes undeveloped, the City is in no obligation to hand over TIF funds. If nothing's there developed, correct?

**Mr. Ricard:** So, that's exactly what we're looking at because if there is no development or—and right now, there isn't a whole lot of development, but if there's no development, then there's no incremental taxes generated, and so if there's no incremental taxes generated, then the City can't forward anything.

We're looking at the question. So what is the Province, what is the City doing to encourage, to promote development on that property?

**Mr. Michaleski:** Again, I guess I look at that from this issue of how the stadium is funded regarding some of the other issues that are going on in—and again, I'm going to go off on a side here, talk about boundary views and those type of things that—so it—I understand, it may not be relevant, but to me and from Dauphin,

it is. So, anyways, there's no risk of, again, tuition hikes or anything like that at U of M defaulting any way on this stadium deal?

**Mr. Ricard:** To my understanding, there's no risk of that because they are only responsible for repaying what they received, repaying the Province what they received. They have an amount owing to the Province but they've also lent money to Triple B so they only need to repay the Province what they receive from Triple B. They're a flow-through, basically.

**Mr. Michaleski:** Thank you. I have a different stream of questions so if somebody else wants to go along the same line of investors, I'll wait my turn.

**Mr. Blair Yakimoski (Transcona):** I'd like to on that, along that similar line. For starters, I'd like to ask if the deputy minister could explain to me on, is it volume 3 of the Public Accounts on page 69, there is a statement regarding total amount of debt or obligation written off, and then on page 99 we have a contingency for writedown. First off, I'd like to know, explain to me the difference of a writeoff or a writedown.

**Mr. Hrichishen:** In terms of a writeoff, that occurs when there is no chance of collecting, and, in our system of controls and approvals, those writeoffs must be approved by the Minister of Finance.

\* (20:50)

An allowance occurs when there is, in our professional judgment, a significantly reduced chance of collecting a sum. However, I also want to stress that, in the case of an allowance, the obligation continues for that amount to be paid.

**Mr. Chairperson:** So I just wanted to inform the committee we have three additional speakers on my list, and I'm seeing that Mr. Yakimoski has another question. Just for information of the committee, we have eight minutes remaining before the 9 p.m. time that we set.

**Mr. Yakimoski:** So you referred—so it's referred to on page 99—I've heard people refer to the \$82 million as a provision, as an allowance, it's for writedown—there's—is there a likely chance that it can be repaid, there is very little chance it can be repaid?

We have a lot of people—a lot of Manitobans are under the impression that this \$82 million that—our government has given to the football team, and I'd like to know if you could speak on that for a minute.

**Mr. Hrichishen:** Absolutely, that is—that would be incorrect. The obligation continues to exist; it's just

from a prudent financial perspective in our reporting. We've made this allowance in the expectation that it is doubtful that the amount will be paid.

Does the obligation exist? Yes, it continues to exist.

**Mr. Yakimoski:** My colleague from Dauphin was very animated, and we heard him. He's very concerned, and Manitobans are very concerned about having to pay for something that all Manitobans benefit, but we get to go here in the city.

But, within page 99, there's a contingency for writedown for several different things. Are these all items that are being written down on these financials, or as a 'constingency', they will be done in the future, or is it done here? And perhaps you can speak on some of the larger ones, the \$32 million in the Families, the maybe \$17 million within Infrastructure, \$10 million within Agriculture, \$4 million within Sus Dev and even the other items that reference them and how they can impact us.

**Mr. Hrichishen:** So the contingency for write down addresses receivables, we believe, would prudently not be expected to be collected, as well as certain liabilities we did not expect.

In regards to some of the larger items, I referred before to a \$82-million valuation allowance established for phase 2 of Investors Group Field stadium loan, resulting from our analysis showing that after considering maintenance costs, the Winnipeg Football Club will not have sufficient cash to repay the phase 2 loan.

There's also a \$30-million provision, which you referred to, in respect of working capital advances made to social services agencies over more than two decades. This provision reflects proper accounting procedures to recognize the impairment of these advances. An analysis of the advances revealed a very high risk of uncollectability.

Another large item is \$22 million, which is a provision for contaminated sites, and that relates to a 15 per cent valuation allowance for contaminated sites in the Department of Infrastructure, and inflationary increases to those allowances for the departments of Growth, Enterprise and Trade, and Sustainable Development. Those would be the most significant amongst that list.

There are, in fact, many, many smaller items here.

**Mr. Yakimoski:** On that same page, there is a line for a forecast. So forecast would be referring to what exactly?

**Mr. Hrichishen:** The forecast number refers to an amount that we included in the third quarter financial report for the Province for '17-18 related to our preliminary estimate of potential contingencies, loan impairments and so forth that would be, in fact, recorded, ultimately in '17-18.

So that is, in essence, our forecast or very preliminary estimate. It was prudent at that time to include something, although we certainly did not have enough of advanced information to be more specific in respect of this. As it turned out, it was substantially larger.

**Mr. Chairperson:** I see that our time is just about to expire, so I'll just poll the committee.

What's the will of the committee?

**Mr. Michaleski:** I would suggest that we go for another hour and ensure everybody has their questions asked.

**Mr. Chairperson:** So is there agreement that the committee would continue to sit 'til 10 p.m.? *[Agreed]*

\* (21:00)

**Mr. Yakimoski:** Thank you, Mr. Hrichishen, for your answers.

One last question regarding this. I wanted to know what—the \$82 million was for phase 2. Phase 1 was also written down, and the interest, I believe, on phase 2 may have been as well.

What is the total writedown so far and where would the phase 1 be located? Would it be in these public accounts, or was it done earlier?

*Mr. Vice-Chairperson in the Chair*

**Mr. Hrichishen:** On page 108, there is a schedule 2 of Manitoba Public Accounts, volume 1 that reflects a valuation allowance of \$118 million associated with the phase 1 loan. That valuation allowance is set up in respect of the phase 1 loan and is—reflects an allowance over a period of time, starting with a \$49-million allowance for the Province's portion of the phase 1 loan in 2013-2014, which was essentially, in layman's terms—a loan to ourselves, a further \$12 million of capitalized interest was recognized in the allowance in 2014 through 2017, and, finally, the \$56-million amount on the City's portion of phase 1, which was

recognized in '16-17 fiscal year and are reflected in those public accounts form the final portion.

*Mr. Chairperson in the Chair*

The total of that, including rounding, it totals to the \$118 million here.

**Mr. Yakimoski:** One last question. The first thing you'd mentioned there, the \$49-million phase 1 that we've loaned to ourselves—can you elaborate that? Seems odd.

**Mr. Hrichishen:** Briefly, the loan included funds to be recovered from school tax on the property. Our portion—the Province's portion—of the loan would be paid back by revenues to us. So the revenue to us for the loan was to be used to pay us back.

**Mr. Chairperson:** Ms. Morley-Lecomte.

**Ms. Janice Morley-Lecomte (Seine River):** I'm good. They've asked my questions.

**Mr. Bindle:** I'm going to turn away from the stadium right now, and I'm going to focus on volume 2 of the audit—of the financial statements, the Public Accounts.

Last month, there was a press conference related to the interchange agreements that the government identified some problems with and the minister also tabled an addendum to the Public Accounts volume 2, adding some further adjustments to a number of former government staff compensation disclosures. I believe the addendum is page—well the—it's page 70–170 and 171 in the volume 2.

Can the deputy minister please explain why that was necessary and how you discovered the need to make those changes? Volume 2, 170 and 171.

\* (21:10)

**Mr. Hrichishen:** At a very high level, the employment status of an individual directly affects a person's entitlement to Employment Insurance and Canada Pension Plan benefits treatment under the Income Tax Act and other employment-related benefits. So an employee's status, under an interchange agreement, is really fundamental and, in our province, is subject to significant internal controls. And what we found were internal control breaches.

For the past several years, the Canada Revenue Agency has also ruled that a number of self-employed contractors are, in fact, employees in accordance with its directives. Why is this important to us? There's a significant risk to the government of Manitoba, from both a financial and reputational perspective, when

individuals are designated in error as contractors instead of employees. The deemed employee may be eligible for other employment-related benefits, such as pension, insurance and EI claims, that the government of Manitoba may then be responsible for, and the government may be responsible for remitting both the employer and employee's share of statutory payroll deductions plus penalties and interest.

In addition, the government would not be in compliance, in fact, with The Public Sector Compensation Disclosure Act, if compensation of an employee of \$50,000 or more paid was deemed to be an employee but not disclosed in the schedule. And that is in volume 2, as you referred to just a moment ago.

Interchange and secondment agreements represent offers of employment. In June 2016, the office of the provincial Comptroller and the Civil Service Commission issued a joint memorandum to all deputy ministers requesting copies of all interchange and secondment agreements. Based on the evidence gathered, only the Department of Families had entered into interchange and secondment agreements with individuals and organizations external to core government.

How was this discovered? Payments specific to the interchange agreements were made through the SAP accounts payment system and not through the SAP payroll system, so we were paying them as vendors rather than employees when, in fact, by the standard definition, they were employees.

Compensation greater than \$50,000 paid to interchange agreement workers was not disclosed in the schedule of public sector compensation included in volume 2 of the government's Public Accounts annual report. The payments made were disclosed in volume 2 in the statement of consolidated payments in excess of \$5,000 to corporations. So this is how we reported this compensation or payment information, which was clearly inappropriate.

Since the workers are deemed employees of the government of Manitoba, the government of Manitoba is not in compliance with The Public Sector Compensation Disclosure Act.

In November 2018, the Province tabled revisions to volume 2 of Public Accounts to correct the public sector compensation disclosure and vendor payments based on the findings of the audit. These updates were reviewed by the Auditor and they were—oh, the OAG, pardon me—and they were—they indicated they had no

concerns. So that is the background to how this information was discovered and reported.

**Mr. Bindle:** What has the CRA said about these interchange agreements and whether they comply with their tax rules?

**Mr. Hrichishen:** In the instance where an individual is deemed to be an employee of Manitoba, it's up to the CRA to pursue the issue of the appropriate deductions with the firm or the entity to which payments were made. We are aware that these payments were not made in all instances.

**Mr. Bindle:** How do we avoid this in the future?

**Mr. Hrichishen:** Certainly with the discovery of this issue, there may be—fair to say that there is a significantly increased awareness for the appropriate assessments of interchange agreements. All interchange agreements at this time, and going forward, must be approved by Treasury Board. The review, in fact, resulted in over 30—almost 40 improvements that are either implemented or under way. We'd include here new policies, procedures, contract templates, checklists, monitoring and approvals and a new electronic tip line.

These improvements affected the Civil Service Commission, the Office of the Provincial Comptroller, as well as the Clerk of Executive Council.

The focus of the improvements will be hiring practices and complying with CRA rules in regards to employee and employer relationships in conflict of interest.

Finally, a great deal of education and communication has been carried out regarding compliance with these improved hiring practices and, in particular, addressing being absolutely consistent with the requirements of the CRA rules.

\* (21:20)

**Mr. Michaleski:** Thank you, Mr. Chairman, for the opportunity to go off on that other stream that I was talking about. We know we—there's a lot of good information in terms of this economic report in terms of the direction Manitoba is going. I want to thank the minister for all the great work that he's doing to tame the deficit and put Manitoba on the right course.

Of course, again, I'm from Dauphin. I represent—there's an agricultural—big agricultural component in my neck of the woods and in much of rural Manitoba.

So I just want to know if there's—can—is there any projections on an outlook regarding petroleum,

agriculture, mining sector. We know that there's—the producers in our area, they're dealing with volatile markets, considerable ranges in price moves. So, I guess, I have a additional question regarding some of that volatility that exists in the market and what protections is Manitoba putting in place to deal with this volatility—and the question to the deputy minister, the minister or the—to all three.

**Mr. Hrichishen:** My answer will be at a very high level, and that is a issue that was raised today and has been raised and was the focus of the auditor's recent assessment, both the financial statements in recent history.

And that is the ability of a government to respond to developments in a meaningful and effective way. In a word, it's fiscal flexibility; having the capacity to have your finances in such a way that in the instance where a particular industry or a particular economic development, whether it's the housing market or petroleum market, if that government chooses to have the flexibility to take action to address those concerns.

I'm straying into a policy area, so I—you might sense a certain discomfort in my voice, but I think at a very high level, fiscal flexibility is that—an issue that all governments aspire to in Canada. And globally as well, I believe.

**Mr. Michaleski:** That's it for my line of questioning.

**Mr. Chairperson:** Okay. Seeing no further questions, I will put the question of the reports before us to the committee.

Shall volume 1 of the Public Accounts for the fiscal year ending March 31st, 2018, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** This report is not passed.

Shall volume 2 of the Public Accounts for the fiscal year ending March 31st, 2018, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** This—I hear a no. This report is not passed.

Shall volume 3 of the Public Accounts for the fiscal year ending March 31st, 2018, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. This report is not passed.

Shall the Auditor General's Report—Public Accounts and Other Financial Statement Audit, dated August 2018 pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. This report is not passed.

Shall the Auditor General's Report—Understanding our Audit Opinion on Manitoba's March 31st, 2018 Summary Financial Statements, dated September 2018 pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** And I hear a no. This report is not passed.

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.

The hour being 9:24, what is the will of the committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Committee rise.

**COMMITTEE ROSE AT:** 9:24 p.m.

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