

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

Chairperson
Mr. Jim Maloway
Constituency of Elmwood

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, May 31, 2022

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jim Maloway (Elmwood)

VICE-CHAIRPERSON – Mr. Greg Nesbitt (Riding Mountain)

ATTENDANCE – 11 QUORUM – 6

Members of the committee present:

Mr. Lamont, MLA Lindsey, Messrs. Maloway, Martin, Michaleski, Ms. Naylor, Messrs. Nesbitt, Smook, Teitsma, Wasyliw, Wishart

APPEARING:

Mr. Tyson Shtykalo, Auditor General

WITNESSES:

*Mr. Richard Groen, Deputy Minister of Finance
Mr. Don Delisle, Assistant Deputy Minister of Treasury Division
Ms. Andrea Saj, Provincial Comptroller
Mr. Jason Perez, Executive Director of Public Accounts*

MATTERS UNDER CONSIDERATION:

Province of Manitoba Annual Report and Public Accounts – dated March 31, 2020

Auditor General's Report – Public Accounts and Other Financial Statement Audits – dated December 2020

Province of Manitoba Annual Report and Public Accounts – dated March 31, 2021

Auditor General's Report – Public Accounts and Other Financial Statement Audits – dated December 2021

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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: Province of Manitoba Annual Report and Public Accounts, dated March 31, 2020; Auditor General's Report, Public Accounts and Other Financial Statement Audits, dated December 2020;

Province of Manitoba Annual Report and Public Accounts, dated March 31, 2021; Auditor General's Report, Public Accounts and Other Financial Statement Audits, dated December 2021.

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

MLA Tom Lindsey (Flin Flon): I'd suggest that we sit for two hours initially, and then revisit at that point in time and see where we're at.

Mr. Chairperson: Are we agreed? [*Agreed*]

For the information of the committee, there's been a request for the following witnesses to be able to speak on the record, to answer questions from members: No. 1, Andrea Saj, who's the Provincial Comptroller; Don Delisle, assistant deputy minister of the Treasury Division; and Jason Perez, the executive director, Public Accounts.

Is there leave of the committee to allow them to speak on the record if required? [*Agreed*]

Does the Auditor General wish to make an opening statement?

Mr. Tyson Shtykalo (Auditor General): First, I would like to introduce the staff members I have with me today: I have Natalie Bessette-Asumadu, deputy auditor general; Yuki Diaz, manager of the—in the financial statement audit area; and Stacey Wowchuk, assistant auditor general for performance audit.

Mr. Chair, each year my office audits the Province of Manitoba summary financial statements, as well as the financial statements of a number of other reporting entities. I report annually to the Assembly about these audits. Before the committee today are the reports on my financial statement audits for 2020 and 2021.

Mr. Chair, Manitoba's financial results have been greatly impacted by the Province's response to the COVID-19 pandemic. While COVID-19 struck in fiscal 2020, it was late in the fiscal year and, as a result, spending and other financial impacts were not significant to the Province's financial results that year.

In fiscal 2021, there was significant new spending introduced as part of Manitoba's COVID-19 response

and recovery. Our 2021 report included an overview of many of the new expenses, revenues and balances related to this pandemic response and information on how these are accounted for in the Province's annual results. We also discussed related items such as accounting for personal protective equipment, vaccines and federal funding.

While pandemic-related spending impacted the annual deficit, it also had an impact on our audit. Many new programs were introduced quickly and under emergency circumstances. In response to new risks and changes in the control environment, we modified our audit approach where necessary.

Mr. Chair, in Budget 2020, the Province announced a goal to reduce a number of entities in the government reporting entity, or GRE. There were a number of changes made in 2021 that will result in 22 fewer entities in the GRE for the current fiscal year. In some cases, the results are a change in governance or operations; in others, it will simply result in a change of financial reporting. Our 2021 report discusses these changes.

There are also some changes in the public sector accounting standards coming in the next few years that may have a significant impact on the Province's financial reporting. Standards are set by the Public Sector Accounting Board, an independent board whose role includes establishing financial reporting standards and guidance that improve the quality of information reported by Canadian public sector entities, considering the needs of stakeholders and changes in the economic environment. The upcoming changes include new standards on asset retirement obligations and financial instruments.

While implementation of these new standards is not required until the year ending March 31st, 2023, a significant amount of preparation may be required. Because of the potential impact this will have on the Province's financial reporting, implementation plans should be in place as soon as possible.

Mr. Chair, in our December 2021 report we provided an overview of the entities we audit in addition to the summary of financial statements. A number of these entities had their final year as a separate reporting entity.

For a number of years, we've been working towards building a portfolio of financial statement audits that are all of strategic importance to the Legislative Assembly. The elimination of some of the

smaller entities we were required to audit by legislation will now allow us to redirect some audit resources to more strategic assignments.

Mr. Chair, in our December 2020 report we made nine recommendations to the Province. Three of these recommendations have been implemented with the others in various stages of progress. In December 2021, we made one new recommendation regarding training and oversight regarding the preparation of accounting estimates. I'm pleased the Province has agreed with this recommendation.

Finally, in both 2020 and 2021, we qualified the opinion on the summary financial statements related to the exclusion of the Workers Compensation Board and the trust accounts of the Manitoba Agricultural Services Corporation, a recurring issue since the Province stopped consolidating them.

I'd like to thank the Department of Finance, the Treasury Board Secretariat and everyone else in the government reporting entity involved in the preparation of financial information. The co-operation and assistance is greatly appreciated.

Thank you, Mr. Chair.

Mr. Chairperson: Thank you.

Does the deputy minister wish to make an opening statement, and would he please introduce his staff joining him here today?

* (18:10)

Mr. Richard Groen (Deputy Minister of Finance): Yes, I have an opening statement I'd like to make, and I'd like to introduce—next to me is Andrea Saj, who's the Provincial Comptroller. And behind me I have Jason Perez, on my left, who's the executive director responsible for Public Accounts within the Provincial Comptroller's office. And on my right we have Don Delisle, who's the assistant deputy minister in Treasury division within Finance.

I would like to thank the committee for the opportunity to provide brief comments on the Public Accounts for the fiscal years ending March 31st, 2020, and March 31st, 2021, as well as the reports to the Legislature in December 2021 and 2020.

The Public Accounts for the year ended March 31st, 2020, was released on September 29th, 2020. And for the fiscal year ended March 31st, 2021, I am pleased to report we were able to deliver an advance on its release to September 23rd, 2021.

The annual report and Public Accounts include an opening message from the government; strategic outcomes; financial outlook and strategic infrastructure investments; introduction and financial highlights of the summary financial statements; financial statement discussion and analysis report, which includes trend information on the financial condition of the government; the summary financial statements, notes and schedules; and information provided under statutory requirement.

The 2021 annual report and Public Accounts includes a fiscal summary of the COVID response in Manitoba. Like governments across the country and around the world, Manitoba recorded a large budget deficit which resulted in a corresponding increase in debt. The Province's summary financial position for the fiscal year ended March 31st, 2021, was a net loss of \$2.117 billion. The result was the confluence of several factors.

Provincial taxation revenues and the net income of government business enterprises, notably Manitoba Liquor & Lotteries Corporation, were negatively affected by COVID-19 and the public health order restrictions that were implemented to protect Manitobans.

Manitoba incurred about \$2.1 billion in COVID-19 expenditures related to health care, personal protection equipment and assistance to critical-care workers and for business assistance. Manitoba received \$730 million in federal COVID-19 transfers.

The COVID-19 pandemic quickly reversed the progress made in the year ended March 31st, 2020, and in prior fiscal years. In 2019-20, the Province achieved a modest surplus despite increasing—increases in health-care spending, Education and Families by \$1.3 billion compared to 2015-2016.

At the last meeting of the Public Accounts Committee, many questions focused on the two qualifications in the Public Accounts that preceded the years to which we are meeting today. I wish to reiterate again that Manitoba takes the qualified opinions very seriously and we strive to comply with public sector accounting standards in every way. Unlike law, in the accounting world there's no Court of Appeal for resolving different views on the accounting treatment of government assets. We were aligned, working collaboratively, with the Office of the Auditor General to avoid and, if not, resolve qualified opinions. I'm very happy to report that we have taken steps to resolve the qualified opinions.

In the case of the 2021 qualifications, the Office of the Provincial Comptroller have reached an agreement in principle with the Office of the Auditor General on steps the Province can take to remove the qualifications with respect to the Manitoba Agricultural Services Corporation and the Workers Compensation Board.

Due to legislative changes enacted in November 2020 respecting the appointment of board members based on nominees provided by employer and employee representatives, the Office of the Auditor General agreed that the Province no longer controls the Workers Compensation Board. Because of the loss of control in fiscal 2020-2021, summary financial statements were qualified for the disposal of the Workers Compensation Board, which the Province did not record.

The March 31st, 2022, financial statement—summary financial statement will be qualified for the Workers Compensation Board for the last time.

The Office of the Provincial Comptroller, along with Agriculture and Manitoba Agricultural Services Corporation officials, have come to a resolution on the MASC audit qualification. The qualification has been addressed by a change in the accounting policy to be implemented effective April 1st, 2021, that will account for the entire insurance program, not just a MASC trust that's externally restricted liabilities.

This ensures that the funds—whether in MASC or in trust funds—exist for the benefit of agricultural producers and is not available for the use of the provincial government, which was our intent to secure for producers' benefit all along.

Sitting at the table with me, as I said, is Andrea Saj, the Provincial Comptroller. Andrea is very familiar with public sector accounting standards and helps put the Province on a more level playing field in our discussions with the Office of the Auditor General. She is able to take questions from committee members and to assist me in providing answers.

We shall endeavour to answer all administrative-related questions posed by the committee on the reports reflected on tonight's agenda. It is possible we may need to take some questions as notice and provide a specific response to the question in writing later.

I want to thank the staff and colleagues at the Treasury Board Secretariat and the Office of the Provincial Comptroller for their work on financial statements, including the Public Accounts. I also want to thank Tyshen Shykalo [*phonetic*] for his office of

audit professionals. I want to acknowledge their professional and collaborative relationship with the Treasury Board Secretariat and the Department of Finance.

Thank you very much.

Mr. Chairperson: Thank you.

Before we proceed further, 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 the Hansard for any outstanding questions that the witness commits to provide an answer to and will 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.

Before we get into questions, I would like to remind members that questions of an administrative nature are placed to the witnesses and that policy questions will not be entertained and are better left for another forum.

The floor is now open for questions.

Mr. Mark Wasyliv (Fort Garry): My first question is to the Auditor General in relation to Winnipeg Foundation funds.

As you've noted that \$388 million has been transferred since 2019 to The Winnipeg Foundation, and I'm wondering if the Auditor General can comment about the cost of this type of funding approach to the Province while we're in deficit and what other concerns the Auditor General has with this type of set-up as opposed to the Province just providing direct programming without going through an intermediary like The Winnipeg Foundation.

Mr. Shtykalo: In our report to the Legislature for December 2021, we talk about the fact that a significant amount of money has been transferred to The Winnipeg Foundation. We bring that to the attention of the Assembly because it does change the nature of control of these funds and, on pages 30 and 31, we talk a bit about the control and the cost of the structure.

We do point out that these funds had been set up in The Winnipeg Foundation when the Province is in an annual deficit position.

* (18:20)

We point out that funding, when in a deficit position, can be linked to an increase in borrowings, and there are certain costs associated with that. What we don't do in our report is go into any type of cost analysis, both on the cost side and any benefits that would come to the Province.

So, questions on the details of the costs behind it would be best answered by Department of Finance.

Mr. Wasyliv: To the deputy minister: I'm wondering if he can explain, given that there is a financial cost to the Province for engaging in this type of structure, what are the sort of benefits that they see for the Province.

Mr. Groen: So, the intention of providing the endowments was to provide certainty for funding outside of the normal process of annual budget allocation, so the original endowments would provide certainty for those organizations that were benefitting from any income earned on those endowments, which would fund their annual activities going forward. So that was the intention of the government.

The fact that they chose to—it's part of—partly deficit finance. I wouldn't say it was fully deficit finance, because the deficit finance doesn't go towards one program and then provincial revenues get allocated for a different program in earmarking. In finance, we don't care much for earmarking, so all the money goes into the pot and whatever is deficit finance, it's difficult to attribute it to an endowment that's been settled or a program or health care or education. It's just all one pot of money, I would say, and a residual is deficit finance.

Mr. Ian Wishart (Portage la Prairie): My first question is for the Auditor General, and I'm very pleased to see that we've worked towards getting the conditions off the audits, and we had quite a discussion about it at a previous PAC meeting. And I see that the terminology used to describe the MASC trust is pretty much identical to the terminology used in the federal legislation.

Was it the federal legislation that touches on the agricultural safety net funding that clarified that particular issue?

Mr. Shtykalo: I will ask the member to just point out the—when he's referring to the language, are you speaking about the language in our audit opinion, or—

Mr. Wishart: My apologies. The—it's in—the language used in the deputy minister's statement.

Mr. Shtykalo: Okay. So, in our 2021 audit and in our report on our audit that year, the qualification still remains because the trust assets were not included in the assets of MASC. The deputy is speaking about changes that have been made subsequent to that point, and currently those—the implementation of the changes and the accounting for it are being finalized as part of the 2022 year end.

We have had discussions with the department and are aware of their plans, but until everything's fully implemented and accounted for and our opinion has been issued, I won't speak to specifically, you know, what the changes are or are planning to be.

So, again, I would recommend that information on those actions—relating to the 2022 fiscal year be directed to the Department of Finance.

Mr. Wishart: So, accordingly, I will direct my question to the deputy.

The resolution of the conditions in the audit is an ongoing process. When we're done, will we be in the same situation as many other provinces in regards to the status of these two particular funds, the workmen's compensation fund and the MASC AgriInsurance fund?

Mr. Groen: So, I may ask the Provincial Comptroller to intervene in my answer, but the answer is this: With respect to Workers Compensation, it is not part of the government reporting entity in—outside of Manitoba, in any province except for Saskatchewan. And so we made the legislative changes to the satisfaction of the Office of the Auditor General to show that, notwithstanding their order-in-council appointment, the change in the process for those appointments means that the Manitoba government doesn't have control.

With respect to crop insurance and hail insurance, we would be aligned with regulatory changes that are coming, as well as federal legislation and the federal agreements governing crop insurance.

And in that regard, we would be aligned with Quebec, but for different reasons. And other provinces would be aligned to the extent that they would be captured as part of the government reporting entity.

MLA Lindsey: Back to The Winnipeg Foundation for a minute, if we could.

What kind of public accounting is there going to be or is in place now for monies that get distributed by The Winnipeg Foundation, and could you tell me what the difference is, then, between that public accounting

and the public accounting that would have traditionally been when the government was issuing grants?

* (18:30)

Mr. Groen: So, I would refer the member to page 96 of the Public Accounts for the fiscal year ending March 31st, 2020, where note 17 refers to the transfers to The Winnipeg Foundation. It indicates that the funds transferred to the trust are irrevocable; in other words, they cannot be returned to the Province as the settler.

The trust funds are administered and invested by The Winnipeg Foundation for the purpose of generating revenue for purposes specified in the trust agreements signed between the Province and The Winnipeg Foundation. The trusts are not controlled by the Province and are therefore not consolidated as part of the government reporting entity. We report on the transfers and the balances.

So, if you go to the Public Accounts for the year ending March 31st, 2021, on page 101 you'll see the balances for the previous fiscal year and the fiscal year ending on March 31st, 2021, for the various endowments that have been created.

Because they're not part of the government reporting entity, we do not control the investment activities made by The Winnipeg Foundation. That is for them to decide.

MLA Lindsey: So, basically, then, we know how much money has gone in and how much has come out, but we don't really have a picture, I guess, of how the money has been distributed because that's within the confines of The Winnipeg Foundation now, not necessarily the government.

So how do we know that we're getting value for money or that the money is being distributed in a proper fashion or in an equitable fashion type of thing?

Mr. Groen: So, under the terms of the agreement for each of the trust funds, which are reported to different departments—they're not all to the same department—officials are informed of what those investments made, but The Winnipeg Foundation also produces its own annual report in which it accounts for the disbursements made out of each of its pots, including the trust funds.

So, then, I would invite the member to look at The Winnipeg Foundation's annual report for what disbursements were made to which organizations out of the funds.

Mr. Greg Nesbitt (Riding Mountain): So, the March 2020 financial statement revealed approximately \$250 million in liabilities for remediation of orphaned and abandoned mines and contaminated sites here in Manitoba, and the Auditor General recommended that a central process be established to assess the risk and prioritize remediation work on these specific sites.

And I note that the Provincial Comptroller agreed with the 'recommendation', and I'm just wondering what progress has been made by your department in prioritizing these and then assessing the risks.

* (18:40)

Mr. Groen: We are looking for the page that we could give reference to in the report to the Legislature, but I do have the answer: it's a work in progress.

Environment, Climate and Parks is using a risk-rating system, as outlined by the National Orphaned and Abandoned Mines Initiative, to guide the comprehensive assessment of site conditions. The risk classification is determined by assessing the following: public health and safety risk, ecological or environment risk, ecosystem services and socio-economic risk, reputational risk, legal risk and financial risk.

So, it's a work in progress and we will continue to report back on developments on addressing contaminated sites and orphaned mines.

Mr. Nesbitt: Thank you for that.

Can the deputy minister tell us how many of these contaminated sites were or are controlled by the Department of National Defence?

Mr. Groen: So, we would only report on provincial liabilities with respect to those sites. Any federal liabilities would be found in federal reports.

Mr. Dougald Lamont (St. Boniface): Yes, this is a message—or, sorry, a question for the deputy minister and—again, in regards to The Winnipeg Foundation.

So, one is just that I was wondering if there had been any—has the Province established any mandatory reporting requirements from The Winnipeg Foundation since we're—the Auditor General's unable to audit. So, has the provincial government required auditing statements from The Winnipeg Foundation?

And so the—just—what—where are we at, in terms of oversight?

And the second question would be, does—in terms of the benefits of the—this funding structure, and correct me if I'm wrong, that basically if we're borrowing to put money into this, this—it increases the size of our deficit, so we would of effectively be—we are paying money to borrow—or, as long as we're putting money into The Winnipeg Foundation while we're in deficit.

Just—if you can answer those two questions.

Mr. Groen: So, under the agreements with The Winnipeg Foundation, they are required to report to the Province on their disbursements and their balances and their trust accounts. But that's on the heels of their annual report, which would be an audited financial statement that would be prepared by The Winnipeg Foundation and their auditors. So it's on the heels of that that we get that information.

And with respect to the endowments being deficit financed, I would go back to my previous comment that basically says deficits do not get allocated for one particular program or another. It's just part of the collection of government revenues and sources of funding for spending authority that's provided during the budget process, and that would include the endowments and settlement of these trust funds.

Mr. Lamont: To clarify, I—it's still not clear to me what the benefit of this particular arrangement is.

So, I mean, clearly, because as I understand it, that in some instances the Province is providing money to The Winnipeg Foundation and then will receive money back from The Winnipeg Foundation. So, it seems that it's just acting as a kind of bank.

And, again, I don't understand why that—if you could just explain what is the benefit of actually having these arrangements, of setting up these arrangements with The Winnipeg Foundation to administer these programs as opposed to simply being administered by the Province? Especially, just giving the example, if you were to, say, well, we're going to take \$100 million and we're going to put it in the—give it to The Winnipeg Foundation, and they're just going to spend the interest, what is the benefit their of doing it through The Winnipeg Foundation as opposed to buying a GIC and just doing—and doing—or some other example where we're doing that—something like that more directly?

What is the benefit of having a third party—private third party, where we have no opportunity ever to recover the money that we've given to them from?

Mr. Groen: So, one of the intentions with the trust endowments was for purposes of depoliticizing the decisions. The Winnipeg Foundation is regularly making these kind of decisions with respect to disbursements to hundreds if not thousands of organizations on an annual basis.

So, by giving the money to The Winnipeg Foundation, it provides them with additional resources for dealing with organizations that they're almost already dealing with anyways. So, we wanted to take advantage of that. And it provides certainty for those organizations to get that funding on an annual basis through the endowments and the decisions by The Winnipeg Foundation instead of relying on a provincial budgeting process and, you know, the whole process of decision making at the provincial level. It allows The Winnipeg Foundation to make those kind of decisions with a pre-existing list of organizations that would otherwise be subject to the annual provincial budgeting process.

So, they don't get exposed—those organizations don't get their funding exposed, and because the endowments are irrevocable, it will provide for a funding source for these activities and organizations for the foreseeable future.

* (18:50)

MLA Lindsey: So, does The Winnipeg Foundation get audited to the same level as what the provincial government would get audited with the Auditor General, and what opportunity is there for members of the Legislature—or the general public, for that matter—to ask questions about how the money is being distributed?

Is that all open to the public, or is it just a report that gets released without people being able to really dig into it further like we do with Public Accounts?

Mr. Groen: So, they would have financial reporting obligations, like any organization, for purposes of preparing financial reports. As a foundation, they're also accountable to the Canada Revenue Agency because they want to maintain their status as a foundation to make sure that they're meeting their disbursement quota required under federal income tax legislation. Otherwise, they could jeopardize losing their status in which contributions to the fund would qualify as a charitable donation.

So, there's a couple levels of accountability that already take place, one which would be with respect to the financial reports that are prepared for the organization, which lists all their disbursements, and secondly to the Canada Revenue Agency to ensure that they're fulfilling their foundation's obligations and expectations under federal income tax legislation to maintain their status as a foundation.

MLA Lindsey: So, within The Winnipeg Foundation, there's some sort of bureaucracy that, I assume, has CEOs and on down the line, that they all get paid.

So, what kind of financial obligation is there from the fund to cover overhead costs, and would that kind of amount be the same as what it would've been if—if these funds were distributed by the government, or is that an additional cost that is coming off those funds because every department of the government would already have their own bureaucracy already that would've—and is still getting paid; now we're paying another bureaucracy on top of that?

So, what kind of number are we talking about there that goes to the overhead that isn't available?

Mr. Groen: So, I would suggest that those kinds of administration and overhead costs would, again, be found in the annual report for The Winnipeg Foundation.

The benefit of the endowment approach taken by the government with respect to The Winnipeg Foundation, is that they already have a pre-existing system to accept applications from organizations wanting to receive a disbursement of funds. So, it's not like there's any incremental additional administration that they incur because they have more funding to disburse.

Secondly, you know, disbursement quotas are set out in federal income tax legislation for public foundations, private foundations, charitable organizations, that have to be met in order to make sure that they're fulfilling their charitable purposes because they don't want to jeopardize their standing with the Canada Revenue Agency to be able to accept charitable donations that qualify for tax credits.

So there's pre-existing controls to make sure that, you know, they're not using endowments for internal administrative purposes excessively and that they're primarily there to serve for the purposes of disbursing funds that are consistent with their foundation's articles.

Mr. Shannon Martin (McPhillips): So, question's just related to Triple B Stadium.

I know the Province has forgiven the \$35 million indebtedness—the Triple B—to the third-party loan. But previously, the Province had guaranteed two loans: 75 and 85 million dollars towards Triple B; the 75 related to redevelopment of the former stadium site and the \$85 million related from a revenue share of the new site.

So, the \$35 million, as noted on page 89, that was that guarantee agreement being terminated in July 2019; what about the remaining \$115 million? Or is that \$35 million part of that 150?

Mr. Groen: So, as indicated on page 89, in note 7B.iii, the guarantee agreement was terminated in July of 2019, so there are no outstanding loan guarantees with Triple B and the provincial government.

Mr. Martin: Correct me if I'm wrong, but the original guarantee, though, was for—it was a \$150-million guarantee, of which \$75 million would be returned through redevelopment of the former site over, I think, a 25-year period, and then \$85 million, I think, over a similar period of revenue from—revenue share from the new stadium.

So, I mean, \$35-million indebtedness being forgiven is great, but, I mean, we have a, you know, for lack of a better term, a missing hundred-and-whatever—\$115 million.

Mr. Groen: So, we can get details on that, but I remember sitting where Don and Jason are sitting, and Jim Hrichishen was sitting here, as deputy minister of Finance, on previous Public Accounts, talking about two write-downs of provincial loans with Triple B that the Province undertook for purposes of settling those accounts. You'll recall that there was also tax increment financing arrangements that were to be used to repay the loan, so that didn't really materialize.

So, there's a history that I remember my predecessor, Mr. Hrichishen, explained, which was a convoluted agreement we'll all recall. We can go back and revisit that for you and provide an answer, but the answer to that would be a recitation of notations in previous Public Accounts in terms of our loan guarantees and write-downs with Triple B.

If you go to page 88, you'll see a table that shows loan guarantees with various organizations, and the last one with Triple B was for \$26 million in the 2018-2019 fiscal year.

Ms. Lisa Naylor (Wolseley): Thank you folks for being here tonight, too.

Recommendation 1 of the 2021 report from the Auditor is about the department's use of accounting estimates.

* (19:00)

What is the department's plan to educate and apply training regarding accounting estimates?

Mr. Groen: So, I'll read from page 250 of 250 pages of notes I have on Public Accounts.

The 2021-22 year-end instructions have been updated and issued to departments as of March 28th, 2022. The risk-based approach for assessing accounting estimates will be implemented as part of the 2021-22 Public Accounts preparation, and the Public Accounts for 2021-22 are due by the end of September of 2022 and will be assessed for any necessary process updates in '22-23.

Training material was shared at the senior financial officer table in early May 2022 and is also going to be shared with the council of executive financial officers tabled—table in June of 2022—so, the upcoming—to reiterate and clarify the requirements for developing documentation to support accounting estimates.

The upcoming trail—training at the executive financial officers table will be recorded on Teams and will be available to public servants and the government of Manitoba financial community in an assessable format for future reference, which is all to say that training is taking place, being led by the Provincial Comptroller, for purposes of all senior financial officers across all departments within the provincial government.

Ms. Naylor: What kind of oversight is in place or will be in place to ensure that estimates are properly supported?

Mr. Groen: So, department executive financial officers will be expected to provide more detailed analysis on significant estimates and how they came up with those amounts. They will report them to the Provincial Comptroller, who will review them and provide advice. And then, of course, once those estimates are finalized and determined, the Office of the Auditor General will have an opportunity to review them before the Public Accounts are finalized and the results released.

Mr. Wasyliw: I want to get back to The Winnipeg Foundation. So, when the money gets transferred—as you said, it's an irrevocable trust—the Province loses control over those funds.

What oversight systems are in place for the Province to ensure that that money is getting spent where the Province wants that money to go? You've already indicated that, sure, they have an annual report, but is there an audit internally, is there some type of internal review yearly? And what happens if they're in breach? What's the remedy and what's the enforcement mechanism?

Mr. Groen: So, in the trust agreements with the Province, the general purpose of the endowments and the intended uses are, at a high level, included as part of the terms and conditions, I guess, of the trusts. It doesn't specify which organizations receive the money. That's for The Winnipeg Foundation to make those decisions.

And the purpose of it being irrevocable is to take it off the government books, so, again, to depoliticize the process for that decision-making and to provide recipient organizations with a certainty for a number of years that there is this pot of money that exists and will be disbursed on an annual basis.

So, we'd have to consider the integrity of The Winnipeg Foundation in terms of them potentially jeopardizing their reputation as a charitable foundation if they kind of fall into a breach of the trust agreement, and then I think it would be an issue for justice officials to determine whether or not there has been a breach of trust based on the information and report that they provide to us in terms of their balances and their disbursements, and what the remedy would be at that point in time.

Mr. Wasyliw: So, the question was, what oversight systems are in place, and that wasn't answered in the last response. So I'm taking from that that there isn't any oversight and this is not getting reviewed yearly by somebody in the department and there isn't enforcement actions taking place if there's a breach.

Do I have that correct?

Mr. Groen: So, they're reporting to us after the fact on this—on their disbursements, and we note them and we review them to make sure, in our opinion, they're compliant with what the purpose of the trust agreement was. And, you know, if there's a breach, we would consult with justice officials to find out if there's any remedy.

But are we taking advance notice before any of those disbursements take place? We are not, because we don't control the assets and we don't want to control your original endowment.

Mr. James Teitsma (Radisson): So, then, how are the determinations of where—like, if I understand that the trust agreement has a general theme to it, who's making the determinations of the distributions within that? Is that—that is somebody within government, right, that's able to make those determinations, or is that The Winnipeg Foundation?

Mr. Groen: So, that is for The Winnipeg Foundation. And I think The Winnipeg Foundation recently celebrated the—100 years of existence. There's a lot of credibility and integrity behind The Winnipeg Foundation, which is why they were chosen as the best source to place these endowments for purposes of making these disbursements.

Mr. Teitsma: And—so I guess that sort of answers my—where I was going with this, is that my concern was—is as government evolves or is—as—not necessarily the political landscapes but even roles and responsibilities evolve, there's no opportunity—and no necessity, I think, is what you would say—for those trust agreements to be reviewed to say perhaps they should be altered.

And just by way of a fulsome explanation, I'm no—I have no—nothing but the absolute respect for The Winnipeg Foundation. I have a donor-advised fund with them myself, and what that donor-advised fund is, it's an agreement that I have had with them where I get to pick where the money goes. I can never get the capital back, but every time that there's a distribution, my wife and I can choose which charities receive that money. But, like—but the capital is completely inaccessible to us.

* (19:10)

So, it's not that kind of a setup. This is an irrevocable trust completely in the hands of The Winnipeg Foundation and they are to use it for whatever purposes. If, like, for example, imagine 20 years from now, due to political landscape changes, the provincial government has no role in a green and environment plan; it's completely 'sumsumed' by federal oversight and legislation—who knows—you know, speculating.

But we have a green fund, right? They'd still be able to distribute—disburse funds from that fund for the purposes of green things in Manitoba regardless of whatever legislative realities may have altered.

Mr. Groen: So, I'd just make one minor correction with the member's comments, is that they do not decide the purpose of the funds. That's set out in the trust agreement for them. They get to decide how those purposes are fulfilled and best fulfilled, and the government felt that they were best positioned in order to make those decisions on a year-in-and-year-out basis, and that those organizations needed or would benefit from certainty of ongoing funding, year in and year out, through this kind of an arrangement.

Twenty years down the road, it'll be a successor of mine, two or three generations down the road, who may happily have to entertain a question like that, but I think that's a legal issue with respect to trust agreements. They're irrevocable for a reason: to provide certainty so that government doesn't influence the disbursement decisions and that The Winnipeg Foundation, which disburses, you know, millions of dollars a year to thousands of organizations, can rely on that certainty that the government isn't going to go and suddenly ask them to cut a cheque for several hundred million dollars to repay the Province.

MLA Lindsey: So, on these trust agreements, how public are they so that people would know X number of dollars has been given to the trust to do something with? Is that public knowledge, to know what that money is to be used for, and how much detail is in those agreements that would give certainty to people that wanted to know that the money was being used for its intended purpose or for the benefit, I guess, of whoever?

Mr. Groen: So, we don't have the precise information in front of us.

Firstly, the trust agreement would not be released. It would be considered between the department and the receiving organization and—in this case, The Winnipeg Foundation. However, the government did release—issue news releases when it was making the endowments that, amongst our collective memory, indicated the purpose of the endowment, and we don't have that in front of us, but we could endeavour to identify those news releases and provide those to the member.

MLA Lindsey: So, right—or, traditionally, the way some of these things would work, the government of the day changes, a new government comes in and has perhaps different priorities but the same amount of resource.

Does this now, because these funds are tied up at The Winnipeg Foundation, does that limit how a

future government could perhaps decide that something that's presently being funded isn't the priority anymore and where they would normally take that funding and move it somewhere else, does that stop that from happening now the way these trusts are funded?

Mr. Groen: Yes, so, once the trust is settled and the endowments made, the funds are in control of their foundation or whoever is—entered into that agreement with the department, and that's in perpetuity, it's irrevocable.

Generally speaking, charitable purposes are very general and, you know, the more general they are, the more they secure the foundation or their charitable purpose of their particular organization to make sure that they have as much flexibility as possible in order to meet that charitable purpose.

So, for example, we want to avoid a situation where, you know, in the relief of poverty, you don't specify a particular group, but 20 years down the road, may not be in an impoverished situation anymore and now you can't fulfill the charitable purpose of your organization. So, generally, the purposes are broad enough so that they stand the test of time.

Mr. Wasyliv: So, has there been any analysis done by the Province to compare the costs of borrowing the money for these foundations, the administration costs of the foundations and what ultimately gets paid out to the client groups versus just direct funding from the Province itself? I mean, has that analysis ever been done?

Mr. Groen: So, I can say that we know that there would certainly be savings within the provincial government of not having to make a number of disbursement decisions that could change from year to year, whereas The Winnipeg Foundation has a pre-existing infrastructure that makes those decisions on a pre-existing basis and whose purposes would have to be aligned with the trust agreements, because you don't want the trust agreements, for example, to put them offside their original purpose as a foundation.

You know, in terms of the analysis with respect to deficit financing versus the provincial government making an annual decision versus an endowment of an amount that would then subsequently allow the foundation to make decisions on a year-in, year-out basis with recipient organizations having greater certainty that those decisions would be made by the foundation and not by the provincial government, you know, that would be difficult to quantify.

And then, to the question with respect to deficit financing, again, the endowments to the foundations would've been, you know, just part of the mix of budget decision making. And this year, for example, it's a \$20-billion budget, and a lot of decisions get made throughout the year and through the budget-making process.

* (19:20)

And it's not possible to say that the \$548-million deficit, for example, in '22-23 is attributable to an endowment, is attributable to health-care spending, is it attributable to increased education spending, is it an increase to a particular tax program, is it attributable to a particular program or service delivered by the Province.

It, again, goes into one pot, and the residual is deficit financed. And that's consistent with budget decision making for the many years that I've been involved in budget decision making.

Mr. Wasyliw: I appreciate that it may not be an easy calculation to make, but it's one that could be made, and if I'm hearing you correctly, it has not been made and no attempt of analysis has been conducted by the Province.

But what I'm interested is you indicated this is an application-based process for the foundation, meaning that organizations would have to apply directly to The Winnipeg Foundation, and if they're approved, then they would get money.

Has there been any analysis done about who's actually getting the money? Because in a process like that, you need a certain level of sophistication, you need staff. And I suspect that there are large, institutional non-profits that are getting these monies and that they may not be reflective of an inclusive community, and smaller non-profits without the staff and the resources to sort of chase these dollars are probably left out of the process.

So, is the Province looking at this to see whether or not it's the usual suspects getting the money and hoovering it up or it's 'equitally' distributed throughout our community?

Mr. Groen: So, the answer I can say right now is, have we done that analysis? Not that I'm aware of.

You know, they do report back to the departments in which they entered into those trust agreements. That information is filtered back to central government for purposes of monitoring and that it—and maintaining that information pool.

I think it would be challenging to start questioning investment decisions made by The Winnipeg Foundation without kind of crossing that line in which, you know, as a settler in a irrevocable trust that we no longer have a role in that decision-making purpose to the extent that, you know, they're meeting the purposes of the trust agreement. And, as I said, the purposes would be at a high level enough that it would be difficult to basically challenge, I would think, any individual investments.

And I am also not aware of any complaints coming forward with respect to disbursements being made or not being made by The Winnipeg Foundation in regards to the trust that they've been endowed with.

Mr. Lamont: Yes, just to follow up a bit on The Winnipeg Foundation, but—I don't think anybody's casting aspersions on The Winnipeg Foundation. The whole question is, here, is the fact that we don't know what they're doing and that we don't actually have access to any that—to the trust agreements, and that in itself is an issue, because I've read the government's press releases, and they are political.

So, I have to ask, I mean, we—there—the claim here is that it's being depoliticized, the effort is to do this. Isn't choosing to take it out of the realm of scrutiny of PAC and of the members of this Legislature, isn't that in itself—and maybe this isn't an answer that can be—this isn't a question that can be answered.

If the deputy minister is going to say, well, that's—this is to depoliticize the process, isn't it politicizing it permanently, it's just it's under the current government? Is it—the current government has decided, we're going to permanently put this money aside so that no matter who gets elected it won't make a difference.

I mean, that's part of the concern here, in addition to the lack of scrutiny. It's not the lack of scrutiny they—it's the fact that The Winnipeg Foundation is a black box, and that's a problem when we have over more than 20 agreements and hundreds of millions of dollars in public money that we'll never see back again or we don't know exactly how it's being handled and it's not being overseen by the Legislature or by the Department of Finance. So I think that's the issue here.

So, is it—I mean, is it the case that is that it—isn't it—can it not also be seen as being—permanently politicizing it, in the sense that because it doesn't matter who's going to get elected after this these policies are going to continue going on no matter what?

Mr. Groen: So, I think the decision to take this approach and the amount of the endowments and with whom the endowments are made is a decision of the government at the time. The member is correct about that.

With respect to the operation of the funds, I can again confirm that we do get information provided by the foundation and others to the department, which is then filtered into Finance centrally to monitor compliance and to make sure that they are, in fact, you know, complying with the purposes of the trust agreement.

We would not get into providing direction that the funds should be instead allocated or disbursed to a different organization. We would not see that as part of our role. We would just make sure that the disbursements and the organizations that are receiving the monies are in accordance with the purposes set out in the trust agreement.

Mr. Wishart: Mr. Chair, following up on that, on—and my question is for the Auditor General.

On page 68 of your 2020 Public Accounts, they— you go into some detail with the Manitoba heritage habitat corporation, who is the beneficiary, if I am understanding this correctly, of the Conservation Trust, the GROW Trust, the Wetlands GROW Trust, and the Manitoba heritage habitat corporation funds, which are administered by The Winnipeg Foundation, if I remember correctly, and that you look into the benefits of that to make sure that they are appropriately used and that there is a process in place here with a seven-man board of directors that has the authority to administer this and distribute these funds. Is that correct? *[interjection]*

* (19:30)

Mr. Chairperson: I'm sorry. The Auditor General.

Mr. Shtykalo: In our—in both our 2020 and 2021 reports, we discuss the fact that we—or, we talk about our audit of Manitoba Habitat Heritage Corporation, and I can say, like, for those two years, the corporation did receive funds from The Winnipeg Foundation, and yes, there was—there were processes in place at the corporation at the time regarding, you know, the seven-member board of directors that would oversee the process of disbursing those funds.

I will point out, however, in our 2021 RTL, on page 21, we talk specifically—in the section where we're talking about changes to the GRE, we point out

that in 2021 there was a change in control by the repealing of the Manitoba heritage act.

The Habitat Heritage Corporation is now continuing under a corporate charter and as a result, effective February 1st, 2021, the Habitat Heritage Corporation is at arm's length from the Province.

So, while for the two years under audit that we're talking about tonight, yes, there was oversight provided the corporation. But going forward, effective for the current fiscal year that we're in, Manitoba Habitat Heritage Corporation is in fact outside of the government reporting entity.

Mr. Wishart: I had missed the change, but they would still be subject to audit processes and would report to their board, is that not correct?

Mr. Shtykalo: Yes, I believe they would be.

Mr. Lamont: I had a question about—relating to the reporting of alleged or suspected fraud. It was a recommendation in 2020 and it was followed up on as well. The office of the comptroller agreed to the recommendation, sent a letter; they said the fraud policy will be circulated to departments—at department ministers audit enterprise risk management committee for feedback and approval.

So, where is that policy of the mandatory reporting fraud at? Has it made its way into—has it been fully developed, has it been approved, what is the feedback in? If you could answer those questions, that'd be great.

Mr. Groen: Because the Provincial Comptroller has been intimately involved in this file, I would ask if she could provide a response on the steps taken by her office.

Ms. Andrea Saj (Provincial Comptroller): So, yes, the fraud policy has been fully implemented. It is documented in the—our government financial administration manual. That policy has also been communicated to all of the senior and executive financial officers and deputy ministers of all the departments in the government, as well as to all of the reporting entities.

So, those organizations have an obligation under that policy to report any suspected or real fraud to me directly—to the Provincial Comptroller—as soon as that is suspected or known. And then it further requires them to conduct an investigation of the fraudulent

activities, to validate whether those are, in fact, fraudulent and to report back to me on their findings.

Mr. Lamont: And if you could just—if the comptroller could answer how many GREs have reported back on alleged or confirmed fraud since the—these changes have been made?

Ms. Saj: So, that's—I don't have that information here with me today, but it's something that we can take on notice and get back to the committee with that information.

MLA Lindsey: Let's talk about contaminated sites again, just to switch things up and get to thinking a little differently again.

So, can the—can you explain how—excuse me—how the ministry provided an explanation of how liability valuation is done for contaminated sites. Can you explain how that valuation is done?

Mr. Groen: So, the department hired an external engineering firm to examine the sites for purposes of determining the level of remediation and helping us quantify the remediation that would be required. And then we—from there, we would determine whether the Province has an obligation in order to remediate those sites, whether by agreement or by statute. So, for an example, if it's abandoned, I would assume that it defaults to the Province for purposes of establishing a liability.

Then, of course, we would look at the public sector accounting standards to determine at what point in time do we report those liabilities, and we would include them in the Public Accounts, which, again, get examined by the Office of the Auditor General before we table them publicly. And any qualifications they may wish to make in that regard, they may.

MLA Lindsey: So, the action plan includes departmental responses which don't directly address the auditor's recommendation for a centralized work plan based on risk.

How do the current plans prioritize the government spending on contaminated sites—which ones are remediated first, no matter which department, then, is leading the file?

* (19:40)

Mr. Groen: So, I previously provided comments in terms of the risk assessment that's undertaken in terms of the hierarchy that's followed to determine which sites should be priorities. Departments are expected to come forward, as part of the annual budget plans, with

plans for remediating liabilities that fall under their jurisdiction.

And then there's, of course, the practicalities of whether or not some related activity is taking place in the vicinity and whether it would be cost feasible and for that activity to then shift to remediation because they're already doing work in the neighbouring vicinity. So those are kind of the factors that take place in terms of making sure that the liabilities and the remediation is prioritized on an annual basis.

Mr. Martin: This question's for the Auditor General.

I mean, obviously, a lot of the questions today are a little more complicated in terms of, you know, environmental—long-term environmental damages and obviously the issue of The Winnipeg Foundation being in control of provincial—or at least some aspect of provincial finances.

But one that did surprise—one of your recommendations that surprised me that hadn't—was classified as a work in progress was the financial signing authority. And then, as of April of 2021, auditor had advised of a number of departments—multiple departments, I think was the phraseology used—were still not in compliance with having a delegation of financial signing authority.

One would think that this would be a relatively simple ask of departments, so I'm wondering if the OAG can give an update since April 2021, in which they found multiple departments did not have updated DFSAs.

Mr. Shtykalo: So, we had originally made the recommendation in our 2020 RTL to put in a process to ensure that a delegation of financial signing authority charts are in place. There—you know, there was communications. The financial administration manual was updated; we saw that.

However, in our audit of the—so, in the course of our audit for the fiscal '20-21 year, part of the audit is just drawing samples. And despite the fact that there were some changes made, we were still finding exceptions to having this delegated financial signing authority in place.

I won't—we're still—we're in the process right now of conducting the audit for the fiscal 2022 audit. We've done some preliminary testing, have results,

but I'll hold off on providing the results of that until we've completed the audit.

Mr. Martin: Just a quick follow-up question.

And, not being particularly familiar with how a delegation of financial signing authority chart works, is it a relatively simple undertaking, from the OAG's perspective, from a department?

I'm just wondering why the delay, if it's one of not being a priority—in the view of departments—against competing priorities, or if it's just more complicated than I, as a layperson, understand it?

Mr. Shtykalo: So, I think if you break down the actual process of signing—an authority chart, it's a simple enough process, it's not a complex thing. However, you know, I appreciate that there are—is a lot of movement within government, within departments. Departmental reorganizations happen. Authorities change. So tracking that can be difficult, but it needs to be done.

Mr. Wasyliv: The estimates process: Is there a standard methodology that is required to be used with the departments in, you know, establishing their estimates? Is there a standard supporting documents that are required to support their estimates? And is there standard assumptions that they're allowed to make in coming to their estimates?

Mr. Groen: We'd like to ask whether it's budget Estimates or accounting estimates?

Mr. Wasyliv: Both.

Mr. Groen: So, there is—I would say, with slight variations, there is a kind of standardized budget Estimates process that gets followed year in and year out, where late spring or early summer, there's a common memo that's issued by the Treasury Board Secretariat to all departments, namely deputy ministers and executive financial officers. And it will normally either include templates that are expected to be filled, or templates will follow, in which they're expected to be filled.

And those directions would be with respect to departmental priority operating expenses. They would be with respect to departmental capital expenditures. They would be with respect to loans and guarantees. And they would also be with respect to our reporting

entities and their capital investment requirements for purposes of the upcoming fiscal year.

* (19:50)

With respect to accounting estimates, departments will provide an assessment in terms of the certainty and measurability of those adjustments that they would be requesting to be made as part of their estimates for the upcoming fiscal year, and they would consult with the Provincial Comptroller for purposes of determining whether or not, under public sector accounting standards, that they should be included in the budget or not.

Because we're trying as hard as possible to make sure that our budget Estimates align as closely with the Public Accounts as possible for purposes of the accounting estimates, notwithstanding any events or transactions that occur in year.

Mr. Wasyliv: So, does the Finance Department track the variation between budget Estimates and what the actual Public Accounts are, and are you able to tell us what those variation is between Estimates and Public Accounts by ministry?

Mr. Groen: So, as part of the public sector accounting standards, the government does prepare a financial statement discussion and analysis report as part of the Public Accounts on a consolidated basis.

So, it would provide variance explanations on revenue and on departmental—or ministry expenditures, and that is found every year in the Public Accounts. That's nothing new; that's a standard presentation with respect to those variances at both the revenue and the expenditure basis on a consolidated basis.

If you wish to look at the departmental variances, you would have to look at the departments' annual reports that are released in sync with the annual Public Accounts.

Mr. Nesbitt: In the 2021 report from the Auditor General, and it was reiterated tonight by the Auditor General, the public sector accounting standards are going to be undergoing changes, and it's my understanding that they'll take effect as of March 31st, 2023.

I'm just wondering, is the department preparing for these changes, and what steps have been taken to date in that regard?

Mr. Groen: So, I thank you for the question.

The public sector accounting standards evolve, I wouldn't say on a yearly basis but on a regular basis. The new accounting standards that are coming into force and effect as of April 1st, 2022, are standards that've been under consideration by the Public Sector Accounting Board for probably 10 or more years.

Provincial comptrollers are at that table with respect to working with the board on developing those standards, to make sure we do it more correctly, perhaps, than we would as a first-time analysis within the provincial ranks.

We have hired an external accounting firm to help us get to that point, so that they're properly reflected in the Public Accounts.

And of course, once they're posted in the proposed provincial statement, the Office of the Auditor General will be able to opine on the adjustments that we've made before they release it in the Public Accounts.

Mr. Nesbitt: Could you tell the committee what impact these changes might have on the reporting? What me—what might we see differently in the reporting?

Mr. Groen: So, on the financial instruments, I would say that—to be determined, because it's on a specific day. So, it would be, basically, mark-to-market evaluation—valuation done on March 31st, 2023. So, it's not an annual thing, it's not an average of the year, it's based on where you stand, under those rules, as of March 31st, 2023.

So, the impact on the budget is to be determined, but would be reflected in a separate report that will be included in the Public Accounts, that will be released in September—no later than September of 2023.

On ARO, asset recovery obligations, I—that'll be primarily a balance sheet adjustment; but we expect it to, of course, increase liabilities, not decrease liabilities.

MLA Lindsey: Back to contaminated sites again.

So, you'd said earlier that you'd hired consultants to start developing the reports on all contaminated sites in order for you to do the risk assessment to determine order of cleanup, I guess, or remediation.

So, how many of these remediation estimates have been completed so far, and how many are left outstanding?

* (20:00)

Mr. Groen: So, in the Public Accounts for the fiscal year 2020-2021, we identified \$379 million in 556 contaminated sites. That included sites under the responsibilities of Families; the former Department of Conservation and Climate, where most of them were; also in Manitoba Infrastructure, as it was called at the time, had a large number; and then some smaller numbers in Indigenous and Northern Relations, as it was called at the time.

Mr. Chairperson: As agreed, we've sat for two hours and we're now revisiting. What is the will of the committee?

An Honourable Member: Committee rise.

An Honourable Member: Questions.

Mr. Chairperson: Committee rise? *[interjection]* No, not—I—*[interjection]* Yes.

Mr. Nesbitt: Call the questions? And deal with the leave request?

MLA Lindsey: I'm not entirely sure that we're done with all our questioning yet, so, a couple of proposals, I guess.

One is we can agree to sit for another couple hours or something, or could we agree to recall the committee on another evening to finish up the business?

Mr. Chairperson: So, we deal with Mr. Nesbitt's suggestion first, which is to put the question on the reports and deal with—so, yes.

So is—what is the will of the committee?

Some Honourable Members: Agreed.

Some Honourable Members: No.

Mr. Chairperson: Agreed? *[interjection]* We don't agree. Okay. So now where are we? *[interjection]*

Lindsey's first request is to sit for two more hours. Is the committee agreed to sit for two more hours?

Some Honourable Members: Agreed.

Some Honourable Members: No.

Mr. Chairperson: I hear a no, multiple noes.

And the second request is that he was requesting that the committee would—this committee would sit on this subject another night, another meeting.

Okay, so the—is the will of the committee, then, to follow Mr. Lindsey's request, which is to not pass the

reports, which is where we were going to go next. and we're not going to pass them; by not passing them, we will—we'll meet again?

Some Honourable Members: Agreed.

Some Honourable Members: No.

Mr. Nesbitt: I'd like to see us sit 'til 8:30 so Mr. Lindsey can finish answering—asking his questions to the deputy minister and call the questions at 8:30 and deal with the leave request.

Mr. Chairperson: Okay. So is that agreeable?

Some Honourable Members: Agreed.

Some Honourable Members: No.

Mr. Chairperson: Okay, so—to recognize Mr. Lindsey.

MLA Lindsey: I'm not sure that I'm the only one that would have more questions in regards to this, so.

Mr. Chairperson: Okay, so is it the will of the committee to sit to 8:30 for anybody to ask questions, and then we will revisit at 8:30 in case people want to go longer than that?

Is that the—are we agreed? [*Agreed*]

MLA Lindsey: I don't mean to be a problem child, it's just the way I am sometimes, sorry.

I mean, there's a lot of stuff in these reports, and we've kind of skipped all over, trying to capture as much as we can. But I think there's probably more questions yet that we haven't even come close to starting to ask about yet.

So, on the contaminated sites again, we talked about, and I think you may have got cut off in the middle of your answer as to—you were telling us how many sites there are and some of the departments that are affected.

But, really, part of the question was, how many remediation estimates have been completed so far, and then how many are left to be completed?

* (20:10)

Mr. Groen: So I can indicate for the 2020-2021 fiscal year that there was approximately—nearly \$37 million in total remediation undertaken across most sites. The remediation of sites is done based on either actual visits by engineers or by other methodologies that the

engineers provide us with in terms of determining how much of the liability can be reduced.

MLA Lindsey: But you still haven't answered the question about how many of the sites have had their estimates completed. How many sites are left that haven't had the estimate completed?

Mr. Groen: So, the estimates for every one of those sites has been completed.

MLA Lindsey: So if the estimates for every one of those sites has been completed, how do they go about, then, getting scheduled for the remediation to actually take place?

There's some type of risk assessment that's been done. So is there a list that prioritizes which sites are next to be in line, and is there a time frame for when those sites would be remediated?

Mr. Groen: As I mentioned previously, departments are required to come forward with an assessment every year as part of their budget and prioritize on that basis.

So the most contaminated sites that present the most harm to the environment or to persons or property are the ones that are addressed first.

MLA Lindsey: So, then it's up to each individual department to determine which sites fall under their jurisdiction and what order, then, they should get remediated? There's no central entity or list or accounting that would make the overall determination? It's left up to each individual department?

Mr. Groen: So, the standards used to make the assessments are, in fact, standardized and apply across—for each department to apply. They are reported centrally through the budget process, which is through the Treasury Board Secretariat and ultimately to the Treasury Board. And, you know, those remediation programs would be approved through that budgetary process.

You know, if you're asking whether a contamination in one department is more severe than the other, in another department, but it falls further down the list, it's through that kind of central decision making that there's that opportunity to make those kind of decisions.

MLA Lindsey: So, if I was to look in, say, the Families budget Estimates, would I find line items in there that discuss the amount of money that's been budgeted each year for contaminated site remediation?

Mr. Groen: So, we generally publish those numbers centrally through internal service adjustments, I believe, to make sure that any unused funds for—because of planning purposes or procurement purposes can't be achieved in one department, those funds could be repurposed in another department for purposes of things like addressing contingent liabilities.

And that's kind of a standard budgeting approach that we've taken, not just with respect to contaminated sites but with respect to contingent liabilities, to make sure funds are, in fact, used to the best available resources, because things may change over the course of the budgetary year.

Then they're reported through the—those funds that are reported centrally, as they flow through departments, they would get reflected in departments' annual reports, and reported, as well, in the department's listing within that public accounts. And it is highlighted that those funds flow through the internal service adjustments.

MLA Lindsey: So, there's no specific line item in every department's budget? It shows up in the statement or the number at the bottom, the internal adjustments from one department to another? Is that it?

Mr. Groen: So, in the Public Accounts it's recorded at a macro level. We would have to look at departmental annual reports to determine what level of detail they provide in that regard.

MLA Lindsey: So it's not as simple as being able to look in each department, and yet there's no central place where, in the Estimates process or in the budgetary process, we could go and see what's budgeted for where or where the money's coming from to cover those remediation costs?

* (20:20)

Mr. Groen: So, again, we're budgeting that centrally in the enabling vote for internal service adjustments, and then as it's flowed through the departments, it gets reported at the department level. We just have to look at the departmental annual reports to determine what level of detail they provide in that regard. *[interjection]*

Mr. Chairperson: Oh, Mr. Lindsey, the microphone was off, so I have to recognize you again.

Mr. Lindsey.

MLA Lindsey: So, I don't recall seeing in any departmental Estimates reports that I'd previously read where it said specific numbers for contaminated site remediation, like in Families or in Education. I don't recall seeing those numbers.

So if it's reported back in those departments, where do we see those numbers actually being reported? So, I'm missing something.

Mr. Groen: So, in the 2020-2021 annual report of the Department of the Environment, Climate and Parks, they indicated, under key program outputs, two hundred and eighty-two—seven—eighty-seven decisions issued and 107 monitoring reports reviewed under The Contaminated Sites Remediation Act.

MLA Lindsey: So, would that be the number for all departments or is that just the number for Environment Department?

Mr. Groen: So, that would be for that department only.

MLA Lindsey: And would I see that same statement in every department that has responsibility for a contaminated site or contaminated sites, or is there something you could provide that showed that breakdown of information, even if it's not tonight, if you could provide it?

Mr. Groen: So, staff provided it and found it, with respect to that one department. We would have to look at the other departments to determine what level of detail is provided in their annual report.

MLA Lindsey: So can you provide that information to us—undertake to provide it?

Mr. Groen: We'll certainly undertake to comb departmental annual reports for purposes of determining their reporting on contaminated sites and provide those references.

Mr. Dennis Smook (La Vérendrye): Just one quick question.

In regards to contaminated sites and remediation of sites, are we gaining or, like, are we cleaning up 50 sites a year but we're getting 51 more new sites or—are we gaining on this process?

And, again, too, for the sake of time if you wanted to provide that with—

Mr. Chairperson: Mr. Smook.

Mr. Smook: –information, that would be fine too.

Mr. Groen: So, I would say that's almost a qualitative instead of a quantitative question.

So, we have data on the contaminated sites, all 556 that have been identified, and the level of dollars in remediation that's taken place.

There are also evaluation adjustments that take place in terms of the, you know, the cost of remediating that—the unremediated portions of the contaminated sites would grow.

So that gets accounted for, and any other valuation adjustments based on on-site reviews or other changes to the remediation, because as you undertake summer remediation activity, it could influence the outstanding remediation required at an individual site.

So it's a quantitative exercise, but it's driven by engineering evaluations of the contaminated sites.

So, are we making progress? We're certainly making progress in the sense that we certainly have a better handle on the remediation that's required and the remediation that's taking place.

Mr. Chairperson: Any further questions?

Ms. Naylor: The 2021 Auditor General's report included an overview of the \$2 billion spent by the Province on COVID-19 response and recovery programs. And we know this—obviously this is a significant amount of money and there were a lot of new programs put in place very quickly.

So, how did the Province ensure that there is appropriate oversight over COVID-19 spending?

Mr. Groen: So, the department has normal protocols it follows with respect to procurement, inventory evaluations and accounts payable to determine, you know, what the actual amounts get reported for purposes of Public Accounts.

We hired an external audit company to assist us with respect to the inventory of PPE, personal protection equipment. And in terms of some of the assistance programs where, as you indicated, you know, it was the speed of need at the time: get these programs up and running and payments flowing. We hired, ex post, after the fact, accounting firms to do an analysis of the programs to determine whether there was any fraud or whether there was any payments that should not have been made.

And, you know, I am aware of the programs that the department was responsible for administering and—in terms of assistance, and the results, if I remember correctly, were nominal, in the order of magnitude of 0.05 per cent in terms of there being payments that perhaps should not have been paid. But there was no fraud found in any of the payments.

And in one instance in which there was a sign of fraud maybe taking place, we worked with financial institutions to prevent any of that from happening.

And we learned from that experience to adjust our systems so that when the Office of the Internal Audit, which is contained in the Provincial Comptroller's unit, you know, did their ex-post review of these programs for our benefit so we could learn, after we did one program, so we could learn for the benefit of the next program, the protocols and the procedures were enhanced so that it was less likely—or, negligible likelihood that any of that would take place in terms of inappropriate payments.

* (20:30)

Mr. Chairperson: It is now 8:30. We've reached the agreed time.

What's the will of the committee?

Mr. Nesbitt: Put the question forward and deal with the leave resolution here.

Mr. Chairperson: Okay, in which order? Questions first?

Is it—we have agreement that we're going to put the questions and we're going to deal with the other requirements—leave request. Are we agreed with that?
[Agreed]

Good. Okay, we're going to do the question.

So, hearing no further questions or comments, I'll now put the question on the reports.

Province of Manitoba Annual Report and Public Accounts, dated March 31, 2020—pass.

Auditor General's report titled Public Accounts and Other Financial Statement Audits, dated December 2020—pass.

Province of Manitoba Annual Report and Public Accounts, dated March 31, 2021—pass.

Auditor General's report titled Public Accounts and Other Financial Statement Audits, dated December 2021—pass.

Mr. Brad Michaleski (Dauphin): Mr. Chairperson, as per the motion passed by the Standing Committee on Public Accounts on October 14th, 2020, could you please canvass this committee for leave: (1) to ask the Chairperson and Vice-Chairperson to request, by joint letter, that the Department of Health complete, within six months of receipt of this letter, a progress report with an update on the status of all outstanding recommendations related to the Auditor General's report titled Management of MRI Services, dated April 2017; and (2) to ask the Auditor General and steering committee to review the completed progress report, and then for the steering committee to report back to the full committee whether or not there is a will to invite the department to appear before the committee to discuss the progress report and any outstanding recommendations?

Mr. Chairperson: Sounds good.

So, is there leave to ask the—

Some Honourable Members: Dispense.

Mr. Chairperson: Dispense? Can we do that? Okay.

So it's agreed—are we agreed? *[Agreed]*

The hour being 8:33, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 8:33 p.m.

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