

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

Chairperson
Mr. Reg Helwer
Constituency of Brandon West

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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<i>Vacant</i>	Southdale	—

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

Wednesday, November 4, 2015

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Reg Helwer (Brandon-West)

VICE-CHAIRPERSON – Mr. Matt Wiebe (Concordia)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Messrs. Dewar, Gerrard

*Messrs. Friesen, Helwer, Jha, Ms. Lathlin,
Messrs. Maloway, Marcelino, Piwniuk,
Mrs. Stefanson, Mr. Wiebe*

Substitutions:

Mr. Piwniuk for Mr. Schuler

Mrs. Stefanson for Mr. Pedersen

APPEARING:

Mr. Norm Ricard, Auditor General

WITNESSES:

Hon. Gregory Dewar, Minister of Finance

Mr. Jim Hrichishen, Deputy Minister of Finance

MATTERS UNDER CONSIDERATION:

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

*Public Accounts for the fiscal years ending
March 31, 2014 and 2015 (Volumes 1, 2 and 3)*

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

*Chapter 1–Accounts and Financial State-
ments: Section 10 Annual Report*

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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: Public Accounts for the fiscal years ending March 31, 2012 and 2013 (Volumes 1,

2, 3 and 4); Public Accounts for the fiscal years ending March 31, 2014 and 2015 (Volumes 1, 2 and 3); Auditor General's Report–Annual Report to the Legislature, dated March 2014, chapter 1, Accounts and financial statements: Section 10 annual report.

Committee Substitutions

Mr. Chairperson: Pursuant to our rule 85(2), I would like to inform the committee of the following substitutions for today's meeting: Mr. Piwniuk for Mr. Schuler, Mrs. Stefanson for Mr. Pedersen.

* * *

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

Mr. Cameron Friesen (Morden-Winkler): I would recommend that the committee sit until 8 p.m., and if we're not done the business of the committee at that time, we could renegotiate.

Mr. Chairperson: Shall we sit–agreed by the committee, sit 'til 8 and then revisit. *[Agreed]*

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

Mr. Friesen: I would recommend that we would consider the Public Accounts for these fiscal years in a global manner. And I don't know what the will of committee would be if we would like to do that first and then consider the Auditor General's Report, chapter 1, Accounts and financial statements, after that?

Mr. Chairperson: The will of committee? *[Agreed]*

Okay, I should ask if any–when we are doing this, because we have a lot of information in front of us, if you are referring a question to a particular year, please, when you state your question, state the year and then the volume of the accounts and then the page number, slowly, so we can all catch up to you and look at the correct page and that the deputy and staff are looking at it as well.

And we do have copies of the older reports over on the side there, should you wish to have that.

So will the minister and deputy minister please join us at the table? Welcome.

And the Auditor General, can you introduce any staff you might have with you this evening, please, sir.

Mr. Norm Ricard (Auditor General): Certainly. With me today is Tyson Shtykalo; he's the assistant Auditor General responsible for the Public Accounts in our financial statement area. And Bradley Keefe, who's the principal responsible for the Public Accounts audit.

Mr. Chairperson: Thank you.

Mr. Hrichishen, welcome. And can you introduce some of the staff you have with you this evening? And I assume you have an opening statement for us.

Mr. Jim Hrichishen (Deputy Minister of Finance): Mr. Chair, I do have with me at the table today Betty-Anne Pratt, the Provincial Comptroller, and Helen Hasiuk, our manager of Public Accounts, today, and they'll be keeping me in the straight and narrow as I attempt to answer all your questions tonight.

I do have a statement. First of all, I'd like to thank the committee for the opportunity to provide some brief comments on the Public Accounts, for the years ended March 31, 2012, 2013, 2014 and 2015. As the March 31, 2012 and 2013 Public Accounts have been discussed by the committee on previous occasions, I will limit my opening statement to the March 31, 2014 and 2015 Public Accounts.

Please note, I shall endeavour to answer all administrative-related questions posed by the committee on the reports reflected on the agenda today. As always, it is possible we may need to take some questions on those reports as notice; however, we will do our very best to answer all your questions.

We are proud of the fact that we have received unqualified audit opinions on all four years of the Public Accounts on the agenda today. The achievement of having unqualified financial statements should not be viewed lightly, as other jurisdictions have had their summary financial statements qualified by their Auditor Generals in recent years.

At times, the Department of Finance may have differences of opinion with the Auditor General, but in the March 31, 2014 and 2015 summary financial

statements, they present fairly in all material respects the financial position and the results of operations of the Province in accordance with Canadian public sector accounting standards.

The Province's Public Accounts for the year ended March 31, 2014 and 2015, were released on September 30th, 2014 and 2015, respectively. Volume 1 of Public Accounts includes the economic report, the financial statement discussion and analysis and the audited-summary financial statements of the government.

For March 31, 2014, the Province experienced a summary loss of \$522 million, which was \$4 million above the budgeted loss of \$518 million, despite some unanticipated cost pressures. This loss included additional income from both Manitoba Hydro and the Workers Compensation and better-than-expected results from other reporting entities. These positive returns were offset by lower-than-expected results from Manitoba Public Insurance, a provision for the First Nations settlement, and a provision for the remediation of the Ruttan Mine site. The First Nations settlement and the additional remediation for the Ruttan Mine site were not included in the 2013-14 budget.

* (18:10)

Summary net debt, as at March 31, 2014, is 17.3 billion, a \$1,451-million increase from the previous year. The increase in the net debt was primarily the result of a summary loss of \$522 million, net increase in tangible capital asset investments of \$757 million and unrealized foreign exchange losses or unrealized losses on investments of \$167 million at-for GBEs as a result of mark-to-market accounting.

For March 31, 2015, the Province experienced a summary loss of \$452 million, which was \$95 million over the budgeted loss of \$357 million. This is primarily due to the delay in the reimbursement for 2014 flood costs which could not be processed by the federal government until after the federal election. While the Province does not anticipate any issues in receiving the federal reimbursement, the Province was unable to recognize the revenue at March 31, 2015, without specific federal OIC approval, which is a requirement under Canadian public sector accounting standards and in line with our discussions with the Auditor General. Federal OIC approval is anticipated to be received in the months ahead.

Summary net debt at—as at March 31, 2015, is \$18.963 billion, a \$1,691-million increase from the previous year on a restated basis. The increase in the net debt was primarily a result of a summary loss of \$452 million, net increases in tangible capital asset investments of \$877 million, unrealized foreign exchange losses or unrealized losses on investments of \$319 million at government business enterprises as a result of the mark-to-market accounting, an adjustment of \$46 million to the opening accumulated deficit.

Volume 2 for 2014 and 2015 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 \$5,000.

Volume 3 for 2014 and 2015 includes unaudited supplementary schedules related to the core government and other information required for statutory reporting requirements.

I want to thank the staff at the Comptroller's Division who prepare the Public Accounts. I also want to thank Mr. Norm Ricard, Auditor General, and the Office of the Auditor General staff who audit the Public Accounts, and acknowledge their professional and collaborative relationship with the Department of Finance. We value the recommendations of the OAG. Recommendations from the Office of the Auditor General strengthen the control environment, aid the general public's understanding of the Public Accounts and increase the transparency over the use of public resources.

I'd also like to note, if I could, that tonight will be perhaps our last evening with our Comptroller at our side, as Ms. Betty-Anne Pratt has indicated she will be retiring in early 2016. She's been with us for 10 years. She's been an invaluable resource, has been a great asset to the government, has always been a remarkable leader and demonstrated impeccable values and ethics, has been a shining light, not just in the Finance Department but for government as whole. So we will miss her.

Mr. Chairperson: Thank you, Mr. Hrichishen, and thank you, Ms. Pratt, for your service. I'm sure the deputy said he's going to miss your counsel, so perhaps he'll have to do so from retirement, I don't know. Call him once a day. Anyway, thank you.

Now, before we get into questions, I'd like to inform those who are new to this committee of the process that is undertaken with regards to

outstanding questions. At the end of every meeting, the research officer reviews the Hansard for any outstanding questions that the witness commits to provide and answer 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. At the next PAC meeting, the Chair tables the responses for the record.

Therefore, I am pleased to table the responses provided by the Deputy Minister of Jobs and the Economy, to all the questions pending responses from the September 29, 2015, meeting. These responses were previously forwarded to all the members of this committee by the research officer.

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

So the floor is now open for questions, and I remind members to first review—refer to the year of the report and then the volume of the report and then the page number of the report.

Mr. Friesen: Welcome to the deputy minister and his staff, and again, to Ms. Pratt, thank you for your service, and it's good to have the deputy minister recognize that. I know most of the time senior staff in Finance toils out of the limelight, and it's sometimes good just to take a moment to recognize the service of our hard-working civil servants at that uppermost level. So thank you for your service.

I'm looking—I will attempt to make my comments correspond to those conditions outlined by the Chair. I'm in fiscal year ending 2015, and I am in volume 1, on page 76. Hopefully, the Chair is approving of my actions thus far.

I want to start with a question about expenses. The deputy minister has already referred to the fact that expenses have exceeded that which were budgeted for. In fact, expenses for this fiscal year are up \$204 million over the budgeted amount.

So my question to the deputy minister is: Could he again provide just a rationalization of why the

government has overspent by \$204 million over their budgeted amount?

Mr. Hrichishen: The principal factors for the higher than budgeted expenditure were an increase of \$188 million in health funding to regional health authorities, mainly due to wage accruals and increased program costs, and an increase of \$234 million in justice and other expenditures mainly related to unexpected emergency expenditures that occurred as a result of heavy rains in the spring.

* (18:20)

Mr. Friesen: So I thank you, Deputy Minister, for that response. Now, of course, the situation is not just a matter of \$204 million over the budget amount. You actually—if you compare actual to actual, year over year, then, of course, the spending increase is closer to half a billion dollars in the course of one year. So, while I recognize that it's, you know, it's a large operation, the entire—toward government costs. And—even so, though, the amounts seem excessive in terms of the overspend.

I guess I would also then ask a related question to the deputy minister. When it comes to total revenue for the year, I notice that there was also unexpected realized revenue to government that was quite significant. Shouldn't the government have been able to balance out those unrealized revenues and the unrealized expenses to arrive at a better position?

I guess I'm asking for his comment about the \$109 million additional in revenues that were realized. Were those all a result of government business enterprise, or were they a result of other areas of unanticipated revenue?

Mr. Hrichishen: I would note on page 48 of volume 1 of '14-15 Public Accounts, we do note that there was an increase of \$144 million in fees and other revenue due to increases in revenue from government reporting entities and an increase of \$207 million in net income from government business enterprises.

Mr. Friesen: Because we are considering the Public Accounts as well for the fiscal years ending 2012 and 2013, I believe it was in the fiscal year ending 2013, when the then-Finance minister indicated that the government was going to achieve significant savings throughout core government through an initiative to be able to curtail departmental spending, I believe, driving down departmental spending by an equivalent of 1 per cent.

The deputy minister can correct me if I'm wrong about the pledge that was made. I'm thinking about that pledge made in 2013 and the performance of government in this fiscal year ending 2015.

My question for him would be then, was there—were there similar measures that were undertaken within a government in this fiscal year to be able to drive down departmental spending that just weren't successful, but perhaps were—proceeded in the same manner as outlined two years ago by the then-minister of Finance?

Floor Comment: Do you mean policy measures?

Mr. Chairperson: Mr. Hrichishen? Sorry.

Mr. Hrichishen: I'm sorry, Mr. Chair. Policy measures?

Mr. Friesen: I don't know if these were policy measures, if they were internal measures, you know, based on best practice and Lean management practices. The commitment was made two fiscal years ago. I would imagine that would have been probably a number of different things maybe based in the management practices. A commitment was made to, and the government committed to be able to drive down not only the increase in the size of the growth of government in these departments, but I believe the pledge was actually made to hold down spending by 1 per cent. So I'm just looking for a statement of what measures were made in this fiscal year and in 2015 to drive down the growth of government spending and how successful were they in the mind of the deputy minister?

Mr. Hrichishen: I can't speak to the specifics of the 2013 announcement, but I'm advised that there were a number of initiatives, like the Lean initiative, like initiatives surrounding controlling accommodation costs, that did result in a savings to the government and these are ongoing. There are a number of departments that over the last number of years achieved savings relative to their budgeted amounts on the basis of measures taken to become more efficient at control of expenditures.

Mr. Friesen: The reason I asked the question is because I know, and the minister and I have had these conversations in the House as well, that it's been the pattern of this government that every year the government overspends their planned target and, indeed, has done so since the year 2000. And this is in spite of the fact that even as, in this budget, total revenue accruing to the Province is up, and it's up even more than anticipated by \$109 million from

actual to actual, that amount is sharply up by almost half a billion dollars.

I know that we're only speaking at these three fiscal years. I notice that in a few departments, it seems—looking even on page 76, even combining areas of core government function, I notice that there was a—quite a sharp increase in spending as the minister has said for Health. It doesn't seem to be explained away entirely by the rationale provided by the deputy minister. Could he clarify again: Was the increase to Health only as a result of these additional \$188-million payments to RHAs, or were there other factors that he would like to identify?

Mr. Hrichishen: I don't have the information with me at this time to give the detailed answer that is required. So I'll take that under advisement and we'll return with a finer breakdown that will attempt to answer that question.

Mr. Friesen: Still dealing with the same page in the same fiscal year and volume, I'm looking at the debt-servicing costs here. I know that Moody's cited concerns about the rising debt-to-revenue calculation of the Province of Manitoba—I see that, you know, for the fiscal year ending 2014-15, that debt-revenue expression was 130 per cent almost. I see that, looking back even to the first fiscal year that we're considering this evening, which I believe is the fiscal year ending in 2012, that debt-to-revenue percentage was 105. This is an increase of almost 30 per cent when it comes to the indebtedness as an expression of revenue. Is the deputy minister concerned about the decline in this—in the—in, I guess, that percentage, the increase in that percentage and the decline of our favourable conditions?

Mr. Hrichishen: I'm sorry. What was the ratio again? It was net debt to revenue?

Mr. Friesen: I'm using that net debt-to-revenue expression. It's one that Moody's has used as well. I know that government often uses debt-to-GDP, but if we consider net debt-to-revenue as cited in Moody's latest comment on the Manitoba economy and fiscal performance, the number that I see calculated, even rounded off, is just under about 130 per cent net debt-to-revenue for the Province in the year ending '15. I compare that to the year ending 2012, about 105 per cent. I'm asking for the deputy minister's comment on that concerning trend.

* (18:30)

Mr. Hrichishen: I will observe that generally speaking—I can't verify the calculation, but generally

speaking, the net debt metric, both in absolute terms and in relative terms, has increased in Manitoba, and has in most other provinces, I must say. Generally speaking, any time you have a deterioration in your fiscal metrics is a concern. It's a concern across Canada right now, so—much beyond that, I'm getting into a policy area that I'm less comfortable speaking on.

Mr. Friesen: I won't belabour the point.

I would point out for the deputy minister that, while his assertion is not wrong, that it's happening in other provinces, I think, you know, looking at the comparison with other provinces, it's far more pronounced in Manitoba. So it is a tremendous area of concern.

Perhaps I could put the question more towards—just towards debt servicing costs. Going back to page 76 on the same report, same volume, and looking at the fact that the Province incurred \$20 million more in debt servicing cost this year—I'm going to look actual to actual, so from '14 to '15, somewhere around here I have the number handy, too, from fiscal years '12 and '13.

Could the minister—deputy minister explain what the reason for—is that would account for the increase in \$20 million more in debt servicing cost?

Mr. Hrichishen: Generally speaking, that would be associated with higher debt.

Mr. Friesen: In that case, why did the government allocate \$872 million for debt servicing and then report \$841? So, was the government expecting higher debt based on their continuing decline of their credit rating, or—why the variance in those two numbers between the budget and the actual amount?

Mr. Hrichishen: Generally, those are associated—the variance between the budgeted debt servicing costs and the actual debt servicing costs for the year related to the lower anticipated interest cost that prevailed over the course of the year.

Mr. Friesen: Had the government anticipated an increase in prime lending rate, or lending rates with respect to their—to the debt that they have incurred? Was there some kind of a calculation made there that didn't end up happening, and that is what the deputy minister's referring to?

Mr. Hrichishen: Yes, that is correct. Our expectation was that interest rates would increase over the course of the year in line with the unanimous projections of the central—pardon me, the

chartered banks who we use as a source of that information.

Mr. Friesen: Could I make the deduction from this discussion we're having that even a— I don't know what the government's analyses are based on, but— was the government's analyses based on, perhaps, the change of a 1 per cent, you know, a hundred basis points in lending?

Are they saying that that would be equivalent to about the amount of \$30 million in debt servicing costs? I notice that's approximately the variance between the budget and the actual.

Mr. Hrichishen: We don't have that information with us, so we'll endeavour to get it in respect of what the projections were for interest rates for our benchmarks, and we'll return to the committee with that information.

Mr. Chairperson: If I can ask just a clarifying question here, Mr. Hrichishen. Past discussion at this committee, when we've discussed how the Province arrives at the interest rate that it pays, you have stated that there are various syndicates that bid on the government bond rating and that type of thing, and that we roll over particular issues at one time of year or another, and this doesn't happen every year. So it seems a bit surprising to me that this amount of money would be allocated in debt servicing where, in past evidence that you've given here, we're often see a delay of six months to a year of an interest rate increase because of those syndicates.

Mr. Hrichishen: You are correct. The interest rate—the borrowings that are subject to the prevailing interest rate are only those that, obviously, we borrow during the year. So in a typical year, for example, last year, it was approximately \$5 billion, roughly, what we went to the market for in terms of borrowings. I don't have the information on what, precisely, the interest rate assumption was going into the year versus what it was—the effective interest rate at which we borrowed at over the course of the year. So that's the information that I believe was requested. I do not have that information.

But you're right, Mr. Chair, that not the entire amount of the debt is subject to changes in interest rates: there's a certain portion which is floating, which is, and then there's a certain portion which is borrowed every year. New capital, for example, new resources for hydro, those are the subject of our investment activities with those dealers who form part of that syndicate you referred to.

Mr. Friesen: I can recall, also, having these conversations at Public Accounts and having these discussions based on the Auditor General chapter on debt and deficit and discussing how it is, I believe, in that chapter, which I know is not under consideration this evening. I believe the AG had made the comment that even a 1 per cent change in interest rates, you know, would—was calculated out, and there was a certain number he had given. I understand what the deputy minister is saying about floating rates, but, of course, at the end of the day, that portion of our debt that is annually becoming renewable then would be also subject to higher borrowing rates if the interest rate was to rise. So I would just add that to the discussion. There are two effects of an increase to interest rates. Both immediate with floating rates but long term, of course, as debt becomes renewable in certain years. And, of course, only portions of our debt would become renewable in certain years. I would just ask for the deputy minister's comment on that statement.

Mr. Hrichishen: The member is absolutely correct. That is exactly the case where the—it is—depending upon the change in interest rates, when we go to a market one year for, say, \$5 billion, a 1 per cent increase adds a certain \$50 million to our debt servicing costs. I thank my comptroller again. But the next year, as well, if we go to the market for another \$5 billion, then there is a \$50-million interest cost associated what you've—with what you've borrowed the previous year, as well as \$50 million associated with your new borrowing as well and so on and so on.

So I just want to clarify. A 1 per cent interest rate or a 100 basis point increase in interest rates right now would be an incredibly dramatic move, given what's been happening over the past year to two years in terms of borrowing costs.

Mr. Friesen: I'm still on that same line item under expenses for debt servicing, and I wanted to ask the deputy minister if there might be another accompanying explanation for the difference between a budgeted amount for debt servicing of \$872 million and the actual amount recorded as \$841 million. I'd like to ask the deputy minister, was it perhaps the case that the higher amount was anticipated because the government was already anticipating a credit rating downgrade a year ago?

Mr. Hrichishen: No.

* (18:40)

Mr. Friesen: It's a very definitive response, but based upon the fact that Moody's was warning a year ago, I was wondering if that could have entered into the discussion.

Well, I'll move along and ask the deputy minister if he could provide details, please, of the investments for the 2014-15 fiscal year of new tangible capital assets for the year.

Does he have that information with him this evening?

Mr. Chairperson: Mr. Hrichishen. As we start, I assume we're in year 2015, if you can direct us to the proper volume and page.

Mr. Hrichishen: Yes, Sir. We are in volume 1 of the '14-15 fiscal year, schedule 7, on page 111, and this provides a breakdown. It's a consolidated statement of tangible capital assets. The breakdown provided is fairly general but, I think, useful insofar as it allocates the assets between land, buildings and leasehold improvements, vehicles and equipment and so forth.

Mr. Friesen: I may come back to this page, so I'm just going to kind of dog-ear that one for now.

Could the deputy minister indicate: What has been the effect on this fiscal year, of course, ending 2015—I'm back on page 76—to the Fiscal Stabilization Account? What was the draw on the Fiscal Stabilization Account this year? Maybe page 125 is the best place to refer to that.

Could he just comment on the drawdown for this fiscal year, and could he remind us from the two previous years being reported, perhaps, to give us an idea of how this year's draw on that Fiscal Stabilization Account compares?

Mr. Hrichishen: In the volume that we've been discussing, volume 1, '14-15 fiscal year, page 127, there is a reference to the Fiscal Stabilization Account. It's the schedule of supplementary information. This is unaudited information.

For '14-15 fiscal year, the transfer from the Fiscal Stabilization Fund was \$55 million. The prior year is also shown on that page at \$100 million. In the fiscal year prior to that, the 2012-2013 fiscal year, it was \$152 million.

Mr. Friesen: Could the deputy minister comment—I know that, from a few budget years past, I believe that the government, through the BITSAs bill two years ago, passed measures that extended the period

they describe as the period of economic recovery for the Province of Manitoba. Could the deputy minister remind this committee: What was it during the period of the economic recovery, as defined by the Province, that had an impact on the Fiscal Stabilization Account? I believe it was a suspension to a mandatory payment each year into the account. Could the deputy minister remind us of that? And could the deputy minister, at the same time, remind us at what point in time now is the government defining that period of economic recovery to end?

Mr. Hrichishen: The economic recovery period that the member references ends March 31, 2016. In respect of the historical information, if the member is willing, we will attempt to get that information and provide it to you tonight. We're just looking back at the moment.

Mr. Friesen: Going back to the same summary financial statement on page 76 of 2015, volume 1, and looking at revenue derived from government business enterprise, and as the minister's—deputy minister's opening statement made clear, the government concluded to do very well with respect to unanticipated revenue from the GBEs.

Could the deputy minister, you know, indicate, even I looked from actual to actual the year previous 2014 ending, \$783 million net income from government business enterprises, and this year ending for 2015, \$900 million. Can the deputy minister comment in terms of the—I don't know what the best way is that the department will have on hand to comment on this, whether it's a percentage actual over budgeted. I would like a comment of how does this year's GBE net income compare with previous years? I'm trying to get at why the government has not more accurately been able to anticipate what revenues would accrue through the GBEs.

*(18:50)

Mr. Hrichishen: The net income from government business enterprises tends to be fairly volatile. Those forecasts are developed by the entities. They're reviewed by us, but essentially they originate from the entities themselves, as they are probably closest to their own business operations and capable of understanding the details and dynamics.

But to the question, I can say, for example, as an example, that for Hydro's '14-15 results, you're higher than budget by \$52 million, primarily due to lower depreciation and operating expenses. The '14-15 results were lower than last year by

\$60 million, due largely to a \$57-million increase in finance expense resulting from \$1.7-billion new financing to fund capital requirements.

MPI's '14-15 results are better than budget by \$41 million, reflecting better investment returns than projected. At the same time, MPI's results are higher than last year by \$102 million, in part—including \$45 million from increased underwriting and \$51 million from increased investment income.

Mr. Friesen: When it comes to the government's own-source revenues as opposed to government's revenues derived from other sources, including government business enterprise, it would seem that the rate of own-source revenues has remained relatively stable in relation to the economy, representing about 15.5 per cent of GDP in 2010-11, versus 15.8 per cent in this year ending '14-15. So own-source revenues have increased by just over \$400 million, or 4.3 per cent, from 2013-14 to \$10 million in 2014-15.

Can the government—can the deputy minister indicate how government business entity revenue has increased during this same period? Has it increased at a rate consistent with own-source revenues or greater than and how much greater than, let's say in the period in the last four years?

Mr. Hrichishen: You're absolutely correct. The growth in own-source revenue is fairly steady. Over time, there can be large changes for certain tax categories as, unfortunately, we've seen most recently with our tobacco and mining tax this year. But for—and generally speaking—generally speaking—own-source revenues are related to nominal GDP growth. The history, or the recent history, of government business enterprise net income I cannot say is not unrelated to economic factors. But the net income, looking at the history over time, for '10-11, I can say that the net income was \$807 million, then fell in the subsequent year to \$713 million, rose to \$739 million in 2012-13, rose again to \$783 million in '13-14 and then rose to the \$899 million that was referenced before in the last year. So, just to be clear, that's net income, not expenses or revenue.

Mr. Friesen: I would ask if the deputy minister could provide, you know, certainly not tonight, but in written form, perhaps, some kind of a chart that would show that, a year by year—going back four fiscal years, year by year, showing that the increase of own-source revenues, comparing it to government business entity revenues, and that would probably be helpful for this committee to have information going

forward. I realize there's volatility when it comes to GBE revenues to government, but there seems to be a trend that we're relying heavily on that revenue, and the losses seem to—could have been much worse had we not gotten lucky and had good years in the government business entities, in a manner of speaking.

I'd like to ask a question pertaining to PST, retail sales tax, on page 76 of the volume 1, 2015. And I'm just asking for a comment now. I realize when it comes to the budgeted and actual that they're very close in terms of our projecting where we would be at with collecting the revenue on an 8 per cent PST. I guess 2015 would represent the second full fiscal year in which the PST was at 8 per cent. Have to go back and check our records. I believe that's the case. Correct me if I'm wrong.

My question for the deputy minister is: I thought there was a time earlier in the fiscal year when the government was actually reporting in one of their quarterly updates that they were anticipating that the retail sales tax would not reach the target that they had initially set out. Seems to be it came in on track. Would there be any reason for us to have ended up where we wanted to be when, at first, I'm quite certain I can remember reading quarterly reports that indicated we're probably not going to get there?

Mr. Hrichishen: That's not uncommon for many of our revenue sources. Our projections for whether we'll achieve the target established in budget on our own-source collections like the provincial sales tax, like the tobacco tax, like the levy for health and education, we monitor those results month to month. We get collections reports and report them in the quarterly reports.

* (19:00)

Given the nature of economic activity and the factors which influence consumption, in principle, provincial sales tax is subject to weather events, is subject to influence of consumer confidence, which historically over the last 50 years have—has proven to be remarkably effective at explaining variances in retail sales activity. Investment, of course—so it would not be uncommon to have a projection for the fiscal year that is higher or lower.

We did achieve a very much an on-target forecast, which I'm biased, but I will attribute to the tremendous economists within the department who toil away to ensure that these forecasts are well thought out, statistically valid and prudent.

Mr. Friesen: Just looking at the bottom line on page 76, looking at the net loss for the year, and earlier in our discussion with the deputy minister, we talked about measures being taken administratively within departments to drive down the costs related to all these expenses, and it would seem that whatever measures are being taken are certainly not enough because the deficit remains stubbornly high, almost a \$100 million over the budgeted amount for the fiscal year.

I guess I would ask the deputy minister to comment. What additional steps are being taken in order to control and reduce the deficit, obviously with the intention of eliminating it when it has been such a challenge to—I guess to this government, to be able to get that down to size?

Mr. Hrichishen: To clarify, is the question related to '14-15, or the '15-16 budget year or—just, I want to ensure that I'm answering this correctly.

Mr. Friesen: I understand that we—we're not talking about budget year '15-16, and I guess we—that would be at a discussion probably on a go-forward basis. Perhaps—I don't want to have to pose the question to the minister while we have the deputy minister behind a microphone.

Let me rephrase the question. We understand the importance of good techniques to reduce the cost of delivering services. That's certainly—was not enough. There was volatility certainly, you know, both on the revenue side and the expenses side. We've—I've already had the deputy minister comment as to, you know, about some of those numbers. I won't ask him about a go-forward basis because that would be a discussion for another time.

You know, perhaps I can just ask the deputy minister, the end of all this is of course the debt—accumulating debt. I guess at the close of 2015, that debt would probably have been at about \$33 billion.

Does the deputy—could the deputy minister comment on the growth of Manitoba's debt compared to other provinces in Canada? Are we seeing the same increase in the size of the debt in other jurisdictions perhaps in western Canada?

Mr. Hrichishen: In terms of net debt, I don't have the detail with me, but it's my recollection that in most provinces net debt to GDP did increase. In the case of Alberta, their net asset position declined, just to be clear. Our net-debt-to-GDP ratio, by our last calculation, in the current year is fourth lowest amongst the provinces.

Mr. Friesen: Question on page 127, going back to the Fiscal Stabilization Account, I do notice in that comparison chart, 2015 to 2014, for both years the health program transfers, the wait time reduction program, these seem to have no—there's no balance showing in these accounts for both fiscal years.

I know that we have significant wait time challenges in this province. Are we experiencing those challenges because there's no more money in this part of the Fiscal Stabilization Account, or why does—maybe there's a technical reason as to why these show a zero balance.

Mr. Hrichishen: The wait times reduction amount was related to federal government revenue that was provided to provinces for that purpose, and it was specifically reserved for wait time reduction. 2012-13 was the last year that that amount was extinguished.

Mrs. Heather Stefanson (Tuxedo): Before I get into asking some questions I just want to say I have sat on Public Accounts before and I see that there have been some changes for the positive that have taken place, and one is providing an opening statement, a copy ahead of time for members, the committee. I think that's very helpful. So I appreciate the deputy minister doing that and I appreciate that being part of this, and I'm sure there's probably other progress that's been made since I sat on this committee, but I look forward to hearing more about the progress, and in the interest of transparency and accountability when it comes to this committee and moving it in that direction.

So I thank you, Mr. Chair, for your work and the work of the committee and what has taken place so far.

*(19:10)

My questions are around the area of financial reporting for the regional health authorities. Specifically, I'm referring to volume 4, section 3, page 1310.

Mr. Chairperson: Of which year, Mrs. Stefanson?

Mrs. Stefanson: Oh, sorry, of 2012-13. Do you have—do you need a copy of that? I'd like to ask a question, I'll give the deputy minister a chance to locate that, and my—I have a few questions just surrounding this page.

I see that this is for the Interlake-Eastern regional health authority. They posted a \$1.8-million surplus in that year, and I'm just wondering, the

balances of the regional health authorities, are they reported as part of the core government's finances or as part of the consolidated statement?

Mr. Hrichishen: The consolidated statements.

Mrs. Stefanson: And in looking at the consolidated statement of operations from the Interlake regional health authority, there's a line under there from revenue, the Province of Manitoba, Health, and obvious, that's revenue from Manitoba Health which is transferred out of there of 187.5 million, and I'm just wondering if the deputy minister could indicate, is that then a—that would be out of the core budget of the Province, right? That would be indicated in the Department of Health as part of the core budget?

Mr. Hrichishen: Yes. It's a grant expense for Health.

Mrs. Stefanson: And as a grant expense, I'm just trying to wrap my head around how this is reported, and I may ask some questions of the acting Auditor General on this, but—*[interjection]*—or the Auditor General, I'm sorry, the Auditor General—it says acting on here, but—update your—of the Auditor General, I'm sorry.

I just want to ask the first—the deputy minister, so this comes out of—the 187 million comes out of the Department of Health; that is indicated as part of the core budget. Yet there is, you know, there's the 210.1 or 0.2 million that are the actual expenditures.

Why would that not be reported as part of the core budget? Why is that recorded as part of a consolidated budget? I'll ask the deputy minister first, and then perhaps the Auditor General can make a comment on that.

Mr. Hrichishen: We'll take that question as notice and provide a specific response to your question.

Mrs. Stefanson: Okay, I'll just ask the Auditor General the same question, if he could make a comment on why that would be considered part of a consolidated statement when the 187.5 million is part of the core budget of the Province.

Mr. Ricard: I'm going to attempt to answer. I may have to fall back on my assistant Auditor General, Tyson Shtykalo, who's the Public Accounts expertise.

I think the thing to remember here, this is the Interlake-Eastern's financial statement. So they would be recording their revenue so that the grant

revenue from the Province, the \$187 million, comes in to them as grant revenue. When we do the summary financial statements, that transaction is eliminated and we pick up the net, you know, excessive revenue over expenditures for the year, the 1.8. So all of the expenses of the regional health authority are reflected, if you will, in the summary financial statements.

But, in the core, which is why we always say never to look to the core because the core only reflects—right, just a grant expense of \$187 million. The core statements will show it as a grant expense; the health authority will record it as a revenue. Those two things get eliminated upon consolidation into the summary financial statements and the net results get reflected.

Mrs. Stefanson: Again, I thank the Auditor General for that comment. I guess, just as, you know, if we're speaking on behalf of Manitobans who live in the, for this example, the Interlake-Eastern regional area, they would look at the true expenditures for that area as the two hundred and ten point—almost \$2 million that are expended. And that would really be as part of a core budget, so to speak, for that area as part of a core expenditure for the Province.

I think people in Manitoba see health care as a core—as part of the core budget, part of what they expect to receive in Manitoba. And I guess what we're seeing here is that only part of that is part of the core budget, but the rest of the expenditures are then a part of the overall summary budget.

And I guess I'll look back to the deputy minister for this area. How does the budgeting take place? I mean, so, \$210 million is expended this year. Would the core budgeting then look for next year in the Department of Health, and I recognize you're not the Department of Health, but as part of putting the budget together for the Province, would they then take into consideration, so as to not allow the regional health authorities to run a deficit on an individual basis, would they then take that into consideration for the next budget year and increase those expenditures to reflect an increase in a budget?

* (19:20)

Mr. Hrichishen: I'm advised that Health works with the RHAs on their budgets. That work is done—undertaken closely with them, and there are many factors that are taken into account, including the one you referred to.

I'm uncomfortable getting into more detail as we're not aware at the moment of—to help you with more detail.

Mrs. Stefanson: Fair enough, and I appreciate the deputy minister's response there.

I'm just wondering—I want to just look at page—just for comparison on page 1412 of volume 4, section 3 of Public Accounts 2012-13. We're looking at the Southern Health authority consolidated statement of operations, and we see there—I just want to—I know there's about \$301 million that was transferred in from the Department of Health, and how does that—that's the actual amount of what was expended by the Department of Health—or what was transferred from the Department of Health. How does that compare, and I'm not sure, again, if this is a fair question for the deputy minister today, but how does that compare with what was budgeted for that year?

Mr. Hrichishen: We do not have that level of detail here at this time, sorry.

Mrs. Stefanson: I thank the deputy minister for that.

I guess it's difficult to, maybe, ascertain what was budgeted versus what's the actual, and I respect the fact that we're just looking at the numbers that are in front of us today.

Is it typical for a regional health authority to run a deficit?

Mr. Hrichishen: The information in respect of the RHAs is consolidated at a high level in Public Accounts. The detail in respect of the financial performance of RHAs are historically available in volume 4 of the Public Accounts. That's public information, can be accessed.

I want to be helpful, of course, so if we could take that question of notice, we could provide that information that would help answer your question. I—we do not have it here.

Mr. Chairperson: Mr. Hrichishen, one of the difficulties we're working with here is that we know—don't have volume 4 for either '13-14 nor '14-15, and it's a bit of anomaly to be working on '14-15 without having volume 4 available for the previous year.

Can you comment on what the holdup might be for releasing that information to the committee?

Mr. Hrichishen: Thank you for your excellent question.

Our staff advise me that we are anticipating to release '13-14 in the coming weeks, and we cannot release the volume 4 until we have all the entities. There are 180 entities. The report itself is 2,500 pages. So the challenge, then, is to ensure that we obtain and compile all this information. I'm told that it is matter of weeks before this information would be available.

* (19:30)

In respect of '14-15 fiscal year results, volume 4, we would typically expect to release that information in the spring. So that is our intention, that's our target, we'll work towards that.

Mrs. Stefanson: I thank the deputy minister for clarifying that.

I just have sort of one more observation, again having sat on this committee and—prior to this, and we're in a situation here where we as MLAs have the ability to go through the Estimates process and ask questions of the Minister of Health (Ms. Blady) in this case, with respect to expenditures from the Department of Health. We're in a situation here though where there's only certain expenditures that are part of the core budget, which is what we ask questions in Estimates for. Really this is the only committee that we have the ability to come and ask questions with respect to these documents, the Public Accounts. And the Public Accounts also entails expenditures that go beyond the scope of just the core budget for Health.

And so I think it's very difficult for us to be able to ask questions, I think, you know, in this forum. You know, I'm asking questions that would really, you know, maybe be the regional health authority that should be answering those questions. And so again I find myself, and I found myself there before in this at Public Accounts not being able to maybe get the answers to the questions that we need.

And I know that the committee is moving forward, maybe they're looking at the ability, I'm not sure at this stage, of being able to call witnesses, but I think it would be an important thing for the committee to maybe consider at this stage because this would allow us to ask those questions and have those witnesses at the table to be able to answer those questions.

So, Mr. Chair, I respect, I'm not reflecting on you and what your committee's doing, but I do just say that I'm not sure that I have any more questions around this because I'm not sure that the committee

is able to necessarily be able to answer those questions at this stage.

So again I appreciate where the committee has come and I would encourage them in the—just being a little bit more transparent and accountable, and for us to be able to do our jobs, to maybe consider those types of changes for the future.

I appreciate the deputy minister's comments as well as the Auditor General's comments.

Thanks.

Mr. Chairperson: Mr. Wiebe, do you have a comment?

Mr. Matt Wiebe (Concordia): Yes, and I just—I guess I wanted to, you know, echo what the member is saying in terms of what's available to us and the challenges there. And you know, going through these volumes, it's quite a bit of information and I can certainly understand the minister's, you know, the task in front of the deputy in terms of bringing this information together. So I appreciate what the department is able to bring to us.

I also wanted to say that I—and I don't know this is—if this is a change that has come since the member has joined this committee, but I—or has sat on this committee, but I think the willingness of our deputies to undertake to answer questions in writing after the meeting if it's something that they don't have on hand, I think is pretty positive, and we've had a lot of success in getting some of those answers, maybe not right during the meeting if it's not something that's directly in front of the deputy, but I do want to thank the deputy for undertaking to bring that back to the committee for consideration and allowing us to see that at a later time.

So I think that's very helpful and want to thank them for that.

Mrs. Stefanson: Just one last question, and just in the interest of us having this discussion here today, I think this is a helpful discussion for the committee.

I'm just wondering if the Auditor General has any comments on this committee moving forward in terms of being able to call witnesses such as those, in this case, from the regional health authority to be able to answer these types of questions.

Mr. Ricard: Certainly we, over the years, have been encouraging the Public Accounts Committee to seek rule changes to allow it to call the CEOs or the presidents of the various organizations, but that's

always been in reference to some of the value from the many audits that we table. So if we do an audit of the WRHA, we think it would be beneficial for the committee to be able to call the president of the WRHA, the CEO, to come and answer to the findings and how they will be addressing the recommendation.

The public accounts, though, is a particular challenge in that regard because we audit—what's presented before you is the summary financial statements. It's the summarized version of all the public expenditures. It would be 'unwieldy', I would think, for the committee to call upon all of the CEOs of all of these organizations, even the WRHAs. I mean, it would be hard to organize a meeting where those—all of those people could be here unless there was some thought to, you know, what your questions would be and who you would like to be able to question to give the committee some kind of advance notice on what—should they be in a position in the future to call witnesses other than deputies and the CEOs for the four Crowns that they can invite. But, certainly, in the interest of accountability, we see there is a problem with the committee not being able to call the correct witnesses, and, so, we would encourage the rules committee of the Legislature to consider that in their deliberations.

Mr. Bidhu Jha (Radisson): Well, I think what the member said—I think we already have that provision. We don't have to reinvent. The committee is empowered, I think, that you could call this is audit. This is the Finance—Deputy Minister of Finance gives you the general overview, but if you want a particular department, I think, as the Auditor General said, it is possible for the committee to call that particular. It is—it has been done in the past, so I don't think anything is new required here. Thank you.

Mr. Chairperson: All right. Thank you everyone for their comments, and I appreciate the Auditor General's comments and everyone's comments on this regard. It is something we've dealt with in a subcommittee and is going to the rules committee. I think in terms of the Public Accounts, certainly, we can't call all the witnesses all the time and, perhaps, it's something for us to look at—that, like the Auditor General, when you do an audit, you don't audit the entire department; you audit a section of it. And perhaps that's something that the Public Accounts Committee can look at, that there is a section of this report that we might look at. But I will leave that for the rules committee.

Further questions?

Mr. Doyle Pivniuk (Arthur-Virden): I want to have a question to the deputy minister about the pension liability. I've seen on page—on the volume 1 on the 2015 annual report on page 75, down on No. 6, pension liability, it shows that there's over a \$200-million increase and, is that a concerning to yourself as the deputy minister when it comes to that much liability going forward? Is that going to be continuous, or is there anything in place that—is there any controls on?

* (19:40)

Mr. Hrichishen: Thank you for that excellent question.

Our—the performance of the investment boards which invest the assets of these pension funds have an excellent record and a record that's improving in respect of a recovery from the downturn where we saw in Manitoba, like all jurisdictions in North America and probably globally, a weakness in terms of the accumulated assets dedicated towards paying the pension obligations.

The civil service plan does have an actuary that looks at the plan annually, less frequently for the teachers' fund, to evaluate. That would be a process that the investment boards and the oversight boards of the pension funds themselves monitor closely. Part of the response to recent developments has been a fairly material increase in the contribution rates of employees as they contribute to the pension fund, and I would be loath to suggest that it will change higher or lower at this point because I don't have that information. But the oversight committees associated with both the oversight of the boards themselves, the pension funds themselves and the investment committees, are very active.

Mr. Pivniuk: It's probably the lead up to questions of this—like, what does it compare—like, this liability going over 200 million more from last year, how does it compare to the pension plans of other provinces?

Mr. Hrichishen: That's a excellent question, sir. I do not have that information with me but I'll endeavour—I'll commit to provide that information to you, although I'm advised that it may be a case of apples and oranges. So there may be caveats associated with that but I do want to answer that question. I think it's a good question. We'll provide the information that will help you, I agree.

Hon. Jon Gerrard (River Heights): In your report, you mention that the net increases in tangible capital asset investments were \$877 million, and yet in schedule 7, which is page 111 of volume 1 of the 2014-15 report, when you subtract the net book value of tangible capital assets, the difference is 862 instead of 877. In the overall context, 15 million may not be a lot, but I just want to, you know—where did the 15 million go?

Mr. Hrichishen: I'll draw your attention, please, to volume 1, '14-15, page 103, note 16. There was an adjustment to the accumulated deficit related to floodway assets. It was a prior-period adjustment.

So the relevant part of the note: During the year the government reviewed the accounting treatment for several account balances and determined that certain restatements were required. The government determined that floodway assets were in use one year earlier than previously established. This required a reversal of \$11 million in capitalized interest and the addition of \$4 million in accumulated amortization. As a result, the net book value of tangible capital assets was reduced by \$15 million. The adjustment increased the opening accumulated deficit by \$15 million and had no impact on opening net debt.

Mr. Gerrard: Okay, thank you. So that the \$15 million was added in one case but wasn't in the other.

Floor Comment: Yes.

Mr. Gerrard: Okay.

* (19:50)

Mr. Hrichishen: I'm advised that on page 78 of Public Accounts volume 1, '14-15, the \$15-million adjustment is shown as part of the \$46 million actual for 2014-15 as a prior period adjustment, and there's a reference there to note 16. That is the third line in the bottom of that table, \$46 million. There's \$15 million embedded in there.

On page 111 of that same volume, the \$15 million is already netted out and is shown as part of the 11461—this is schedule seven on page 111. Eleven four six one being the total for—net book value of tangible capital assets for '14-15 fiscal year.

Mr. Gerrard: Now, in your report, and in the financial statements, for example, page 78 of that same volume, but you refer to, for the 2013-2014 fiscal year, there was unrealized foreign exchange losses or unrealized losses on investments of \$167 million and those were at government business

enterprises and down below, you have in your report from 2014 to 2015, unrealized foreign exchange losses or unrealized losses of investments of \$319 million.

Those are pretty sizeable numbers, and I wondered if you could explain a little bit more detail where those are coming from, is there a table that—in somewhere, that would separate out the foreign exchange losses from the unrealized losses on investments? And you know, what's the explanation for why those are as high as they are, for example, this 2014-2015 year?

Mr. Hrichishen: I can say that the \$319-million adjustment for OCI in '14-15 was principally due to Manitoba Hydro's adjustment for foreign exchange losses, principally; it was \$257 million as a negative adjustment. MPI was an adjustment of \$33 million negative. Workers Compensation was a negative adjustment of \$35 million. Manitoba Liquor & Lotteries was an adjustment of minus \$1 million. And Deposit Guarantee Corporation was a positive adjustment of \$7 million. The total was \$319 million.

That is a large increase relative to '13-14. Over time, the OCI amounts have been far from steady. In '12-13 fiscal year, we had a negative adjustment of \$12 million; in '11-12, a negative adjustment of \$77 million; in '10-11, a positive adjustment of \$170 million; and in '09-10 fiscal year, a positive adjustment of \$709 million, principally due to positive adjustments for MPI corporation and Manitoba Hydro.

Mr. Chairperson: Honourable Dr. Gerrard.

Before we get into the question here, we are approaching 8 o'clock and that was the point where the committee said we would revisit.

What is the will of committee?

Mr. Friesen: I would make a recommendation that the committee agree to sit until 8:30 p.m. and then see where we're at at that time, if more time is required.

Mr. Chairperson: Is that agreed? *[Agreed]*

Mr. Gerrard: Okay, I want to take that a little bit further. Is that adjustment for Manitoba Hydro, which I think is \$257 million, is that because of the change in the foreign exchange and the lower value of our dollar?

Mr. Hrichishen: That is correct. It's a mark-to-market paper evaluation on the day. It's not related to

transactions, but on a specific day, and it is related to foreign exchange.

Mr. Gerrard: Now, in that \$257 million for Manitoba Hydro, does that, when Manitoba Hydro reports its revenue and expenses for the year, does that appear as a loss, or does that just not appear at all because it's, you know, it's mark-to-market, or what happens?

* (20:00)

Mr. Hrichishen: The OCI for Manitoba Hydro appears much like it does for the general government financial statements insofar as it's below the line, if you will. The OCI forms part of the net—the debt of the corporation but is not included in the net income statement, so it's not part of their bottom line on their P and L, but is essentially recognized in their statements in a very similar way to how they're reflected here.

Mr. Gerrard: So, in essence, what it would show up on Manitoba Hydro is an increased debt for Manitoba Hydro, but it would not show up as, you know, an increase or decrease in their net revenue for the year?

Mr. Hrichishen: That is correct.

Mr. Gerrard: Would it be generally true that when the Canadian dollar is worth more relative to the US at the end of the year than the beginning, we would tend to have a—be positive in this, and when the Canadian dollar is going down, we would tend to be negative in this?

Mr. Hrichishen: Yes. In that scenario, that would be the case.

Mr. Gerrard: Now there—you mentioned the year when there was a positive—fairly sizable positive number, and that, I think was related to MPI. And that might be a change in the—their investment portfolio value.

Is that what you're saying? So that could be another factor which would have a big impact on this number?

Mr. Hrichishen: That's correct. It is, in MPI's case, related to their investments.

Mr. Friesen: My question's for the deputy minister. In an exchange between the Premier (Mr. Selinger) and the Leader of the Opposition on May 19th in Committee of Supply, there was a commitment made by the Premier to provide, in the annual report, a

statement of the severance to staff members formerly in the Executive Council.

Could he indicate where in 2015, volume 2, Schedule of public sector compensation payments, we would find those detailed severance payments for—I should probably name them—A. Brandt, M. Dewar, S. Housser, L. Martin, J. Anthony, A. Rothney and J. Mason?

Mr. Hrichishen: So the compensation payments for employees are included in volume 2 of the Public Accounts. The individuals who received compensation during the '14-15 fiscal year, their total compensation is reported there. And I'm advised that includes severance payments.

Mr. Chairperson: So, Mr. Hrichishen, that would show as a total but not as a separate amount, is that correct?

Mr. Hrichishen: Sorry. That is correct.

Mr. Chairperson: Mr. Friesen, not too far down this road, I advise.

Mr. Friesen: Well, I am looking for a clarification, though, from the deputy minister. And I appreciate the answer that he has given. But in the Hansard that day from the Committee of Supply, there's a clear exchange where the Opposition Leader asked the Premier (Mr. Selinger) when the amount of severance paid to each of these individuals will be made and will—how will it be made transparent. And the Premier's reply is: The amounts are reported in the Public Accounts, which usually come out on September 30th of each calendar year.

The question to the Premier was to make transparent the amount of severance paid to each of these individuals. I see amounts that are recorded on page 11 in volume 2, fiscal year 2015, under Executive Council schedule of public sector compensation payments to A. Brandt, M. Dewar, S. Housser and L. Martin. I do not see payments made to A. Rothney, J. Mason and J. Anthony.

And then, like the Chair has indicated, the payments that are indicated here are—they're payments in the aggregate; they are payments—whatever payments would have been made to these individuals, severance included.

Could the deputy minister provide for this committee a breakdown that would indicate what part of this total compensation paid to these one, two, three, four individuals that are reported here, what part of that would be severance, and could the deputy

minister provide an explanation as to why the other three individuals are not reported here on page 11?

Mr. Hrichishen: I do not have that information.

Mr. Wiebe: If I could, Mr. Chair, I think—oh, thank you. If I could, just looking through the Public Accounts document, volume 2, and I think I understand where the member is referencing and, as he noted, there are some compensation amounts listed. I think the numbers, though—and I think some of them are included here that he's specifically asking for severance amounts, which would be included in this current year that's reported but, from what I understand, a number of them, in terms of the severance amount, would not be included in '14-15.

So—and, I mean, I appreciate the deputy doing his best to provide an answer, and certainly if there's more clarification, you know, we appreciate that, but that's just, from what I understand, some of these—some of the compensation amounts include severance. However, in many of these cases, that wouldn't be included in this volume.

So, I just—I guess I would also agree with the Chair in the terms of going too far down a road that could potentially take the committee off-track in terms of properly looking at these Public Accounts for this year that we have in front of us.

Mr. Chairperson: Any further comments, Mr. Hrichishen? So, the detail is not available, is that what we're being told, Mr. Hrichishen?

Mr. Hrichishen: That is correct. The amounts that are reported in volume 2, just to confirm, would include severance amounts in the year in which they're paid.

Mr. Friesen: I won't belabour the point, and I don't plan on derailing the work of the committee this evening. I just am—I want to clear—point out one more time that, in this May 19th exchange, there's a clear question from the Leader of the Opposition: When does the Premier (Mr. Selinger) plan on making transparent the amount of severance paid to each individual?

And the answer from the Premier, and I'm quoting right from the Hansard excerpt: "The amounts are reported in the Public Accounts, which come out usually on September 30th of each calendar year."

So I would submit to the deputy, Chair, that this is exactly within the scope of the deliberations of this committee. We were told that this would be the

context in which we would be able to see the transparent amount of severance paid to each individual. So I do appreciate, as the deputy minister says, it's not detail he could supply this evening, but then we have a conundrum, because as members of committee, we were told to look here. We're being told now that that information's not available here.

Could the deputy minister indicate, did the Premier (Mr. Selinger) mislead when he said that this information—

Mr. Chairperson: Mr. Friesen, I think that's a little out of the line here.

Mr. Friesen: Okay, I'll rephrase.

Mr. Chairperson: Okay. Mr. Friesen.

Mr. Friesen: Mr. Chair, I'll rephrase. Was the Premier accurate? I could say accurate?

An Honourable Member: It's the same question.

Mr. Friesen: I'm not ascribing motive.

* (20:10)

Mr. Chairperson: I guess the question's pretty much been asked and answered. I guess the question I would like to see asked of the deputy is: If the severance payments made to these individuals—is there more detail available that the deputy could make available to this committee?

Mr. Hrichishen: I do not know the answer to that. These amounts include severance amounts. To what degree we can provide breakdowns along the components of that, I simply cannot identify that accurately to you now.

Mr. Chairperson: Okay, so I guess the question would be: If you're going to look at that, can you provide for us in—of a breakdown of these numbers that are provided in volume 2 for those individuals—what the salary amount is, what the benefit amount is and what any severance would be.

So we'll leave that with you to see if you can do that for us, and Mr. Dewar, do you have a comment?

Hon. Greg Dewar (Minister of Finance): Well I do, Mr. Chair. I know that the member referenced Ms. Rothney, and Ms. Rothney is a—works—worked for the planning and priorities department and that's financed through the Department of Finance.

So I would think if you were to look under Finance, you would see her level of compensation and her level of severance. I don't remember the

names of the other individuals that you referenced, but often they're not part of Executive Council, as I said because Ms. Rothney, she worked for planning and priorities, it's a division of the Department of Finance, and that's where her compensation can be found. I am certain.

[interjection] Hmm? Oh, thank you, apparently it's on page 45.

Mr. Friesen: Advice taken by the Chair, the only thing I would add to the request that the Chair made to the deputy minister would be: Is there a date by which the deputy minister committed to get an opinion back to us as to whether or not there—it would be possible to break down that detail in terms of the total compensation made.

Appreciate the information the Finance Minister has put on the record. The same question would pertain to those other people. I appreciate his willingness to find out. Is there a date by which this committee could know whether the answer would be yes, we can supply the information, or no, we cannot?

Mr. Hrichishen: I will not give you a date, because I'm not sure what that date might be.

Mr. Chairperson: Thank you. We'll endeavour to look for you trying, but I do have a question for the deputy. I like numbers to balance, as I'm sure the deputy does and his staff, and when I look at the schedule fives in the four years that we have in front of us here, sometimes they balance, and sometimes they don't.

When I look at the 2012 year carrying forward into the next year and 'comparissing' the 2012 amounts, we're out by some \$34 million, and then when I go from 2012-13 to 2013-14—this is on page 107, by the way, and 105—those numbers are the same. So \$3.862 million in 2013, carried forward onto the statement on page 107, but then when I go from page 107 in the 2013-14 report to page 108 in the 2014-15 report, those numbers don't line up again. We've got in 2014, a total of—total accounts payable accrued charges, provisions, unearned revenue of \$4.043 million in the '13-14 report on page 107, and when I go on page 108 of the '14-15 report, I'm down to \$3.971.

Can you tell me why we have differences here, please?

Mr. Hrichishen: We do note that this year, on page 103 of '14-15 public accountants, volume 1,

that there are on, occasion, retroactive accounting adjustments. In this case, for the current year, there was an adjustment, and I'll draw your attention to page 85, note 1, sub (vii)—or vii—Change in accounting policy: Effective April 1, 2014, the government adopted the new Public Sector Accounting Board accounting standard liability for contaminated sites.

I won't go into much detail, but the adoption of this new standard has resulted in the 'de-recognition' or reclassification of \$78 million in liabilities previously established for the removal of asbestos from government buildings. Comparative figures have been restated, resulting in an impact to opening equity and net debt of \$72 million and a \$7-million reclassification to accrued liability. So that accounts for the change between the public accounts year to year. It was that retroactive change.

Mr. Chairperson: All right, I think, then, seeing no further questions at the moment about these reports. So we'll start on the oldest report in front of us, then.

Volumes 1, 2, 3 and 4 of the Public Accounts for the fiscal year ending March 31st, 2012—pass.

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

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: I hear a no.

An Honourable Member: Pardon me, Mr. Chair, which report—

Mr. Chairperson: Twenty-thirteen. March, 20—

An Honourable Member: Yes.

* (20:20)

Mr. Chairperson: Volumes 1, 2, 3 and 4 of the Public Accounts for the fiscal year ending March 31st, 2013—pass.

Shall Volumes 1, 2, and 3 of the Public Accounts for the fiscal year ending March 31, 2014 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no, so it's not passed.

Shall Volumes 1, 2, 3, and 4 of the Public Accounts for the fiscal year ending March 31, 2015 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no, so the accounts, the volumes are not passed.

Now, we do move on—[interjection] Did I say four? One, two, and three—one, two, and three—did I say—okay, so I shall do that again.

Shall Volumes 1, 2, and 3 of the Public Accounts for the fiscal year ending March 31, 2015 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

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

So we now move into Auditor General's Report—Annual Report to the Legislature, dated March 2014, chapter 1, Accounts and financial statements: Section 10 annual report.

The floor is open for questions.

Mr. Friesen: I've got a question pertaining to the department's commitment to consider recommendation 1 and consider whether the recommended change to this secondment policy is required, and I wanted to ask, has the department considered that recommendation yet and what has been the result of that consideration.

Mr. Hrichishen: The Province has revised its policy note for the March 31, 2015 Public Sector Compensation Disclosure report, and that note is now clear. It better explains the Province's policy. I'll add that the department has complied every year with the legislative requirements and has consistently applied its policy from year to year.

Mr. Friesen: I would just ask for the Auditor General's comment on that and whether the information offered by the deputy minister is satisfactory to him and would cover off the concern that had been expressed by the OAG.

Mr. Ricard: At this point, you know, we're really in the process of following up on the recommendations included in this report, and so I'm not in a position,

really, to comment on whether we think the recommendation has been implemented.

Mr. Chairperson: Further questions from the committee?

Mr. Friesen: I—sorry; I'm just looking for a clarification from the Auditor General, and I know we've had this chapter at committee before, and this is not a follow-up report, and so we're just hearing more information based on the information that was supplied the first time that this chapter was heard—just looking for some guidance here on how to measure the deputy minister's responses against the backdrop of the original concerns and recommendations of the Auditor General if the AG is not in a position tonight to comment on the progress that has been made. So that would—question would be to the Auditor General one more time.

Mr. Ricard: Really, the only thing I would ever be comfortable commenting on tonight is the recommendation states that the department account for seconded employees consistently. I heard the deputy say that they will consider revising the note to make it clearer. That doesn't sound like it's addressing the recommendation to me. So, you know, part of our follow-up process is to see whether or not how their accounting for secondments is being applied in a consistent manner and whether that is consistent with the stated accounting policy.

Mr. Friesen: My question to the deputy minister, does he feel like there might possibly be some more work cut out for the department here if it comes to getting to that threshold of what constitutes consistent accounting for seconded employees? I'm just asking him to respond to the comments made by the Auditor General.

Mr. Hrichishen: By clarifying the note to make fully transparent our reporting of these employees, we've—we feel that we have implemented the recommendation effectively.

Mr. Friesen: I think that the members of this committee will want to give consideration when we see these responses, when we consider these responses and see them in Hansard. We'll probably have to measure both the response of the Auditor General and the deputy minister and see what more has to be done.

I'd like to proceed to the second recommendation of this report and another question for the deputy

minister. This comes from page 64 of the Auditor General's chapter, and this has to do with the \$5,000 threshold which was set in 1982. I notice that the Auditor General had a recommendation here that the threshold be increased, and the response had been that the policy is set by administrative policy and that a review was going to be conducted. What's the process at right now? What state is that policy review at? Is it completed? Is it under way? And if so, when will it be completed? My question to the deputy minister. *[interjection]*

Mr. Chairperson: Mr. Hrichishen.

Mr. Hrichishen: Sorry. That is under consideration, and it's under review. It has been. We're looking into the feasibility of making those changes. I cannot give you a time frame for that, but we haven't reached a resolution on proceeding or not proceeding with that. But it's a decision that we are considering actively.

Mr. Friesen: I thank the deputy minister for that response. And, you know, I'll be brief, but I do note that, I mean, the report was published in March 2014. This is still when the Auditor General was producing all the reports for the year at one time. And I remember that release date and getting the big book dropped on my desk on that day, and so that means that I know the department has had a year and a half to respond. I understand it's a large change that would be undertaken, but I guess at this point, to sum up, then, the deputy minister is saying this process is still ongoing, but he—can he clarify—he cannot point to a date at which there would be a recommendation based on this review that is ongoing? Is that correct?

Mr. Hrichishen: That's correct. If I gave you a date, I would be potentially misleading you.

Mr. Friesen: Just to go forward to the third recommendation of the Auditor General that had to do with the recommendation that the Province provide a disclosure of vendor payments by all entities and the government reporting entity. I wanted to ask the deputy minister, have the administrative requirements been evaluated regarding the production of a vendor report?

Mr. Chairperson: Before we proceed, we are approaching the 8:30 time we agreed to.

What is the will of committee?

Mr. Friesen: I would suggest probably at this time that we could do this quickly. I would advise that we

simply say we'll adjourn by 9 o'clock, but if we adjourn prior to that, that's fine as well.

An Honourable Member: Eight forty five is good.

* (20:30)

Mr. Chairperson: Suggestion has been 8:45. What's the will of committee? Agreed?

So, Mr. Friesen, your question has been asked. Do you need any clarification, Mr. Hrichishen? Do you need any clarification of the question since I interrupted the flow, there?

Mr. Hrichishen: No, thank you, Mr. Chair.

The recommendation itself would require a huge undertaking, and we see it as logistically difficult. Very challenging, in part because we would need to deal with many external entities—I believe 180 external entities. We, however, haven't discounted the value, nor—certainly not the value, nor the possibility of, over time, considering whether there are options to move ahead on this.

So, I regret that we haven't reached a conclusion on that, now, but it has been under active consideration.

Mr. Friesen: I appreciate that response, deputy minister.

You know, in all these cases and deliberations of this committee, you know, we want for our systems to be responsive, but we also know that, with these kind of requirements comes cost, and we must always measure our practices against those of other jurisdictions. And, so, I would also recognize that in the provinces—I think in the deputy minister's original response he said he's not aware that this is done in any other jurisdiction in Canada.

A follow-up question to the deputy minister would be this, then: if we stopped short of such a report, which could come at some very, very onerous cost to the system and to resources in the system, is there any other form of scrutiny and—that he could recommend, or that they are considering at this time that would get to the spirit of what the Auditor General has recommended?

Mr. Hrichishen: Yes, that is an excellent idea, and one that we are considering.

The notion of incrementalism, of proceeding, where possible, again, those discussions will be challenging given the magnitude, but we understand the commitment that we have to transparency in

financial reporting and we see that as—this is, potentially, part of the expansion of our capacity to fulfill those obligations.

Mr. Friesen: I had one recommendation for that process, going forward. It would be that we just don't put all that information on the second floor of the Legislature on one computer in the library. That was an attempt at brevity in these proceedings.

I just wanted to go to recommendation four. I know this has been something we've considered in the past that, previously, when this chapter has been considered—I just was looking for a comment from the deputy minister. I did take notice the finance critic that the annual reports were released on the last day that they were permitted to be released. I contrast that with, let's say, in Saskatchewan, where the annual reports were released in June.

Are we making progress—and I know that recommendation was specific to quarterly reports, I understand there's a tremendous amount of work and energy that goes on months beforehand to get these things published—are we making progress on getting reports issued on a more timely basis?

Mr. Hrichishen: The preparation of the Public Accounts is something that's done in conjunction with the Auditor General and his staff. Over the last two years, we've undertaken to institute meaningful material improvements in the communication and establishing time frames and whatnot, with the view to providing more timeliness in respect of the issuing of those reports.

I regret that we did not achieve the result that we are looking for this year but it is a principal objective of our department to continue, and I know it is of, don't wish to say I'm speaking on behalf of the Auditor General, but their staff and the auditor himself has been extremely engaged and taken a leadership role in making these improvements.

Mr. Chairperson: Seeing no further questions on this report, does the committee agree that we have completed consideration of chapter 1, Accounts and financial statements: Section 10 annual report of the Auditor General's Report—Annual Report to the Legislature, dated March 2014? *[Agreed]*

Consider it—a chapter, sorry. Not the report, just the chapter. There we go. Hold the bus, yes.

This concludes the business before us. Thank you to the committee and to the Auditor General and staff, to the Minister of Finance (Mr. Dewar) and the

deputy minister and staff. Good luck to Ms. Pratt in your retirement, I wish you well. And thank you, yes, to our clerk and researcher staff and Hansard staff.

The hour—before we rise it would appreciated if members would leave behind any unused copies of reports so they can be collected and reused at the next meeting.

The hour being 8:40, 8:38, what is the will of committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Thank you.

Committee rise.

COMMITTEE ROSE AT: 8:38 p.m.

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