

Second Session - Thirty-Ninth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Leonard Derkach
Constituency of Russell

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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

Wednesday, May 7, 2008

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Leonard Derkach
(Russell)**

**VICE-CHAIRPERSON – Mr. Jim Maloway
(Elmwood)**

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Selinger

Mr. Borotsik, Ms. Braun, Mr. Derkach, Ms. Howard, Messrs. Jha, Lamoureux, Maguire, Maloway, Martindale, Mrs. Stefanson

APPEARING:

Hon. Peter Bjornson, MLA for Gimli

Ms. Carol Bellringer, Auditor General of Manitoba

Ms. Diane Gray, Deputy Minister of Finance

MATTERS UNDER CONSIDERATION:

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2003

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2004

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2005

The Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2005, including a Review of School Division Financial Accounting and Reporting

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2006

The Auditor General's Report - Audit of Public Accounts for the year ended March 31, 2006

Volumes 1, 2, and 3 of the Public Accounts for the year ended March 31, 2007

The Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2007

The Provincial Auditor's Report - Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division # 19, dated September 2001

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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:

Volumes 1, 2, 3 and 4 of the Public Accounts for the years ended March 31, 2003, 2004 and 2005; the Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2005, including a Review of School Division Financial Accounting and Reporting; Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2006; Volumes 1, 2 and 3 of the Public Accounts for the year ended March 31, 2007; the Auditor General's Report - Audit of the Public Accounts for the years ended March 31, 2006 and 2007; the Provincial Auditor's Report - Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division # 19, dated September 2001.

First of all, I'm going to depart from my script and ask whether there's leave of the committee to deal with the Provincial Auditor's Report - Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division # 19, dated September 2001, first, so that would allow staff, perhaps, from the department not to have to endure the entire evening of questioning this evening. Is there leave of the committee? *[Agreed]*

Thank you very much.

So, then, the first report that we will be dealing with is the Provincial Auditor's Report, Investigation of an Adult Learning Centre.

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

Mr. Jim Maloway (Elmwood): Mr. Chairman, I would suggest that we sit till 8 o'clock and revisit the issue at that time.

Mr. Chairperson: The suggestion has been that we sit till 8 o'clock and then revisit at that time. Agreed? *[Agreed]* Thank you.

I'll ask the Minister of Education to come forward, please, and his deputy.

Does the honourable minister wish to make an opening statement? May I ask him to please introduce his staff.

Hon. Peter Bjornson (Minister of Education, Citizenship and Youth): Thank you, Mr. Chair.

Deputy Minister Farthing, Gerald Farthing, Dr. Farthing; Steve Power from Schools' Finance branch; and Dr. David Yeo from Education Administration Services. *[interjection]* Recent, Dr. Yeo, yes.

I don't think I have an opening statement. That's fine. We'll proceed.

Mr. Chairperson: We thank the honourable minister.

Does the critic of the official opposition have an opening statement?

Mr. Rick Borotsik (Brandon West): No, not on this particular document. Through you, Mr. Chair, no.

The report goes back to 2001. I believe the Auditor General has identified that there's not much more that can be dealt with at this point in time with that particular report, that, in fact, it's so old it was almost before some of the members at this table were born.

So, Mr. Chairman, if I could, if the Auditor General doesn't have any comments to the committee, I would certainly suggest that we let this report go.

Mr. Chairperson: I thank the member.

Does the Auditor General wish to make an opening statement?

Ms. Carol Bellringer (Auditor General of Manitoba): Thank you, Mr. Chair.

I don't have an opening statement. I just want to draw attention to a 2005 report. It's a follow-up of report recommendations, a review, dated July 2005. It has been referred to the committee but not yet passed. In that report, we do a further follow-up to the recommendations that are included in the 2001 report. So that, at a future date, would come back to this committee.

Mr. Chairperson: Are there questions?

Mr. Borotsik: There are no questions. If there are none from any member of the committee, I would simply ask that the report pass.

Mr. Chairperson: I will ask the question.

Provincial Auditor's Report - Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division # 19, dated September 2001-pass.

Thank you very much.

Mr. Chairperson: I will now ask the committee for direction in terms of how the committee wishes to proceed this evening in dealing with the different reports that are on the agenda. In our previous meeting, we talked about perhaps dealing in a particular way with these reports. I would just like to ask whether or not there are suggestions from the committee as to how we should proceed.

Mr. Borotsik: There are a number of reports and, certainly, the reports, the first three 2003, 2004 and 2005, perhaps we can, in the spirit of co-operation, consider those at a later time. If we could, at the present time, go to the 2007 report that has been tabled, the Audit of the Public Accounts for the year ended March 31, 2007, there are some questions that I would have of the deputy minister.

Mr. Chairperson: Is it agreed that we will dispense with dealing with the first three items on the agenda and move to the Auditor General's Report on the Audit of the Public Accounts for the year ended March 31, 2007? *[Agreed]* This is where I would like all of us to direct our attention.

I will now ask the minister if he has an opening statement.

Hon. Greg Selinger (Minister of Finance): No, I don't have an opening statement. I do note that in the report the recommendations from previous years' reports have been carried forward so that by dealing with this report we're, in effect, dealing with recommendations of the previous years' reports. It allows us to address all of them at the same time.

In a sense, this is kind of a global discussion of those previous reports because the recommendations are replicated. I'm hoping that will allow us later on in the meeting after we've satisfied ourselves through discussion and questions, perhaps, to pass more than one report tonight, if that's possible.

Mr. Chairperson: I thank the minister. May I also ask the minister to introduce his staff to the committee.

Mr. Selinger: I have with me the Deputy Minister of Finance, Diane Gray; Senior Assistant Deputy Minister, Bruce Gray, no relation; the Comptroller, Betty-Anne Pratt; a member of his staff, Colin Cassidy; and Terry Patrick and Helen Hasiuk.

Mr. Chairperson: I thank the minister. Does the critic for the official opposition have an opening statement?

Mr. Borotsik: No, Mr. Chairman. I don't have an opening statement. We can go directly to the recommendations if you so wish.

Mr. Chairperson: Does the Auditor General have an opening statement?

Ms. Bellringer: No, but I'm happy to provide any clarification that the members may wish.

Mr. Chairperson: The floor is now open for questions.

Mr. Borotsik: Again, I thank everybody on the committee for their spirit of co-operation. I think we can probably get through this, hopefully by 8 o'clock.

The 2007 Report - Audit of the Public Accounts, there are a number of recommendations, 12, I believe. I wonder if I might ask the deputy minister, maybe very briefly, just to run through the recommendations. We do have the response from the officials to see if, in fact, anything has transpired since the production of this report.

Is there anything that the deputy minister may wish to expand on? For example, in the first recommendation, there's a suggestion to set the targets for its financial indicators in a planning document. Can the deputy minister give some indication just how far along that is?

* (19:10)

Ms. Diane Gray (Deputy Minister of Finance): I think I could start out by saying, in an overview way, all of the Auditor's recommendations are under implementation by the Department of Finance. I can provide some specifics on each of the recommendations, if that would be helpful.

On recommendation No. 1, which is setting targets for financial indicators in its financial planning document and reporting back against actual performance indicators—in budget 2007, we

published our first financial management strategy. We will be doing that on an annual basis. That strategy sets out the government's priorities for financial management, identifies one or more measurable outcomes for each of those priority areas and sets objectives for the current year and for the future.

We will be reporting on those results in our annual report for the fiscal year '07-08. That report will be presented in the fall of this year.

On recommendation No. 2, that consideration be given to amending the balanced budget legislation to refer to the summary financial statements prepared in accordance with GAAP—the Minister of Finance (Mr. Selinger) has introduced into the House legislation in that regard.

Recommendation No. 3, that the government develop suitable, generally accepted criteria to be used in determining amount of emergency expenditures to be excluded under section 3(2) of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act or under amended legislation and communicate these criteria to the members of the Legislature—these criteria are under development by the Comptroller's office and are in the process of discussions with the Auditor and with the Minister of Finance.

Recommendation No. 4, that the quarterly reports of the Province, a financial reporting tool be prepared in concordance with the generally accepted accounting principles framework as soon after the full implementation of summary budget in '07-08 as practical—quarterly reporting for '07-08 will remain largely unchanged. In '08-09, we will begin introducing appropriate changes to quarterly reporting on a summary basis and will complete this transformation of our quarterly reporting by the end of '09-10.

Recommendation No. 5, that Internal Audit and Consulting Services fully implement their plan to expand their work on an annual basis to test controls over financial reporting, including computer application controls and SAP and other significant information systems. I can report that Internal Audit and Consulting Services has followed up on this. We have hired an IT internal auditor whose responsibility it is to develop tools to test IT controls within SAP and other applications across government, which include SAMIN, which is the Social Assistance Management Information Network, as well as GenTax which is used, of

course, by our taxation division. The IT internal auditor and the department are preparing an implementation plan to continue to build capacity for IT testing.

Recommendation No. 6, which speaks to three areas related to access rights to SAP, we have upgraded our SAP system now to the MySAP version, and, as part of this upgrade, we have a central committee of deputy ministers that's been formed within government to provide central control and the Comptroller's office is working with Information and Communications Technology Services to undertake a complete role of assignments to better reflect delegated authorities.

In addition, all departments are asked to prepare—must prepare—comptrollership plans, and they must address the issue of financial signing authorities and indicate how they ensure that delegated authorities are properly represented within SAP. Those comptrollership plans are subject to review and audit by Internal Audit and Consulting Services. The management representation letters that each deputy minister must prepare are also available to the Auditor General as well.

Recommendation No. 7, that the Comptroller's office, in collaboration with the office of the CIO, review the use of security software tools to better to manage the risks involving users within compatible duties.

We have undertaken a review of SAP roles and access project, which was completed in November 2007. We have internally redesigned the security roles. We are now in the process of discussions with SAP on the electronic tool that we will implement to ensure that we fully satisfy this recommendation by the Auditor.

Recommendation No. 8, disaster recovery business continuity plans. It's the Comptroller's office in collaboration with the office of the CIO ensure that business impact analysis be conducted on a co-ordinated basis by departments to help develop suitable plans to recover computer processing capabilities in response to adverse events. That business impact analysis be used on a co-ordinated basis to develop suitable plans and that disaster recovery and business continuity plans be documented and tested.

Currently, Manitoba Emergency Measures Organization, along with the deputy minister subcommittee on business continuity planning, has

co-ordinated analysis of all of the departmental BCP priorities across government. Each department has been required to identify their most critical priorities, along with the proposal for how to address those priorities in an event of an adverse disaster or shutdown.

ICT Services Manitoba is developing a comprehensive disaster recovery plan for Manitoba's ICT systems this fiscal year. A position to work with Manitoba EMO has been defined and classified by Labour Relations to ensure that this work takes place.

The Provincial Comptroller's office will work with the office of the CIO as directed to establish requirements to ensure that suitable plans to recover computer processing capabilities are developed and updated.

Recommendation No. 9, the Province of Manitoba continues to reshape its annual report into a document that more closely reflects PSAB's statement of recommended practice on financial statement discussion and analysis, and PSAB's statement of recommended practice on public performance account reporting.

The government has revised and updated their financial statement discussion analysis for the '07-08 year-end to be in compliance with Public Sector Accounting Standards Board guidance.

Recommendation No. 10, the Province of Manitoba further assist departments to improve performance measurement and reporting through guidance based on the CICA statement of recommended practice on public performance reporting.

As I indicated earlier, as part of the performance reporting strategy, a statement of overall government priorities will be communicated and it has been communicated to departments for use in the performance planning and reporting activities, and a report on performance which aligns with overall government priorities will be released in the fall of each year including this fall.

That the government develop a plan to discharge its remaining obligations for vacation and severance pay to the various government organizations involved. That the government also clearly communicate to these organizations the portion of annual funding provided by the Province, if any, that relates to the increase in vacation and severance-pay liabilities. The Province's working with effective

organizations to ensure appropriate funding resolution is in place.

We have addressed a fairly significant liability at the Liquor Control Commission as of March 31, 2008.

Sorry, I'm just advised that related to No. 12 because they're interconnected.

That the government develop a plan to discharge its loans from, and funding commitments to, government organizations for pension liabilities and no change from my original response.

Mr. Chairperson: Thank you.

Mr. Borotsik: Questions. We'll start 12 and go backwards, if you wouldn't mind, Madam Deputy Minister.

You had indicated that as of March 31, you had come to some resolution with MLCC with respect to—and I think at that point in time it was with relationship to the pension; I believe there was a pension liability on the books—what was it and how was it resolved, that MLCC pension was resolved?

Mr. Chairperson: The question was to the deputy minister.

Mr. Selinger: I remember this question last time. We followed up on it and the pension plan has now been fully funded.

* (19:20)

Mr. Borotsik: I don't have the numbers in front of me, but if memory serves me correctly, it was somewhere around \$20-some-odd million, \$30 million is what the number was.

Mr. Selinger: It was about \$45 million.

Mr. Borotsik: Thank you. If we can work our way backwards to recommendation No 8, it says that once the specialist has been hired, the office of the CIO will ensure the disaster recovery business contingency plan. Has the specialist been hired at this point in time?

Ms. Gray: To the best of our knowledge, we don't believe so. We believe that the position has been classified and, therefore, allowing the department to proceed with the hiring process.

Mr. Borotsik: Does the deputy minister have any indication as to how quickly that process will go forward? It seems to be a fairly serious issue, particularly with the disaster recovery of business

continuity plans. That's something that has been dealt with in other corporations in the not too distant past. When will the individual be put into place?

Ms. Gray: There is significant work that has been completed. It's my understanding that, in fact, all departments have prepared disaster recovery and business continuity plans in documentation. So those do already exist. The individual that will be hired is to continue that work on a go-forward basis, particularly related to the need to have a BCP disaster recovery plan specialist in place that is responsible for that work. That individual will be doing testing and other things. There's been considerable work by all departments to prepare the plans. I understand that we have committed to fully implement this recommendation within '08-09. I anticipate the department will be moving forward very quickly to fill that position.

Mr. Borotsik: I hate to even ask the question, but are there backup plans in place at the current time should there be a disaster, if you will, of the computerization of the Province?

If I may, Mr. Chairman, the reason I ask is this is sort of hot off the press. There was an issue with the computer systems with respect to the net filing with Canada Customs just recently. It is something that happens on a fairly regular basis. Are there any backup plans currently without having your specialist hired?

Ms. Gray: At the department level there already exist backup and continuity plans. In addition, our vendors also have backup and continuity requirements built into our contracts with them. So there is already, I guess, a plan put in place. What this focuses on is a more comprehensive way to achieve it across government.

Mr. Doug Martindale (Burrows): I have a question for the minister about No. 11. Would various government organizations include personal care homes?

Mr. Chairperson: Madam Deputy Minister. *[interjection]*

Mr. Martindale, who are you asking the question of?

Mr. Martindale: I was asking the minister, but if—

Mr. Chairperson: Thank you. Mr. Minister.

Mr. Selinger: The short answer is yes.

Mr. Martindale: Briefly, by way of background to my next questions. I'm past chair of the board of a foundation connected to a personal care home. My understanding is that the personal care home was not too happy because they had to show these liabilities, or the severance and vacation, as, I believe, liabilities on their audited financial statements, and I think they were unhappy because it had a negative impact on their bottom line.

My first question would be: I presume that they had to show these items because of auditing requirements. Is that correct?

Mr. Selinger: Yes.

Mr. Martindale: My next question is, did they have to show these amounts on their statements, but with no increased funding to pay for them? Is that correct?

Mr. Selinger: Sort of going in reverse order from '03-04 forward, they've been funded for those liabilities as part of their global receipt of a grant, and, prior to that, they showed as a receivable. They haven't received full funding for it but, as they actually require it to be paid out, we will provide resources for that.

Mr. Martindale: So I presume then that the Auditor's recommendation to discharge its remaining obligations has been filled or is in the process of being fulfilled because you said that you're developing appropriate, I think, financial solutions, was what the deputy minister said. Presumably, these institutions are happy that these items are being funded now.

Mr. Selinger: I can't comment on their happiness level. It's a wide and diverse group out there, and there might be many things affecting that, but it was a recommendation from auditors that we come to grips with this issue and put it on the books and then find a way to make sure that it's provided for as we go forward. It was recognized up to '03-04 as a receivable. It will be funded on an as-needed basis, and after that, I'm led to believe that it's part of their global funding envelope. There's an allocation within the global funding envelope that recognizes their need to provide that resource.

Mr. Martindale: So they're getting the money as they need to pay out the vacation and other items. Thank you.

Mr. Selinger: Yes.

Mr. Kevin Lamoureux (Inkster): I did have a couple of questions in regard to recommendation 3. When we talk about general accepted criteria—

Mr. Chairperson: Excuse me, Mr. Lamoureux. Could you just move your microphone a little closer, and may I ask you to also identify who you're asking your question of?

Mr. Lamoureux: I guess it would be to the deputy minister in regard to recommendation No. 3. It talked about establishing a criteria to be used for emergency expenditures that would exclude it from the balanced budget legislation. I'm not too sure in terms of when this recommendation came about but I'm wondering if the deputy minister can indicate whether or not the department has established a criteria.

Ms. Gray: As I indicated in my overview of the recommendations and their status of implementation, work is under way in the department on this recommendation, and there has been communication with the Office of the Auditor General. We have not sought formal approval of the Auditor General's Office for those criteria yet, and they're not yet in a position to be shared or tabled with either the minister or the members of the Legislative Assembly. Staff are still working on them.

Mr. Lamoureux: My question would be to the provincial Auditor in terms of this particular recommendation. When would that have originated from?

Ms. Bellringer: The recommendation was first made in 2003-04. One thing I will add is that, when we started looking at it fairly recently, the term "generally accepted" started to bother me, even though it's our recommendation, because we started to think, well, what does that mean? In the accounting world, generally accepted means something that's gone through due process and it's—for example, when we get into generally accepted auditing principles, it's something that's used by everyone within the industry right across the country. Then I said, what would it mean in context of this criteria? I think it was a poor choice of words from our side, using the term "generally accepted" because there is no such thing. So coming up with criteria that's disclosed is more what that is intended to disclose to the Legislature.

* (19:30)

In the current balanced-budget legislation, there was a year where there was a scope limitation in the audit report. It was because there was no way to audit whether the fairness of the calculation, because there is no such thing as criteria, from an accounting perspective, that exists. There's a possibility that that can happen and it doesn't mean anything other than we can't apply a set of criteria because there is no such thing.

So it is problematic in the way that we've written the recommendation. I don't believe that that recommendation can, in fact, be resolved by the department. We're going to have to have a look at it from our own perspective, to say what exactly we would be asking the department to do to satisfy that.

Mr. Lamoureux: I know that '03-04 was the year in which the issue, I believe, first surfaced; that's why I had asked. I wanted to get confirmation on it. I can remember the issue in the sense of there was concern that, had the emergency funding not been factored in, it might have put the Province into a deficit situation.

The purpose of the questioning is to get a better understanding to what degree the Department of Finance is getting into a position to establish those criteria. Given that the department's had three, four years to show clear criteria, can the deputy minister provide us any reason to believe that we would be seeing those criteria in the very near future?

Mr. Selinger: We have just got to roll back the tape a little bit and listen to what the Auditor General just said. The language used in the recommendation was perhaps unfortunate in that there is no generally accepted criteria for this. Part of the challenge for the department has been to come up with something that's sensible but, at the same time, acceptable. That dialogue needs to occur between Finance officials and the Auditor General's officials until they get to a point where they have a common understanding of what's reasonable and practical in this situation.

It's not that there's any attempt to delay coming to a conclusion here. It's, I think, an ongoing struggle to deal with a set of criteria which acknowledge extraordinary circumstances. It's almost a contradiction or a paradox to have generally accepted criteria for extraordinary circumstances, sort of a bit like bittersweet. There are only a very few things that meet those tests.

So there's a dialogue going on. People are approaching it seriously, and they will come to a conclusion after further discussion, but I think

prudence is required here because of the challenging wording in the recommendation and the conundrums that created for working out criteria.

Mr. Chairperson: Are you satisfied or do you want us to pursue an answer from the deputy?

Mr. Lamoureux: Mr. Chairperson, just one last question—and that's why I think you'll find that I even avoided using "generally accepted" in the follow-up question that I had. The importance is establishing the criteria. I can appreciate that there might be dialogue between the provincial auditor's office and the Minister of Finance's office. However long that dialogue takes, it could be—we don't know. From a member of the Public Accounts Committee, I would just like to emphasize the importance of having that criteria sooner as opposed to later. That's the only point that I really wanted to get across.

Mr. Selinger: I think that, at the time the decision was taken, the drought that was occurring in Manitoba was among the worst in the history of the province. I think it was the second worst drought we've had. So, just on an intuitive level, you make an exception when you have extraordinary circumstances; that year was an extraordinary circumstance, as well understood by the public in terms of the dryness.

So, right off the hop, does it make common sense that there be an exception when you have that kind of a set of situations? I think most people thought that that was reasonable. Then, where do you go after that? You have the second worst drought on record. You made an exception in terms of how you accounted for some expenses. Is it okay to do it when you have the fifth worst drought on record? Well, these are discussions that require a little more thinking because the test was common sense at the time, and I think it was accepted as such. After that it gets kind of hypothetical. Sometimes these things only work when you're in the real situation, and you do a test of reality at that time. Even if it was a really extraordinary situation, if, for example, there might be, say, abundant resource revenues rolling into the Province at that time, you may not want to exercise that option, in any event, because you had enough slack resources to accommodate it. So it's not easily arrived at, criteria around this which can forecast all future scenarios because they're all, by definition, extraordinary.

Mr. Borotsik: That is a very difficult one to get your head around. How does one budget for extraordinary circumstances when one doesn't know how

extraordinary they're going to be in that particular year? I do give the staff, certainly, some latitude in that one. It would be difficult to put together.

Recommendation No. 4. We talk about quarterly reports. We do recognize that the department is going forward to a summary budget. It does talk about quarterly reports, and, in the response from the officials, it says that with the transformation the quarterly reporting will be completed by the end of 2009-2010.

Do I take from that that there will not be any quarterly reporting for 2008-2009? The minister is nodding his head, so, if I can to the minister, and again I'd like the question—it does talk about quarterly reports, quarterly means four reports; as we've identified, and as I've talked to the minister just recently, there is not a fourth quarterly report. Maybe he could explain whether there would be a quarterly report when the transformation going into summary budgets is completed. Would there be a fourth quarterly report at that time or does it just simply roll itself into the final financials?

Mr. Selinger: There will be quarterly reports, but they'll be on the old format that we've been using for several years. The new format, we've committed in this response here, to have in place by '09-10, and that would modernize it according to all these things were doing in the BBL, the GAAP requirements, et cetera. We had a little discussion on this earlier, that there's a rapidly evolving field here with respect to Crowns and non-profits and government entities proper. So there's going to be some real thinking that has to go into how you do those quarterly reports to account for perhaps three different sets of standards. Summary budgets include all of that stuff, and that makes it kind of interesting to try and figure out how you're going to report on that. But we're going to work that out. In the meantime, we will have quarterly reports on the old basis.

As to your question about the fourth quarterly report, we did that for most of the years I have been in this chair, but we had very strong recommendations from the Auditor General's office—and that would be the previous Auditor General—that the fourth quarterly report was redundant. They would rather us report on the fourth quarter by way of the Public Accounts being tabled in the public domain.

Mr. Borotsik: I hate to put the Auditor General on the spot, but does this Auditor General accept that particular reporting system of the fourth quarter?

Ms. Bellringer: Yes, I do, with a but—

An Honourable Member: A caveat.

Ms. Bellringer: Well, a caveat. In fact, the Crowns are required to do a fourth quarter, in addition to their year-end. So then there becomes some question as to whether it's redundant or not there. If it's redundant in the Public Accounts forum, why is it not redundant with the Crowns? Actually, that just came up last year and it hasn't yet been resolved. Having said that, you get into what's practice. Well, in our world, it's what goes on in all the other provinces and what goes on federally. So I mean, we can look at what's going on there, but it doesn't make sense to do a fourth quarter if it's just the repetition of what's going to come out in your final numbers anyway. You end up going through an estimate process to pull something together when you're going to get the actual figures shortly thereafter. I guess it also depends on what kind of time-lag you're looking at, so, if you can get your year-end out quickly, then it's less critical to get a fourth quarter out prior to that so that you kind of know where you're at.

Generally speaking, I really do support the don't-bother-doing-it approach and come out with a final.

* (19:40)

Mr. Borotsik: Yes, that makes ultimate sense. Again, your comment about the final financial statement, if it comes out in a timely fashion, then obviously that does make a lot of sense. If you're talking two or three months after the year-end, then to do a duplication—oh, your eyes—all right two or three weeks after year-end, is that what you were looking for, the weeks after year-end—two or three months after year-end, then it makes sense. But, if you're going to expand beyond that three-month period, then does it still make sense not to have a quarterly statement?

Ms. Bellringer: I'm seeing the minister wanting to answer something, and I'm not sure what the answer to that is. I mean, I haven't really thought through what the bottom-line cutoff date would be, but the reason I made a facial expression on the two to three months is that it's a challenge to get things done in July. I can't imagine trying to get it done without a complete—you'd have to completely change the way you do the reporting if you tried to get the final financial statements out in May, which would require a great deal more estimating than is currently taking place, for example. Now we're able to get some

pretty good solid final numbers that we're auditing when we look at the final financial statements now.

Mr. Chairperson: Mr. Minister, did you have a comment?

Mr. Selinger: I just wanted to add, from a departmental perspective, the amount of effort, and I know it's the case in the Auditor General's office as well, that goes into preparing the year-end. It's enormous, and there's an enormous amount of verification work that goes on. Time is sometimes helpful in that regard to finalize numbers because, as the member knows, the year-end numbers roll in sometimes a few months after the year-end in terms of finalizing invoices, et cetera.

So, you know, just on a practical level, focussing your energy to get a good year-end report on a set of audited public accounts makes more sense than having a fourth quarter report, which is a replication of what you're going to do a few weeks later anyway. You might as well just devote all your energy to getting a good set of solid numbers that everybody agrees on and doing all the proper due diligence around that.

Mr. Borotsik: I appreciate it. I said logically it makes a lot of sense. There's no question, and, by the way, the three months was thrown in a little facetiously. We'll give you five months. Okay. That should be plenty of time to get all of the documents and all of the invoices put together and everything else, but, as I understand it, the final financials, the year-end statement is usually around August, September deadline. Is that correct?

Mr. Chairperson: Madam Auditor General—

An Honourable Member: The Madam Deputy Minister.

Mr. Chairperson: Or Madam Deputy Minister. Ms. Gray.

Floor Comment: There's a—

Mr. Chairperson: Oh, I'm sorry. He asked the question of the deputy minister, please.

Floor Comment: You want to just repeat the question, please.

Mr. Borotsik: I haven't been here with the financials before, so I assume that it's an August, September opportunity of getting the year-end financials done, completed?

Ms. Gray: There's a legislative requirement, I understand, to table by September 30, and the department aims to have them completed by mid-August. They're typically available and released the first week of September.

Mr. Chairperson: Thank you.

Madam Auditor General, did you have a comment that you wanted to make in this regard?

Ms. Bellringer: I was just going to—in addition to—there's the—let me back up. All I was going to say was there's the period of preparation of the statements and then, of course, the period of audit. We actually do quite a bit of work earlier than even before the year ends to get ready for the year-end audits, and that is also happening internally to get ready to prepare the final statements over in Department of Finance.

Mr. Borotsik: To the Auditor General, she had mentioned earlier about other jurisdictions whether we were talking about quarterly reporting; she talked about other jurisdictions and their experience on that reporting. Going back to recommendation No. 2 of the audit, that we recognize that there's a requirement to be in compliance with GAAP and go to a summary financial, can the Auditor General tell me: Are there other jurisdictions, other provincial jurisdictions, that do both the summary and the annual core financials?

Ms. Bellringer: We believe there may be one other jurisdiction that continues to issue a core government, if you will, financial statement. I'll say it out loud. I am not positive that this is the only—we believe it's the only one in Saskatchewan. Everyone else is doing a GAAP financial statement that is summary basis.

Mr. Maloway: Mr. Chairperson, I'd like to ask a question about recommendation 6, the access rights to SAP, to the deputy. What were the problems that brought this recommendation on in the first place?

Ms. Gray: Well, I've been deputy minister for all of two months, so I'd have to say that the question is probably best directed to the Auditor General, who might be able to identify those. But what I can tell you is that, with the introduction and the wide-scale use of SAP within the government, there was a desire to ensure that appropriate financial controls were put in place that, when and where possible, were done electronically, which is what we are pursuing.

When I mentioned that we were working on comptrollership plans for all departments and their reporting on to us the addressing of financial signing authorities and how those delegated authorities are properly represented within SAP, which is an electronic purchasing software, that is part of our plans that we're putting in place. I think it's largely to address the fact that the government has shifted to use SAP across all departments and having the appropriate financial controls put in place to deal with that.

Mr. Chairperson: Madam Deputy Minister, did you have anything to add to that, since you were implicated in—I'm sorry, Madam Auditor General. My apology.

Ms. Bellringer: That's okay. We were just going back to see which year the recommendation was first made in. In the '05 report, we describe it as, here we go, okay: that Manager's Desktop be expanded to encompass all managers, additional functionality, the use of it encouraged, and that management tasks be removed from administrative staff as soon as possible and moved back to departmental managers. So, in the course of doing the audit testing, we had noted that there were some people that were at an inappropriate level who were given the authorities. So that was where it came from.

Mr. Maloway: Mr. Chairperson, in the beginning of the implementation of the SAP system, there was some issue about the super users. I know that there were some entities that refused to be part of SAP in the beginning. I just wondered if you would give me a list of which ones are still outside of SAP. I believe the Auditor's office was one that was outside of SAP that had their own system. There were three or four anyway that were not in, in the beginning.

Ms. Bellringer: I'm sorry, I don't know the answer to that, but we're in.

Ms. Gray: All core departments use SAP consistently, so we're not aware of any part of the government entity that's not using SAP.

Mr. Chairperson: Are we ready for the question? *[interjection]*

I think that, in the beginning, we had agreed that we would deal with the Auditor General's report on Audit of the Public Accounts for the year ended March 31, 2007, but it actually encompassed previous years' reports as well.

Are there more questions?

* (19:50)

Mr. Lamoureux: I do have some questions in regard to page 23 of the report. This would be for the Auditor. When you talk about summary financial statements, and, in the pages that follow, there is this detailed explanation of what a summary financial statement is. In the Auditor's own words, if she had to describe what a summary financial statement was, how would she describe it in one very short paragraph that the average Manitoban would be able to understand?

Ms. Bellringer: That's a very interesting question.

The summary financial statements include all of the operations of all of the entities which are considered for accounting purposes to be controlled by the government. The definition of control is very specifically defined in the public-sector accounting standards. So you see in those summary statements the financial position. So all of the assets and all the liabilities related to all of those organizations all rolled up into one, as well as the financial results for all of those entities for the year and accumulated. All of the entities are consolidated, so you see on a line-by-line basis what each of the assets, liabilities and operational results is, except for the Crown corporations that are considered government business enterprises. Those include Manitoba Hydro, MPI, Lotteries, Liquor Control Commission. I'm not sure if I am missing one. I think there are one or two small ones. Those entities are only brought in on what's referred to as a net equity basis where you see only, in one line, the result of their operations for the year. So you don't see—their assets aren't added in. Their liabilities aren't added in. You'll see in the income portion, you'll see one line of the results of their operations for the year. But all of the other entities—and they're listed in the summary statements—are brought in on a full consolidation line-by-line. It adds it all up. It's as though it had only happened in one organization.

Mr. Lamoureux: So, if we go to page 69, for example, you'll see Crown organizations. It's a lengthy list of organizations. It goes right into your, you know, special agencies, our health-care authorities. There's about three or—yes, I guess it would be three pages of different government enterprises, if I can use that word. Would all of those be incorporated in?

Ms. Bellringer: That's correct. If you go to the first section on page 69, where it says government business enterprises, those are the organizations I

was referring to that would be brought in on just the net equity basis. The remainder would be everything that would be consolidated into the full summary financial statement.

Mr. Lamoureux: So, then, we'll go back to page 23, where it would state, actual summary annual (deficit surplus). That number that would correspond, for example, in the year 2007, \$430-million surplus, that would have factored in everything—Hydro, Manitoba Addictions Foundation—when we talk about that \$430 million.

Ms. Bellringer: I've almost forgotten the question, but it was in terms of that chart, figure 3, on page 23. It does include all of those organizations. What we were just discussing was the definition of what are controlled changes in terms of the way that the accounting rules are written, and it has changed over time.

The set of organizations that are being brought in now, the public schools, for example, will come in in the upcoming year. They weren't included in here. So there's a little asterisk on the chart that says they have not been restated to conform to changes in accounting policies reflected in 2007. As a result, the net debt would likely change. All the restated figures are not available yet. I believe there were a couple of entities. Maybe the Department of Finance could answer more specifically.

I think there were some entities brought in during that period. One of the reasons why, for example, the public schools won't be reflected in previous numbers when we go forward is because they weren't prepared on a generally accepted accounting principle basis. So you can't go back and do the comparisons. It's at the point where they now switch over to GAAP that you can bring them in.

So there were a few of those little changes going back, but, primarily, and for all of the large organizations, it substantially has not changed over that period. It does include, for each of those years, all of the organizations.

Mr. Lamoureux: Mr. Chairperson, looking at the clock on the wall, wanting to be sensitive, with the exception of this particular report, because I do have some more questions on this report, I don't have a problem in terms of following the lead from the Member for Brandon in regard to whatever it is else that you'd like to pass, if anything else.

Mr. Borotsik: Before we get to that—and we still have four minutes left—to the Auditor General, based

on—just a take on a tangent of Mr. Lamoureux's questions, with the school divisions and the other entities coming in, you talk about the assets less liabilities. If you're talking about a school division, at that point, would the surpluses be identified as being an asset at that time?

Ms. Bellringer: When the school divisions come in, they'll be fully consolidated, so you'll see—if you were to see a before and after picture, you'd see every line, in effect, going up. So all the assets would go up. All the liabilities would go up, whether it's net plus or net minus. I believe you'll have to wait until you see the results because there hasn't been anything published yet.

Mr. Borotsik: Are the schools being identified to be in the 2008-2009 consolidated statement?

Ms. Bellringer: 2008-9. That's correct.

Mr. Borotsik: So all of the entities as identified on that page 79 would be included in the summary statement? 2008-2009? Page 69, no, 79.

Ms. Bellringer: Just a correction. The school boards would be in for '07-08. It is 2008 now. That's correct. They're going in for '07-08 with comparisons for '06-07. It's been a long and complicated process to have that happen, and you'll see the two years are going to be ready for this year.

Now, I can't remember what the other question was.

Mr. Borotsik: In this reporting year, will you have all of the entities reported in the consolidated or the summary statement?

Ms. Bellringer: That's correct.

Mr. Chairperson: The hour being 8 o'clock, what is the will of the committee?

Mr. Borotsik: Mr. Chairman, I would be prepared to look at allowing some of these reports to be voted on.

Mr. Chairperson: Thank you, but before we do that, I would ask leave of the committee to sit beyond 8 o'clock to deal with the motions that are required to pass the various reports. *[Agreed]* Thank you.

* (20:00)

Perhaps, to make things less complicated, I will, perhaps, go through the list of the items that we were to deal with this evening. Then I could get some confirmation from the committee as to which ones the committee is prepared to deal with.

First of all, Volumes 1, 2, 3, and 4 of the Public Accounts for the year ended March 31, 2003—pass.

To let the committee know, I'm just going through the list now. After we've gone through the list, we will have to go back again to get the formal motions done. We'll call each one separately. Mr. Borotsik, I know you're excited about that.

Volumes 1, 2, 3, 4 of the Public Accounts for the year ended March 31, 2004—pass.

Volumes 1, 2, 3 and 4 of Public Accounts for the year ended March 31, 2005—pass.

The Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2005—pass.

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2006.

An Honourable Member: No.

Mr. Chairperson: The Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2006.

An Honourable Member: No.

Mr. Chairperson: Volumes 1, 2, 3 of the Public Accounts for the year ended March 31, 2007.

An Honourable Member: No.

Mr. Chairperson: Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2007.

An Honourable Member: No.

Mr. Chairperson: We have already passed the last one; therefore, we will now proceed.

I am going to ask the committee's patience. At this point, I will call each report separately in order for the committee to make its decision on passing them.

Public Accounts for the year ended March 31, 2003, Volume 1—pass.

Public Accounts for the year ended March 31, 2003, Volume 2—pass.

Public Accounts for the year ended March 31, 2003, Volume 3—pass.

Public Accounts for the year ended March 31, 2003, Volume 4—pass.

Public Accounts for the year ended March 31, 2004, Volume 1—pass.

Public Accounts for the year ended March 31, 2004, Volume 2—pass.

Public Accounts for the year ended March 31, 2004, Volume 3—pass.

Public Accounts for the year ended March 31, 2004, Volume 4—pass.

Public Accounts for the year ended March 31, 2005, Volume 1—pass.

Public Accounts for the year ended March 31, 2005, Volume 2—pass.

Public Accounts for the year ended March 31, 2005, Volume 3—pass.

Public Accounts for the year ended March 31, 2005, Volume 4—pass.

Auditor General's Report - Audit of the Public Accounts for the year ended March 31, 2005, including a Review of School Division Financial Auditing and Reporting—pass.

I believe that takes us to the end of what we had summarized. I must follow the script. There are things we have to say. Before we rise, it would be appreciated if members would leave behind any unused copies of reports that have been passed so they may be collected and replanted, oh, pardon me, and reused at the next meeting.

What is the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise, thank you.

COMMITTEE ROSE AT: 8:04 p.m.

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