Auditor General
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# Public Accounts and Other Financial Statement Audits

August 2018

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## Our vision
Valued for positively influencing public sector performance through impactful audit work and reports.

## Our mission
To focus our attention on areas of strategic importance to the Legislative Assembly, and to provide Members of the Legislative Assembly with reliable and efficient audits.

Our mission includes easy-to-understand audit reports that include discussions of good practices within audited entities, and recommendations that, when implemented, will have a significant impact on the performance of government.

## Our Values
Accountability | Integrity | Trust | Collaboration | Innovation | Growth

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August 2018

The Honourable Myrna Driedger
Speaker of the House
Room 244, Legislative Building
450 Broadway
Winnipeg, Manitoba R3C 0V8

Honourable Ms. Driedger:

It is an honour to provide you with my report titled, *Public Accounts and Other Financial Statement Audits*, to be laid before Members of the Legislative Assembly in accordance with the provisions of Sections 10(1) and 28 of *The Auditor General Act*.

Respectfully submitted,

**Original Signed By**
**Norm Ricard**

Norm Ricard, CPA, CA
Auditor General

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# Auditor General's comments

In this report we discuss our financial statement audit work. We also discuss matters resulting from this work that I determined should be brought to the Legislative Assembly's attention.

Our report on the Province's Summary Financial Statements as at March 31, 2017 presents a clean opinion. This means that we found the statements fairly presented, in all material aspects, the province's financial position and the results of its operations, in accordance with Canadian public sector accounting standards. Of note is that we have been able to issue clean opinions since 2007/08.

Much has been written in the media about the Province's debt load and its annual deficits. In this report we present information on the Province's annual deficits, net debt balances, debt load and debt servicing costs from 2007/08 to 2016/17. Because the amount of debt a Province chooses to carry, and the deficits it incurs, is very much a matter of public policy, we limit our commentary to the presentation of facts and to stressing the importance of understanding and managing the risks associated with consecutive deficits and increasing debt levels. In this regard, we provide an update on the actions taken by government in relation to the "considerations" for government action that we included in our March 2014 chapter on "Deficits and Debt". We note that some actions have been taken.

In this report we also reiterate the importance of using the Summary Financial Statements when assessing the performance of government. In this regard we draw the readers' attention to the 2018/19 Budget where government acknowledges the importance of the Summary Financial Statements over the core statements when managing its resources and assessing its performance. Specifically, the Budget documents state that the consolidation of all government entities under a single budgeting and reporting framework improves transparency and helps to ensure that public services are consistently and properly managed. To reinforce this perspective, we recommend that government stop presenting a "core government" deficit in budget documents, quarterly reports, and the Public Accounts.

Also, because the financing of the Investors Group Field is a matter of significant interest to the citizens of Manitoba, we present a summary of how the stadium was financed and how it is accounted for.

In Section 3 we present brief summaries of each financial statement audit we do directly and those where we use an agent to conduct the work on our behalf. In each summary we identify the areas of audit significance and note whether we issue a “qualified” or “unqualified” audit opinion. We are developing a plan to better ensure the financial statement audits conducted by the Office (which consumes approximately 50% of the Office’s audit resources) are of strategic importance to the legislative assembly, thus maximizing the value of this work to the Assembly.

My staff and I extend our thanks and appreciation for the cooperation and assistance received from the many dedicated public servants involved in the preparation of the financial information for their respective organizations.

**Original Signed By**
**Norman Ricard**

Norm Ricard, CPA, CA
Auditor General

# 1 Audit reports on financial statements

*The Auditor General Act* (Act) establishes the Auditor General as an independent officer of the Legislative Assembly. The Act mandates the Auditor General to "provide the Assembly with independent information, advice and assurance." One of my main responsibilities as outlined in section 9 of the Act is to conduct and report on financial statement audits.

I am responsible for auditing the Province of Manitoba (Province) Summary Financial Statements included in the Public Accounts, and any other statements included in the Public Accounts that the Minister of Finance presents for audit.

I am also responsible for auditing financial statements and other financial information of certain other entities throughout the **Government Reporting Entity (GRE).**

The *GRE* represents all of the Provincial government's resources and the resources of the entities which it controls – these entities include school divisions, universities, regional health authorities, government business enterprises (for example Manitoba Hydro), and other provincially funded entities under the government's control. There are over 130 entities within the GRE.

## 1.1 Public Accounts of Province of Manitoba

The Public Accounts are prepared annually in accordance with the Financial Administration Act and contain the consolidated Summary Financial Statements (SFS) and other supporting information as required by legislation. The Public Accounts are published in four volumes.

Volume 1 contains:

- the Independent Auditor's Report.
- the Consolidated Summary Financial Statements.
- comments by the Minister of Finance on the Province's financial performance.
- information on Manitoba's economy.
- discussion on financial indicators; and
- other financial reports.

Volume 2 contains supplemental information including an audit schedule of public sector compensation payments of $50,000 or more and unaudited statement of payments in excess of $50,000 to corporations, firms, individuals, other government and government agencies.

Volume 3 contains supplemental information on the core government and other statutory reporting requirements. This information is unaudited with the exception of the Report of Amounts Paid or Payable to Members of the Assembly and the financial statements of the Northern Affairs Fund.

Volume 4 is a compilation of all unaudited financial statements of special funds and audited financial statements of organizations, agencies and enterprises included in the GRE.

The SFS provide a financial picture of the GRE. The SFS are prepared using Public Sector Accounting standards (PSA standards). This accounting framework is used by governments and differs from accounting frameworks used by for profit entities. These standards take into consideration the unique roles and objectives of governments, and are used by all provincial governments across Canada which allows for comparability of financial results.

We conduct our audit in accordance with Canadian generally accepted auditing standards (GAAS). The standards outline the processes and procedures an auditor should follow to perform the audit appropriately. Our report on the Province's Summary Financial Statements as at March 31, 2017 presents a clean opinion. This means that we found the statements fairly presented, in all material respects, the Province's financial position and the results of its operations, in accordance with Canadian public sector accounting standards.

Additional information related to our audit of the Public Accounts is included in Section 3.

## 1.2 Other financial statements and financial information we audited

For certain organizations in the GRE, legislation requires the Auditor General to be the auditor of the financial statements and other financial information. We are also engaged to audit financial statements and other financial information of certain entities even though legislation does not require the Auditor General to be the auditor.

In 2017, we conducted financial statement audits of 27 entities. Of these, 20 were for entities within the GRE. For 13 of these entities, we conducted the audit because their Acts specify that the Auditor General is the auditor of the organization. All other public sector entities within the GRE are audited by external audit firms. Although not part of the GRE, we also audited 5 public sector pension plans and one group insurance fund. The Acts for 3 of these pension plans appoint the Auditor General as their auditor.

When the Auditor General is appointed as an entity's financial statement auditor either by legislation or other means, we are typically also engaged to be the auditor of the entity's other financial information, usually limited to disclosure of public sector compensation payments of $50,000 or more.

In **Section 3** we include a discussion on each of the entities we audit and the results of these audits.

# 2 Matters resulting from financial statement audit work

Section 10(2) of the Auditor General Act requires that I report matters resulting from our financial statement audit work that I determine should be brought to the Legislative Assembly's attention. In this report I note the following matters that resulted from our audit of the Public Accounts for the year ended March 31, 2017 as well as from certain of the other financial statement audits we perform.

## 2.1 Deficits and debt

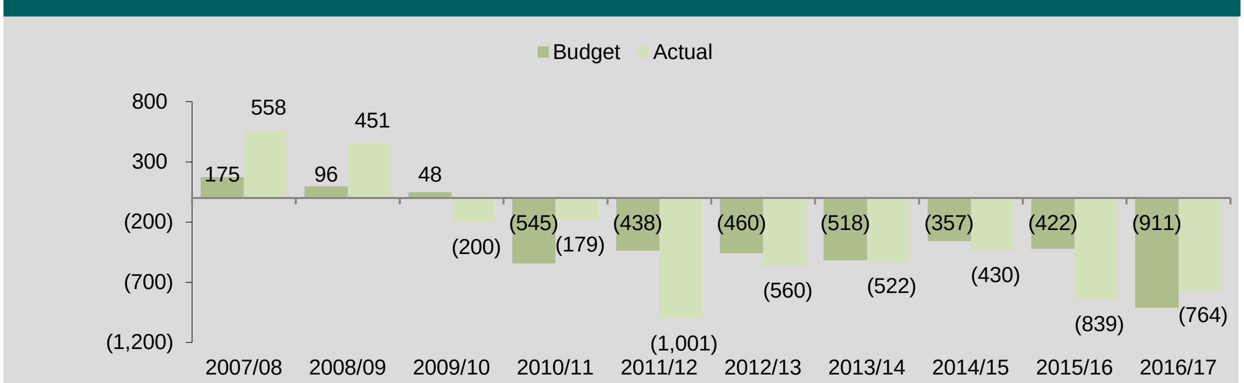
In this section we present information on the Province's deficit, debt and net debt balances. Nothing in this section should be construed as commenting on the policy decisions of government. In **section 2.1.4** we comment on the need for greater information to inform public policy decisions and to increase accountability and transparency.

### 2.1.1 Eighth consecutive year with a deficit

As reported in the Consolidated Statement of Revenue and Expense, the Province incurred a deficit of $764 Million for the year ended March 31, 2017. The Province has had eight consecutive annual deficits. **Figure 1** shows the annual deficit or surplus for each year since 2007/08 along with a comparison to budget. For several years the actual deficit exceeded the budgeted deficit. However, in 2016/17 the actual deficit was lower than the budgeted deficit mainly due to higher than expected revenue from fees and taxes.

The budgeted deficit for 2017/18 is $840 million. The forecasted deficit noted in the third quarter report released on March 12, 2018 was $726 million.

**Figure 1: Province of Manitoba, annual surplus (deficit)**
**Budget and actuals, 2007/08 to 2016/17 ($ millions)**



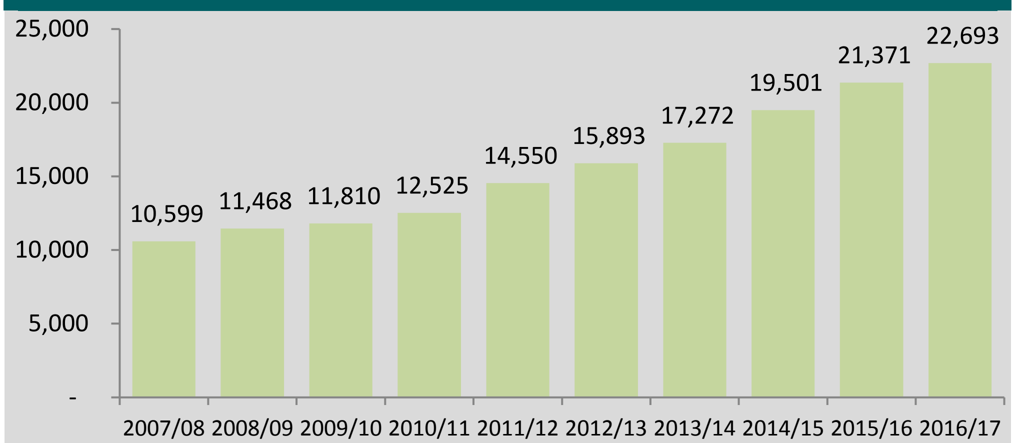

*Source: Province of Manitoba Public Accounts*

Annual deficits impact net debt. We looked to identify what, over the past 10 years, were the primary contributors to the increasing net debt balances.

### 2.1.2 Capital investment – the primary reason for the Province's increasing net debt

As reported on the Statement of Financial Position at March 31, 2017 the Province had net debt of $22.7 billion. **Figure 2** shows the net debt reported for each year since 2007/08. Annual increases nearing or surpassing 10% have been experienced since 2011/12 (except 2016/17 which had an increase of 6%).

**Figure 2: Net Debt as reported in the Statement of Financial Position, 2007/08 to 2016/17 ($ millions)**




| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual % increase | | 8% | 3% | 6% | 16% | 9% | 9% | 13% | 10% | 6% |

*Source: Province of Manitoba Public Accounts*

Net debt is the amount by which liabilities exceed financial assets (assets other than capital). The calculation of net debt excludes the value of capital assets – buildings, roads, and bridges – because typically these assets cannot be used to pay off liabilities. As such, net debt is a measure of a province's obligations that must be funded through future surpluses.

Both capital investment and operating results (adjusted to exclude amortization, as explained below) affect net debt:

- Capital investment increases net debt in any given year through either reduced financial asset balances (e.g. cash) and/or increased debt balances that are used/incurred to finance the acquisition.
- Operating losses increase net debt through decreases in financial assets (e.g. cash) and/or increases in liabilities (e.g. borrowings).

- Operating surpluses decrease net debt through increases in financial assets (e.g. cash) and/or decreases in liabilities (e.g. borrowings).

**Figure 3** shows the impact of capital investment on the change in net debt over the past 10 years. In order to distinguish the effects of capital investment from other impacts on net debt, we grouped and totaled other items. The other items consist of:

- The annual deficit (surplus) per the SFS.
- The amount of amortization expense included in the annual deficit (surplus). Eliminating the effect of amortization on the reported deficit (surplus) is necessary because the full cost of capital investment impacts net debt in the year capital assets are acquired.
- The amount of unrealized gains and losses in GBEs. These unrealized gains and losses are not reflected in the Province's statement of revenue and expense but rather are recorded directly to the statement of net debt.

To reduce net debt in any given year, the Province needs the total of other items to be in surplus position and total more than the capital investment in that year – as was the case in 2007/08.

As shown in **Figure 3,** the $12.2 billion increase in net debt over the past 10 years has been mostly attributable to the acquisition of capital assets and infrastructure. Over this period, capital investment has increased net debt by $13.0 billion while the other items have reduced net debt by $1.3 billion.

**Figure 3: Factors for the change in net debt ($ millions)**

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2008-2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net debt, beginning of year** | 10,465 | 10,599 | 11,468 | 11,810 | 12,525 | 14,550 | 15,893 | 17,272 | 19,501 | 21,371 | 10,465 |
| Prior period adjustments | 415 | (49) | 12 | (203) | 37 | - | (72) | 479 | (55) | - | 564 |
| | 10,880 | 10,550 | 11,480 | 11,607 | 12,562 | 14,550 | 15,821 | 17,751 | 19,446 | 21,371 | 11,029 |
| Increase (decrease) due to: | | | | | | | | | | | |
| Capital investment | 994 | 963 | 1,243 | 1,319 | 1,386 | 1,262 | 1,316 | 1,469 | 1,667 | 1,341 | 12,960 |
| Other items affecting net debt (see below) | (1,275) | (45) | (913) | (401) | 602 | 81 | 135 | 281 | 258 | (19) | (1,296) |
| | (281) | 918 | 330 | 918 | 1,988 | 1,343 | 1,451 | 1,750 | 1,925 | 1,322 | 11,664 |
| **Net debt, end of year** | 10,599 | 11,468 | 11,810 | 12,525 | 14,550 | 15,893 | 17,272 | 19,501 | 21,371 | 22,693 | 22,693 |

Other items affecting net debt

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2008-2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Annual deficit (surplus) per SFS | (558) | (451) | 200 | 179 | 1,001 | 560 | 522 | 430 | 839 | 764 | 3,486 |
| Amortization | (359) | (375) | (404) | (438) | (476) | (511) | (554) | (595) | (624) | (669) | (5,005) |
| Unrealized losses (gains) in GBEs | (358) | 781 | (709) | (142) | 77 | 32 | 167 | 446 | 43 | (114) | 223 |
| **Other items affecting net debt** | (1,275) | (45) | (913) | (401) | 602 | 81 | 135 | 281 | 258 | (19) | (1,296) |

*Source: Province of Manitoba Public Accounts*

Investments in infrastructure benefits current and future generations. Incurring debt for this purpose, while increasing the overall costs for such projects, pushes the financing of such projects onto the generations that will benefit from them. As opposed to the use of debt to finance current operations which only benefits current recipients and as such, defers current public policy costs to future generations (who do not benefit). That said, the risks associated with increased debt balances, even when incurred for infrastructure purposes, need to be properly assessed and managed (**see Section 2.1.4**). It is important to note that even with infrastructure spending, effective prioritization of these expenditures, based on relative benefit to the public, is critical as not all infrastructure projects are of equal benefit.

A significant impact of carrying an increasing debt load is the carrying cost of that debt. Debt servicing costs relate to the full debt balance rather than net debt. Provincial borrowings in relation to net debt for the past 10 years is shown in **Figure 4** below.

**Figure 4: Borrowings and net debt**

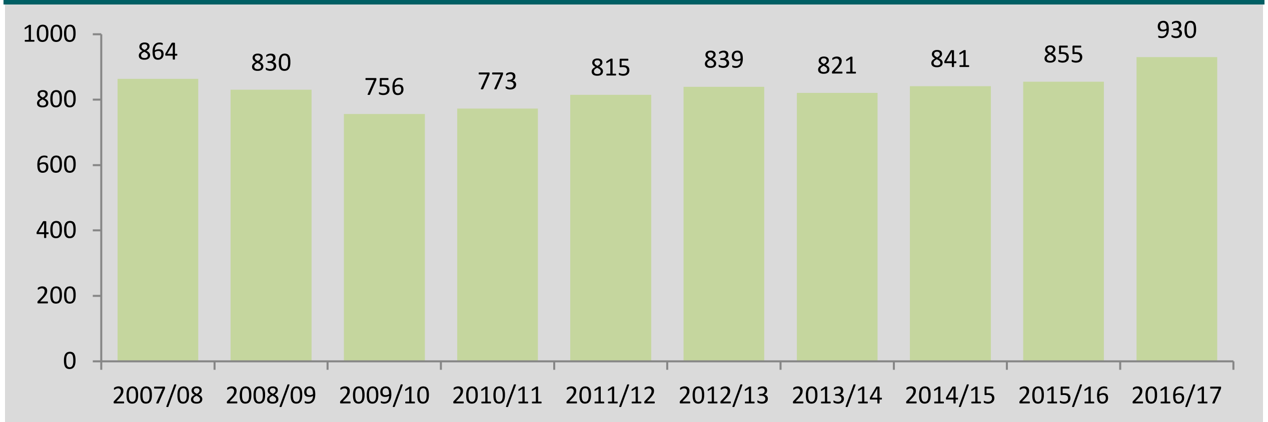
| | 2007/08 - 2016/17 ($ millions) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
| Total borrowings | 22,462 | 23,324 | 25,101 | 26,273 | 29,297 | 31,072 | 33,135 | 36,246 | 40,394 | 44,284 |
| Less: debt Issued on behalf of Hydro | (7,322) | (7,836) | (8,289) | (8,467) | (9,095) | (9,775) | (10,683) | (12,485) | (14,436) | (16,341) |
| Less: sinking funds | (585) | (597) | (701) | (656) | (599) | (509) | (506) | (504) | (543) | (546) |
| **Borrowings per Financial Statements** | **14,555** | **14,891** | **16,111** | **17,150** | **19,603** | **20,788** | **21,946** | **23,257** | **25,415** | **27,397** |
| Add: other liabilities | 7,778 | 5,519 | 5,341 | 5,306 | 5,570 | 5,690 | 6,009 | 6,449 | 6,538 | 6,634 |
| Less: total financial assets | (11,734) | (8,942) | (9,642) | (9,931) | (10,623) | (10,585) | (10,683) | (10,205) | (10,582) | (11,338) |
| **Net debt** | **10,599** | **11,468** | **11,810** | **12,525** | **14,550** | **15,893** | **17,272** | **19,501** | **21,371** | **22,693** |

*Source: Province of Manitoba Public Accounts*

### 2.1.3 Debt servicing costs will soon exceed $1 billion

As borrowings have increased, the Province's debt servicing costs have also increased. **Figure 5** shows debt servicing costs since 2007/08. The budgeted debt servicing costs for 2017/18 is $991 million. Government Business Enterprises' (GBEs') debt servicing costs ($656 million for the year ended March 31/17) are reflected in the SFS as part of net income from GBEs and are not included in the $991 million. (GBEs include Manitoba Hydro and Manitoba Liquor and Lotteries).

**Figure 5: Debt servicing costs**




*Source: Province of Manitoba Public Accounts*

In the past 5 years, the debt servicing costs increased 10.8% from $839 million in 2013 to $930 million in 2017. This increase was caused by additional debt (from $20.8 billion in 2013 to $27.4 billion in 2017) rather than increased interest rates. In 2016/17, debt servicing costs represented 5.6% of the total provincial expenses. Only 3 government departments (Health, Seniors and Active Living, Education and Training, and Families) had expenses exceeding the debt servicing costs in 2016/17. Risks associated with large debt balances include the following:

- **Future increases in market interest rates –** Over the past decade, market interest rates have remained at historical lows. When market interest rates eventually increase, the level of debt servicing costs will also increase. In the next five years, the government has $15.4 billion in gross debt that will need to be refinanced as it matures; the rates will be based on the market rates of the day.

  Subsequent to March 31, 2017, the Bank of Canada benchmark overnight borrowing rate was increased three times bringing the rate to 1.25% from 0.50%. Prior to July 12, 2017, there had not been any increases in borrowing cost since 2010.

- **Lower credit ratings –** The Province's credit ratings are set by the major rating agencies. Credit ratings can impact the cost of borrowing for a province, as a lower rating typically indicates a higher risk to the investor, for which they will require a greater return. A lower Provincial credit rating will likely impact debt servicing costs because a weaker credit rating can be expected to result in higher interest charges on new debt.

  In July 2015, Moody's downgraded its credit rating for the Province of Manitoba from Aa1 to Aa2. The downgrade reflected the increased debt burden and Moody's expectation that the Province would face significant challenges in achieving a balanced budget by 2018-19 as planned at the time.

In July 2016, Standard & Poor's (S&P) also downgraded its credit rating for the Province of Manitoba from 'AA' to 'AA-'. In addition to the downgrade in its credit rating, Standard & Poor's expressed a negative outlook due to a sustained tax-supported debt burden.

In July 2017, S & P Global Ratings (formerly known as Standard & Poor's) downgraded its credit rating for the Province of Manitoba from 'AA-' to 'A+'.

Increasing debt servicing costs highlight the need for strong practices for managing the associated risks as discussed in **Section 2.1.4**.

### 2.1.4 Considerations from our March 2014 report should be more fully acted on

Our March 2014 report to the Legislature included a chapter on "deficits and debt". The purpose of the chapter was to provide Manitobans with research, perspectives and fact-based information and materials with respect to the issues and impacts of government debt and deficits. Included in the chapter were seven considerations for government to improve understanding of and information on government deficits and debt. Given that net debt at March 31, 2017 has increased by 42.8% since March 31, 2013 and that further increases are likely to occur, the value of acting on the following considerations warrant serious attention.

- Need for medium-term and long-term scenario analysis and projections
    - Decisions on the levels of government deficits and debt have very long-term implications. In our March 2014 report we noted that beyond the traditional high-level, medium-term projections undertaken and reported by Government, it should consider conducting long-term fiscal projections based on different scenarios and assumptions for the benefit of long-term planning. We also noted that the Department of Finance may benefit from an independent external review of their process for developing projections.

      **Update:** The Manitoba Budget for 2018/19 contains medium term projections for the Summary Budget to 2021/22. The deficit is projected to drop to $142 million by 2021/22. The previous Manitoba Budget for 2017/18 also contained medium term projections for the Summary Budget to 2019/20. In addition, a chart was provided showing fiscal outcomes under various revenue growth scenarios based on average, above average and below average nominal GDP growth

      The 2018/19 Budget documents did not include any long term fiscal projections using different scenarios and assumptions.

- Setting fiscal targets and communicating results against targets
    - In our March 2014 report we noted that the Province reports annually on a number of key fiscal indicators regarding sustainability, flexibility and vulnerability. We noted that the government should consider setting targets for certain key fiscal indicators in addition to reporting on each metric and trend. Setting targets and communicating results compared to targets provide greater accountability to the Legislative Assembly with respect to the anticipated impact of government decisions on key fiscal indicators and explaining why anticipated impacts were exceeded or not met.

      **Update:** The Financial Statement and Discussion Analysis in the 2016/17 Public Accounts discussed several fiscal indicators but they were not compared to any previously set targets.

      In the 2018/19 budget documents, the government highlights the importance of stabilizing the Net Debt to GDP ratio. However the government did not set a target ratio for this indicator other than a budgeted ratio of 34.3% for 2018/19. No target ratios were set for any other financial indicators.

- More details on deficit and debt reduction plans
    - In our March 2014 report we noted that the government's medium-term deficit reduction plan provides the Legislature with the government's intended targets in the medium-term. We noted that the government should consider providing additional detail on its deficit reduction plans, including estimated amounts or targets expected to be achieved from economic growth, spending curtailment and/or cost savings initiatives and incremental tax measures. We also noted that government should indicate its risk exposure to interest rate changes and potential impacts on borrowing costs of interest rate changes.

      **Update:** The Fiscal Responsibility and Taxpayer Protection Act enacted on June 2, 2017 requires government to reduce the deficit annually starting with a deficit base line of $924 million established in Budget 2017/18 (as explained below). The Act also requires the government to set targets for reducing the debt once the annual deficit is eliminated. Budget 2018/19 indicated that the government was planning to introduce amendments to the Act.

### The Fiscal Responsibility and Taxpayer Protection Act

*The Fiscal Responsibility and Taxpayer Protection Act* was enacted June 2, 2017. The new Act indicates that the deficit is not to exceed a baseline amount which is the lesser of a) the annual deficit projected in 2017/18 and b) the lowest annual deficit incurred for any fiscal year beginning in or after 2017/18.

The deficit or surplus amount is to be calculated on a summary basis subject to certain adjustments being 1) Manitoba Hydro's net income or loss is excluded, 2) amounts transferred to or from the Fiscal Stabilization Account are treated as expenditures or revenues, and 3) expenditures related to natural disasters or war and reductions in revenue resulting from decisions of other levels of government are excluded. A base line deficit of 924 million was established in Budget 2017/18.

Each year at the same time as the budget, the Minister of Finance must table a fiscal responsibility strategy setting out current and future financial objectives for the government. Once the deficit has been eliminated, the fiscal responsibility strategy must set out the government's objectives for reducing the general purpose debt of the government.

As part of the public accounts for a fiscal year, the Minister of Finance must report on the deficit or surplus amount and compare actual results with objectives set out in the fiscal responsibility strategy and the budget that was tabled for that year.

In their 2017/18 Budget, the government communicated various initiatives aimed at reducing the annual deficit (see excerpt from Budget 2017/18 below). The 2018/19 budget includes other broad initiatives such as implementing new processes, consolidating business functions, and exploring alternative service delivery opportunities. However, the government did not provide the estimated amounts that any of these initiatives would contribute to deficit and debt reduction.

### Excerpt from Budget 2017/18

#### Meeting Budget Targets

A key to restoring fiscal discipline is to restrain the growth of spending, bending the cost curve, to ensure that spending does not outpace revenue growth. Our government is committed to ensuring that government programs and services become more effective and efficient. The Third Quarter Report for fiscal year 2016/17, forecasts that core government is on track to meet expenditure budget targets, which has not happened since 2002/03. This was the result of government changing the tone and working with departments to instill accountability for meeting their budgets. The focus on meeting budget targets continues in Budget 2017, to stop the chronic overspending of the past decade. Manitobans will once again be able to place their trust in government's financial projections. Initiatives to support this increased emphasis on delivering better value within available resources will continue in the coming year:

- procurement of public goods will continue through smart shopping including competitive tendering of government contracts;
- checking in on the progress made to meet the commitments outlined in the mandate letters given to government ministers when they took office;
- keeping annual core government spending growth below 3% to reduce the deficit;
- creating the Regulatory Accountability Secretariat to ensure that barriers to growth and productivity are continually reviewed to reduce the regulatory burden on businesses and stakeholders;
- tabling Bill 20, The Crown Corporations Governance and Accountability Act to define the roles and responsibilities of the crown corporations and the minister responsible;
- implementing the Fiscal Performance Review Framework and change management principles into core government department decision making processes;
- taking initial steps in health care to ensure a sustainable system today and for future generations; and
- continuing to engage front-line workers in all departments to find ways to deliver better results for citizens through the use of proven methodologies like Lean and Continuous Improvement.

## 2.2 Why the focus should be on summary reporting when assessing government performance

The government prepares a number of financial reports which contain budget and actual results for both the consolidated Summary Financial Statements and the core government. The government uses the term "Core Government" to refer to the operations of government departments. The definition included in Volume 1 of The Public Accounts (for the year ended March 31, 2017 on page 63) is as follows:

> "A component of the GRE. Represents the operations of government, including the revenues directly under government's control, and the programs and services delivered by government departments."

Core government results are frequently used by government officials and media when discussing government results. It is critical that users of core government financial information understand the purpose and limitations of this information (what it includes and doesn't include).

In the 2018/19 Budget we noted that the government has prepared a section called "Focus on Summary" indicating the importance of "Summary" financial information over "Core Government" financial information. The section acknowledges that consolidating all government entities under a single budgeting and reporting framework improves transparency and helps to ensure "that public services are consistently and properly managed."

### 2.2.1 Summary financial reporting – What is included

Summary financial reporting is the consolidated reporting of all of the entities included in the Province's Government Reporting Entity (GRE). The GRE includes all government departments and other reporting entities (OREs) such as government business enterprises (GBEs) like Manitoba Hydro and Manitoba Public Insurance, and other entities such as universities, school divisions and regional health authorities. There are over 130 OREs in the GRE.

All entities within the GRE are, in one way or another, controlled by the Province.

#### WHAT IS CONTROL?

A key concept in Public Sector Accounting Standards is control. Control is defined as the power to govern the financial and operating policies of another organization with the expected benefits or the risk of loss to the government from the other organization's activities. The benefits may be of a financial or non-financial nature.

The Province directly controls the financial and operating policies of government departments and approves funding levels through the Appropriation Act. Two common ways in which the government exercises control over ORE financial and operating policies are:

*Board Appointments* – The government has the ability to appoint the ORE boards in whole or in part. Government appointed boards ensure the entity is operating in a manner consistent with government's objectives. Recently, the government has used their control over board appointments to replace the boards of Manitoba Hydro, Manitoba Public Insurance, and Manitoba Liquor and Lotteries and made appointments to many boards of other organizations including universities and healthcare organizations.

*Legislation* – Most of the OREs are governed by specific legislation, for example, the Regional Health Authorities Act, the University of Manitoba Act and the Public Schools Act. These acts and the related regulations set specific expectations regarding how these entities are to be managed. The acts give significant power to the responsible Minister, and all requirements under the acts and regulations can be changed by the Legislative Assembly.

Two recent examples of how Government has used legislation to affect the operations of organizations within the GRE are tuition fee increases at post-secondary institutions and implementing a restriction on salary increases across the government reporting entity over a 4 year period.

#### SUMMARY FINANCIAL STATEMENTS

Summary Financial Statements (SFS) show the annual financial results of the Province as a whole. Revenues of core government departments (such as personal and corporate income taxes, retail sales tax and federal transfers) are combined with the revenues earned by the OREs (such as tuition fees and education property taxes) and the annual net income or loss from GBEs.

The revenues and expenses of all the OREs (except for GBEs where only net income or loss is included) are included in the SFS. All inter-entity transactions are eliminated to avoid double counting of revenues and expenses. When government departments provide a grant to an ORE that ultimately spends the funds, the government grant (expenditure to the government department and revenue to the ORE) is eliminated so that only the ORE expenses are shown in the SFS. Without this elimination, there would be a duplication of expenses (and revenues) in the SFS. Approximately 70% of the overall government department budgets represent grants and transfers paid to OREs who ultimately provide these services.

### 2.2.2 Summary reporting provides comparable and consistent information

The Summary Financial Statements are prepared under generally accepted accounting principles using Public Sector Accounting Standards (PSAS). The standards provide a clear set of accounting policies, making financial statements understandable, reliable, and comparable year-over-year and between jurisdictions. Applying the standards prevents preparers from using their discretion in how transactions are recorded. Thus ensuring similar transactions are recorded on a consistent basis.

These standards were developed independently by the Public Sector Accounting Board with input from all relevant stakeholders; they are used across Canada, including all Provinces, allowing for comparison between the Provinces.

### 2.2.3 The limitations of core government financial information

Core government reporting focuses on the revenues and expenditures of government departments only. However, the core government information is useful for management purposes. Looking at the actual government department expenditures compared to planned expenditures allows the government to assess a department's ability to manage its affairs within its allocated budget. And looking at the actual government department revenues compared to the revenue estimates allows the government to assess a department's ability to forecast revenue – an important consideration as the planned expenditures are in part based on the planned revenues.

It is important to note that core government balances are not accounted for in accordance with Public Sector Accounting Standards (PSAS). In preparing the Summary financial statements, adjustments are made to core government balances so that upon consolidation the summary financial statements comply with PSAS. As such, the deficit in the summary financial statements reflects the overall performance of government based on public sector accounting standards.

The core government surplus/deficit reported in Volume 3, as well as in quarterly reports and the budget documents should never be used when assessing overall performance of government. We continue to question the usefulness or value of presenting a core government deficit figure in public accountability documents given that it is an incomplete picture of government performance.

**Recommendation 1:** We recommend that government limit the public reporting of core government financial information to the revenues and expenditures of government departments, and as such that a core government deficit/surplus not be presented in budget documents or reported in quarterly reports and the Public Accounts.

RESPONSE OF OFFICIALS:

The Province of Manitoba agrees with the spirit of much of this recommendation and has already taken steps to limit the public reporting of core government results.

Budget 2018 presented a section called "Focus on Summary". Budget 2016 was the last budget that a "Summary Revenue and Expenditure Estimate and Reconciliation to Core Government Results" was prepared.

Going forward, the Province of Manitoba is taking significant steps to transition to Summary Budgeting, while ensuring appropriate accountability to the Legislative Assembly in relation to voted authority continues.

As noted above, we are concerned that the presentation of a core deficit or surplus can be confusing to the public when seeking to understand government performance. In addition, because core government financial information is disclosed in Volume 3 of the Public Accounts, we are also concerned with how core government financial information is developed. We note that some transactions of the core government are recorded as consolidation adjustments rather than in the core government accounts. As such, the consistency within a given year and between years in how Core Government account balances are calculated is not assured. See **Figure 6** for a discussion of the above noted transactions.

**Figure 6: Transactions recorded as consolidation adjustments that should be recorded in the core government accounts (in $ millions)**

| | |
|---|---|
| For the year ended March 31, 2017 | |
| **Elimination of amount accrued as payable to the Province's own pension assets**<br>2016/17 - $22 | An error of $22 million relating to the elimination of an amount payable to the core government's own pension trust asset account was corrected as a consolidation adjustment rather than a reduction in core government expense. |
| **Valuation Allowance on the Stadium Loan**<br>2016/17 - $56 | The Province recorded a valuation allowance of $56 million on the City's portion of Phase 1 of the Stadium Loan as a consolidation adjustment rather than a core government expense. While the loan has flowed through the University of Manitoba, the risk of the loan lies with the core government, not the University. For additional analysis of the Stadium Loan see section 2.4. |
| For the year ended March 31, 2016 | |
| **Severance and vacation pay funding**<br>2015/16 - $5 | The Province adjusted the amount payable to government organizations for severance and vacation funding by $5 million. This was recorded as a consolidation adjustment rather than a core government expense. |
| **Correction of error in Disaster Financial Assistance expenses and revenues**<br>2015/16 - $3 | An error resulting in a net impact of $3 million in expenses for Disaster Financial Assistance was corrected as a consolidation adjustment rather than a core government expense. Disaster Finance Assistance is administered by the Emergency Measures Organization which is part of the core government. |
| For the year ended March 31, 2015 | |
| **Shared cost flood revenue from the federal government**<br>2014/15 - $30 | Revenue from federal shared cost programs related to flooding was recorded as a consolidation adjustment rather than core government revenue. Shared costs program revenue is attributable to the core government. |

*Cont'd*

| | |
|---|---|
| **Estimated retroactive pay increases for MGEU members**<br><br>2014/15 - $10 | The Province recorded an expense related to estimated pay increases to department employees due to the ongoing negotiations of a collective agreement with the MGEU as a consolidation adjustment rather than a core government expense. Department employees' salaries are the responsibility of the core government. |
| For the year ended March 31, 2014 | |
| **First Nations flood claim accrual**<br><br>2014/15 - $26 | The Province recorded an expense of $26 million related to a First Nation flood settlement as a consolidation adjustment rather than a core government expenditure. This settlement is the responsibility of the core government under the Emergency Expenditures appropriation. |
| **Ruttan Mine remediation expense**<br><br>2014/15 - $34 | The Province recorded an expense to remediate the Ruttan Mine site. The remediation of this site was the responsibility of the Department of Mineral Resources in 2014. However, the expense was recorded as a consolidation adjustment rather than a core government expense. |
| **Departmental accounts receivable allowance and related expense**<br><br>2014/15 - $11 | The Province recorded an allowance against a departmental account receivable when collectability was doubtful. The allowance and expense was recorded as a consolidation impact adjustment rather than a core government expense. |

### 2.2.4 Multiple bottom-lines can be confusing

As discussed in **Section 2.2**, the Government reports budgeted and actual annual deficits at both the summary and core government levels. In addition for 2017/18, the new *Fiscal Responsibility and Taxpayer Protection Act* (FRTPA) introduced another deficit called the baseline deficit. A budgeted baseline deficit for 2017/18 was reported in the Fiscal Responsibility Strategy included in the Manitoba Budget 2017 document (see **Section 2.1.4** for a discussion of how the FRTPA deficit is calculated). Starting in 2017/18 there will be a report showing the deficit per FRTPA. This report will be used to show whether the Government met its annual FRTPA deficit target and a comparison to the Base Line Deficit.

Reporting multiple bottom lines can be confusing to readers of government budgets and financial statements. A review of the various bottom lines reported in the last four years is detailed below.

**Figure 7: Budget Plans**

| Reference Report | Budgeted Annual Deficit (in $ millions) | | | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
| Summary Budget | (840) | (911) | (422) | (357) |
| Core Government Budget | (779) | (890) | (421) | (324) |
| Base Line Deficit per FRTPA | (924) | - | - | - |

**Figure 8: Financial Results**

| Reference Report | Actual Annual Deficit (in $ millions) | | |
|---|---|---|---|
| | 2016/17 | 2015/16 | 2014/15 |
| Vol 1- Summary Financial Statements | (764) | (839)[1] | (430)[1] |
| Vol 3 - Core Government Results | (697) | (760) | (580) |
| Deficit per FRTPA[2] | - | - | - |

[1] *as restated for comparative purposes*
[2] *starting in 2017/18*

The various deficit figures above may cause a reader who is trying to understand the overall performance of government to use a government deficit figure meant for another purpose. See **Section 2.2.3.**

The annual deficit as reported in the audited Summary Financial Statements contained in Volume 1 of the Public Accounts of Manitoba is the deficit for the Government Reporting Entity as required under Public Sector Accounting Standards for governments.

## 2.3 Many management letter recommendations to strengthen ITGCs remain outstanding

### INFORMATION TECHNOLOGY GENERAL CONTROLS ARE IMPORTANT FOR PRODUCING RELIABLE INFORMATION

The Province of Manitoba and other organizations in the GRE rely on information technology (IT) to automate processes and improve efficiencies.

Information technology general controls (ITGCs) are an integral component of an effective IT control environment. ITGCs include:

- IT strategic plans
- IT policy instruments (i.e. policies, standards, procedures, and guidelines)
- IT risk assessments
- Access and security controls
- Change management and systems development processes and controls
- Backup procedures and disaster recovery plans

ITGCs need to be effective for an organization to rely on their IT automated controls, system-generated reports, and data. ITGCs are designed to help protect the confidentiality, integrity and availability of information assets. Deficiencies in ITGCs can result in unreliable information being produced by systems and automated processes.

### ITGCs CAN BE USEFUL IN CONDUCTING OUR AUDITS

Not only are ITGCs important from an organizational perspective, they are important to our annual financial statement audits. When conducting a financial statement audit, we may rely on the internal controls which include ITGCs. During our audits, we evaluate and test ITGCs to determine if we can rely on an IT system's data, system-generated reports, and automated controls. If we cannot rely on ITGCs, we have to perform additional testing in other areas to mitigate the identified audit risks.

In testing ITGCs, we use generally accepted frameworks, such as Control Objectives for Information and Related Technology (COBIT).

### SEVERAL ENTITIES HAVE SIMILAR ITGC DEFICIENCIES

When evaluating ITGCs, we often identify deficiencies. Common issues we have found across many entities include:

- Non-existent or weak IT risk assessments
- Outdated or incomplete IT policy instruments
- Change management control deficiencies
- System access control deficiencies
- Lack of disaster recovery plans

When we identify IT deficiencies, we provide management with recommendations. Some organizations, such as Business Transformation & Technology (IT service provider for the government departments), Manitoba Health, universities, and various pension plans, have made some progress in addressing our ITGC related recommendations. However, many issues remain unresolved after many years, some dating back to the 2007-08 fiscal year.

We believe that the implementation of a comprehensive risk assessment process or framework is the most important ITGC-related recommendation. Mitigating the risks to the confidentiality, integrity and availability of information assets within an IT environment is essential. Risks need to be identified, assessed and managed accordingly and reduced to a level that is acceptable to the owner of the information asset. Such risk assessments would ultimately reduce the number of IT control deficiencies identified during our audits.

Many of our ITGC- related recommendations to management have remained outstanding for several years. We encourage those charged with governance to ensure that sufficient attention is given to implementing our recommendations (whether presented internally through our management letters or externally through our public reports).

## 2.4 Investors Group Field

Given the significant public interest in the financing of the Investor's Group Field stadium (IGF), we present here a summary of how IGF was financed and how it is accounted for in both the Province's SFS and the University of Manitoba's (U of M) financial statements for the year ended March 31, 2017. This discussion does not include any amounts for the repairs of IGF that are currently before the courts.

In the discussion that follows, we distinguish between organizations that are part of the GRE and those that are not. The U of M is part of the GRE but the City of Winnipeg (City), Winnipeg Football Club (WFC), and Triple B Stadium Inc. (Triple B) are not.

Triple B is a non-share capital, for-profit organization incorporated in Manitoba to develop, construct and operate a stadium at the U of M for the WFC, the University of Manitoba Bisons, amateur athletics, and other public purposes.

Triple B has three member organizations – the City, the U of M and the WFC. Each member organization appoints a representative to act as a director of Triple B. The Province, while not a member organization, also appoints a director to Triple B.

Triple B and the WFC entered into a management agreement appointing the WFC as the exclusive manager of IGF in exchange for primary access to the facility.

### 2.4.1 How the construction of the stadium was financed

As detailed in **Figure 9**, the construction of the stadium was financed with funds provided primarily by the Province. Some financing was also provided by the City, the U of M, and CIBC. **Figure 10** also shows how the City and the WFC are involved with loan repayment.

#### FUNDING FROM THE GRE

**The Province loaned $160 million to the U of M, who then loaned the money to Triple B -** The loan occurred in two phases; phase 1 was for $75 million and phase 2 was $85 million. The phase 2 loan was structured so the accrued interest up to December 31, 2017 would be considered part of phase 1. As of March 31, 2017, the balance outstanding for phase 1 is $117 million, and phase 2 is $82 million (**Figure 10**). Triple B makes payments for both phases to the U of M, who then makes equal payments to the Province.

> **Phase 1 is to be repaid by Triple B, through amounts raised by the Province and the City through tax increment financing -** Future incremental education taxes, education support levies and property taxes earned up to December 31, 2037 on the former Canad Inns Stadium site will be used to repay phase 1. As of March 31, 2017, the City and Province have

Website Version

raised incremental taxes totaling $2.3 million, which was used to reduce the loan over the past two fiscal years. (**Figure 10**)

**Phase 2 is to be repaid by Triple B, through amounts received from the WFC -** The WFC has added a $6 per ticket facility fee for WFC regular season and exhibition football games that is to be used to repay the loan. In addition, the City has agreed that the entertainment taxes collected by the WFC (10% of the face value of each WFC regular season and exhibition football game ticket sold) will be used to repay the loan. The WFC must remit the facility fees, the entertainment taxes, and “excess cash” amount (as calculated per a stadium management agreement between the WFC and Triple B) to Triple B, subject to annual maximum amounts.

The WFC’s maximum “excess cash” repayment to Triple B was $4 million from 2014 to 2016, and $3 million in 2017. Beginning in 2018, the WFC’s maximums will equal the annual principal and interest instalments required to repay the remaining phase 2 loan balance plus interest over the ensuing 40 years.

The WFC is also required to contribute facility fees and entertainment taxes raised in excess of $2 million to a capital fund held by Triple B, to an annual maximum amount of $0.5 million.

The WFC paid Triple B $4.5 million for each year from 2014 through to 2016 for a total of $13.5 million. As of March 31, 2017, $10.5 million had been used by Triple B to make payments on a separate loan from CIBC (see “non-GRE funding” section below). As at March 31, 2017, a total of $3 million in repayments were made on phase 2, reducing the balance to $82 million. (**Figure 10**)

**The Province provided two grants to the U of M who then granted those funds to Triple B -** The first grant was for $20.7 million; the second grant was for $8.5 million. These grants have been fully disbursed to Triple B as of March 31, 2016. (**Figure 9**)

**The U of M provided a loan of $1.4 million to Triple B -** This loan was guaranteed by the Province. This loan was repaid (using funds received from the WFC) during the year ended March 31, 2016 along with $0.1 million of accrued interest. (**Figures 9 and 10**)

**The U of M leased land to Triple B for the construction of the stadium -** The lease requires payments of $1 per year for the life of the lease. The lease expires in 2060, but Triple B has the option to extend it for two additional terms of 25 years.

## NON-GRE FUNDING

**The City of Winnipeg provided a grant of $7.5 million to Triple B. (Figure 9)**

**CIBC loaned Triple B $10 million** - Triple B expects to repay this loan through funds received from the WFC operations.

> The loan was repayable in annual payments of $3.5 million made on December 31, 2014, December 31, 2015 and December 31, 2016 with a final payment on or before June 30, 2017. As of March 31, 2017, three loan payments have been made, leaving a balance on the loan of $19,523. (**Figures 9 and 10**)

**CIBC loaned Triple B $17 million guaranteed by the Province -** during the year ended March 31, 2016, the Province guaranteed a loan to Triple B for up to $35.3 million. As at March 31, 2017**,** $17.0 million of this loan has been drawn from CIBC by Triple B – this amount is reflected in **Figure 9** but determination of its repayment source is currently before the courts.

**Figure 9: How construction of IGF was financed by Triple B March 31, 2017 ($ millions)**

| | Loan Amount | Grant Amount | Accrued Interest | Total |
|---|---|---|---|---|
| **Funding from the GRE** | | | | |
| Provincial/UM Loan - Phase 1 | 75 | | 44.3 | 119.3 |
| Provincial/UM Loan - Phase 2 | 85 | | | 85 |
| Provincial Grant 1 | | 20.7 | | 20.7 |
| Provincial Grant 2 | | 8.5 | | 8.5 |
| U of M Loan | 1.4 | | 0.1 | 1.5 |
| **Total funding from GRE** | 161.4 | 29.2 | 44.4 | 235 |
| | | | | |
| **Non-GRE funding** | | | | |
| CIBC Loan[1] | 10 | | 0.5 | 10.5 |
| CIBC Construction Deficiency Loan [5] | 16.7 | | 0.3 | 17.0 |
| City of Winnipeg Grant | | 7.5 | | 7.5 |
| **Total Non-GRE funding** | 26.7 | 7.5 | 0.8 | 35 |
| | | | | |
| Total | 188.1 | 36.7 | 45.2 | 270 |

[1] Accrued interest estimated by OAG based on loan terms disclosed in Triple B financial statements

[5] CIBC Construction Deficiency Loan guaranteed by the Province of Manitoba to a maximum of $33.1 million plus a line of credit for interest up to $2.2 million.

### 2.4.2 How funding from the GRE was accounted for

#### SUMMARY FINANCIAL STATEMENTS

Canadian Public Sector Accounting Standards (PSAS) require the GRE to report its financial results on a consolidated basis, which is done through the Summary Financial Statements of the Province (SFS). As part of the consolidation process, transactions between the U of M and the Province are eliminated from the Summary Financial Statements.

The March 31, 2017 Summary Financial Statements on Schedule 2 – Consolidated Statement of Loans and Advances includes a loan receivable of $138 million from Triple B as well as an associated valuation allowance of $56 million.

The receivable and valuation allowance are comprised of the following: (**See Figure 11**)

> **Provincial/UM loan: phase 1-** PSAS require that the phase 1 loan balance of $117.0 million at March 31, 2017 be reduced by the Province's expected future tax increment financing grants of **$61 million**. This $61 million (2016/17 - $4.4 million; 2015/16 - $3.6 million; 2014/15 - $4 million; 2013/14 - $49 million) was recorded as a grant expense. The remaining $56 million is to be repaid by Triple B from tax increment financing grants from the City of Winnipeg. The **$56 million** is included in the $138 million stadium loan receivable.
>
> **Provincial loan/UM loan: phase 2** - In the March 31, 2017 SFS the **$82 million** is included in the $138 million stadium loan receivable.
>
> **Valuation allowance** - The March 31, 2017 SFS includes a $118 million valuation allowance against all Provincial loans and advances. **$56 million** is related to the stadium loan receivable. The $56 million relates to the expected tax increment financing grants from the City of Winnipeg. On an annual basis the collectability of the City's **financial contribution** of Phase 1 loan is assessed. The original payment estimates were based on the former stadium property being fully developed by 2020. However, since there is presently no developmental plan in place for the site, the Department of Finance prepared an estimate using a more reasonable estimated date for full development of the site and updated the projections of expected future incremental taxes. Based on estimates using the most up to date information, tax increment financing is expected to only cover the accumulated interest that accrues on the Phase 1 loan to the expected termination date of December 31, 2037. As the current principal balance of $56 million is expected to remain at the end of the term, an expense of $56 million was recorded and a valuation allowance set up in 2017.

The Statement of Revenue and Expense in the SFS includes the other Provincial grants related to the stadium as an expense in the year they are disbursed ($20.7 million in 2013, $4.8 million in 2015 and $3.7 million in 2016).

The Loan Guarantees note in the SFS discloses the Province's guarantee of a loan from CIBC to Triple B for up to $35 million. At March 31, 2017 the outstanding guarantee under this authority was $17 million. This amount is reflected in **Figure 9** but determination of its repayment source is currently before the courts.

In March 31, 2015 SFS, the $1.4 million loan from the U of M to Triple B is included as part of that year's $136 million stadium loan receivable. Since the loan was repaid during the year ended March 31, 2016 it is no longer reflected in the SFS.

**What is not included in the SFS** - CIBC and the City are not part of the GRE so the SFS do not include their respective loan and grant to Triple B. Triple B is also not part of the GRE so the value of IGF is not included as an asset in the SFS. (**Figure 9**)

The lease between the U of M and Triple B discussed above is insignificant and therefore it is not recorded or disclosed in the SFS.

### UNIVERSITY OF MANITOBA FINANCIAL STATEMENTS

The U of M's March 31, 2017 financial statements reflect the following loans:

> **Provincial loans: phases 1 and 2** - The U of M's March 31, 2017 financial statements include a loan receivable from Triple B for $199 million and long-term debt to the Province for $199 million. This represents the principal and accrued interest for both loans. As of March 31, 2017, the U of M has received a total of $5.3 million in repayments - $3 million applied to Phase 2 and $2.3 million applied to Phase 1.

The U of M financial statements also include provincial grants in the year they were received and disbursed ($20.7 million in 2013, $4.8 million in 2015 and $3.7 million in 2016). In those years, the U of M recorded those amounts as grant revenue. They also recorded a grant expense at the same time as they paid the money to Triple B.

The lease transaction between the U of M and Triple B ($1 per year) is not recorded or disclosed in U of M's financial statements.

In the U of M's March 31, 2015 financial statements, the $1.4 million loan from the U of M to Triple B is included as part of that year's $188 million stadium loan receivable. Since the loan was repaid during the year ended March 31, 2016 it was not reflected in the U of M's 2016 financial statements.

**Figure 10: Repayment of Loans by responsible party and disclosure in SFS March 31, 2017 ($ millions)**

| | Stadium Financed to 2017 | Repayments to date by Province TIF | City TIF | WFC | Loan Balances | Disclosure in SFS: Grant expense[2] | Val allow[3] | Loan Receivable[4] Mar 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| **GRE Loan** | | | | | | | | |
| Provincial/UM Loan - Phase 1 | 119.3 | (1.2) | (1.1) | | 117.0 | (61.0) | (56.0) | - |
| Provincial/UM Loan - Phase 2 | 85 | | | (3.0) | 82.0 | | | 82.0 |
| U of M Loan | 1.5 | | | (1.5) | - | | | - |
| **Total** | 205.8 | (1.2) | (1.1) | (4.5) | 199.0 | (61.0) | (56.0) | 82.0 |
| **Non-GRE Loan** | | | | | | | | |
| CIBC Loan | 10.5 | | | (10.5) | - | | | |
| CIBC Construction Deficiency Loan[5] | 17.0 | | | | 17.0 | | | |
| **Total** | 27.5 | | | (10.5) | 17.0 | N/A | N/A | N/A |

[2] The Province's financial contribution towards Phase 1 Loan is treated as a grant expense in accordance with PSAS accounting standard PS3050.

[3] Valuation allowance set up in Summary Financial Statements for City of Winnipeg's financial contribution towards Phase 1 Loan because of delay in development of old Stadium properties at Polo Park.

[4] Net balance reflected on Schedule 2 - Summary Financial Statements for Loans and Advances for Stadium Loan

[5] CIBC Construction Deficiency Loan guaranteed by the Province of Manitoba to a maximum of $33.1 million plus a line of credit for interest up to $2.2 million.

**Figure 11: Consolidated Statement of Loans and Advances in the SFS March 31, 2017 ($ millions)**

SCHEDULE 2

## SUMMARY FINANCIAL STATEMENTS
## CONSOLIDATED STATEMENT OF LOANS AND ADVANCES
**As at March 31, 2017**

| | ($ millions) 2017 | 2016 |
|---|---|---|
| **GOVERNMENT BUSINESS ENTERPRISES:** | | |
| Manitoba Hydro-Electric Board | 16,341 | 14,436 |
| Manitoba Liquor and Lotteries Corporation | 421 | 414 |
| | 16,762 | 14,850 |
| Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board | 16,341 | 14,436 |
| | 421 | 414 |
| **OTHER:** | | |
| Loans and mortgages - Note a | 872 | 823 |
| Stadium loan- Note b | 138 | 135 |
| Manitoba student loans - Note c | 113 | 104 |
| Family services agencies - Noted | 31 | 31 |
| Other | | |
| | 1,155 | 1,094 |
| **TOTAL LOANS AND ADVANCES** | 1,576 | 1,508 |
| Less: Valuation allowance | 118 | 61 |
| **NET LOANS AND ADVANCES** | 1,458 | 1,447 |

The government business enterprises loans and advances portfolio is due in varying annual amounts to the year 2063, bearing interest at either:

i) fixed with rates ranging from 0% to 10.50%; or

ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 1.07% and the highest set at 4.23% as at March 31, 2017.

| Note a | | 2017 | 2016 |
|---|---|---|---|
| i) | Agricultural direct lending and special assistance program mortgages, due in varying annual amounts to the year 2046, bearing interest at rates ranging from 2.63% to 9.00%. | 661 | 584 |
| ii) | Housing direct lending and special assistance program mortgages, due in varying annual amounts to the year 2053, bearing interest at rates ranging from 0.0% to 14.25%. | 106 | 115 |
| iii) | Business development assistance loans, due in varying annual amounts to the year 2040, bearing interest at rates ranging from 0.0% to 7.38%. | 73 | 92 |
| iv) | Northern business development and fishing industry assistance loans, due in varying annual amounts to the year 2030, bearing interest at rates ranging from 3.95% to 8.77%. | 32 | 32 |
| | | 872 | 823 |

Note b Stadium loan to Triple B Stadium Inc, issued in two phases, payment due in varying annual amounts to 2038 on Phase 1 and 2058 for Phase 2, bearing interest at 4.65%.

Note c Student loans, interest-free and not repayable until 6 months past the completion of studies, due 114 to 174 months after that time.

Noted Advances to provide family services agencies with prepayment of fee for service charges, to be repaid when no longer required, bearing no interest.

# 3 Financial statement audits conducted by the Auditor General's Office

In sections 1.1 and 1.2, we noted that the Office is the auditor of financial statements and other financial information issued by entities within the Government Reporting Entity of the Province and certain other entities.

The following section contains an overview of these audits, including the following information for each:

- Information related to its enabling legislation, purpose, and governance.
- Financial reports and related timelines each entity is required to produce and adhere to.
- Information regarding our involvement with each audit – for some we are appointed by legislation, while for others we are appointed by the entity in absence of a related legislative requirement.

Some of these audits are conducted by our office using our own staff, while others are conducted under agent agreements with external audit firms. When agent agreements are used, we are involved with planning and file review but the external firms conduct audit fieldwork on our behalf. In both cases, the audit opinion is issued by the Office of the Auditor General.

For all of our audits, Canadian auditing standard CAS 240 (*The Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements*), sets out the auditor's responsibility regarding obtaining reasonable assurance whether the financial statements are free of material misstatement, whether caused by error or by fraud.

Under auditing standards, there is a presumed significant risk of material misstatement in revenue recognition and management override of internal controls due to fraud. We performed audit procedures to address those fraud risks and any other fraud risks we identified, which included examining journal entries and reviewing accounting estimates and significant unusual transactions.

We have not listed the presumed significant risks due to fraud on the summaries of each financial statement audit conducted by our Office because those risks are common to all financial statement audits.

Additionally, we include information on the results of our audits, including:

- The audit opinions that were issued. An "unqualified" opinion means the statement or information under examination is fairly presented, in all material respects, in accordance with the related financial reporting framework. We provide a "qualified" opinion when this is not the case.

- Sometimes, an unqualified audit opinion may include an "emphasis of matter" paragraph which, while not modifying the related opinion, directs the user to a matter that, in our judgment, is of fundamental importance to users' understanding of the statement or information. Our standard audit opinion on schedules of public sector compensation disclosure payments includes such a paragraph, stating the information is specifically prepared to meet legislated reporting requirements and therefore may not be suitable for another purpose.
- Areas of audit significance, which are where we direct a substantial portion of our audit effort.
- Whether we provided a management letter, and to whom we provided it. A management letter is a summary of recommended improvements to internal controls or other management systems. Beyond providing observations and recommendations, these letters identify good management practices relevant to public sector organizations. As the name implies, the letter is typically addressed to an entity's senior management.
- To whom our audit results were presented. We typically present those charged with governance with an "audit results memo". This document includes:
    - The results of our work in key risk areas.
    - Our comments regarding:
        - Any changes from our planned audit approach.
        - The reasonableness of the entity's financial statement or schedule disclosures and accounting estimates, if any.
        - Any significant issues with the entity's related parties.
        - Any significant difficulties encountered during the audit with management and staff.
        - Any other significant matters arising from the audit.
    - Draft audit opinions.
    - Copies of the entity's management letter and our schedule of unadjusted errors if applicable.

# FINANCIAL STATEMENT AUDITS CONDUCTED BY THE AUDITOR GENERAL'S OFFICE

# 3.1 Direct audit – Senior Government

## 3.1.1 The Public Accounts

### DESCRIPTION

The Public Accounts represent the consolidated operations and financial position of the Government Reporting Entity of Manitoba (GRE). The GRE is comprised of various government components, government organizations, government business partnerships, and government business enterprises (GBEs). To be considered a part of the GRE, an organization must be controlled by the Government as defined by the Public Sector Accounting Board (PSAB).

### FINANCIAL REPORTING REQUIREMENTS

As at March 31, 2017, section 65 of the *Financial Administration Act* specified the reporting requirements for the Public Accounts. Under this legislation, the Province was required to issue:

- Summary Financial Statements of the GRE
- Statement summarizing transfers in and out and balance of the province's fiscal stabilization account under section 26.1 of the *Financial Administration Act*

The *Public Sector Compensation Disclosure Act* requires the disclosure of public sector compensation payments $50,000 or more. The Public Accounts includes a schedule of such payments for employees of core government, the Legislative Assembly and its offices, and special operating agencies of government.

The Province is also required by various other pieces of legislation to issue other financial information. This information is published as part of the Public Accounts. This information is unaudited, except for the Report of Amounts Paid or Payable to Members of the Assembly (prepared under the *Legislative Assembly Act*) and the Northern Affairs Fund (prepared under the *Northern Affairs Act*).

### OUR INVOLVEMENT

The *Auditor General Act*, also makes the Office responsible for the audit of the financial statements included in the Public Accounts under the Financial Administration Act, and any other statements the Minister of Finance presents for audit, and outlines the Auditor General's responsibility to express an opinion on the financial statements included in the Public Accounts.

The *Financial Administration Act* also requires the Auditor General to be the auditor of the Summary Financial Statements stating that the Public Accounts must be "accompanied by a report of the Auditor General concerning his or her examination of (those) statement(s)."

While the *Legislative Assembly Act* does not specifically appoint the Office as auditor of the Statement of Amounts Paid or Payable to Members of the Assembly, and the *Financial Administration Act* does not specify the requirement for us to audit the Fiscal Stabilization Account statement, the Minister of Finance presents these statements for audit, and we are then required to audit them consistent with our own act.

### AUDIT RESULTS

We audited the Public Accounts for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Consolidation of government controlled entities
- Liabilities for contaminated sites
- Borrowings
- Tangible Capital Assets
- Shared Cost Agreements
- Stadium Loan
- Restatement of Budget and Comparative Figures
- Public Sector Compensation – Completeness of Reported Employees

Our audit opinions on the following statements were unqualified:

- Summary Financial Statements
- Fiscal Stabilization Account Statement of Transfers and Account Balance
- Schedule of Public Sector Compensation Payments of $50,000 or More
- Statement of Amounts Paid or Payable to Members of the Assembly

As a result of our audits of the 1) Summary Financial Statements 2) Fiscal Stabilization Account Statement of Transfers and Account Balance and 3) Schedule of Public Sector Compensation Payments of $50,000 or More, we issued a management letter to the Provincial Comptroller. We presented our audit results to the Minister of Finance, the Secretary to Treasury Board, as well as the Provincial Comptroller and some senior management from the Province's Department of Finance.

As a result of our audit of the Statement of Amounts Paid or Payable to Members of the Assembly we issued a management letter to the Clerk of the Legislative Assembly, Executive Director, Finance & Administration, Legislative Assembly and the Provincial Comptroller. We presented our audit results to the Speaker of the House.

# 3.2 Direct Audits - Organizations within the government reporting entity

## 3.2.1 Community Revitalization Fund

### ENTITY DESCRIPTION

The Community Revitalization Fund ("CRF") is established under the *Community Revitalization Tax Increment Financing Act*. The CRF is maintained to collect the monies generated from community revitalization levies imposed on designated properties (in lieu of the incremental school taxes on the developed property) which provide the funding for grants to promote development in the municipality in which the designated property is located.

### FINANCIAL REPORTING REQUIREMENTS

The *Community Revitalization Tax Increment Financing Act* requires that "The minister must include in each annual report of the minister's department a financial statement of the fund and a report on the use of grants made from the fund in the year and what those grants achieved." This financial reporting is issued by the Department of Indigenous and Municipal Relations.

### OUR INVOLVEMENT

The Office of the Auditor General is appointed by the Department of Indigenous and Municipal Relations as auditor of the CRF. *The Community Revitalization Tax Increment Financing Act* does not specifically require our appointment as the auditor of this statement, stating that "The accounts and transactions of the fund must be audited annually by an auditor, who may be the Auditor General."

### AUDIT RESULTS

We audited the CRF's statement of receipts and disbursements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Levies received from municipalities
- Grant payments
- Funds on deposit with the Province of Manitoba

Our audit opinion on the statement of receipts and disbursements was unqualified. We presented our audit results to members of the CRF's senior management including the Assistant Deputy Minister of Community Planning and Development for Municipal Relations (within the Department of Indigenous and Municipal Relations) responsible for the CRF.

## 3.2.2 Co-operative Loans and Loans Guarantee Board

### ENTITY DESCRIPTION

The Co-operative Associations Loans and Loan Guarantee Board ("CLLGB") is established under the *Co-operative Associations Loans and Loans Guarantee Act* with the primary objective of ensuring that cooperative organizations have access to basic financial services. CLLGB is empowered to make loans or guarantee loans to cooperative organizations in Manitoba.

CLLGB has five members and functions under the authority of the *Co-operative Associations Loans and Loans Guarantee Act*. CLLGB does not have an audit committee.

### FINANCIAL REPORTING REQUIREMENTS

The *Co-operative Associations Loans and Loans Guarantee Act* requires that the Board "shall report annually to the minister respecting its transactions under this Act." CLLGB reports this information via a schedule of loans and loan guarantee transactions.

### OUR INVOLVEMENT

The *Co-operative Associations Loans and Loans Guarantee Act* appoints the Office of the Auditor General as the auditor of the schedule, stating that "The accounts of the board shall be audited at the close of each fiscal year of the board by the Auditor General."

### AUDIT RESULTS

We audited the CLLGB's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Loans
- Loan guarantees

Our audit opinion on the schedule was unqualified. We provided our audit results to the members of the Co-operative Loans and Loans Guarantee Board.

### 3.2.3 Cooperative Promotion Board

#### ENTITY DESCRIPTION

The Cooperative Promotion Board ("CPB") operates under the *Cooperative Promotion Trust Act.* CPB is a continuation of the Board established under the *Wheat Board Money Trust Act* which was repealed when the *Cooperative Promotion Trust Act* came into force. CPB's objectives include assisting with development and promotion of general welfare of cooperative organizations in the province.

CPB has three members and functions under the authority of the *Cooperative Promotion Trust Act*. CPB does not have an audit committee.

#### FINANCIAL REPORTING REQUIREMENTS

The *Cooperative Promotion Trust Act* requires that the Board "shall annually prepare and submit to the minister a report of its business, affairs and activities". The *Act* does not specify a reporting deadline.

#### OUR INVOLVEMENT

The *Cooperative Promotion Trust Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The accounts of the board shall be audited at least once annually by the Auditor General, who shall make a report thereon to the board and to the minister."

#### AUDIT RESULTS

We audited the CPB's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Expenses (including grants)

Our audit opinion on the financial statements was unqualified.

As of February 28, 2017, there are no board members to oversee the financial reporting process and to approve the financial statements.

We provided our audit results to the Senior Executive Director – Enterprise Branch of the Department of Growth, Enterprise and Trade.

### 3.2.4 Funeral Board

#### ENTITY DESCRIPTION

The Funeral Board of Manitoba ("Funeral Board") is established under the *Funeral Directors and Embalmers Act*. The entity's operations include licensing and regulation of funeral homes, funeral directors and embalmers, and prescribing the courses of training and instruction for articling students.

The Funeral Board is responsible to license and regulate cemeteries, crematories and perpetual care funds under the *Cemeteries Act*.

Effective September 1, 2017, the Funeral Board is responsible for oversight of the *Prearranged Funeral Services Act* which requires licensing and regulation of funeral directors to provide funeral services under a prearranged funeral plan, when required, in consideration of payment in advance and held by a designated trustee.

The Funeral Board has six members and functions under the authority of the *Funeral Directors and Embalmers Act*. The Funeral Board does not have an audit committee.

#### FINANCIAL REPORTING REQUIREMENTS

Financial statements must be issued on or before June 30 each year in accordance with the *Funeral Directors and Embalmers Act.*

#### OUR INVOLVEMENT

The *Funeral Directors and Embalmers Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The receipts and expenditures of the board shall be audited annually by the Auditor General."

#### AUDIT RESULTS

We audited the Funeral Board's financial statements for the fiscal year ended December 31, 2016. Areas of audit significance included:

- Revenue
- Expenses - Payroll
- The ability of the Funeral Board to continue as a going concern

Our audit opinion on the financial statements was unqualified with an emphasis of matter paragraph regarding the Funeral Board's ability to continue as a going concern. As a result of our audit, we issued a management letter to the Board Chair. We presented our audit results to the members of the Funeral Board.

## 3.2.5 Liquor and Gaming Authority

### ENTITY DESCRIPTION

The Liquor and Gaming Authority ("LGA") is a regulatory agency established under the *Liquor and Gaming Control Act*. LGA regulates liquor sales, service and manufacturing, and regulates gaming employees, products and operations.

LGA is governed by its seven-member Board functioning under the authority of the *Liquor and Gaming Control Act*. LGA's Audit Committee reports to the Board.

### FINANCIAL REPORTING REQUIREMENTS

An annual report must be issued within six months of fiscal year end in accordance with the *Liquor and Gaming Control Act.*

### OUR INVOLVEMENT

The Office of the Auditor General is appointed as the auditor via order in council for a term that does not expire, unless revoked. The *Liquor and Gaming Control Act* does not require our appointment, stating that "The records, accounts and transactions of the authority in each fiscal year are to be audited by an auditor — who may be the Auditor General — appointed by the Lieutenant Governor in Council."

LGA also appointed the Office of the Auditor General to provide an auditor's report for management's certification of compliance with legislative authorities. LGA is not legislatively required to produce this statement and our Office is not legislatively required to be the auditor.

### AUDIT RESULTS

We audited the LGA's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Gaming and liquor license fees
- Salaries and benefits
- Employee future benefits (severance, sick leave and pension)

Our audit opinions on the financial statements, public sector compensation statement, and compliance with legislative authorities were all unqualified. As a result of our audits, we issued a management letter to the Executive Director and Chief Financial Officer. We presented our audit results to the Audit Committee of LGA's board and members of LGA's senior management.

### 3.2.6 Manitoba Health Services Insurance Plan

#### ENTITY DESCRIPTION

Manitoba Health Services Insurance Plan ("MHSIP") is established under the *Health Services Insurance Act*. MHSIP provides funding from the core government to the Regional Health Authorities for their operations in the Manitoba healthcare system. MHSIP also administers the processing and payment of fee-for-service to registered medical practitioners and benefits under the Pharmacare program.

MHSIP is a government component and does not have a board of directors or an audit committee.

#### FINANCIAL REPORTING REQUIREMENTS

Audited Financial statements must be issued within four months of fiscal year end in accordance with the Health Services Insurance Act.

MHSIP is required to produce a statement disclosing "the name of every person who receives $50,000 or more in the fiscal year for providing services to insured persons under the Health Services Insurance Act and the amount paid to each" per section five of the Public Sector Compensation Disclosure Act.

#### OUR INVOLVEMENT

The *Health Services Insurance Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General, or another auditor designated by the Auditor General, shall at least once annually examine and audit the accounts of the plan, prepare a report with respect to that audit and provide a copy of the report to the minister."

The Office of the Auditor General is also appointed by MHSIP to audit its disclosure under the *Public Sector Compensation Disclosure Act*. This act does not specifically require the Office to be auditor of this disclosure.

#### AUDIT RESULTS

We audited the MHSIP's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Accounts payable and accrued liabilities
- Expenses (Regional Health Authorities and facilities, medical fee-for-service payments and Pharmacare benefits)

Our audit opinions on the financial statements and public sector compensation schedule were both unqualified. As a result of our audits, we issued a management letter to the Chief Financial Officer of Manitoba Health, Seniors and Active Living. We presented our audit results to MHSIP's senior management including the Assistant Deputy Minister who is the Chief Financial Officer for the Department of Health, Seniors and Active Living.

## 3.2.7 Public Schools Finance Board

### ENTITY DESCRIPTION

Public Schools Finance Board ("PSFB") is established under the *Public Schools Finance Board Act*. The Board administers the operational and capital support programs through which public school divisions are funded.

PSFB has three members (two deputy ministers and the Secretary to Treasury Board). PSFB does not have an audit committee.

### FINANCIAL REPORTING REQUIREMENTS

Financial statements must be issued within six months of fiscal year end in accordance with the *Public Schools Finance Board Act.*

### OUR INVOLVEMENT

The *Public Schools Finance Board Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The accounts of the board shall be audited and reported on by the Auditor General."

### AUDIT RESULTS

We audited the PSFB's financial statements for the fiscal year ended June 30, 2017. Areas of audit significance included:

- Revenue from the Province of Manitoba for the funding of schools program

Our audit opinions on the financial statements and public sector compensation schedule were both unqualified. As a result of our audits, we issued a management letter to the Executive Director of the Public Schools Finance Board and the Director of the Schools Finance Branch. We presented our audit results to the members of the Public Schools Finance Board, members of senior management of the Public Schools Finance Board, and members of senior management of the Schools Finance Branch within the Department of Education and Training.

## 3.2.8 University of Manitoba

### ENTITY DESCRIPTION

The University of Manitoba ("the University") is a post-secondary education institution established under the *University of Manitoba Act*.

The University is governed by a Board of Governors of up to 23 members functioning under the authority of the *University of Manitoba Act*. The University's Audit and Risk Management Committee reports to the Board.

### FINANCIAL REPORTING REQUIREMENTS

An annual report must be issued within six months of fiscal year end in accordance with the *University of Manitoba Act.*

### OUR INVOLVEMENT

The *University of Manitoba Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General shall audit the accounts of the university at least once a year, and make a written report thereon to the board and to the Lieutenant Governor in Council."

### AUDIT RESULTS

We audited the University's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Tuition and related fee revenue
- Payroll expenses
- Investments
- Accounts payable and accrued liabilities
- Pension and other employee future benefit liabilities

Our audit opinions on the financial statements and public sector compensation schedule were both unqualified. As a result of our audits, we issued a management letter to the University's President. We presented our audit results to the Audit and Risk Management Committee of the Board and members of the University's senior management.

# 3.3 Direct audits - Organizations outside the government reporting entity

## 3.3.1 Civil Service Superannuation Fund

### ENTITY DESCRIPTION

The Civil Service Superannuation Fund ("CSSF") is established under the *Civil Service Superannuation Act* and is a registered plan under the *Pension Benefits Act*. The Fund is maintained to provide a defined benefit pension plan for Manitoba civil servants.

CSSF is governed and administered by a nine-member Board (Civil Service Superannuation Board, or "CSSB") functioning under the authority of the *Civil Service Superannuation Act*. A Finance and Audit Committee reports to CSSB.

### FINANCIAL REPORTING REQUIREMENTS

The *Civil Service Superannuation Act* requires that the Board "shall prepare an annual report containing such information, and in such form, as the minister directs." The *Pension Benefits Regulation* requires CSSB to file audited financial statements for CSSF with the Manitoba Pension Commission within 180 days of fiscal year end.

### OUR INVOLVEMENT

The *Civil Service Superannuation Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "the accounts shall be examined, checked and audited by the Auditor General from time to time and at least annually."

### AUDIT RESULTS

We audited the CSSF's financial statements for the fiscal year ended December 31, 2016. Areas of audit significance included:

- Investments
- Obligations for pension benefits

Our audit opinions on the financial statements and statement of compensation were both unqualified. We presented our audit results to the Finance and Audit Committee of the Board and members of CSSB's senior management.

## 3.3.2 Legislative Assembly Pension Fund

### ENTITY DESCRIPTION

The Legislative Assembly Pension Fund ("LAPF") is established and the Civil Service Superannuation Board ("CSSB") is appointed as the administrator under the *Legislative Assembly Act* and the *Members' Retirement Benefits Regulation* ("the *Regulation*"). LAPF is maintained to provide a defined benefit pension plan for members of the legislative assembly.

CSSB's governance structure including its Audit Committee also applies to LAPF.

### FINANCIAL REPORTING REQUIREMENTS

An annual report on the plan and the pension fund for the preceding fiscal year must be issued on or before June 30 in accordance with the *Regulation.*

### OUR INVOLVEMENT

The *Regulation* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The accounts of the pension fund are to be audited each year by the Auditor General".

### AUDIT RESULTS

We audited the LAPF's financial statements for the fiscal year ended December 31, 2016. Areas of audit significance included:

- Investments
- Obligations for pension benefits

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Finance and Audit Committee of the Civil Service Superannuation Board (CSSB) and members of CSSB's senior management.

### 3.3.3 Public Service Group Insurance Fund

#### ENTITY DESCRIPTION

The Public Service Group Insurance Fund ("PSGIF") is established and the Civil Service Superannuation Board ("CSSB") is appointed as the administrator under the *Public Servants Insurance Act*. PSGIF is maintained to provide group life insurance for eligible employees, their dependents and retired employees of the Province of Manitoba and its Boards and Agencies. It also provides accidental death and disablement insurance for eligible employees.

CSSB's governance structure including its Audit Committee also applies to PSGIF.

#### FINANCIAL REPORTING REQUIREMENTS

The *Public Servants Insurance Act* requires that annual financial statements are issued but does not specify a reporting deadline.

#### OUR INVOLVEMENT

*The Public Servants Insurance Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "the fund and the accounts shall be examined and audited by the Auditor General from time to time and at least annually."

#### AUDIT RESULTS

We audited the PSGIF's financial statements for the fiscal year ended April 30, 2017. Areas of audit significance included:

- Investments
- Provisions for future claims/liabilities

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Finance and Audit Committee of the Civil Service Superannuation Board (CSSB) and members of CSSB's senior management.

## 3.3.4 Teachers' Retirement Allowances Fund

### ENTITY DESCRIPTION

The Teachers' Retirement Allowances Fund ("TRAF") is established under the *Teachers' Pensions Act* and is a registered plan under the *Pension Benefits Act*. The Fund is maintained to provide a defined benefit pension plan for Manitoba teachers.

TRAF is governed by a Board of up to seven members functioning under the authority of the *Teachers' Pensions Act*. TRAF's Audit Committee reports to the Board.

### FINANCIAL REPORTING REQUIREMENTS

An annual report must be issued within six months of fiscal year end in accordance with the *Teachers' Pensions Act*. The *Pension Benefits Regulation* requires TRAF to file audited financial statements with the Manitoba Pension Commission within 180 days of fiscal year end.

### OUR INVOLVEMENT

*The Teachers' Pensions Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General shall, from time to time and at least annually, examine, check, and audit, the fund and securities held therefor, and the several accounts kept in connection therewith."

### AUDIT RESULTS

We audited TRAF's financial statements for the fiscal year ended December 31, 2016. Areas of audit significance included:

- Contributions and contributions receivable
- Investments and Investment income
- Pension benefits expense
- Pension obligations

Our audit opinions on the financial statements and schedule of compensation were both unqualified. As a result of our audit, we issued a management letter to TRAF's Senior Vice President Finance communicating that there were no new management letter points or any prior year reported management points requiring follow up. We presented our audit results to the Audit Committee of the Board and members of TRAF's senior management.

## 3.3.5 Winnipeg Child and Family Services Employee Benefits Retirement Fund

### ENTITY DESCRIPTION

The Winnipeg Child and Family Services ("WCFS") Employee Benefits Retirement Fund (the "Fund") is a closed defined benefit pension plan that holds pension assets and obligations that were originally transferred from the United Way Agencies' Employee Benefits Retirement Plan in which WCFS had been a participating employer. Approximately six months after the transfer, WCFS employees who continued employment with the Province were offered membership in the Civil Service Superannuation Plan, and since that time only limited additional benefits have accrued in the WCFS Plan. The Fund is a registered plan under the *Pension Benefits Act.*

The Fund is established under special pension transfer and trust agreements between the Trustees for the Fund, the Trustees for the United Way Agencies' Employee Benefits Retirement Plan, and the Province of Manitoba.

The Civil Service Superannuation Board is engaged by the Province to administer the Fund but is not responsible for governance. The Fund is governed by its five-member Board of Trustees and does not have an audit committee.

### FINANCIAL REPORTING REQUIREMENTS

Audited financial statements must be issued within 90 days of fiscal year end in accordance with the Fund's trust agreement. The *Pension Benefits Regulation* requires the Fund to file audited financial statements with the Manitoba Pension Commission within 180 days of fiscal year end.

### OUR INVOLVEMENT

The Office of the Auditor General is appointed by the Board of Trustees to audit the Fund's financial statements, though we are not legislatively required to be their auditor.

### AUDIT RESULTS

We audited the Fund's financial statements for the fiscal year ended December 31, 2016. Areas of audit significance included:

- Investments
- Obligations for pension benefits
- 2% COLA adjustment to all members effective January 1, 2017

Our audit opinion on the financial statements was unqualified. We presented our audit results to WCFS Employee Benefits Retirement Fund's Board of Trustees and members of the Civil Service Superannuation Board's senior management.

## 3.4 Audits conducted by our Agents - Organizations within the government reporting entity

### 3.4.1 Brandon University

#### ENTITY DESCRIPTION

Brandon University ("the University") is a post-secondary education institution established under the *Brandon University Act*.

The University is governed by a Board of Governors of up to 17 members functioning under the authority of the *Brandon University Act*. The University's Finance & Audit Committee reports to the Board.

#### FINANCIAL REPORTING REQUIREMENTS

The *Brandon University Act* requires annual financial statements to be issued but does not specify a reporting deadline.

#### OUR INVOLVEMENT

The University appointed the Office of the Auditor General as auditor. The *Brandon University Act* does not specifically require our appointment, stating "The Auditor General, or any other auditor appointed by the Lieutenant Governor in Council, shall audit the accounts of the university at least once a year and make a written report on the audit to the board and to the Lieutenant Governor in Council."

The University appointed the Office of the Auditor General as auditor, and we in turn have a contract with a public accounting firm to perform the University's audits as our agent.

#### AUDIT RESULTS

We audited the University's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Tuition fee revenue
- Salaries expense
- Pension and severance pay liability

Our audit opinions on the financial statements, public sector compensation schedule, and report on applying agreed-upon procedures for the William D. Ford Direct Loan Program were all unqualified. We presented our audit results to the Finance & Audit Committee of the Board and members of the University's senior management.

## 3.4.2 Helen Betty Osborne Memorial Foundation

### ENTITY DESCRIPTION

The Helen Betty Osborne Memorial Foundation ("HBOMF") is established under the *Helen Betty Osborne Memorial Foundation Act*. HBMOF's purpose is to receive donations, to provide financial assistance to indigenous persons residing in Manitoba who are enrolled in post-secondary studies in Manitoba, and to promote the memory of Helen Betty Osborne.

HBOMF is governed by its seven-member Board of Trustees acting under the authority of the *Helen Betty Osborne Memorial Foundation Act.* HBOMF does not have an audit committee.

### FINANCIAL REPORTING REQUIREMENTS

An annual report including financial statements must be issued within four months of the fiscal year end in accordance with the *Helen Betty Osborne Memorial Fund Act*.

### OUR INVOLVEMENT

The *Helen Betty Osborne Memorial Foundation Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General shall, at least once for each fiscal year, examine and audit the books and records of the foundation and prepare and submit a report of that audit to the foundation."

We in turn have a contract with a public accounting firm to perform the audit as our agent.

### AUDIT RESULTS

Our most recent audit of HBOMF's financial statements was for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Donation revenue
- Expenses - bursaries and scholarships
- The ability of HBOMF to continue as a going concern

Our draft audit opinion on the financial statements was qualified due to the auditor's limited ability to verify completeness of donations, which is common for many charitable organizations. As a result of our audit, we provided the following to the Board Chair in August 2017:

- Draft financial statements for March 31, 2017 for Board approval
- Draft management representation letter for preparation and Board Chair approval
- Draft management letter for comment

We also provided our audit results memorandum to be distributed to the Board of Trustees.

As of July 2018, the Board of Trustees has not approved the financial statements or provided the required communications. Therefore, we have not issued an auditor's report for March 31, 2017.

Effective March 7, 2018 HBOMF was officially transferred from the Department of Justice to the Department of Education and Training. The departments and HBOMF should coordinate responsibility for completion of any outstanding audit documentation so we can proceed and issue an audit report for their March 31, 2017 financial statements.

### 3.4.3 Leaf Rapids Town Properties Ltd.

#### ENTITY DESCRIPTION

Leaf Rapids Town Properties Ltd. ("LRTP") was created as a subsidiary of the Manitoba Development Corporation Ltd. in 1971 under the *Manitoba Companies Act*, in accordance with Order-In-Council to plan and develop the town of Leaf Rapids, Manitoba. LRTP manages and leases physical assets and properties in the town.

LRTP is a share capital corporation with all shares held by the Minister of Finance. LRTP is managed by a six-member Board of Directors comprised of Manitoba government senior civil servants, and reports to the Legislature through the Minister of Municipal Relations. LRTP does not have an audit committee.

#### FINANCIAL REPORTING REQUIREMENTS

LRTP does not have legislated reporting requirements other than those required for the Public Accounts. LRTP financial statements have been issued late for the last several years but completion of the latest audit improved for the March 31, 2017 financial statements and were approved by the Board on November 7, 2017.

#### OUR INVOLVEMENT

The Office of the Auditor General is appointed by the Board to audit LRTP's financial statements though we are not legislatively required to be the auditor. We in turn have a contract with a public accounting firm to perform the audit as our agent.

#### AUDIT RESULTS

We audited the LRTP's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Loans payable to the Province of Manitoba
- Subsequent events
- The ability of LRTP to continue as a going concern

Our audit opinion on the financial statements was unqualified with an emphasis of matter paragraph regarding LRTP's ability to continue as a going concern. We presented our audit results to LRTP's Board of Directors and General Manager.

## 3.4.4 Legal Aid Manitoba

### ENTITY DESCRIPTION

Legal Aid Manitoba ("LAM") is established under *The Legal Aid Manitoba Act*. The purpose of the Corporation, as set out in the *Act*, is to service the public interest by:

a) Providing quality legal advice and representation to eligible low-income individuals;
b) Administering the delivery of legal aid in a cost-effective and efficient manner; and
c) Providing advice to the Minister on legal aid generally and on the specific legal needs of low-income individuals.

LAM is governed by a management council acting under the authority of the *Legal Aid Manitoba Act.* LAM's Audit and Finance Committee reports to the Council. The Management Council's authority to manage the funds of LAM is in s. 25 of the *Act.*

### FINANCIAL REPORTING REQUIREMENTS

An annual report must be issued within six months of fiscal year end in accordance with the *Legal Aid Manitoba Act*.

Disclosure related to public sector compensation must be issued in accordance with sections 2 and 4 of the *Public Sector Compensation Disclosure ("PSCD") Act.* LAM prepares a statement of compensation including amounts paid to council members and employees required by section 2, and private bar fees and disbursements in excess of $50,000 required by section 4. The *PSCD Act* requires that this disclosure must be issued within six months of LAM's March 31 year end.

LAM is also required to issue an audited statement of claim under an agreement with the federal government.

### OUR INVOLVEMENT

The *Legal Aid Manitoba Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General shall annually audit or cause to be audited the books, records and accounts of Legal Aid Manitoba and submit a report thereof to the minister."

The *Public Sector Compensation Disclosure Act* and agreement with the federal government require an audit of the related statements, but do not specifically appoint the Office of the Auditor General as auditor. The Office of the Auditor General is appointed as the auditor by LAM.

We in turn have a contract with a public accounting firm to perform LAM's audits as our agent.

### AUDIT RESULTS

We audited the LAM's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Private bar fees and disbursements
- Accounts receivable and revenue
- Pension and severance liabilities
- Salaries, benefits and levy

Our audit opinions on the financial statements, statements issued under the *Public Sector Compensation Disclosure Act*, and statement of claim were all unqualified. As a result of our audits, we issued a management letter to LAM's Executive Director. We presented our audit results to the Management Council and members of LAM's senior management.

## 3.4.5 Manitoba Agricultural Services Corporation

### ENTITY DESCRIPTION

Manitoba Agricultural Services Corporation ("MASC") is established under the *Manitoba Agricultural Services Act*. MASC provides lending, insurance and other programs and services to agricultural producers.

MASC is governed by its Board of Directors of up to 9 members acting under the authority of the *Manitoba Agricultural Services Act.*

### FINANCIAL REPORTING REQUIREMENTS

An annual report including audited financial statements must be issued annually not later than September 30 in accordance with the *Manitoba Agricultural Services Corporation Act*.

### OUR INVOLVEMENT

The *Manitoba Agricultural Services Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General is the auditor of the corporation." We in turn have a contract with a public accounting firm to perform MASC's audits as our agent.

### AUDIT RESULTS

We audited the MASC's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Loans receivable valuation
- Revenue (Loan interest and insurance premiums)

Our audit opinions on the financial statements and public sector compensation schedule were both unqualified. As a result of our audits, we issued a management letter to MASC's President and CEO. We presented our audit results to the members of MASC's Board of Directors and Audit Committee and members of MASC's senior management.

## 3.4.6 Manitoba Habitat Heritage Corporation

### ENTITY DESCRIPTION

Manitoba Habitat Heritage Corporation ("MHHC") is established under *The Manitoba Habitat Heritage Act* with the objectives of conservation, restoration and enhancement of Manitoba fish and wildlife habitat and populations consistent with *The Fisheries Act* and *The Wildlife Act.*

MHHC is governed by its seven-member Board of Directors functioning under the authority of the *Manitoba Habitat Heritage Act*. MHHC's Finance Committee reports to the Board.

### FINANCIAL REPORTING REQUIREMENTS

An annual report must be issued by September 30 each year in accordance with the *Manitoba Habitat Heritage Act.*

### OUR INVOLVEMENT

The *Manitoba Habitat Heritage Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "The Auditor General shall annually audit or cause to be audited the books, records and accounts of the corporation and shall submit a report of each audit so performed to the minister." We in turn have an agreement with a public accounting firm to perform MHHC's audits as our agent.

### AUDIT RESULTS

We audited the MHHC's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Capital Assets – land and land use rights
- Prepaid land use rights and related funding
- Salaries and benefits, including severance, sick leave and vacation pay

Our audit opinions on the financial statements and public sector compensation schedule were both unqualified. As a result of our audits, we issued a management letter to MHHC's CEO. We presented our audit results to the MHHC's management and the Audit Committee of the Board of Directors.

## 3.4.7 Manitoba Housing and Renewal Corporation

### ENTITY DESCRIPTION

The Manitoba Housing and Renewal Corporation ("MHRC") is established under the Housing and Renewal Corporation Act. MHRC's mandate is to

a) enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low to moderate incomes or those with specialized needs;
b) maintain and improve the condition of existing housing stock;
c) ensure there is an adequate supply of housing stock in Manitoba; and
d) stimulate the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is governed by its Board of Directors under the authority of the Housing and Renewal Corporation Act. Members are appointed by the Lieutenant Governor in Council. The Board is presently composed of the Deputy Minister of Families and the members of the Department's Executive Management Committee. MHRC does not have an audit committee.

### FINANCIAL REPORTING REQUIREMENTS

The Housing and Renewal Corporation Act requires an annual report to be issued but does not specify a reporting deadline.

### OUR INVOLVEMENT

MHRC appointed the Office of the Auditor General as the auditor. The Housing and Renewal Corporation Act does not specifically require the Office's appointment as the auditor of the financial statements, stating that "The accounts of the corporation shall, at least once in each year, be audited and reported on by an auditor, who may be the Auditor General." We in turn have a contract with a public accounting firm to perform MHRC's audits as our agent.

### AUDIT RESULTS

We audited the MHRC's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Revenues and expenses generated from the Waverly West Land Development project and related land inventory, accounts payable and accrued liabilities and deferred contributions

Our audit opinions on the financial statements for March 31, 2017 and public sector compensation disclosure statement for December 31, 2016 were both unqualified. As a result of our audits, we issued a management letter to MHRC's Chief Financial Officer. We presented our audit results to the Deputy Minister of Families and the members of MHRC's Board of Directors.

## 3.4.8 Manitoba Learning Resource Centre

### ENTITY DESCRIPTION

Manitoba Learning Resource Centre ("LRC"), formerly the Manitoba Text Book Bureau, is an agency of the Special Operating Agencies Financing Authority that works to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba. LRC is established under the *Education Administration Act,* is designated as a Special Operating Agency under the *Special Operating Agencies Financing Authority Act*, and is subject to an operating charter as required by the SOAFA act.

LRC does not have a board of directors or audit committee.

### FINANCIAL REPORTING REQUIREMENTS

Financial statements must be prepared by June 1st each year in accordance with the *Education Administration Act,* which states "On or before June 1 in each year the minister shall cause to be prepared and submitted to the Auditor General for certification, a financial report including, but not be limited to, a statement of assets and liabilities as at the end of the immediately preceding fiscal year and a statement of the financial operations of the learning resource centre during that year."

The *Special Operating Agency Financing Authority Act* also requires an annual report including audited financial statements of LRC, to be issued within six months of the end of the fiscal year.

### OUR INVOLVEMENT

The *Education Administration Act* appoints the Office of the Auditor General as the auditor of the financial statements as noted above. We in turn have a contract with a public accounting firm to perform the audit as our agent.

### AUDIT RESULTS

We audited the LRC's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Inventory

Our audit opinion on the financial statements was unqualified. As a result of our audit, we issued a management letter and presented our audit results to LRC's Chief Operating Officer.

## 3.4.9 Manitoba Water Service Board

### ENTITY DESCRIPTION

The Manitoba Water Services Board ("MWSB") is established under the *Manitoba Water Services Board Act* with the primary objective of assisting in the provision of water and sewage facilities to the residents of rural Manitoba.

MWSB has five members and functions under the authority of the *Manitoba Water Services Board Act*. MWSB does not have an audit committee.

### FINANCIAL REPORTING REQUIREMENTS

The *Manitoba Water Services Board Act* requires that the Board "shall annually, after the end of its fiscal year, make a report to the minister upon all its transactions during its last fiscal year; and the report shall include an audited balance sheet and an audited statement of operating revenues and expenditures together with such other information as the Lieutenant Governor in Council may require." The *Act* also requires that "The minister shall lay a copy of the report of the board before the Legislative Assembly forthwith, if it is then in session, and if not, then within 15 days of the commencement of the next ensuing session thereof.

### OUR INVOLVEMENT

The Office of the Auditor General is appointed by the Board as the auditor. The *Water Services Board Act* does not specifically require our appointment as the auditor of the financial statements, stating that "The accounts of the board shall, at least once in each year, be audited and reported on by an auditor, who may be the Auditor General."

The Office is also appointed by the Board to provide an auditor's report for MWSB's management certification of compliance with legislative authorities. MWSB is not legislatively required to produce this statement and our Office is not legislatively required to be the auditor.

We in turn have a contract with a public accounting firm to perform MWSB's audits as our agent.

### AUDIT RESULTS

We audited the MWSB's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Construction in progress
- Water revenues

Our audit opinions on the financial statements, public sector compensation schedule, and management's certification were all unqualified. We presented our audit results to the members of the Manitoba Water Services Board and members of MWSB's senior management.

## 3.4.10 Public Guardian and Trustee

### ENTITY DESCRIPTION

The Public Guardian and Trustee ("PGT") is an agency of the Special Operating Agencies Financing Authority that protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death. PGT is established as a corporation sole under the *Public Guardian and Trustee Act*, is designated as a Special Operating Agency ("SOA") under the *Special Operating Agencies Financing Authority Act* ("SOAFA"), and is subject to an operating charter as required by the *SOAFA Act*.

The person appointed as the Public Guardian and Trustee is responsible for operations of the entity. There is no related governance board established under *The Public Guardian and Trustee Act*, however an advisory board is established under PGT's operating charter.

### FINANCIAL REPORTING REQUIREMENTS

The *Public Guardian and Trustee Act* requires issuance of annual financial statements of the entity ("SOA financial statements") as well as a statement of estates and trusts under administration ("Estates and Trusts statement"). The *Act* does not specify a reporting deadline relative to year end, but requires issuance of a report within 60 days of receiving our audit report on PGT's financial statements.

The *Special Operating Agency Financing Authority Act* also requires an annual report including audited financial statements of the SOA, to be issued within six months of the end of the fiscal year. This act does not apply to the Estates and Trusts statement.

### OUR INVOLVEMENT

The *Public Guardian and Trustee Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that "the Auditor General must audit the records, accounts and financial statements of the Public Guardian and Trustee and incorporate the findings in the report on the Public Accounts of the government" regarding the SOA financial statements, and "Each fiscal year, the Auditor General may audit any accounts, records and financial statements relating to selected estates or trusts" regarding the Estates and Trusts statement.

We in turn have a contract with a public accounting firm to perform Public Guardian and Trustee's audits as our agent.

### AUDIT RESULTS

We audited the PGT's financial statements (both SOA and Estates and Trusts) for the fiscal year ended March 31, 2017. Areas of audit significance included:

SOA financial statements:

- Accrued and contingent liabilities

  Severance pay benefits liabilities

### ESTATES AND TRUSTS UNDER ADMINISTRATION STATEMENT:

- Registered Disability Savings Plan (RDSP)
- Investments – Specific Estates and Trusts
- Real Estate Assets
- Mortgages Payable

Our audit opinions on these statements were both unqualified. As a result of our audits, we issued a management letter to PGT's Chief Financial Officer. We presented our audit results to the Public Guardian and Trustee and the Chief Financial Officer.

## 3.4.11 University College of the North

### ENTITY DESCRIPTION

The University College of the North ("UCN") is a post-secondary education institution established under the University College of the North Act.

UCN is governed by its 20-member Governing Council functioning under the authority of the University College of the North Act. UCN's Finance Committee reports to the Council.

### FINANCIAL REPORTING REQUIREMENTS

The *University College of the North Act* requires annual financial statements to be issued but does not specify a reporting deadline.

Disclosure related to public sector compensation must be issued within six months of December 31 in accordance with the *Public Sector Compensation Disclosure Act.*

### OUR INVOLVEMENT

The Office of the Auditor General is appointed as auditor by UCN. The *University College of the North Act* does not specifically require our appointment as the auditor of the financial statements, stating that "The Auditor General, or another auditor appointed by the Lieutenant Governor in Council, must audit the accounts of the university college at least once a year and make a written report on the audit to the Governing Council and to the Lieutenant Governor in Council." We in turn have a contract with a public accounting firm to perform UCN's audits as our agent.

### AUDIT RESULTS

We audited the UCN's financial statements for the fiscal year ended March 31, 2017. Areas of audit significance included:

- Deferred revenue and contributions
- Accrued severance benefits
- Salaries and employee benefits expenses

Our audit opinions on the financial statements and public sector compensation schedule were both unqualified. As a result of our audits, we issued a management letter to UCN's Vice President, Finance and Resources. We presented our audit results to the members of UCN's Governing Council, the Council's Finance Committee, and members of UCN's senior management.

## 3.5 Audits conducted by our Agents – Organizations outside the government reporting entity

### 3.5.1 Brandon University Retirement Plan

#### ENTITY DESCRIPTION

Brandon University Retirement Plan ("BURP") is established under a plan document and trust agreement, and is a registered plan under the *Pension Benefits Act.* BURP is maintained to provide a defined benefit pension plan for Brandon University employees.

BURP is governed by its 10-member Board of Trustees. BURP does not have an audit committee.

#### FINANCIAL REPORTING REQUIREMENTS

BURP's trust agreement requires issuance of annual audited financial statements. Under the *Pension Benefits Regulation*, BURP is required to file audited financial statements with the Manitoba Pension Commission within 180 days of fiscal year end.

#### OUR INVOLVEMENT

The Office of the Auditor General is appointed as auditor by the Board of Trustees, though we are not legislatively required to be the auditor. We in turn have a contract with a public accounting firm to perform the audit as our agent.

#### AUDIT RESULTS

We audited the BURP's financial statements for the fiscal year ended December 31, 2016. Areas of audit significance included:

- Investments
- Pension Obligations

Our audit opinion on the financial statements was unqualified. We presented our audit results to the members of BURP's Board of Trustees and members of Brandon University's senior management.

## 3.5.2 Northern Affairs Fund

### ENTITY DESCRIPTION

The Northern Affairs Fund ("NAF" or "Fund") is established under the *Northern Affairs Act*. NAF is maintained to administer funds on behalf of the designated communities and administer the property tax system within the jurisdiction of the Department of Indigenous and Northern Relations in compliance with the *Act.*

### FINANCIAL REPORTING REQUIREMENTS

The *Northern Affairs Act* requires that "The report of the Auditor General and financial statements of the fund must be included in the Public Accounts of the government." As such, NAF is required to issue their financial statements within six months of the Province's March 31 fiscal year end consistent with Public Accounts reporting deadlines. NAF's most recently issued financial statements are from the year ended March 31, 2014. This financial reporting was issued by the Department of Indigenous and Municipal Relations in June 2017.

On August 17, 2017, it was announced by the Province of Manitoba that there was a restructuring to create two new departments – Indigenous and Northern Relations and Municipal Relations - out of the existing Department of Indigenous and Municipal Relations.

The Northern Affairs Fund audited financial statements for March 31, 2014 were published in the 2016/17 Public Accounts – Volume 3 section "information provided under statutory requirement".

We have written to the Minister regarding the long delay in presenting statements for audit. We are now waiting for March 31, 2015, March 31, 2016 and March 31, 2017. We understand the Department of Indigenous and Northern Relations is undertaking measures to complete the outstanding financial statements so they will be ready for audit.

### OUR INVOLVEMENT

The *Northern Affairs Act* appoints the Office of the Auditor General as the auditor, stating that "At least once in each fiscal year, the Auditor General must conduct and report on an audit of the accounts of the Fund". A public accounting firm performed the most recent audit as our agent.

### AUDIT RESULTS

We audited the NAF's financial statements for the fiscal year ended March 31, 2014. Areas of audit significance included:

- Taxes and Grants in lieu of taxes receivable
- Allowance for uncollectible taxes and Grants in lieu of taxes
- Non-Financial Assets – Construction in progress

Our audit opinion on the financial statements was unqualified. As a result of our audit, we issued a management letter to the Acting Director, Indigenous Relations, Financial and Administrative Services of the former Department of Indigenous and Municipal Relations.