



Auditor General
MANITOBA

Special Report to the Legislative Assembly

Understanding my Audit Opinion on Manitoba's March 31, 2019 Summary Financial Statements

Website Version



September 2019

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September 2019

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 submit my Special Report to the Assembly titled, *Understanding My Audit Opinion on Manitoba's March 31, 2019 Summary Financial Statements*, to be laid before the Legislative Assembly in accordance with the provisions of Sections 11 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 Comments

In this Special Report I explain the issues that are the basis for my qualified audit opinion on the Summary Financial Statements of the Province.

A qualified audit opinion is the single most important communication an auditor can have with the users of financial statements. A qualified opinion signals for users where they need to be cautious when relying on the financial statements the opinion is attached to.

It is important that public sector financial statements comply to both the letter and the spirit of the applicable accounting standards. Financial statements prepared in accordance with Public Sector Accounting Standards provide the Legislative Assembly with meaningful, comparable, and consistent financial information.

The audit opinions my Office issues are based on a rigorous evidence based process, conducted by experienced designated accountants. My office adheres strictly to Canadian Auditing Standards developed by the Chartered Professional Accountants of Canada. And in addition to our internal supervisory and quality assurance processes, we participate in external peer reviews. All this to say that an audit opinion issued by my Office, whether it is signed by me personally, as is the opinion on the Province's Summary Financial Statements, or as "Office of the Auditor General" as are most other audit opinions issued by my Office, represents a strong, evidence based conclusion on the reliability of the referenced financial statements. When we say the statements comply with public sector accounting standards or that certain aspects don't comply with the standards, know that such statements are made by an independent office of the Legislative Assembly and are supported by an objective, unbiased and demanding process.

We remain committed to working in a proactive and collaborative manner with the Comptroller's office in assessing the appropriateness of proposed accounting solutions to ensure continued or enhanced transparency and accountability within the areas in question, and that accounting standards are well understood and applied.

I would like to express my sincere thanks and appreciation to all my team members for their exceptional work.

Original Signed By:
Norm Ricard

Norm Ricard, CPA, CA
Auditor General



1. What does a qualified opinion mean?

THE STANDARD AUDITOR'S REPORT – AN UNQUALIFIED OPINION

At the end of every financial statement audit, an auditor issues an opinion on whether the financial statements are presented fairly. The standard audit opinion is unqualified and states that, in the auditor's opinion, the financial statements present fairly in all material respects the financial position and results of the entity being audited in accordance Generally Accepted Accounting Principles (GAAP).

CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS

For the Canadian public sector, the relevant GAAP is Canadian Public Sector Accounting Standards (PSAS). These standards are developed and maintained by an independent standard setting body, the Public Sector Accounting Board.

Adhering to independently set accounting standards is critical to promoting public confidence in financial statements prepared by public sector entities. Standards help ensure consistent reporting of financial transactions which allows for comparability of results – from period to period and between jurisdictions. Government financial statements serve the interests of a variety of users with different needs: the public, legislators, investors, analysts and other governments.

QUALIFIED AUDIT OPINION FOR THE SECOND YEAR IN A ROW

When an auditor has significant concerns with an entity's compliance with GAAP, the auditor will qualify the audit opinion. Audit opinions explain any concerns the auditor has with the quality and accuracy of financial reporting. Qualified opinions should be a rare occurrence.

A qualified audit opinion should be taken seriously.

In 2018, I qualified my audit opinion on Manitoba's summary financial statements for the first time since 2007. I am now qualifying my opinion for a second year in a row.

2. My 2019 audit opinion has 2 qualifications

My audit opinion has qualifications for 2 material misstatements. These errors are isolated to certain areas which are described in the “basis for qualified opinion” section of my audit opinion and are explained further below. The first qualification is for not including the financial results for Workers Compensation Board (WCB) in the summary financial statements, and the second is for not including certain assets of the Manitoba Agriculture Service Corporation (MASC). My opinion states that, other than these matters, the summary financial statements are fairly presented in accordance with PSAS.

See Appendix A for a full reproduction of my qualified auditor's report. The qualifications are discussed in sections 2.1 and 2.2.

The Province should be showing a surplus in 2018/19 and lower net debt

The summary financial statements report an annual deficit of \$163 million. Had the 2 items noted above been accounted for in accordance with PSAS, the deficit would change to a small surplus of \$9 million and net debt would be \$23.8 billion, \$1.1 billion lower than presented.

Summary financial statements

The summary financial statements are the consolidated financial statements of the Province and included all of the entities within the government reporting entity (GRE). To be considered part of the GRE, an organization must be controlled by government. Control as defined in PSAS is the power to govern the financial and operational policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities.

The GRE includes all government departments and controlled entities such as government business enterprises (GBEs) like Manitoba Hydro and Manitoba Public Insurance, and entities such as universities, school divisions and regional health authorities. There are over 130 entities in the GRE.

Impact on the annual deficit or surplus		
	2019 (\$ million)	2018 (\$ million)
Annual deficit as presented	(163)	(694)
Operating (loss) surplus of Workers Compensation Board	(53)	82
Net income of MASC trusts	225	265
Annual surplus (deficit) in accordance with Canadian public sector accounting standards	9	(347)

Impact on the net debt		
	2019 (\$ million)	2018 (\$ million)
Net Debt as presented	(24,999)	(24,345)
Equity of Workers Compensation Board	632	658
Net assets of MASC trusts	490	265
Net Debt in accordance with Canadian public sector accounting standards	(23,877)	(23,422)

2.1 Workers Compensation Board should be included in summary financial statements

In 2018, the government reassessed whether the Workers Compensation Board (WCB) was controlled by the Province. They came to the conclusion that the WCB was not controlled by the Province, and stopped including it in the summary financial statements.

In the 2018 Summary Budget, government discussed its objective of reducing volatility. WCB's 5-year plan covering 2016-2020 shows that because of a build-up in assets over the years, the WCB was projected to decrease assessment rates and revenue, and begin to incur operating deficits in the year ended December 31, 2018. As such, removing the WCB from the government reporting entity would also remove this volatility from the reported results. The government's desire to reduce volatility in the summary results may have influenced their assessment of control.

In 2018, we performed an analysis based on the criteria for control in PSAS, and the relationship between the Province and the WCB as defined in *The Workers Compensation Board Act* (the Act). We concluded that the WCB was controlled by the Province, and I qualified my opinion for the exclusion of the WCB from the summary financial statements.

There was no change in the relationship during the year ended March 31, 2019, and therefore our conclusion on control, based on our assessment of control performed in 2018, has not changed. I have therefore once again qualified our audit opinion on the basis of excluding the WCB from the summary financial statements.

Appendix B presents an excerpt from my September 2018 report in which we summarize our assessment of control.

Impact on the Financial Statements

Because the Province has not included the WCB in the summary financial statements, the following items were misstated for the year ended March 31, 2019:

- Revenue should have been \$53 million lower.
- Other comprehensive income should have been \$27 million higher.
- Assets should have been \$632 million higher.

Going forward

The relationship between the WCB and the Province is based on the WCB's governing legislation – *The Workers Compensation Act* (the Act). There have been no amendments to the Act during the year ended March 31, 2019, or up to the audit report date of September 23, 2019.

In the March 7, 2019 budget document, *Fiscally Responsible Outcomes and Economic Growth Strategy*, the Province noted that, “*in Budget 2019, we are updating the WCB governance structure and financial processes to more accurately reflect longstanding current practices, such as having employer and labour organizations select their own candidates for board membership.*”

When changes take place in the Act to reflect changes to the governance structure and financial processes, we will once again reassess the relationship of control between the WCB and the Province.

2.2 MASC insurance trusts should be recorded as assets of the government

In September 2018, the Province and MASC created 2 new trusts to hold some of MASC's insurance reserve funds. Part of the objective of creating these trusts was to help reduce volatility in the reported results of the government reporting entity by eliminating the impact of insurance program results.

The trust arrangement is briefly described in **Exhibit 1**.

Exhibit 1 – The Trust Arrangement

The Agreements

In September 2018, trust agreements establishing the Production and Hail Insurance Trusts were signed between Manitoba and MASC. These agreements identify MASC as the trustee of each trust. A key aspect of each of the agreements is that payments to eligible insurance program participants are made by the Trustee (MASC) only at the direction of the Corporation (MASC).

Also in September 2018, Contribution Agreements for the Production and Hail Insurance Trusts were signed between Manitoba, MASC (as the Corporation) and MASC (as the Trustee). These agreements indicate that annual surpluses recorded by MASC in the Production and Hail Insurance programs are to be contributed by MASC to the respective trusts. The Contribution Agreements also allow MASC to make additional contributions to the Trusts during the year.

The Trust agreements specify that MASC contributions to the trust cannot be returned to MASC. Any remaining funds in the trusts upon the termination of the insurance programs would be paid to a designated beneficiary that would ultimately benefit producers.

Trust Money

Trust fund money is managed by the Provincial Treasury Division of the Department of Finance. Interest earnings are ultimately deposited in the trusts and, in addition to the capital contributions, are used by the Trustee (MASC) at the direction of MASC (as the Corporation) to make insurance payments to eligible program participants.

Recording Revenues and Expenses, Impact on MASC's Bottom Line

MASC continues to record as revenue the annual Federal and Provincial contributions, as well as Producer premiums. MASC expenses the annual contribution it makes to the trusts (which equals the annual surplus recorded by MASC for each insurance program). As a result, the annual impact of the Insurance programs on MASC's net income is 0 (revenues equal expenses). The trusts record as revenue the contributions made by MASC and record as expenses the insurance claims paid (at the direction of MASC).

Any additional contributions (transfers from the MASC reserve fund) to the trusts are expensed by MASC, creating a loss in MASC's insurance programs.

Responsibility for Insurance Programs

Insurance contracts continue to be between MASC (the Corporation) and the producers. Insurance claims continue to be processed by MASC (the Corporation). MASC (the corporation) continues to be liable for the payment of all eligible insurance claims.

In 2019, the trusts were operational for the first time. The following is a summary of the transactions involving MASC and the trusts:

Summary of transactions involving MASC and the Trusts		(\$ millions)
MASC's initial contribution to the trusts September 2018		\$265 ¹
Net Income of the trusts for the year ended March 31, 2019		
Transfer of Annual Surplus of the Insurance Programs	\$217	
Additional Contribution by MASC from the Reserve Funds	\$125	
Investment income earned on amounts held in the trusts	\$3	
Trust payments for insurance claims directed by MASC	\$(120)	\$225
Net assets of the MASC trusts as at March 31, 2019		\$490
¹ MASC's initial contribution of \$265 million in September 2018 was recorded as an expense in the prior year's Summary Financial Statements. The audit opinion on the prior year's Summary Financial Statements was qualified because this transfer was not authorized as at March 31, 2018.		

A key principal of public sector financial statements is representational faithfulness. This means that transactions should be accounted for and presented in a manner that conveys their substance rather than necessarily their legal form. We acknowledge that the trusts are legal agreements. But to determine how they should be accounted for, we needed to determine whether the trust accounts were assets of MASC (and by extension, the Province).

As discussed in the analysis below, we concluded that the trusts are assets of MASC and the Province and should be accounted for accordingly.

Why the trusts are assets of MASC and the Province

According to PSAS, assets have 3 essential characteristics:

- They embody **future economic benefits** that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.
- The public sector entity can **control** the economic resource and access to the future economic benefits.
- The transaction or event giving rise to the public sector entity's control has **already occurred**.

We compared the trusts to these essential characteristics of assets.

A. FUTURE ECONOMIC BENEFIT

The trusts represent a future economic benefit to MASC because they will reduce cash outflows. The trusts will be used to make payments owed to insurance program participants under their insurance contracts with MASC.

B. CONTROL

According to PSAS, a public sector entity controls the economic resource and access to the future economic benefits when it:

- Can benefit from the economic resource through its capacity to provide goods and services, to provide future cash inflows or to reduce cash outflows.
- Can deny or regulate access to those benefits by others.
- Is exposed to the risks associated with the economic resource.

Each of these three aspects of control are discussed below:

MASC benefits from the trusts because the trusts are paying MASC's obligations

The trusts will be used to make insurance payments that would otherwise have to be paid by MASC – therefore the trusts reduce MASC's future cash outflows.

MASC decides who gets paid and who does not

Payments to the program participants from the trusts only occur once MASC identifies which participants are owed an insurance payment. It is MASC who controls the time, amount and manner of the payments. An insurance program participant can only access the trust funds once MASC determines they are owed an insurance payment and directs the trustee to make the payment.

MASC has the obligation to pay even if there is not enough money in the trusts

If the funds within the trusts are insufficient (e.g. due to investment losses) to make required insurance payments, MASC (the corporation) would still be liable to pay out insurance claims to eligible program participants. The trusts do not absolve MASC of its responsibility to pay all eligible insurance claims, hence MASC remains exposed to this risk, not the program participants.

C. ALREADY OCCURRED

The final characteristic of an asset is whether the control of the economic resource stems from a past transaction or event. The trusts and contribution agreements were executed in September 2018. The transaction has clearly occurred as of March 31, 2019.

Impact on the Summary Financial Statements

Because we consider the MASC insurance trusts to be assets of the Province, excluding them from the summary financial statements is a material misstatement. As assets of the Province, transfers into the trusts should not be recorded as expenses, rather, payments out of the trusts for insurance claims should be recorded as expenses. Additionally, the funds in the trusts should be included in the Province's assets, while insurance claims payable by the trusts should be included in the Province's liabilities.

The following items were impacted as at March 31, 2019:

- Assets should have been \$481 million higher.
- Liabilities should have been \$9 million lower.
- Expenses should have been \$222 million lower.
- Investment income should have been \$3 million higher.

3. **Government's focus on reducing volatility in financial results**

The accounting standards are designed to show a government's performance and financial position, accounting for the full nature and extent of the resources and programs it controls. For several years we have emphasized the importance of summary financial reporting for governments, because whether a government department directly provides a public service, or an entity controlled by government provides these services, the entity is ultimately part of the government's resources and activities should be considered in their financial results. Financial Statements for governments should be prepared to provide an accounting for the full nature and extent of the financial affairs and resources which the government controls (the government reporting entity). A focus on the government reporting entity ensures the accounting cannot be impacted by decisions on where to house programs (inside or outside of departments) and their funding structure.

The Manitoba government has been reporting exclusively on a summary basis since 2007, and has recently begun to more actively manage on a summary basis. However, government officials, in the 2018 Budget document and in discussions with our office, expressed a concern that financial volatility in some components of government (particularly components managing restricted purpose funds where monies are not available to government for other purposes) can have a significant impact on the government's annual results. As a result, the government is looking for ways to reduce the government reporting entity's exposure to this type of volatility. The qualifications as discussed above are both due to accounting decisions taken by the government to reduce the volatility of reported results.

Summary reporting should be based on all resources the government controls. Consistent application of the criteria for control under Public Sector Accounting Standards (PSAS) is important. A government should not delete entities or programs that were previously assessed as controlled by government from its summary reporting, unless changes were made in its relationship with these entities which indicate a loss of control, or a clear error was made in a prior assessment of control. Changes to the legal form of a relationship do not necessarily change the substance of the relationship. Excluding entities from the government reporting entity that are still controlled by the government does not provide a complete picture of the financial position and results of government.

We understand the government's desire to better segregate the impact of activities within restricted purpose funds from general operations. But, eliminating their impact on the summary deficit or surplus must be given careful consideration to ensure transparency and accountability and that accounting standards are not compromised.

Appendix A

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Province of Manitoba

Qualified Opinion

I have audited the summary financial statements of the Province of Manitoba (the Province), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of revenue and expense, consolidated statement of accumulated deficit, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of my report, the accompanying summary financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2019, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Summary Financial Statements* section of my report. I am independent of the Province in accordance with the ethical requirements that are relevant to my audit of the summary financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Exclusion of Workers Compensation Board from the summary financial statements

The Province has not included the financial position and results of operations of the Workers Compensation Board (WCB) in the summary financial statements for the years ended March 31, 2019 and March 31, 2018.

In my opinion, the WCB is controlled by the Province, based on the definition of control in PSAS, and should be recorded in the summary financial statements for the years ended March 31, 2019 and March 31, 2018. In this respect, the summary financial statements are not in accordance with PSAS, which requires the financial position and results of operations of controlled entities to be consolidated in the summary financial statements.

Had the Province made an adjustment for this departure from PSAS, the current year equity in government business enterprises would have increased by \$632 million, and the accumulated deficit and net debt would each have decreased by \$632 million, the net income from government business enterprises would have decreased by \$53 million, other comprehensive income would have increased by \$37 million, and the annual deficit would have increased by \$53 million.

Additionally, the prior year equity in government business enterprises would have increased by \$658 million, and the accumulated deficit and net debt would each have decreased by \$658 million, the net income from government business enterprises would have increased by \$82 million, other comprehensive income would have decreased by \$25 million, and the annual deficit would have decreased by \$82 million.

Failure to recognize controlled assets

The Province has not included the financial position and results of operations of the Manitoba Agricultural Services Corporation's (MASC) Production Insurance Trust and the Hail Insurance Trust (the Trusts) in the summary financial statements for the years ended March 31, 2019 and March 31, 2018.

In my opinion, the Trusts are assets under the control of the Province, and the financial position and results of operations should be recorded in the summary financial statements for the years ended March 31, 2019 and March 31, 2018. In this respect, the summary financial statements are not in accordance with PSAS, which require that the Province account for all assets under its control.

Had the Province made an adjustment for this departure from PSAS, the current year cash and cash equivalents would have increased by \$481 million, the accounts payable, accrued charges, provisions and unearned revenue would have decreased by \$9 million, and the accumulated deficit and net debt would each have decreased by \$490 million, the Agriculture expenses would have decreased by \$222 million, the investment income would have increased by \$3 million, and the annual deficit would have decreased by \$225 million.

Additionally, the prior year accounts payable, accrued charges, provisions and unearned revenue would have decreased by \$265 million, the accumulated deficit and net debt would each have decreased by \$265 million, the Agriculture expenses would have decreased by \$265 million, and the annual deficit would have decreased by \$265 million.

Combined impact of departures from PSAS

- Had the WCB and MASC Trust departures from PSAS been corrected, the Province would have an annual surplus of \$9 million in the current year, and for the prior year would have an annual deficit of \$347 million.

Combined impact on the annual deficit or surplus		
	2019 (\$ million)	2018 (\$ million)
Annual deficit as presented	(163)	(694)
Operating (loss) surplus of Workers Compensation Board	(53)	82
Net income of MASC trusts	225	265
Annual surplus (deficit) in accordance with Canadian public sector accounting standards	9	(347)

Other Information

The Province is responsible for the other information reported in the Public Accounts. The other information comprises the Public Accounts Volume 1, 2 and 3, but does not include the summary financial statements and my auditor's report thereon.

My qualified opinion on the summary financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the summary financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report.

As described in the *Basis for Qualified Opinion* section above, the Province has not accounted for WCB and the MASC Trusts in accordance with PSAS. I have concluded that the other information is materially misstated for the same reasons with respect to these amounts and other items in the Public Accounts Volumes 1, 2, and 3 affected by these departures from PSAS.

Responsibilities of Management and Those Charged with Governance for the Summary Financial Statements

Management is responsible for the preparation and fair presentation of the summary financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of summary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Province's ability to continue as a going concern, meaning that the Province will continue in operation, and will be able to realize assets and discharge liabilities and meet its statutory obligations in the normal course of operations for the foreseeable future.

Those charged with governance are responsible for overseeing the Province's financial reporting process. With respect to the Province, those charged with governance refers to the Minister of Finance.

Auditor's Responsibilities for the Audit of the Summary Financial Statements

My objectives are to obtain reasonable assurance about whether the summary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these summary financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the summary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the summary financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the summary financial statements, including the disclosures, and whether the summary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Province to express an opinion on the summary financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Winnipeg, Manitoba
September 23, 2019

Original Signed By:
Norm Ricard

Norm Ricard, CPA, CA
Auditor General

Appendix B

Excerpt from page 6 of **Understanding our audit opinion on Manitoba's March 31, 2018 Summary Financial Statements – September 2018**

ASSESSMENT OF CONTROL SHOULD BE BASED ON THE CRITERIA FOR CONTROL

The province indicated in Note 18 of the summary financial statements that they reassessed control of WCB based on a review of other jurisdictions' accounting policies and legislation on their workers compensation boards or equivalents. Whether a control relationship exists between a government and a public sector entity should be determined based on the substance of the relationship between the two parties, considering the criteria for control, and not based on how similar entities in other Provinces are accounted for. In each province, the government's relationship with its workers compensation board will not be the same.

We acknowledge that the worker's compensation boards or equivalents of most other Canadian provinces are not considered controlled and therefore excluded from the summary financial statements of those provinces. We did not do a detailed analysis of the circumstances in each of these other provinces that led decision makers and auditors (several years ago) to determine that the entities were not controlled.

Rather we performed an analysis based on the criteria for control in PSAS, and the relationship between the Province and the WCB as defined in the Workers Compensation Board Act (the Act). We believe the following factors indicate the government controls the WCB:

- All of the WCB board members are appointed by government. While the government must consult with relevant stakeholder groups for the purpose of making board appointments, the ultimate authority and discretion in appointment lies with government.
- Board members of WCB may make regulations on many areas impacting their operations, as described in section 68(1) of the Act. However government can disallow within 30 days any regulation that the Board makes, ultimately providing government the power to control these areas of operations.
- The government controls the scope of WCB and its revenue generating capacity through the regulation it enacts to control which types of employers must pay premiums into the accident fund. In Manitoba, the Act covers 76% of the workforce, while in other provinces and territories, the percentage of the workforce covered varies from 74% to 100%, with many provinces in the 90% range, so control over the scope can have a significant impact on WCB's reach.
- WCB must provide the government with a grant from their accident fund to cover expenses incurred by the government in its administration of the Workplace Safety and Health Act. In the year ended December 31, 2017, WCB paid \$8.7 million to the Province for this purpose.