



Auditor General
MANITOBA

Report to the Legislative Assembly

**Public Accounts and Other
Financial Statement Audits**

Website Version



December 2020

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Auditor General's comments

Each year my office audits the Province of Manitoba's Summary Financial Statements, as well as the financial statements of a number of other government-controlled and related entities.

The mix of audits we completed in this past year is largely unchanged from recent years. We conduct many of these audits because of statutory requirements. This has long been an issue for my office, as these required audits don't allow us to focus our resources on audits of more strategic significance to the Legislative Assembly. I continue to advocate for changes to legislation that would give my office more authority to strategically plan our financial statement audit rotation, and choose which entities we audit.

As well, in the past year, the province has announced a number of changes to the makeup of the Government Reporting Entity, including the dissolution and restructuring of some of the entities we audit. As a result, some of our statutorily required audits will receive only one more final audit.

This report includes commentary on some significant risks related to accounting estimates used in the Public Accounts. We identify some of the high-risk estimates, and explain the assumptions that impact them. One of these high-risk estimates is the liability for contaminated sites, which is an estimate of the province's future costs to clean up these sites. We've provide some recommendations for the province to improve the estimation process for this liability.

For the third year, the audit opinion for the Province of Manitoba was qualified. A qualified opinion is one that indicates an issue with providing assurance over the financial statements. In this case, we have qualified the opinion on the Summary Financial Statements related to the exclusion of the Workers Compensation Board and the trust accounts of Manitoba Agricultural Services Corporation, a recurring issue since the province stopped consolidating them.



This year the COVID-19 pandemic impacted how we conducted our financial statement audits. A sudden shift to remote auditing created logistical issues and delays in getting information. The impact of the pandemic on the economy created new audit risks related to the government and other entities we audit. This is discussed further in the report.

This reports includes 9 recommendations. I am pleased the government agrees with these recommendations and their commitment to resolving the underlying issues.

I would like to thank all those involved in the preparation of financial information for their respective organizations especially given all the new challenges this year. Their cooperation and assistance was greatly appreciated. I would also like to thank my staff for their professionalism and excellent work on financial statement audits and this report.

**Original Signed by:
Tyson Shtykalo**

Tyson Shtykalo, CPA, CA
Auditor General

Introduction

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 our main responsibilities as outlined in Section 9 of the Act is to conduct and report on financial statement audits.

The Auditor General is 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.

The Auditor General is 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.

Public Accounts of the Province of Manitoba

The Public Accounts are prepared annually in accordance with *The Financial Administration Act* and contain the consolidated *Summary Financial Statements* and other supporting information as required by legislation. The Province has changed the formatting and composition of its financial reporting in 2020. In prior years, 3 volumes of the Public Accounts were printed. In 2020, Annual Reports and Public Accounts are published as follows:

The Annual Report and Public Accounts, printed and tabled in the legislature and available online, contains:

- The Independent Auditor's Report.
- The Consolidated Summary Financial Statements.
- An opening message from Government on the Province's performance, financial and otherwise.
- Financial Statement Discussion and Analysis, and Financial Highlights; and
- Other financial reports including:
- Strategic Outcomes, Financial Outlook, Strategic Infrastructure Investments (unaudited)
- Rainy Day Fund (Fiscal Stabilization Account Statement (audited)
- Other unaudited statements and reports as required under various statutory requirements

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 where legislation does not require the Auditor General to be the auditor.

In 2020, we conducted financial statement audits of 26 entities. Of these, 19 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 \$75,000 or more.

In this report, we discuss each of the entities we audit and the results of these audits.

Impact of COVID-19 on our 2020 audits

Manitoba announced its first presumptive COVID-19 cases on March 12, 2020. On March 20, the province declared a state of emergency. On March 23, schools and most daycares closed. Many employers shifted to remote work protocols where possible. This included most of the provincial government employees responsible for accounting and financial reporting, as well as Office of the Auditor General staff.

DISRUPTION TO OUR AUDIT CLIENTS

March 31 is the financial reporting year-end for the Province of Manitoba Public Accounts, and the majority of the government controlled entities that are consolidated into the Summary Financial Statements included in the Public Accounts. The pandemic emerged in Manitoba just a few weeks prior to these entities' year-end.

For accounting staff who work in the offices of audit clients, year-end is a very busy time. During this period, year-end adjustments and estimates must be made, information is gathered and reports must be created, variances are analyzed and support for the audit is prepared. Therefore, the sudden change to working remotely in March disrupted the preparation of the March 31, 2020 financial statements, which in turn caused delays in the start of our work.

Entities that are consolidated into the Province's Summary Financial Statements must have their audits completed prior to the Office of the Provincial Comptroller being able to complete their consolidation process.

Overall, we completed all of our audits on time in order for the Public Accounts to be released prior to the statutory deadline of September 30. This year our audit report date for the Public Accounts was September 25, 2020, which allowed for a release on September 29, 2020, one day in advance of the legislated reporting deadline.

While the reporting deadline was met, there were delays during the audit work. Some entities we audit were directly involved in pandemic response which created competing priorities for staff time. Other entities were not equipped for a fully remote workforce at the beginning of the pandemic. Transitioning staff to working remotely took additional time. Other entities had remote work capability, but their networks were not equipped for the volume of staff required to work remotely.

Our office was equipped and prepared for remote work when the pandemic started. As a normal part of our operations, we work at client locations and connect to our network remotely.

The cycle of March 31, 2020 audits being completed on time, despite the challenges related to the pandemic, is a result of the resiliency, adaptability, and work efforts of both our clients and our staff.

TRANSITION TO AUDITING REMOTELY

Audits typically involve auditors visiting a client's offices. This is known as field work, as the auditors are working "out in the field." As a result of the pandemic and many offices closing, we transitioned to auditing remotely, which takes longer for a several reasons. First, auditors don't have direct access to staff relevant to the audit, which causes delays in communication. Second, auditors don't have easy access to supporting documentation for financial statements.

As part of our audit work, we review samples of invoices, agreements, and other file documentation. We call this supporting documentation. Despite progress towards the paperless office in recent years, often this information is stored in hard copy form only. During the spring when both auditors and clients worked remotely, a request to review documentation to could take several days to complete. Working onsite, this may have taken less than an hour. In some cases, clients had to arrange for an employee to go to the office to scan documents and send them to the auditor. Some agreements and contracts can be hundreds of pages, so even scanning the document could create additional time constraints. Because the auditor did not see the physical copy of the document, additional procedures might also been required to evaluate the authenticity of audit evidence provided electronically.

NEW AUDIT RISKS

The pandemic is a major world event. In Manitoba, from a financial reporting and audit perspective, it impacts the economy, as well as operations of many businesses, government agencies and controlled entities, and government itself.

The impact of the pandemic began to be felt in Manitoba by mid-March, and needed to be considered for our March 31, 2020 financial statement audits.

We identified a number of new financial statement risks related to the pandemic through:

- Our knowledge of audit clients' operations.
- Discussion with clients.
- Discussion with peers in legislative audit offices around the country.
- Review of guidance developed quickly by Canadian and international accounting and auditing bodies.

The following table highlights some of the pandemic related risks identified for the audit of the Summary Financial Statements included in the March 31, 2020 Public Accounts.

Risk Related To	Audit Impact
Accounting Estimates	Increased risk as assumptions were required to be reassessed by management in light of the current economic climate. Impacted a number of accounts, such as Taxation Revenues, Loans Receivable, Accounts Receivable, and Investments.
Contingencies and liabilities	Increased risk related to contingencies and completeness of liabilities, with potential commitments made by the government related to COVID-19 related support programs.
Internal Controls	Increased risk that internal controls were not operating as designed, during pandemic conditions, before and after year-end.

RELIANCE ON CONTROLS DURING MARCH

In financial statement audits one thing an auditor must consider is the entity’s internal controls in place to prevent or detect errors in the financial statements. Under Canadian Auditing Standards, for a financial statement audit, the auditor must always obtain an understanding of the internal controls of an entity in order to help them assess risk and develop an audit approach. In some cases, the auditor may choose to test some of the relevant internal controls as part of the audit approach to help gain assurance over the related accounts and disclosures in the financial statements.

Internal controls are the policies and procedures designed, implemented and maintained to provide adherence to an entity’s objectives, especially related to:

- reliability of financial and non-financial operating reporting, and
- safeguarding of assets

Many controls we look at depend on computer systems that client staff access on site. Other controls rely on review and oversight being done in a timely manner, which is typically evidenced by a physical sign off by a supervisor on a hard copy report or document. Because of this, the abrupt and unplanned shift to remote working created a new risk in our audits that controls we had determined were implemented and effective during the year up to early March 2020, may no longer be functioning in late March 2020.

We considered this risk in our audits, and discussed with management the impact of the changes on their systems of internal control. In most cases, the entities were able to quickly adapt their internal controls to a remote work situation—or where required staff remained in the office to perform essential duties that could not be remotely.

QUALIFICATION RELATED TO INVENTORY COUNTS

When an entity has a significant balance of inventory in their financial statements, typically the auditors must attend and perform procedures at an inventory count, which is held as close to year-end as possible.

This was an issue for many auditors during the pandemic. Social distancing practices created difficulties in allowing audit staff to attend inventory counts. In some cases the warehouses or other locations were closed and no inventory counts could take place. In other cases, the entity staff who would normally perform these counts had to prioritize other emerging needs over the inventory count.

This was not an issue for most of our audits, as inventory is not usually a significant component of government agencies and governments. However, we had one client who was unable to perform an inventory count, which resulted in our issuing a modified audit report.

The Manitoba Learning Resource Centre is a government special operating agency that provides Manitoba schools with educational learning resources and related products. As such, they have a significant inventory balance of books, multimedia and other resources on their balance sheet. Due to the impact of the pandemic on operations resulting in the closure of their warehouse, we were not able to perform an inventory count or alternative procedures that would provide sufficient assurance over the inventory at March 31, 2020. Therefore, based on Canadian Auditing Standards, we issued a modified audit opinion with a scope limitation on inventory. This meant that we were able to complete our audit and gain assurance that the financial statements were not materially misstated, in all areas except those related to the ending inventory balance.

The financial statement audits we conducted in 2019/20

The Office is the auditor of financial statements issued by certain entities within the Government Reporting Entity of the Province and certain other entities relevant to the public sector. The Office may also audit other financial information issued by these entities.

This section provides a summary of each audit we conducted and includes the following information:

- **Financial reports and related timelines for each entity.**
- **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 on whether the financial statements are free of material misstatement, whether caused by error or by fraud.

The Public Sector Compensation Disclosure Act also requires public sector bodies to disclose compensation over \$75,000 paid or provided to their employees on either a calendar or fiscal year basis. Where we audit public sector bodies, we also audit these public sector compensation disclosure reports. We have provided unqualified audit opinions on all such reports and have not discussed them further in the following section.

- **The results of each audit, which would include the following matters:**
 - *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.*

These are areas 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. 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.

➤ *Any other matters we wish to bring to the Legislative Assembly's attention.*

Section 10(2) of *The Auditor General Act* requires the Auditor General to report on matters that he considers should be brought to the attention of the Legislative Assembly. These matters include but are not limited to circumstances in which:

- Required information was not provided or was not provided within a reasonable time.

- Accounts were not properly kept or public money was not fully accounted for.
- Essential records were not maintained, or the rules and procedures applied were insufficient to:
 - Safeguard and control public property.
 - Secure an effective check on the assessment, collection and proper allocation of revenue.
 - Or ensure that expenditures were made only as authorized.
- Public money was expended for purposes other than those for which it was appropriated by the Legislature
- Financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Under auditing standards, there are several presumed (or standard) significant risks related to material misstatement in revenue recognition and management override of internal controls due to fraud. We perform audit procedures to address these fraud risks and any other fraud risks we identify, which include 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.

**Direct Audits: Organizations within the
Government Reporting Entity**

1. Province of Manitoba Summary Financial Statements

About the entity

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 Standards (PSAS).

Financial reporting requirements

Section 65 of *The Financial Administration Act* specifies 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*

Section 9(3) of *The Auditor General Act*, 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.

Section 65(1)(a) of *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 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 under section 9(3) of our act, we are required to audit both the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other segments the Minister of Finance presents for audit.

We audited the Public Accounts for the fiscal year ended March 31, 2020. Areas of audit significance included:

- COVID-19 impacts on the audit.
- Workers Compensation Board status within the GRE.
- Accounting treatment of Manitoba Agricultural Services Corporation (MASC) trusts.
- Change in accounting standards used by Universities and Colleges.
- Consolidation of government controlled entities.
- Valuation of pension and other employee future benefits liabilities.
- Liabilities for contaminated sites.

We issued a qualified opinion on the Summary Financial Statements (see discussion below).

We issued an unqualified audit opinion on the Fiscal Stabilization Account "Rainy Day Fund" Statement of Transfers and Account Balance.

As a result of our audit of the Summary Financial Statements, we plan to issue a management letter to the Provincial Comptroller. We presented our audit results to the Minister of Finance and members of senior management from the Department of Finance.

The following additional information related to the audit of the Summary Financial Statements is presented below:

- Management Letters and Outstanding Recommendations
- Accounting Estimates
- Contaminated Sites Liability
- Consolidation Risks
- Qualified Audit Opinion for 2020

1.1 Management Letters and Outstanding Recommendations

Background:

The objective of our financial statement audits is to express an opinion on the financial statements in accordance with the Canadian auditing standards. Financial statement audits are not designed to identify all matters of interest to management in discharging its responsibilities.

Our audits include consideration of internal controls relevant to the preparation of the financial statements in order to design appropriate audit procedures, but not to the extent needed to provide an opinion on the effectiveness of internal controls.

The standards require the auditor to communicate significant matters or issues that we have identified during the audit. As part of the completion of our financial statement audits, we prepare what is called a management letter, which identifies areas where we recommend changes to internal controls or processes.

In our management letter we include recommendations to assist management in strengthening internal controls and improving accounting processes. For recommendations from our prior year management letters we perform follow up procedures to determine the status of our recommendations.

Summary of key management letter points:

Sometimes our management letter points do not get addressed and remain outstanding for more than one year. Under Section 10(2) and 10(3) of *The Auditor General Act* we can bring issues resulting from our financial statement audit work to the attention of the Legislative Assembly, and provide recommendations in this report.

In our report we are bringing forward several management letter recommendations that have not been implemented or resolved after previously being brought to management's attention. We are drawing attention to these outstanding recommendations as we see them as significant shortcomings in the province's system of internal control. These shortcomings may create risks such as financial loss, non-compliance with good practices, shortcomings in safeguarding of assets and misstatements.

For the audit of the Public Accounts:

In the audit of the Public Accounts, we spend significant time gaining an understanding of the departmental controls in the as well as central controls in the Office of the Provincial Comptroller.

The letter is addressed to the Provincial Comptroller, although some recommendations are to the Departments directly, and some to the Office of the Provincial Comptroller. Under Section 13(2) of *The Financial Administration Act*, the Provincial Comptroller is responsible for, among other things:

- Maintaining the central accounts of government.
- Ensuring procedures are in place for the recording of public money payable to the Minister of Finance.
- Ensuring authority exists for the recording and payment of public money.
- Evaluating accounting and financial systems throughout government.

Prior to finalizing our letter, each year all new findings as well as an update on prior year recommendations are discussed with the executive financial officer of the department where the point has been raised.

The following points have been raised in past management letters to the Provincial Comptroller and are still not resolved.

Fraud reporting:

In our 2019 Management Letter, we noted that while the Province has policies in place for government departments and for some government agencies that are insured by the Province's Agencies Self-Insurance Fund to report fraud, there are currently no policies or requirements for all other entities in the government reporting entity to report fraud to the Office of the Provincial Comptroller. Good practices in risk management should be driven by the assessment of risk level, not based on inclusion or exclusion in an insurance fund.

Under Canadian Auditing Standards, the primary responsibility for the prevention and detection of fraud rests with those charged with governance and management. Because the Province of Manitoba prepares consolidated financial statements, while each entity included has their own management and governance functions, the Province is responsible for the entire government reporting entity. Having a reputation for integrity is crucial to safeguarding confidence and public trust. Unfortunately, fraud and misconduct can seriously undermine such efforts, exposing an organization to financial, legal, regulatory, or reputational damage. That is why it is vital that the government work to ensure that they have an effective approach to identifying potential fraud. This is especially important in an environment marked by intense scrutiny.

Thus it is important that the province is made aware of confirmed, alleged or suspected fraud within the government reporting entity in a timely manner, so they can ensure appropriate controls are in place, and ensure there are no material errors in the Summary Financial Statements due to fraud.

Recommendation 1: We recommend the Provincial Comptroller require all entities within the government reporting entity to report confirmed, alleged or suspected fraud to the Province.

Policy needed for supporting accounting estimates:

In our 2019 Management Letter we noted that during the March 31, 2019 fiscal year, as part of our audit testing we found some estimates recorded in the accounting records did not have sufficient supporting documentation.

As noted in Section 1.2 on Estimates, estimates can be the basis for significant amounts in the financial statements and they are inherently risky, because they can be based on limited information, may require complex methods or calculations, and require judgement. Without good estimates, the province could be faced with unplanned expenditures, significant differences from budgets, and material misstatements in the financial statements such as missing liabilities and overstated assets. Given the estimation uncertainty involved in accounting estimates a clear policy should be in place.

Recommendation 2: We recommend the Office of the Provincial Comptroller implement a policy for recording accounting estimates. This policy should include at a minimum:

- Requirements for documentation of the model and methodology used to create the estimate.
- Support for all assumptions used.
- An assessment of the need for the use of experts.
- A risk based review process by the Office of the Provincial Comptroller for departmental estimates.

Delegation of financial authority

Responsibility for the control and spending of public money and delivery of programs is provided to Ministers through *The Appropriations Act*, *The Financial Administration Act*, *The Executive Government Organization Act*, and through various other acts and regulations. To assist with the timely and orderly functioning of government, ministers can delegate administrative authorities to departmental officials.

Financial authorities, such as spending and payment authority are formally delegated in writing. The province's Financial Administration Manual sets out policies and guidelines for delegation of financial signing authority. One of these policies is a requirement for the delegated signing authorities to be reviewed and confirmed or revised annually. In addition a complete review and update of the delegation of financial authorities is required after the appointment of a new minister, after a departmental reorganization, and after any change to an act which effects the delegations.

During our audits, we often find that Departments have not complied with this policy, and did not have current authorized delegation of signing authority charts.

In our 2016 management letter we identified that departments were not consistently updating and getting Ministerial authorization for these charts in accordance with the policies of *The Financial Administration Act*. The Provincial Comptroller is ultimately responsible for implementing procedures that ensure authority exists for the recording and payment of public money. We had recommended a process be put in place at the Office of the Provincial Comptroller to provide oversight over compliance in this area. Such a process has not yet been implemented.

Recommendation 3: We recommend the Office of the Provincial Comptroller implement a process to ensure delegation of financial signing authority charts at the departmental level are reviewed and updated in accordance with the province's Financial Administration Manual.

Payroll master data support

One of the most significant expenditures of a government is its payroll costs. The Province's payroll for departmental employees, is paid out each pay period and calculated in part based on payroll master data in the SAP system. Payroll subject to this process, for the year ended March 31, 2020 totaled \$1.1 billion. The master data includes information about all new hires, terminations, severance payments, and pay rates. In our 2019 management letter we noted that in several cases changes were made to employees' master data, but supporting documents were missing. The implication of not retaining support for changes made to employee's payroll data is that unauthorized changes can be made impacting employees pay and benefits.

Recommendation 4: We recommend the Civil Service Commission develop and implement a process to ensure that all human resources master data is supported by documents in the employees' personnel file.

1.2 Accounting Estimates

Background

Accounting estimates are used by management when they cannot precisely measure the monetary amount of items to be recorded or disclosed in the financial statements. These estimates can be significant to the entity's financial position.

Significant estimates are inherently risky, because they can be based on limited information, they may require complex methods or calculations, and they require judgement. Judgements are needed to anticipate future events or conditions that cannot be directly observed, or when there are limitations in knowledge and data available. As a result actual outcomes can vary from estimated amounts. As auditors, the work we perform varies directly with the uncertainty level of the estimate. The more uncertain an estimate is, the greater the risk of material misstatement, and the more extensive the audit testing performed. Many significant risks in our financial statement audits are related to estimates.

MEASUREMENT UNCERTAINTY - excerpt from the Province of Manitoba's notes to the Summary Financial Statements

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate income taxes, Canada Health Transfer and Canada Social Transfer entitlements, and accrual for federal shared cost programs. It also includes accruals for pension obligations, accruals for the remediation of contaminated sites, allowances for doubtful loans, accruals for liabilities valued through actuarial valuations, such as long term disability, severance, sick pay obligations, workers compensation claims and advances and provision for losses on guarantees.

Continued on next page

Significance of estimates in the Summary Financial Statements

The Summary Financial Statements include multiple estimates which are based on assumptions and available knowledge.

The main estimates disclosed in the Summary Financial Statements are the following:

- Allowance for doubtful accounts
- Loans and advances allowances
- Personal income tax
- Corporate income tax
- Revenue and receivables
- Tangible capital assets write-downs
- Pension obligations
- Severance liabilities
- Long term disability liabilities
- Contaminated sites liability

MEASUREMENT UNCERTAINTY (continued) - excerpt from the Province of Manitoba's notes to the Summary Financial Statements

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate income taxes, Canada Health Transfer and Canada Social Transfer entitlements, and accrual for federal shared cost programs. It also includes accruals for pension obligations, accruals for the remediation of contaminated sites, allowances for doubtful loans, accruals for liabilities valued through actuarial valuations, such as long term disability, severance, sick pay obligations, workers compensation claims and advances and provision for losses on guarantees.

While best estimates are used for reporting items, it is reasonably possible that changes in future conditions, occurring within one fiscal year could require a material change in the amounts recognized and disclosed. The amount of income tax attributable to the year can change as a result of reassessments in subsequent years. The estimates at the time are based on the best information available at the time of preparation of the financial statements. The uncertainty due to the COVID-19 pandemic and variability of the final amounts attributed to the year cannot be reasonably determined.

The nature of the uncertainty related to the accrual of health and social transfer payments from the Government of Canada and individual and corporate income taxes arises because of the possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results.

- Accruals for other liabilities valued through actuarial valuations
- Health and social federal transfers
- Shared cost revenue and
- Receivables for Disaster Financial Assistance

Estimates are common to most entities' financial statements. It is management's responsibility to make 'best estimates' according to their professional judgement and the information available to them. While these best estimates are recorded in the Summary Financial Statements, it is important to recognize that these amounts may differ in the future due to changes in conditions, and possibly at a material level. The province includes a disclosure around the measurement uncertainty in its financial statements related to estimates (see sidebar).

Because of the nature of estimates it is important that management has clearly documented the support for the estimate, including the model used, and the assumptions underlying the estimate. Not only does this help management to

ensure their estimates are reasonable, this also helps management to review their estimates on a regular basis to determine if there are changes needed to any assumptions based on a change in circumstance.

During our audits of the Public Accounts, we have noted that there is no guidance on what should be documented to support an accounting estimate in the Province's Financial Administration Manual. See further discussion of this issue and our recommendation for improvement in Section 1.1.

Significant estimates in the Summary Financial Statements

Personal income taxes and corporate income taxes

Revenue	2020
Personal Income Taxes	\$3,903 million
Corporate Income Taxes	\$612 million

Personal income taxes and corporate income taxes are one of the province's most significant revenue sources, bringing in \$4.5 billion in 2020 out of total revenues of \$17.6 billion.

These taxes are administered by the federal government. The actual cash flows received by Manitoba each year are advance payments from the Federal Government, as the actual final taxation revenue during a year is not determined until the taxpayers returns are later filed and processed.

These advance payments and the year-end accruals are based on estimates provided by the Federal Government using statistical models. The Province of Manitoba participates with the Government of Canada in the initial estimate process for a taxation year. The federal government provides updated estimates to the Provinces throughout the taxation year based on changes in assumptions and data underlying the estimate.

Manitoba records the taxation revenue as earned during the taxpayer's taxation year. In a subsequent year, once the taxpayer files their income taxes for the year, and they are processed by the Canada Revenue Agency ((CRA, the federal government makes adjustments to Manitoba's advances to account for any difference between Manitoba's estimated revenue for the period and their actual final revenue.

Income taxes are an area where the economic effects of the COVID-19 pandemic are expected to have a significant impact. However, for the audit of the March 31, 2020 Summary Financial Statements, the impact was not significant, as the economic impact of the pandemic only began in Manitoba in mid-March, two weeks prior to the fiscal year end. The income tax estimates in the March 31, 2021 Summary Financial statements will have to incorporate assumptions related to the current economic conditions, which could have a material impact on income taxes.

Retail sales tax receivable

Assets	2020
Retail sales tax receivable	\$231 million

Retail sales tax (RST) is a tax applied to the retail sale or rental of most goods and certain services in Manitoba. Unlike federal income taxes, RST is assessed by Manitoba not the federal government. Businesses file their RST tax returns and make payments on either a monthly, quarterly or annual basis depending on the revenue level. Therefore unlike the income taxes, the Province has better information with which to estimate RST revenue on an ongoing basis as the filings are processed regularly throughout the year.

RST payments are typically made in the month following the period end. So at March 31, the Province must estimate and accrue for the January-March payments for quarterly filers, and the March payments for monthly filers. They also must estimate the amount collectable for overdue accounts.

Typically the Province has received the January to March payments when recording the March 31 RST Receivable, as these are due in April. In this case, the amount of the balance subject to estimate is related to the overdue accounts only. In March 2020, as a result of the COVID-19 pandemic, small and medium businesses with monthly RST payments of less than \$10,000 were provided an extension until October 2020 to file their RST returns. This year when the financial statements were prepared, the province had to estimate payments receivable at for the March 31, 2020.

Loans and advances – valuation allowances

Assets	2020
Loans and advances – valuation allowance	\$254 million

The Province has \$1.5 billion in loans to entities and individuals outside the government reporting entity. These include (all balances based on March 31, 2020 balance before valuation allowances):

- \$943 million in agricultural direct lending and special assistance programs.
- \$182 million in Manitoba student loans
- \$137 million loan to Triple B for stadium construction financing
- \$80 million in housing direct lending and special assistance program mortgages
- \$52 million in business development assistance loans
- \$27 million to family service agencies
- \$24 million in northern business development and fishing industry loans
- \$32 million in other loans

The loan balances above are the full balance of the loan that the Province is entitled to receive as repayment.

Valuation allowances are made when collection is considered doubtful, as loans are not always fully recoverable. The amounts of the allowance are determined by management based on an estimate of the amount that will be uncollectable.

Assumptions that impact the allowance include the ability for loan holders to repay the loan, and so are somewhat dependent on economic conditions and the financial health of the loan holders. There will be an increased risk related to the valuation allowance for loans in the year ended March 31, 2021, due to the impact of the pandemic on the economy.

The Province discloses detailed information about its loan portfolio in Schedule 2 of the summary financial statements, including terms and interest rates for the categories of loans noted above. However, the valuation allowance is only disclosed as a total for the entire \$1.5 billion loan balance. Increased disclosure on the valuation allowance could help improve users understanding of the risks within the loan portfolio.

Pension Liability and other employee future benefits liabilities

Liabilities	2020
Pension liability	\$3,097 million
Other future employee benefits	\$552 million

The pension liability is the largest estimate in the Public Accounts. The determination of the pension liability is based upon independent actuarial valuations. Other liabilities for employee future benefits include liabilities for severance, long-term disability and worker's compensation.

The estimation of obligations related to pensions and other employee future benefits requires a significant amount of judgement, including management's selection of the assumptions used by the actuary.

Pension estimates

Pension estimates rely on a number of assumptions including:

- Discount rate
- Rate of investment return on plan assets
- Inflation rate
- Mortality rates
- Expected Future Salary Increases

For more information on how the Pension Estimate is determined, see OAG Manitoba's March 2014 report on *Accounts and Financial Statements, Section 3 – Understanding Manitoba's pension liability*

The key risks related to this estimate are the reasonableness of the methodology and assumptions used, and the completeness and accuracy of the employee and pensioner data used to value the obligations.

For the year ended March 31, 2020, due to the current global market conditions as a result of the COVID-19 pandemic, there was increased risk related to the valuation of pension plan assets. The risk was elevated particularly for investments whose values are not based on observable market prices. These types of investments include private equity and private debt placements, real estate and infrastructure. In recent years the pension plans sponsored by the province have been increasing their investments in these categories, which increases the significance and risk related to these more complex estimates.

Liability for Contaminated Sites

Liabilities	2020
Liability for Contaminated Sites	\$265 million

A liability for contaminated sites exists when there is contamination exceeding an environmental standard where the government is responsible for its remediation. These estimates are developed using the professional judgment of engineer's and other experts based on experience at similar sites. The estimates can include third party quotes and in some cases reports from independent experts, which are impacted by a number of estimates and assumptions.

See **Section 1.3** for further discussion of the contaminated sites liability.

Key changes to the standard for auditing estimates

Recently the Auditing and Assurance Standards Board (AASB) of the Chartered Professional Accountants of Canada approved a revised standard on auditing estimates, which we will adopt for our audit of the March 31, 2021 Summary Financial Statements. AASB changed the standards to better meet the needs of users of financial statements, in an increasingly complex business environment. The standard sets out the auditor's responsibilities concerning accounting estimates and related disclosures in a financial statement audit. It also outlines the auditor's requirements in the evaluation of misstatements of accounting estimates and related disclosures.

The key changes to the standard result in a more detailed understanding of the components of risk including the control environment, and an increased focus on responding to the levels of

estimation uncertainty, complexity and subjectivity. This will result in more work for the auditor as well as for management. The importance of management to have adequate supporting documentation for their estimates is increased, due to the increased audit scrutiny in this area. We have provided recommendations related to a policy on required documentation to support accounting estimates, in section 1.1.

1.3 Contaminated Sites Liability

Each year as part of our audit of the Summary Financial Statements we perform work on the contaminated sites liability. Although, the amount of the liability and its related disclosure are not materially misstated, we have concerns over practices and processes related to this recording this liability.

Contaminated sites

A contaminated site has substances that occur in concentrations that exceed the maximum allowable amount under an environmental standard and pose a threat to human health or safety, or to the environment. An environmental standard is generally set out in the form of a law, regulation, order, permit or contract. In Manitoba, *The Contaminated Sites Remediation Act* and related regulations provide for the remediation of contaminated sites. As a result, compliance with the standard is mandatory and legally enforceable.

Contamination is often caused by past industrial or commercial activity, where toxic substances were released in the air, soil, water, or sediment. Sites may have multiple sources of contamination. In some instances contamination can be contained to a particular site, while in other instances contamination can spread and pollute surrounding soil and nearby water.

Examples of contaminant sources include:

- Fuel storage and distribution
- Chemical storage
- Waste disposal
- Mining activities

PSAS requires recognition of a liability for contaminated sites

Public Sector Accounting Standards (PSAS) require the province to record a best estimate of the cost necessary to remediate and reclaim a contaminated site to an acceptable standard, where the government is directly responsible or accepts responsibility for the contaminated site.

A best estimate of the contaminated sites liability is an amount that that would rationally be paid to remediate a site in order to meet environmental standards. The estimate is developed using the professional judgment of engineer's and other experts supported by experience at similar sites, and can include third party quotes and in some cases reports from independent experts.

At some sites there will be a requirement for ongoing activities such as water treatment. Costs related to ongoing remediation activities are included as part of the liability for site clean-up and not as part of annual operating costs.

The liability should also include costs for post-remediation operations, maintenance and monitoring activities that are part of the remediation strategy.

Asset retirement obligation

PSAS developed a new accounting standard related to Asset Retirement Obligations (ARO) that will be in effect for the March 31, 2023 year end, although earlier adoption is permitted. This standard requires recording a liability when there is a legal obligation to incur costs when retiring a tangible capital asset from service. An ARO differs from a contaminated sites liability in that costs are required as a result of acquiring, constructing or developing a tangible capital asset for normal use, and these costs may not necessarily be associated with contamination.

Recording this liability will require the government to develop reasonable estimates for costs to clean up sites currently in use. Costs to be included in an ARO include:

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed.
- Remediation of contamination of a tangible capital asset created by its normal use.
- Post-retirement activities such as monitoring.
- Constructing other tangible capital assets to perform post-retirement activities.

When recording the ARO there will be a corresponding increase to the related tangible capital asset. A portion of the ARO will be amortized (expensed) each year in order to record the costs of retiring the tangible capital asset over the useful life of the asset. An example of an asset retirement obligation would be the cleanup of asbestos in buildings currently used by the government. If left undisturbed asbestos does not exceed environmental standards and as such does not meet the definition of a contaminated site. However, as buildings are renovated and removed from service any asbestos will be required to be disposed of meeting strict regulatory requirements. Under the new ARO accounting standard, the government will have to estimate the amount for the disposal of asbestos and record it as an ARO.

It is important that the government ensure that the ARO recorded in the Summary Financial Statements be developed in accordance with the PSAS standards.

The Province's contaminated sites liability is \$265 million

At March 31, 2020, Manitoba's liability for the cleanup costs of 408 contaminated sites is \$265 million (2019: \$271 million). This liability represents the future spending by the province to remediate contaminated sites. The balance for the contaminated sites liability is included on Schedule 5 and additional information is reported in Note 15 of the Summary Financial Statements.

Departments and Crowns are responsible for determining their own contaminated sites liability estimates. The breakdown of contaminated sites by department is noted in the table below:

Contaminated Site Liability			
Department	No. of sites	Total liability	% of total liability
Conservation and Climate	122	\$77,269,302	29
Conservation and Climate – Orphaned and Abandoned Mines	11	77,418,521	29
Infrastructure	249	107,402,166	41
Other departments	26	3,135,162	1
Total	408	\$265,225,151	100%

The Department of Conservation and Climate is responsible for \$154.7 million of the provincial contaminated sites liability. As indicated in the table above these sites are split into two groups. The first group consists of 122 sites totaling \$77.3 million. These sites along with the Department of Infrastructure's 249 sites totaling \$107.4 million have liabilities which mostly relate to fuel handling, chemical storage, and by-product waste.

Conservation and Climate's other group of 11 sites totaling \$77.4 million relates to the estimated remediation cost for orphaned and abandoned mine sites on Crown land. According to information on the Department's website, "these liabilities are for sites in which the owner cannot be found or is financially unable or unwilling to carry out site rehabilitation. Many of these sites were developed decades ago, before environmental impacts were fully understood and modern operating standards were developed." These mines can pose environmental, health, safety and economic risks to nearby communities.

Concerns with the process and practices related to contaminated sites liability estimates

No risk based priorities for site remediation at the provincial level

The Office of the Provincial Comptroller, in its Financial Administration Manual (FAM), outlines a process to identify and record liabilities for contaminated sites at a departmental level; however, there is no central process to assess risk and prioritize remediation work for all sites under the provincial responsibility.

Site risks and their related remediation requirements vary based on factors such as the:

- Type of contaminant at the sites and its impact on human health or the environment
- Current and planned use of the site and nearby properties
- Proximity of the site to residential areas and other areas regularly occupied by people, and
- Physical characteristics of the site.

Because remediation of contaminated sites is both complex and costly it is important for a central approach to ensure that the highest risk sites are remediated on a timely basis. As indicated in the table below, for the two departments with 99% of the 2020 liability total, many contaminated sites have been outstanding since 2009 without full remediation. Failure to remediate sites on a timely basis can result in both increased costs and further environmental damage.

Department	No of Sites Not remediated since 2009	Dollar Value of Sites not Remediated Since 2009
Conservation and Climate	120	\$75,998,802
Conservation and Climate –Orphaned and Abandoned Mines	10	\$58,396,014
Infrastructure	241	\$107,312,166
TOTAL	371	241,706,892

Recommendation 5: We recommend that the province develop a central process to assess risk and prioritize remediation work on contaminated sites.

Additional provincial comptroller oversight needed over estimates used in Summary Financial Statements

Annually, each department is required to provide a listing of its contaminated sites and related liabilities to the Office of the Provincial Comptroller. Despite guidance in the FAM on identification and recording of contaminated sites liabilities, there is no central oversight to ensure that the estimates provided are reasonable and supportable. As the contaminated sites liabilities provided by 2 of the departments are significant to the Summary Financial Statements, we would expect to see more oversight by the Office of the Provincial Comptroller on these estimates.

During the March 31, 2020 Summary Financial Statement audit, we found a lack of consistent evidence to support contaminated sites liabilities in our chosen sample.

In our samples from the Department of Conservation and Climate much of the evidence provided to us was information used in funding requests to Treasury Board. This information was lacking in detail and not supported by engineering or other information to quantify amounts and as a result did not meet the standard required for an accounting estimate. See Section 1.2 on accounting estimates.

As we were not provided with detailed information to support estimates, we made multiple requests to the Department of Conservation and Climate for additional information. We were told that because of the timing of our requests, and a lack of departmental staff resources we would receive staggered responses to our requests. These responses were not received on a timely basis and resulted in several months delay to our audit work on these estimates. If the Department of Conservation and Climate had initially prepared their estimates with sufficient support, as required under PSAS, these delays could have been avoided.

Recommendation 6: We recommend that the Office of the Provincial Comptroller use a risk based approach to ensure that contaminated sites liability estimates provided by departments for inclusion in the Summary Financial Statements are complete and adequately supported.

Outdated engineering reports used in estimates

As outlined above, contaminated sites liability estimates may be developed using the professional judgment of engineers and other experts. It is important to use up-to-date engineering and other related information as using outdated reports increases the risk that the liabilities for these sites are misstated due to changes in environmental standards or expected site remediation cost.

During the March 31, 2020 year-end audit work we found that information used to support the estimates – including engineering reports - was outdated, and for some sites information had not been updated since the liability was set up in 2009.

Although, the amount of the liability and its related disclosure in the Summary Financial Statements are not materially misstated, obtaining up-to-date reports on a regular basis would improve the accuracy of these estimates, in addition to helping with the planning and prioritization of site remediation.

Recommendation 7: We recommend that the departments use a risk based approach and obtain up-to-date engineering and other site related information for contaminated sites liabilities. Further we recommend that these engineering reports be updated every 5 years, or earlier, if conditions related to these sites change.

Inflation not always recorded on existing liabilities

As contaminated sites liabilities can take several years to remediate, it is important to adjust these liabilities annually for inflation to reflect the loss in purchasing power of money over time.

The FAM does include guidance to departments to adjust the contaminated sites liability for the inflationary pressures on the costs of inputs. The adjustment does not always occur. For the March 31, 2020 year-end, the department of Infrastructure did not adjust its contaminated sites liability of \$107.4 million for inflation. The last time the Department of Infrastructure adjusted its contaminated sites liability for inflation was in 2018. Although this omission does not result in a material misstatement to the financial statements, it is important to adjust the contaminated sites liability for inflation in order to have a more accurate estimate.

In February of each year, the Office of the Provincial Controller issues guidance to departmental executive financial officers on various financial reporting related issues in a Financial Administration Information Circular. There is no guidance included in this document for departments to adjust their contaminated sites liabilities for inflation at a prescribed rate. As this document is sent out annually it would be helpful to include this information to act as a reminder to departments.

Recommendation 8: We recommend that the Office of the Provincial Comptroller include information on the rate of inflation to be used on contaminated sites in its annual year –end Financial Administration Information Circular and ensure it has been appropriately applied to each department’s liabilities.

Website information on orphaned and abandoned mines is outdated

In reviewing departmental information related to our contaminated sites liabilities audit samples we looked at information posted on the department of Conservation and Climate’s abandoned mines website. We found outdated information related to the 5 high priority sites, with the most recent information related to these sites being from 2014. These 5 sites have a combined liability of \$51.9 million out of the department’s total \$77.4 million orphaned and abandoned mine contaminated sites liability. If information is provided, it is important in the interest of public accountability that this information be current.

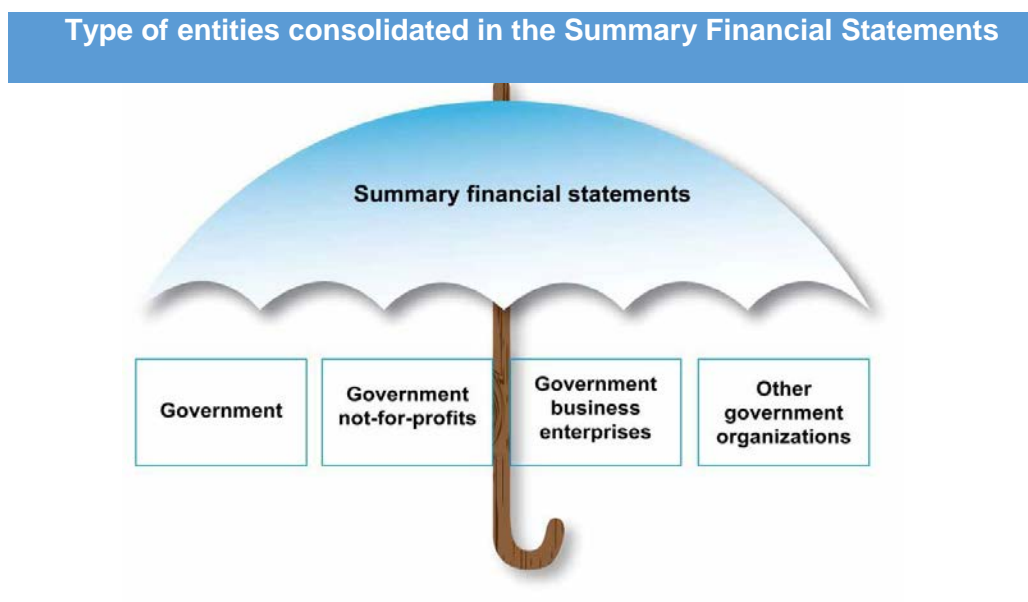
Recommendation 9: We recommend that the Department of Conservation and Climate update the information disclosed on its website related to orphaned and abandoned mines and review this information on an annual basis to ensure it remains current.

1.4 Consolidation Risks

Background

The Province's Summary Financial Statements is the consolidated financial statements of all 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) including Manitoba Hydro, Manitoba Public Insurance Corporation, Manitoba Liquor and Lotteries Corporation, and other entities such as universities, school divisions and regional health authorities. There are over 130 OREs in the GRE¹.

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



What is control?

An entity must be included as part of the government reporting entity under Public Sector Accounting Standards if they are controlled. Control is defined as the power to govern financial and operating policies of another organization with expected benefits or risk of loss to the government from the other organization's activities. Benefits may be of a financial or non-financial nature, as governments may use organizations to provide services and redistribute resources, not just for financial gain. For the purposes of assessing control under Public Sector Accounting Standards (PSAS), when a government has the power to govern the financial and operating policies of an organization, it is assumed it expects to derive a financial or non-financial benefit.

¹ See Schedule 8 of the Summary Financial Statements for a detailed listing.

The province directly controls 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.
- 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 related regulations set specific expectations regarding how these entities are to be managed. The Acts give significant power to the responsible Minister.

Area of significant audit risk

The Summary Financial Statements consolidate accounting information of over 130 separate entities. Some of these entities prepare their financial statements using different accounting policies than those used for the Summary Financial Statements. Because of these different accounting policies, adjustments must be made to restate financial information to be consistent with the province's accounting policies.

In addition, there is also a requirement to eliminate inter-entity transactions and balances. 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 Summary Financial Statements. Without this elimination, there would be a duplication of expenses (and revenues) in the Summary Financial Statements.

To prepare the Summary Financial Statements there is a large volume of information that must be collected and processed. The Office of the Provincial Comptroller oversees this process, requesting information from the controlled entities and compiling and consolidating this information.

There are 3 primary types of errors that we have found during our audits related to the consolidation:

- Errors related to assumptions required to restate the entities' financial information to the same accounting standards as the Province.

Some of the consolidation adjustments require assumptions or estimates to be made. The entity's financial information prepared under different accounting standards may not provide enough information to make the correct consolidation adjustments.

- Errors related to assumptions about inter-entity transactions.

The financial information provided by the entities may not have enough information about transactions and balances with other reporting entities that need to be eliminated for consolidation. The same transaction may be accounted for differently or at different times by each entity involved, and this must be recognized and considered to avoid errors upon consolidation adjustment.

- Manual Errors.

Currently, the consolidation of the government reporting entity is a manual process, and with any manual process, there is increased risk of error.

We have found a large number of errors in the consolidation adjustments in the past several years. Management corrected most of the errors we identified including all material errors related to the consolidation adjustments.

As this has been an area of increased risk and where errors have been noted for many years, we have provided a number of management letter recommendations to the Office of the Provincial Comptroller (Provincial Comptroller) in the past.

The focus of many of our recommendations has been for the Provincial Comptroller to improve communication and information sharing with the controlled entities. This would reduce the number of assumptions required to be made, and reduce the likelihood of errors being made upon consolidation due to the Office of the Provincial Comptroller not being aware of relevant events or transactions taking place within the GRE. When it comes to consolidation, communication and good information sharing is key to reducing the risk of error.

Some new processes have been put in place as a result of our recommendations. We continue to encourage the Provincial Comptroller to further improve communications with the entities in the GRE to reduce the risk of errors in the consolidated Summary Financial Statements.

Changes in accounting standards at some controlled entities

The Provincial Comptroller directed entities in the Health sector, including Regional Health Authorities and Shared Health to stop using optional not-for-profit accounting standards for the year ended March 31, 2019. Entities in the Education sector and several other sectors were directed to transition away from using optional not-for-profit specific accounting standards for the year ended March 31, 2020.

Prior to this change, for consolidation, a number of adjustments had to be made to align the accounting policies of these entities to those of the Province, and many times assumptions had to be made by the Office of the Provincial Comptroller. Going forward, when these entities conform to the policies used for the Summary Financial Statements, the risk related to assumptions, and related of consolidation errors will be reduced.

During the year of conversion to the policies used in the Summary Financial Statements there is an increased risk of errors. This is due to potential consolidation errors related to the adjustments to opening balances recorded by the entities, and the potential for errors if the entities account for significant transactions and balances inconsistently under the new standards.

Upon receiving the Universities' and Colleges' restated 2019 financial information, now prepared using the same accounting standards as the province, the Provincial Comptroller noted that due to incorrect assumptions being made in the prior years' consolidation adjustments, the prior year Summary Financial Statements had been misstated, and the 2019 comparative statements had to be restated based on this new information. The impact was an increase in the March 31, 2019 accumulated deficit of \$136 million. The primary cause of the prior period errors was the Office of the Provincial Comptroller making inappropriate assumptions related to which funds of the University of Manitoba were externally restricted.

As a result of receiving better information from the universities and colleges now that they follow the same accounting standards, the Office of the Provincial Comptroller identified errors related to prior periods due to incomplete information being received in those years.

1.5 Qualified Audit Opinion For 2020

Our audit opinion on the March 31, 2020 *Summary Financial Statements* of the Province was qualified for 2 issues. This was the third year in a row that our audit opinion on the *Summary Financial Statements* was qualified.

When an auditor has significant concerns that an entity's financial statements are not presented fairly, in accordance with Generally Accepted Accounting Principles (GAAP), the auditor will qualify the audit opinion. This means that in the auditor's opinion, the financial statements are presented fairly except for a material misstatement which would be significant to the users of those financial statements. The misstatement is explained in the auditor's report under the heading Basis for Qualified Opinion.

Qualified opinions should be a rare occurrence and should be taken seriously.

Canadian Public Sector Accounting Standards

For governments in Canada, the relevant GAAP is Canadian Public Sector Accounting Standards (PSAS). PSAS are a set of standards specifically designed for the Canadian public sector, by an independent standard setting body, the Public Sector Accounting Board.

Government financial statements serve the interests of a variety of users with different needs: the public, legislators, investors, analysts and other governments. As a result, adhering to independently set financial reporting 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 provincial jurisdictions.

Basis for qualified opinion

Excerpts of our qualified audit opinion including explanations of the two material misstatements are as follows:

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, 2020 and March 31, 2019.

In our 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, 2020 and March 31, 2019. 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 \$647 million, and accumulated deficit and net debt would each have decreased by \$647 million, the net income from government business enterprises would have increased by \$48 million, other comprehensive income would have decreased by \$33 million, and the annual surplus would have increased by \$48 million.

Additionally, the prior year equity in government business enterprises would have increased by \$632 million, and 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 loss would have decreased by \$27 million, and the annual deficit would have increased by \$53 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, 2020 and March 31, 2019.

In our opinion, the Trusts are assets under the control of the Province, and the financial position and results of operations should be consolidated into the summary financial statements for the years ended March 31, 2020 and March 31, 2019. 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 \$513 million, the accounts payable, accrued charges, provisions and unearned revenue would have increased by \$33 million, and accumulated deficit and net debt would each have decreased by \$513 million, the Agriculture and Resource Development expenses would have increased by \$19 million, the investment income would have increased by \$9 million, and the annual surplus would have decreased by \$10 million.

Additionally, the prior 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, accumulated deficit and net debt would each have decreased by \$490 million, the Agriculture and Resource Development 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.

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 \$43 million in the current year, and for the prior year would have an annual surplus of \$23 million. The accumulated deficit would be \$9,922 million at March 31, 2020, and \$10,034 million at March 31, 2019.

Combined impact on the annual deficit or surplus		
	2020 (\$ million)	2019 (\$ million)
Annual surplus (deficit) as presented	5	(149)
Operating (loss) surplus of Workers Compensation Board	48	(53)
Net (loss) income of MASC trusts	(10)	225
Annual surplus in accordance with Canadian public sector accounting standards	43	23
Combined impact on the ending accumulated deficit		
	2020 (\$ million)	2019 (\$ million)
Accumulated deficit as presented	(11,082)	(11,156)
Equity of Workers Compensation Board	647	632
MASC Trust Assets	513	490
Accumulated deficit in accordance with Canadian public sector accounting standards	(9,922)	(10,034)

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying *Summary Financial Statements* present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2020, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

2. Community Revitalization Fund

About the entity

The Community Revitalization Fund (CRF) was 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). The levies 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 Economic Development and Training. Management of the Community Revitalization Fund was transferred from the Department of Municipal Relations in November 2019 due to a cabinet shuffle and realignment of departmental responsibilities.

Our involvement

The Office of the Auditor General is appointed by the Department of Economic Development and Training 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, 2020. Areas of audit significance included:

- Fund disbursements

Our audit opinion on the statement of receipts and disbursements was unqualified with an emphasis of matter paragraph regarding the basis of accounting and restriction on distribution and use. We provided our audit results to members of the CRF’s senior management including the individual designated as the audit committee equivalent.

3. Co-operative Loans and Loans Guarantee Board

About the entity

The Co-operative Associations Loans and Loan Guarantee Board (CLLGB) was 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 5 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 are currently working on auditing the CLLGB's financial statements for the fiscal year ended March 31, 2020. Areas of audit significance included:

- Loans – Neechi Foods Co-op Ltd.

We plan to provide our audit results to the members of the Co-operative Loans and Loans Guarantee Board.

4. The Funeral Board of Manitoba

About the entity

The Funeral Board of Manitoba (Funeral Board) was 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*.

As of September 1, 2017 the Board has been assigned the responsibility under *The Prearranged Funeral Services Act* (Regulations).

The Funeral Board has 6 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, 2019. Areas of audit significance included:

- 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 following up on 1 recommendation from prior years. We presented our audit results to the members of the Funeral Board.

5. Liquor, Gaming and Cannabis Authority of Manitoba

About the entity

The Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) is a regulatory agency established under *The Liquor, Gaming and Cannabis Control Act*. LGCA regulates liquor sales, service and manufacturing, gaming employees, products and operations and cannabis sales and distribution.

LGCA is governed by its 7-member board functioning under the authority of *The Liquor, Gaming and Cannabis Control Act*. LGCA's Audit Committee reports to the Board.

Financial reporting requirements

An annual report must be issued within 6 months of fiscal year end in accordance with *The Liquor, Gaming and Cannabis 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, Gaming and Cannabis 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."

Audit results

We audited the LGCA's financial statements for the fiscal year ended March 31, 2020. Areas of audit significance included:

- Valuation of severance benefits and retirement benefits

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Audit Committee of LGCA's board and members of LGCA's senior management.

6. Manitoba Health Services Insurance Plan

About the entity

Manitoba Health Services Insurance Plan (MHSIP) was 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 4 months of its fiscal year end in accordance with *The Health Services Insurance 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.”

Audit results

We audited the MHSIP’s financial statements for the fiscal year ended March 31, 2020. Areas of audit significance included:

- Accuracy and Completeness of Accounts Payable and Accrued Liabilities
- Review of the timing of several transactions near the year-end related to the procurement of personal protective equipment in response to the COVID-19 pandemic.

Our audit opinion on the financial statements was unqualified. We presented our audit results to MHSIP’s senior management team, including the Assistant Deputy Minister who is the Chief Financial Officer for the Department of Health, Seniors and Active Living.

7. Public Schools Finance Board

About the entity

Public Schools Finance Board (PSFB) was 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 3 board members (one deputy minister, the Secretary to Treasury Board, and the Clerk of Executive Council and Cabinet Secretary). PSFB does not have an audit committee.

Financial reporting requirements

Financial statements must be issued within 6 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, 2019. Areas of audit significance include:

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

Our audit opinion on the financial statements was unqualified. As a result of our audits, we issued a management letter to the executive director of the Public Schools Finance Board following up on and the director of the Schools Finance Branch with one new recommendation and the follow-up on outstanding recommendations from prior years. We presented our audit results to the board 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.

8. University of Manitoba

About The Entity

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 6 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, 2020. Areas of audit significance included:

- Transition to Public Sector Accounting Standards without 4200 series.
- Valuation of employee future benefits and pension.

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Audit and Risk Management Committee of the Board and members of the University's senior management.

**Direct audits: Organizations outside the Government
Reporting Entity**

9. Civil Service Superannuation Fund

About the entity

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 the 9-member Civil Service Superannuation Board (CSSB) functioning under the authority of *The Civil Service Superannuation Act*. The 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 its 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, 2019. Areas of audit significance included:

- Valuation of Investments
- Valuation of Pension Obligations
- Subsequent events – impact of COVID-19 on future valuation of investments.

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Finance and Audit Committee of CSSB and members of its senior management team.

10. Legislative Assembly Pension Plan

About the entity

The Legislative Assembly Pension Plan (LAPP) was 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"). LAPP is maintained to provide a defined benefit pension plan for members of the legislative assembly.

CSSB's governance structure including its Finance and Audit Committee also applies to LAPP.

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 LAPP's financial statements for the fiscal year ended December 31, 2019. Areas of audit significance included:

- Valuation of Investments
- Valuation of Pension Obligations
- Subsequent events – impact of COVID-19 on future valuation of investments.

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 and members of its senior management team.

11. Public Service Group Insurance Fund

About the entity

The Public Service Group Insurance Fund (PSGIF) was 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 finance and audit committee, also applies to PSGIF.

Financial reporting requirements

The Public Servants Insurance Act requires that annual audited financial statements are to be prepared 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, 2020. Areas of audit significance included:
 - Valuation of Investments
 - Valuation of Provisions for Future Claims/Liabilities
 - Subsequent events – impact of COVID-19 on future valuation of investments.

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Finance and Audit Committee of the CSSB and members of its senior management team.

12. Teachers' Retirement Allowances Fund

About the entity

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

TRAF is governed by a board of up to 7 members functioning under the authority of the *Teachers' Pensions Act*. TRAF's Audit and Risk Committee reports to the board.

Financial reporting requirements

An annual report must be issued within 6 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, 2019. Areas of audit significance included:

- Contributions and contributions receivable
- Investments and investment income
- Pension benefits expense
- Pension obligations
- Subsequent events – impact of COVID-19 on future valuation of investments.

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Audit and Risk Committee of the board and members of TRAF's senior management.

13. Winnipeg Child and Family Services Employee Benefits Retirement Fund

About the entity

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 6 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 was 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 5-member Board of Trustees and does not have an audit committee.

Financial reporting requirements

Audited financial statements must be issued within 180 days of its 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 the fiscal year end.

Our involvement

The Board of Trustees engaged the Office of the Auditor General to audit the Fund's financial statements. We are not appointed by legislation as their auditor.

Audit results

We audited the Fund's financial statements for the fiscal year ended December 31, 2019. Areas of audit significance included:

- Valuation of Investments
- Valuation of Pension Obligations
- Subsequent events – impact of COVID-19 on future valuation of investments.

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 team.

14. Northern Affairs Fund

About the entity

The Northern Affairs Fund (NAF) was established under the *Northern Affairs Act* (the 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 6 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, 2016. This financial reporting was issued by the Department of Indigenous and Northern Relations in October 2020.

The Northern Affairs Fund audited financial statements for the year ended March 31, 2016 were finalized in October 2020; this was after release date of the March 31, 2020 Public Accounts, so they will be published in next year’s Public Accounts.

We have in the past written to the Minister responsible for NAF regarding the long delay in presenting statements for audit. We are currently working on the March 31, 2017 year-end audit and have worked with the department to develop a plan to bring its financial reporting up to date.

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.”

Audit results

We audited the NAF’s financial statements for the fiscal year ended March 31, 2016. Areas of audit significance included:

- Province of Manitoba – Community Council Funds Revenue & Community Council Funds Expenditures
- 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 executive financial officer of Manitoba Indigenous and Northern Relations.

Audits conducted by our agents

15. Brandon University

About the entity

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 and 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." We have a contract with a public accounting firm to perform the University's audits as our agent.

The University also appointed the Office of the Auditor General to provide a report on applying agreed upon procedures in evaluating compliance with the requirements for the William D. Ford Federal Direct Loan Program. Our Office is not legislatively required to be the auditor.

Audit results

We audited the University's financial statements for the fiscal year ended March 31, 2020. Areas of audit significance included:

- Transition to Public Sector Accounting Standards without 4200 series
- Consolidation of Brandon University Foundation
- Valuation of pension and severance pay liability

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

16. Helen Betty Osborne Memorial Foundation

About the entity

The Helen Betty Osborne Memorial Foundation (the Foundation) is established under *The Helen Betty Osborne Memorial Foundation Act*. The Foundation'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.

The Foundation is governed by its 7-member Board of Trustees acting under the authority of *The Helen Betty Osborne Memorial Foundation Act*. The Foundation does not have an audit committee.

Financial reporting requirements

An annual report including financial statements must be issued within 4 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 have a contract with a public accounting firm to perform the audit as our agent.

Audit results

Our most recent audit of the Foundation's financial statements was for the fiscal year ended March 31, 2017 which was not finalized until February 2020. We were unable to complete the audit sooner due to an inactive board.

We are currently working on the March 31, 2018, 2019 and 2020 year-end audits. Areas of audit significance included:

- Cash and bank
- Donation revenue
- Expenses - bursaries and scholarships
- The ability of the Foundation to continue as a going concern

Helen Betty Osborne Memorial Foundation (cont'd)

Our audit opinion on the 2017 financial statements was qualified due to the auditor's limited ability to verify completeness of donations, which is common for many charitable organizations.

The Department of Economic Development and Training is responsible for *The Helen Betty Osborne Memorial Foundation Act*. We have notified the Department about the fact we have not completed the 2018, 2019 and 2020 audits.

17. Leaf Rapids Town Properties Ltd.

About the entity

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 6-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.

Our involvement

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

Audit results

We are currently working on auditing the LRTP's financial statements for the fiscal year ended March 31, 2020. Areas of audit significance included:

- Loans payable to the Province of Manitoba
- The ability of LRTP to continue as a going concern
- Conversion of Loan from the Province to a Grant and write-off of interest payable on loans.

We plan to present our audit results to LRTP's board of directors and general manager.

18. Legal Aid Manitoba

About the entity

Legal Aid Manitoba (Legal Aid) was established under *The Legal Aid Manitoba Act* (the Act). The purpose of the corporation, as stated 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.

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

Financial reporting requirements

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

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

Our involvement

The 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."

We have a contract with a public accounting firm to perform Legal Aid's audits as our agent.

Audit results

We audited the Legal Aid's financial statements for the fiscal year ended March 31, 2020. Based on our planning, areas of audit significance included:

- Adoption of new PSAS Accounting Standards without Sections 4200 to 4270

Our audit opinions on the financial statements and statement of claim were all unqualified. We presented our audit results to the management council and members of Legal Aid's senior management.

19. Manitoba Agricultural Services Corporation

About the entity

Manitoba Agricultural Services Corporation (MASC) was 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 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, 2020. Areas of audit significance included:

- Loans receivable valuation
- Accounting Treatment of Trusts

Our audit opinion on the financial statements was qualified. The basis for our qualified opinion was that MASC has not consolidated the financial results and operations of the Production Insurance Trust and the Hail Insurance Trust (the Trusts) as part of its financial statements as of March 31, 2019. In this respect, MASC’s financial statements are not in accordance with Canadian Public Sector Accounting Standards.

Canadian public sector accounting standards require that a government entity consolidate entities under its control. In our opinion, MASC controls the Trusts and the financial results of the Trusts should be consolidated as part of MASC’s financial results as of March 31, 2020.

Manitoba Agricultural Services Corporation *(cont'd)*

As a result of our audits, we issued a management letter to MASC's president and CEO with 4 new recommendations and the follow up of 2 recommendations from prior years. We presented our audit results to the members of MASC's Board of Directors and Audit Committee and members of MASC's senior management.

20. Manitoba Habitat Heritage Corporation

About the entity

Manitoba Habitat Heritage Corporation (MHHC) was 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 7-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 have a contract with a public accounting firm to perform MHHC's audits as our agent.

Audit results

We audited MHHC's financial statements for the fiscal year ended March 31, 2020. Areas of audit significance included:

- Capital Assets – land and land use rights
- Prepaid land use rights and related funding
- Salaries and benefits
- Accounting for the Conservation Trust, Grow Trust, Wetlands grow Trust and Manitoba Habitat Heritage Corporation Fund
- Risk of Fraud in Management Expenses and Reimbursements
- Subsequent event – MHHC to become independent of government in future years
- Uncertainty of future impact related to COVID-19 pandemic

Manitoba Habitat Heritage Corporation *(cont'd)*

Our audit opinions on the MHHC's financial statements for March 31, 2020 was unqualified. As a result, we presented our audit results to the MHHC's management and the audit committee of the board of directors and issued a management letter to MHHC's CEO with no new items and the follow up of one item from prior years.

21. Manitoba Housing and Renewal Corporation

About the entity

The Manitoba Housing and Renewal Corporation (MHRC) was established under *The Housing and Renewal Corporation Act*. MHRC's mandate is to:

- enhance the affordability of and accessibility to adequate housing for Manitobans, particularly those of low to moderate incomes or those with specialized needs;
- maintain and improve the condition of existing housing stock;
- ensure there is an adequate supply of housing stock in Manitoba; and
- 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 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, 2020. 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 opinion on the financial statements was unqualified. We presented our audit results to the Deputy Minister of Families and the members of MHRC's board of directors.

22. Manitoba Learning Resource Centre

About the entity

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

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 6 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 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, 2020. Areas of audit significance included:

- Inventory

Our audit opinion on the financial statements was qualified, due to the inability of the LRC to count inventory at year end due to the closure of its warehouse as a result of the COVID-19 pandemic. We presented our audit results to LRC’s Chief Operating Officer.

23. Manitoba Water Services Board

About the entity

The Manitoba Water Services Board (MWSB) was 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 5 board 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 Manitoba 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, 2020. Areas of audit significance included:

- Construction in progress (unbilled construction costs) and grants to municipalities

Manitoba Water Services Board *(cont'd)*

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

24. Public Guardian and Trustee

About the entity

The Public Guardian and Trustee (PGT) was 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 *SOAFA*.

PGT 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.

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 6 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 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, 2020. 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 – Client Trust Assets and Liabilities
- Investments and interest income

Our audit opinion on the Public Guardian and Trustee SOA financial statements was unqualified.

Our opinion on the Public Guardian and Trustee Estates and Trusts financial statement is unqualified with an emphasis of matter paragraph regarding the basis of accounting and restriction on distribution and use. The Public Guardian and Trustee Estates and Trusts financial statement is not prepared in accordance with GAAP but to meet the requirements of Section 36(2) of *The Public Guardian and Trustee Act*. As it is prepared for the Public Guardian and Trustee and the Legislative Assembly, it should not be used by other parties.

We presented our audit results to the public guardian and trustee and the chief financial officer.

25. University College of the North

About the entity

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.

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 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, 2020. Areas of audit significance included:

- Transition to Public Sector Accounting Standards without 4200 series
- Accounts receivable and allowance for doubtful accounts
- Unearned revenue
- Accrued severance benefits
- Salaries and employee benefits expenses

Our audit opinion on the financial statements was unqualified. 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.

26. Brandon University Retirement Plan

About the entity

Brandon University Retirement Plan (BURP) was 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 its 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 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, 2019. 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.

Summary of Recommendations

RECOMMENDATION 1

We recommend the Provincial Comptroller require all entities within the government reporting entity to report, alleged or suspected fraud to the Province.

Response of officials:

Office of the Provincial Comptroller (OPC) agrees with the recommendation. A letter to require all entities within the GRE to report confirmed, alleged or suspected fraud to the Province has been sent.

In addition to the implementation of this recommendation, OPC has taken the additional step of developing a Fraud Policy. In the recent months, we have identified gaps in fraud policies, processes and reporting requirements and has established a work group to finalize a Fraud Policy that will consolidate all existing legislation and policies and clarify management responsibilities upon identifying, reporting and investigating fraud; as well as reporting the investigation findings and improving internal controls. The Fraud Policy will be circulated to Departments and to Deputy Ministers' Audit and Enterprise Risk Management Committee for feedback and approval.

OPC considers the recommendation implemented.

RECOMMENDATION 2

We recommend the Office of the Provincial Comptroller implement a policy for recording accounting estimates. This policy should include at a minimum:

- requirements for documentation of the model and methodology used to create the estimate,
- support for all assumptions used,
- an assessment of the need for the use of experts, and
- a risk based review process by the Office of the Provincial Comptroller for departmental estimates.

Response of officials:

Office of the Provincial Comptroller is in agreement and will develop a Policy, communicate it to Government Reporting Entity and include it in the Financial Administration Manual.

RECOMMENDATION 3

We recommend the Office of the Provincial Comptroller implement a process to ensure delegation of financial signing authority charts at the departmental level are reviewed and updated in accordance with the Province's Financial Administration Manual.

Response of officials:

Office of the Provincial Comptroller agrees with this recommendation and has made policy and processes changes to fully implement the recommendation.

As per Chapter 2 of the Financial Administration Manual, departments are required to submit their Delegation of Financial Signing Authority charts to the Manager Policy, Communication and Training in the Office of the Provincial Comptroller minimally on a yearly basis. Departments receive regular follow-ups if charts are not submitted to OPC as a control and compliance measure.

Departments are also required to submit updated charts when:

- A new Minister is appointed;
- any major reorganization affecting the department occurs, including transfers of responsibilities between departments;
- there is any change to an Act or policy which will affect existing delegations; and,
- a direction is received from the Deputy Minister, Agency Head or departmental Executive Financial Officer (EFO).

A series of training sessions for departments was held in February 2020 on the policy, obligations to keep charts up to date and to submit to OPC on a minimum annual basis.

In addition, Central Accounts Payable in Manitoba Finance performs compliance checks to:

- Determine whether the Payment Authority was exercised following receipt of certification from the Spending Authority that the work performed, goods supplied and/or services rendered were satisfactory in accordance with the agreed terms.
- Determine whether the DFSA Chart was up to date applicable to documentation under review, with written confirmation of all additions, changes and deletions, with completed, applicable specimen signature cards.

OPC reviews (spot checks) the charts for compliance to the delegation limits defined in the General Manual of Administration.

OPC considers the recommendation implemented.

RECOMMENDATION 4

We recommend the Civil Service Commission develop and implement a process to ensure that all HR Master Data is supported by documents in the employees' personnel file.

Response of officials:

Civil Service Commission agrees with the recommendation. The following action items are implemented to ensure changes in employee files are authorized and supported by documents in the employees' personnel file.

1. A Pay and Benefits Orientation Business Process was implemented in 2016, which includes a "Payroll Forms Checklist". The business process and checklist outline all documentation that is required for a new hire. These documents are also posted on the CSC intranet for new employees and the checklist is completed by the Payroll Benefit Consultant (PBC) and included in the new employee file.
2. The CSC has implemented a number of SAP reports to audit HR Master Data Changes which are run bi-weekly. They include Task Monitoring, Benefits Eligibility, Payroll Reasonableness Check, Validation of Pension Earnings and Service, Payroll Exception Checks, Attendance Data, Arrears and non-effected deductions and Pay Scale Group Changes. These reports are reviewed by PBCs to ensure no unauthorized changes are processed.
3. Comprehensive Training Manual was implemented in 2019 and all staff have received training. The Manual includes direction for authorization and supporting documentation.

4. There may be instances where supporting documentation may not be available such as enrollment to Group Life Insurance by default at the maximum units where the employee does not provide an application form. In the cases where supporting documentation is not available, the PBC will notify the employee in writing that they have been enrolled and file the communication in the employee file.
5. CSC considers the processes in place is adequate to ensure there are no unauthorized changes to Payroll Master Data. In order to ensure supporting documentation is added to employee personnel files on a timely basis, the following additional assurance steps will be taken:
 - a. A new process for spot checks of supporting documentation in employee personnel files will be implemented.
 - b. The new process for the spot checks as well as the requirement of ensuring supporting documentation is filed in personnel files will be communicated to all payroll staff.

RECOMMENDATION 5

We recommend that the province develop a central process to assess risk and prioritize remediation work on contaminated sites.

Response of officials:

Office of the Provincial Comptroller agrees with the recommendation and implementation is under way. OPC will develop a central process to confirm the liabilities and rank them by risk. The Departments are responsible for establishing a work plan for priority remediation of the sites and manage the remediation. For department specific work, OPC and the Departments have retained consultants to assess risk and validate the estimates, which will inform Departments work plans.

A site is deemed to be high risk if it has a high assessed rating on the National Classification System for Contaminated Sites (NCSCS). Other factors that are assessed in addition to the NCSCS include material financial liability and potential immediate and serious risk to human health. The remediation work will be prioritized and completed by the Departments based on risk.

The following are specific actions taken by the OPC and the Departments at the department level to date:

1. Conservation and Climate has 11 “Orphaned and Abandoned Mines” for a total liability of \$77.4 M. In October 2020, in consultation with the OPC, the department retained six
2. Consulting firms to update the condition of the site and estimate costs to remediate / rehabilitate Orphaned and Abandoned Mines for the remaining sites. The liability for the remaining sites will be accrued in 2020/21 and the work of the Consulting Firms will advise the Department’s Work Plan to carry out the remediation and rehabilitation work on Orphaned and Abandoned Mines based on risk.
3. Conservation and Climate has 122 “Contaminated Sites” for a total liability of \$77.3 M. The Department ranks the sites that are identified by the Environmental Remediation Program using the National Classification System for Contaminated Sites (NCSCS). An internal ranking system has been developed by the Department that further ranks sites from Class A to Class D based on legislative requirements, potential immediate and serious risk to human health, such as potable water impacts or known vapour inhalation risk and other legal obligations.
4. Manitoba Infrastructure has 249 “Contaminated Sites” for a total liability of \$107.4 M. OPC and the Department is in process of engaging independent consultants to independently verify the methodology for calculating the liabilities, assess the risk and plan for remediation work on contaminated sites.

RECOMMENDATION 6

We recommend that the Office of the Provincial Comptroller use a risk based approach to ensure that contaminated sites liability estimates provided by departments for inclusion in the Summary Financial Statements are complete and adequately supported.

Response of officials:

Office of the Provincial Comptroller agrees with the recommendation and implementation is under way. OPC and the Departments are in the process obtaining independent validation of the liabilities through third party consultants, where detailed estimates by engineers are not available. OPC is engaging a third party consultant to work with Manitoba Infrastructure to evaluate the assumptions and methodology used to assess the current level of liability.

RECOMMENDATION 7

We recommend that the departments use a risk based approach and obtain up-to-date engineering and other site related information for contaminated sites liabilities. Further we recommend that these engineering reports be updated every 5 years, or earlier, if conditions related to these sites change.

Response of officials:

Office of the Provincial Comptroller agrees with the recommendation and implementation is under way.

It was determined that for some contaminated sites liabilities, engineering and other site related information for was not up to date. OPC is working with Departments confirm the internal methodologies used for assessing contaminated sites liabilities and obtain up-to-date verification of the estimates. OPC will seek confirmation that departments update the engineering reports every 5 years or earlier for high risk sites.

RECOMMENDATION 8

We recommend that the Office of the Provincial Comptroller include information on the rate of inflation to be used on contaminated sites in its annual year –end Financial Administration Information Circular and ensure it has been appropriately applied to each department's liabilities.

Response of officials:

The Office of the Provincial Comptroller agrees with the recommendation. The Province's discount rate and year over year rate of inflation will be calculated as of December 31, and included in the Financial Administration Information Circular forwarded to the departments in February to be applied to year end liabilities every year. OPC will check to ensure inflationary factor has been appropriately applied to each department's liabilities.

RECOMMENDATION 9

We recommend that the Department of Conservation and Climate update the information disclosed on its website related to orphaned and abandoned mines and review this information on an annual basis to ensure it remains current.

Response of officials:

The Department of Conservation and Climate will update its orphaned and abandoned mine website.

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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