



**Auditor General**  
MANITOBA

---

Report to the Legislative Assembly

**Public Accounts and  
Other Financial Statements**



December 2019





December 2019

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

Honourable Ms. Driedger:

It is an honour to submit my Special Report to the Assembly titled, *Public Accounts and Summary Financial Statements*, to be laid before the Legislative Assembly in accordance with the provisions of Sections 10(1) and 28 of *The Auditor General Act*.

Respectfully submitted,

A handwritten signature in black ink that reads "Norm Ricard".

Norm Ricard, CPA, CA  
Auditor General



# Table of contents

- Auditor General's comments ..... 1
- Introduction ..... 3
- The financial statement audits we conducted in 2018/19 ..... 5
  - Direct Audits: Organizations within the Government Reporting Entity ..... 11
  - Direct Audits: Organizations Outside the Government Reporting Entity ..... 41
  - Audits Conducted By Our Agents..... 49



## Auditor General's comments

In this report we provide brief summaries of each financial statement audit we do directly and those where we use an agent to conduct the work on our behalf. In each summary we identify the areas of audit significance and note whether we issued a “qualified” or “unqualified” audit opinion. Members should pay particular attention to any financial statement that is accompanied by a qualified opinion. For the year ended March 31, 2019 we qualified our audit opinions for the Manitoba Agricultural Services Corporation and for the Province's *Summary Financial Statements*.

In the section related to the Province's *Summary Financial Statements*, in addition describing our qualifications, we have also included a discussion on the Fiscal Stabilization Account. Our comments here are aimed at explaining what the account is, how it is used, and how it is accounted for within the *Summary Financial Statements*.

As discussed in our Operations Report for the year ended March 31, 2019, we are concerned that the time we spend on financial statement audits is not focused on the best mix of entities. Many of the 26 financial statement audits that we perform are the result of a legislative requirement, rather than importance or significance of the entity within the government reporting entity. We believe this has resulted in Office resources being used to audit entities that may be considered of lower importance relative to other government entities.

This is of concern because Section 10(2) of the Auditor General Act requires that I report to the Assembly anything my team finds during our financial statement audit work that I consider should be brought to the Assembly's attention, including matters such as the lack of compliance with authorities and where public money is expended for purposes other than those for which it was appropriated. While these matters are always concerning, no matter the significance or size of the entity, such occurrences should, in particular, be brought to the Legislative Assembly's attention



when they relate to entities that they view as being of strategic importance. This Office is the only audit office poised to provide the Legislative Assembly with this information.

We identified several factors that could be used, singularly or cumulatively, to determine the importance or strategic significance of an entity within the GRE, including:

- Level of annual expenses
- Value of assets held
- Type of service delivered
- Significant changes to the organization
- Complexity of accounting.

We scored each entity in the GRE against each of these factors to calculate a significance score for each entity. We then ranked all the entities based on their significance score and categorized the entities into 4 levels of significance: high, medium, low and very low. We noted that only 4 of the financial statement audits conducted by my Office or our agent are on entities we assessed as being of high strategic importance to the Legislative Assembly. Our work on these 4 audits (which includes the *Summary Financial Statements* of the Province) took slightly more than half of the approximately 24,000 staff hours that we allocated to financial statement audits.

We are developing a plan on how to be more engaged from a financial statement audit or related project perspective with entities of strategic importance to the Legislative Assembly. Such entities include school divisions, regional health authorities and government business enterprises.

In future iterations of this annual report on the financial statement audits conducted by the Office, we will advise the Assembly of our progress in moving towards a more strategic mix of financial statement audits and related projects.

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



**Norm Ricard, 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 my main responsibilities as outlined in section 9 of the Act is to conduct and report on financial statement audits.

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

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

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

## 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* (SFS) and other supporting information as required by legislation. The Public Accounts are published in four volumes.

Volume 1 contains:

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

Volume 2 contains supplemental information including an audited schedule of public sector compensation payments of \$75,000 or more and an unaudited statement of payments in excess of \$50,000 to corporations, firms, individuals, other government and government agencies.

Volume 3 contains supplemental information on the core government and other statutory reporting requirements. This information is unaudited with the exception of the financial statements of the Northern Affairs Fund.

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

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

We conduct our audit in accordance with Canadian generally accepted auditing standards (GAAS). The standards outline the processes and procedures an auditor should follow to perform the audit appropriately. Our report on the Province's *Summary Financial Statements* as at March 31, 2019 presents a qualified audit opinion.

## 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 2019, 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.

# The financial statement audits we conducted in 2018/19

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 each entity is required to produce and adhere to.**
- **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 is a presumed significant risk of material misstatement in revenue recognition and management override of internal controls due to fraud. We perform audit procedures to address those 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.

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

## Direct Audits: Organizations within the Government Reporting Entity

1. Province of Manitoba Summary Financial Statements .....	13
The Fiscal Stabilization Account .....	20
The Use Of Trusts And Other Ways To Segregate Funds.....	27
Regional Health Authorities - Accounting Policies Change .....	31
2. Community Revitalization Fund.....	34
3. Co-operative Loans and Loans Guarantee Board .....	35
4. The Funeral Board of Manitoba.....	36
5. Liquor, Gaming and Cannabis Authority of Manitoba.....	37
6. Manitoba Health Services Insurance Plan .....	38
7. Public Schools Finance Board .....	39
8. University of Manitoba .....	40

## Direct Audits: Organizations Outside the Government Reporting Entity

9. Civil Service Superannuation Fund .....	43
10. Legislative Assembly Pension Fund.....	44
11. Public Service Group Insurance Fund .....	45
12. Teachers' Retirement Allowances Fund .....	46
13. Winnipeg Child and Family Services Employee Benefits Retirement Fund .....	47
14. Northern Affairs Fund .....	48

## Audits Conducted By Our Agents

15. Brandon University.....	51
16. Helen Betty Osborne Memorial Foundation.....	52
17. Leaf Rapids Town Properties Ltd.....	54
18. Legal Aid Manitoba.....	55
19. Manitoba Agricultural Services Corporation .....	56
20. Manitoba Habitat Heritage Corporation .....	57
21. Manitoba Housing and Renewal Corporation .....	58
22. Manitoba Learning Resource Centre .....	59
23. Manitoba Water Service Board .....	60
24. Public Guardian and Trustee .....	61
25. University College of the North .....	63
26. Brandon University Retirement Plan.....	64

THIS PAGE IS INTENTIONALLY LEFT BLANK



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

THIS PAGE IS INTENTIONALLY LEFT BLANK

# 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 Board (PSAB).

## Financial Reporting Requirements

As at March 31, 2019, section 65 of the *Financial Administration Act* specified the reporting requirements for the Public Accounts. Under this legislation, the Province was required to issue:

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

The Province is also required by various other pieces of legislation to issue other financial information. This information is published as part of the Public Accounts. This information is unaudited, except for the *Schedule of Public Sector Compensation of \$75,000 or More* (prepared under The *Public Sector Compensation Disclosure Act*) and the Northern Affairs Fund (prepared under the *Northern Affairs Act*).

## Our Involvement

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.

## Audit Results

We audited the Public Accounts for the fiscal year ended March 31, 2019. Areas of audit significance included:

- Workers compensation board status within the Government Reporting Entity
- Accounting treatment of MASC trusts
- Winnipeg Foundation agreements (See section below entitled “The Use of Trusts and Other Ways to Segregate Funds”)
- Change in accounting standards used by healthcare entities (See section below entitled “Regional Health Authorities – Accounting Policies Change”)
- 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 entitled “Qualified Audit Opinion for 2019”).

We issued an unqualified audit opinions on the Fiscal Stabilization Account “Rainy Day Fund” Statement of Transfers and Account Balance (See further discussion in section below entitled “The Fiscal Stabilization Account”).

- 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, the Secretary to Treasury Board, as well as the Provincial Comptroller and other members of senior management from the Province's Department of Finance.

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

- Qualified Audit Opinion for 2019
- Impact of our qualified audit opinion on other financial information presented by government
- The Fiscal Stabilization Account
- The Use of Trusts and Other Ways to Segregate Funds
- Regional Health Authorities – Accounting Policies Change

## QUALIFIED AUDIT OPINION FOR 2019

Our audit opinion on the March 31, 2019 *Summary Financial Statements* of the Province was qualified for two issues. This was the second year in a row that our audit opinion on the *Summary Financial Statements* was qualified.

In September 2019, we released a Special Report called **Understanding my Audit Opinion on Manitoba's March 31, 2019 Summary Financial Statements** to provide the Legislative Assembly additional timely information on the 2 accounting issues.

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, 2019 and March 31, 2018.

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

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

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

### **Failure to recognize controlled assets**

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

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

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

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

### Combined impact of departures from PSAS

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

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

### Qualified Opinion

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

## IMPACT OF OUR QUALIFIED AUDIT OPINION ON OTHER FINANCIAL INFORMATION PRESENTED BY GOVERNMENT

The Province's *Summary Financial Statements* are accompanied by our auditor's report, which explains the qualifications we have placed on our audit opinion. It also discloses how the financial information in the *Summary Financial Statements* would change if the misstatements were properly recorded in accordance with Public Sector Accounting Standards. A reader can then determine whether the misstatements impact their planned use of the information in the *Summary Financial Statements*.

The Province's summary financial results are used or referenced in many other areas, including other information within Volumes 1-3 of the Public Accounts. My auditor's report on the *Summary Financial Statements* includes a section on other information presented with the *Summary Financial Statements*. In this section of the auditor's report, I conclude that the other information is materially misstated with respect to the exclusion of WCB and the MASC trusts for items affected by these

departures from PSAS. Our Auditor's Report cautions readers of the "other information" in the Province's Public Accounts as per the following extract:

### **Other Information**

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

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

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

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

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

Two significant items affected in other information contained in the Public Accounts are the Financial Statement Analysis and Discussion and the *Statement of Calculation of Surplus or Deficit Under the Fiscal Responsibility and Taxpayer Protection Act*. We discuss these items below.

### **Financial Statement Analysis and Discussion**

In the Public Accounts Volume 1, before the audited summary financial statements, the Province includes their "Financial Statement Discussion and Analysis (FSD&A)." The purpose of the FSD&A is to clearly explain and highlight information underlying the financial statement balances and results for the period. FSD&A includes key indicators of financial position, as well as explanations and illustrations of variances and trends. Our qualifications on the Summary Financial Statements also impact where the relevant figures are used in the FSD&A. For example, the FSD&A discusses a net loss for the year of \$163 million, whereas in our opinion the Province incurred a net surplus of \$7 million. The Province also presents a variance analysis related to different components of the financial statements. In their analysis they note a \$6 million increase from the 2017/2018 actual expenses for Community, Economic and Resource Development (CERD) and the 2018/19 expense for this category. However, this category included expenses the Province recorded related to the



transfers into the MASC trusts. In our opinion, in both 2019 and 2018 this category was materially misstated, and the actual increase in CERD expenses should have been \$46 million.

It's always incumbent on the readers of the FSD&A, no matter the entity, to first review the related financial statements and the Auditor's Report thereon. This will ensure they are aware of any material concerns the auditor may have regarding the financial statements.

### ***Statement of Calculation of Surplus or Deficit Under the Fiscal Responsibility and Taxpayer Protection Act***

The Province prepares an unaudited *Statement of Calculation of Surplus or Deficit Under the Fiscal Responsibility and Taxpayer Protection Act*. This Act sets an annual deficit reduction target for the government to meet. If the target is not met, ministerial salaries are reduced. The legislation requires the publication of the above noted statement.

The Act requires that the calculation of the surplus or deficit used in this statement start with the audited summary financial statement surplus or deficit and then adjust it according to the Act. In the 2018 and 2019 *Statements of Calculation of Surplus or Deficit under the Fiscal Responsibility and Taxpayer Protection Act*, the deficit used in the calculation was the deficit presented by the government in the *Summary Financial Statements*. While this is the deficit reported in the audited financial statements, our auditors' report indicates that we believe this deficit is materially misstated.

When audited information is specifically requested, the purpose is typically because the user of the audited information wants external assurance that the numbers are not materially misstated. But when presented with a qualified audit opinion, a prudent user would need to read the financial statements in conjunction with the qualification presented by the auditor. Financial Statements which have been audited and that received a qualified opinion are materially misstated, for the matter discussed in the qualification. Audited financial statements should always be used with auditor's report in hand.

## THE FISCAL STABILIZATION ACCOUNT

This year in Volume 1 to the Public Accounts we noted two very prominent references to the Fiscal Stabilization Account as noted below.

- The Year-End Review by the Minister of Finance (page 7 of Volume 1) discusses the account (referring to it as the Rainy Day Fund) as follows:

*We have once again surpassed our targets under Manitoba's balanced budget law, which required our government to reduce the summary deficit by \$100 million this year. We have contributed an additional \$407 million into the Rainy Day Fund, which is eight times the amount originally budgeted. As a result of our efforts, the fund balance at the end of March 2019 has reached \$572 million, the highest level since 2010/11.*

- The 2018/19 Financial Highlights section of the Financial Statement Discussion and Analysis (p.23-24 of Volume 1) discussed the account (again by referring to it as the Rainy Day Fund) as follows:

*Government surpassed its targets under Manitoba's balanced budget law, which required government to reduce the deficit by \$100 million this year.*

*The in-year savings are driven by many onetime, non-recurring events. In order to take advantage of this one-time fiscal windfall, \$357 million is being added to the \$50 million budgeted for deposit into the Rainy Day Fund.*

*The balance of \$572 million in the Rainy Day Fund has reached its highest level since 2010/11 (see table below). These funds will be available for future operating requirements of the Government of Manitoba.*

Note: the referenced table has not been reproduced here.

Given that these comments were made within the context of discussing the *Summary Financial Statements*, we believe that additional information on the Fiscal Stabilization Account would help ensure the Members of the Assembly have more fulsome information on the impact of the Fiscal Stabilization Account on the financial information presented in the *Summary Financial Statements*. To do this, we present the following discussion in question and answer format.

To be clear, we are not commenting on the merits of the decisions made related to the Fiscal Stabilization Account. Our goal is to promote a greater understanding of the accounts, as it relates to the *Summary Financial Statements*.

## What is the Fiscal Stabilization Account?

The Fiscal Stabilization Account is the current form of what was originally the “Fiscal Stabilization Fund”. The “Fiscal Stabilization Fund” was originally created by legislation in 1989 – it was a fund with its own assets separate from the “operating fund.” (The operating fund refers to the “consolidated fund” defined in the Financial Administration Act.) At that time the legislation for the Fiscal Stabilization Fund (FSF) required assets of the fund be held outside of the Province’s Operating Fund. As such, transfers into the FSF were recorded as expenses of the operating fund, and transfers out of the FSF were recorded as revenue of the operating fund.

In 2009 the *Fiscal Stabilization Fund Act* was repealed. Amendments to the *Financial Administration Act* in 2009 continued the FSF as an account within the operating fund. As it is no longer a separate fund, it is now called the Fiscal Stabilization Account (FSA). With these legislative changes, the requirement for separate funds to be set aside also was removed.

## Why does the government refer to the FSA as the Rainy Day Fund?

The government refers to the FSA as the “Rainy Day Fund” (RDF) because they designate certain assets within the operating fund equal to the balance in the FSA as the Rainy Day Fund. In 2017, the government changed the name of the “Fiscal Stabilization Account Statement of Transfers and Balance” to be “Rainy Day Fund Statement of Transfers and Balance (see page 141 of 2019 Public Accounts Volume 1).

## Excerpt from the Financial Administration Act

### *Fiscal Stabilization Account*

26.1(1) The fiscal stabilization fund established under The Fiscal Stabilization Fund Act is continued as an account within the Consolidated Fund and is to be known as the “fiscal stabilization account”.

### *Target level*

26.1(2) The Minister of Finance shall make every effort to ensure that the balance in the fiscal stabilization account as at the end of each fiscal year is at least 5% of the core government expenditures for that year.

### *Annual transfer to account*

26.1(3) After the end of each fiscal year, the Minister of Finance may, with the approval of the Lieutenant Governor in Council, transfer to the fiscal stabilization account from core government operations an amount determined by the Minister.

### *Use of account*

26.1(4) The Minister of Finance may, with the approval of the Lieutenant Governor in Council, apply all or any part of the balance in the fiscal stabilization account to support core government operations in a fiscal year or to repay debt.

**Are there actual assets (investments) linked to the FSA? If so, are these assets included in the Summary Financial Statements?**

There is no requirement in either the *Financial Administration Act* or the *Fiscal Responsibility and Taxpayer Protection Act* for assets to be designated specifically for the Fiscal Stabilization Account.

However, in practice the Province has been designating some of its operating fund's cash and investments in a separate portfolio referred to as "Rainy Day Fund". The total investments and cash in the "Rainy Day Fund" equals the balance in the Fiscal Stabilization Account.

As the designated cash and investments are assets of the operating fund, they are included in the *Summary Financial Statements* within the total cash and investments balances.



**Does a transfer in or out of the account represent an actual use of cash?**

A transfer in or out of the FSA does not involve cash. While the Province has designated some cash investments to match the FSA balance, there is no legislation requiring cash or investments to be designated. Therefore, a transfer in or out of the FSA does not require that a transfer in or out of the designated cash and investment portfolio occur.

**Do transfers in or out of the FSA impact the Province's reported deficit in the SFS?**

The FSA does not impact the financial results of the Province as reported in the *Summary Financial Statements* (SFS). The FSA is included within the accumulated deficit balance in the Province's Consolidated Statement of Financial Position.

The FSA is an account within the government's "operating fund." Transfers in are not recorded as an expense of government, nor are transfers out recorded as revenue of government. Transfers are an accounting entry within the accumulated deficit of government.

Transfers in and out of the FSA are used in calculations required by the *Province's Fiscal Responsibility and Taxpayer Protection Act* (balanced budget legislation) - discussed further below.

### Why does the government make transfers in or out of the FSA?

#### *To meet deficit targets under the Fiscal Responsibility and Taxpayer Protection Act*

Transfers in and out of the FSA are included when calculating the Deficit balance for the purposes of the *Fiscal Responsibility and Taxpayer Protection Act*. This balance is disclosed in Volume 3 of the Public Accounts in the *Statement of Calculation of Surplus or Deficit under the Fiscal Responsibility and Taxpayer Protection Act* (unaudited).

The *Fiscal Responsibility and Taxpayer Protection Act* (balanced budget legislation), sets out a target deficit ("the baseline amount") for the government to hit each year, until they achieve a balanced budget. The baseline amount in 2018 was the budgeted deficit and each subsequent year the calculated deficit target is at most \$100 million lower than the previous year's target.

In determining each year's actual calculated deficit under the Act, the Summary financial statement deficit is used as the starting point. A number of adjustments outlined in the Act are then made to get to the "calculated deficit" used for determining whether the target "baseline amount" was met. The adjustments made to get to the calculated deficit for 2019 are outlined in the following table.

<b>Fiscal Responsibility and Taxpayer Protection Act (FRTPA)</b>	<b>(\$ millions)</b>
Summary Financial Statement Deficit	(\$163)
Less: Manitoba Hydro Net Income	(121)
Less: Transfers into Fiscal Stabilization Account	(407)
Less: Adjustments for Other Items	0
<b>Deficit Balance for the Purposes of the FRTPA</b>	<b>(\$691)</b>

For 2019, before the transfer into the FSA took place, the government had surpassed the required reduction to the calculated deficit under the balanced budget legislation. Its target deficit was \$824 million. Prior to the transfer to the FSA, the calculated deficit was \$284 million, exceeding the

legislated target by \$540 million. By transferring \$407 million into the FSA, the government exceeded the 2019 target by only \$133 million. This increased balance in the FSA is now available to the government in a future year to meet their legislated target deficit.

For example, in 2020, the baseline deficit target for the government is \$724 million – which reflects the legislated reduction of \$100 million over the 2019 target. If the calculated deficit after the legislated adjustments under the balanced budget legislation is higher than \$724 million, the government can then initiate a transfer out of the FSA to adjust their calculated deficit to meet their target.

### ***To meet requirements of the Financial Administration Act***

There are no requirements to transfer a certain amount in each year; instead the FAA, Section 26.1(2), requires that the Minister of Finance “make every effort to ensure that the balance in the fiscal stabilization account at the end of each fiscal year is at least 5% of the core government expenditures for that year.”

What is meant by making every effort is not defined. As such, it is in effect at the Minister’s discretion to determine how much to transfer in each year. As at March 31, 2019, 5% of core government expenditures equaled \$697 million; the balance of the FSA at that date was \$572 million.

### **Can transfers only occur when the government is in a surplus position?**

While the legislation indicates the amount is to be transferred “from core government operations”, there is no requirement that the “core government operations” be in a surplus position. In the year ended March 31, 2019, in the unaudited core government revenue and expense details, the total revenue was recorded as \$13,613 million and the total expenses \$13,944 million; expenses exceeded revenues by \$331 million. During this same year the Minister transferred \$407 million into the FSA.

### ***When transfers into the account can be made***

Under the *Financial Administration Act (FAA)*, Section 26.1(3), after the end of each fiscal year, the Minister of Finance may, with the approval of the Lieutenant Governor in Council, transfer to the fiscal stabilization account from core government operations an amount determined by the Minister.

### ***When transfers out of the Account can be made***

Under the FAA, Section 26.1(4) the Minister of Finance may, with the approval of the Lieutenant Governor in Council, apply all or any part of the balance in the fiscal stabilization account to support core government operations in a fiscal year or to repay debt.

## How does designating cash and investments (the total to match the FSA) help the Province? Is it a tool to help manage cash?

Designating certain assets as “Rainy Day Fund” that match the FSA balance is, in effect, a cash management tool. It helps the government determine how much of its cash and investments are readily available or liquid. These designated cash and investments can be used by the Province to pay for unanticipated costs.

For example, the Province could experience significant unanticipated cash requirements when there is a significant flood or forest fires. In these cases the Province would need to obtain a significant amount of cash quickly – this could lead to having to borrow at unfavorable rates, depending on the current market rates. The designated cash and investments could be drawn down in these circumstances to meet the cash flow needs of the Province.

If the Province uses the designated cash and investments as a source of cash, this would not require a transfer out of the FSA – that would be another decision to be made by government since the cash and investments are not related to the legislated FSA balance.

### Our Audit

The OAG is the auditor of the Fiscal Stabilization Account “Rainy Day Fund” Statement of Transfers and Account Balances. In the Financial Administration Act, section 65 (1) requires the Public Accounts to include “a statement that summarizes the transfers in and out of the fiscal stabilization account under section 26.1 for the fiscal year and shows its balance at the end of the fiscal year.”

We are then responsible for the audit based on section 9(3) of the Auditor General Act, which states that, the Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under The Financial Administration Act, and any other statements the Minister of Finance presents for audit. We provide an opinion, included below.

### **Opinion**

I have audited the accompanying Fiscal Stabilization Account “Rainy Day Fund” Statement of Transfers and Account Balance of the Province of Manitoba (“the Province”) for the year ended March 31, 2019 (“the statement”). In my opinion, the financial information in the Fiscal Stabilization Account “Rainy Day Fund” Statement of Transfers and Account Balance of the Province of Manitoba for the year ended March 31, 2019 is prepared, in all material respects, in accordance with Note 2 to the statement.

When we perform the audit, all we are providing assurance on, is that any transfers in or out of the account have been authorized by an Order in Council, which provides evidence of the authorization required for transfers in and out of the account under the Financial Administration Act. In our Auditor's Report, we highlight this in an emphasis of matter paragraph which is included below.

***Emphasis of Matter - Basis of Accounting***

I draw attention to Note 2 to the statement, which describes the basis of accounting. The statement is prepared to assist the Province to meet the requirements of Section 65(1)(b) of The Financial Administration Act. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Our audit does not provide assurance over whether investments are put aside to match the account balance, or how funds are used if they are drawn out of the account.



## THE USE OF TRUSTS AND OTHER WAYS TO SEGREGATE FUNDS

The Province has created or signed on as a party to various financial structures to segregate funds, set aside funds for specific objectives, and manage funds on behalf of other parties. The Province can and has created various structures as types of trusts, funds or accounts for specific purposes. There are a number of ways a trust or fund can be created. These include:

- Trust agreement (a legally binding agreement which creates a legal trust) – such as the Province used in setting up its MASC insurance trusts discussed in more detail below
- Legislation (legislation which sets out the framework for a trust relationship) – such as the Public Guardian and Trustee Act which gives the Public Guardian and Trustee the power to act as a trustee when appointed by court order
- A Foundation (a separate legal entity, which collects and distributes funds to support a government entity) – such as foundations which raise funds for hospitals in Manitoba
- Other types of legal agreements creating relationships or funds – such as agreements related to the Manitoba Development Corporation's administration of funds held for the Business Investor Stream of the Provincial Nominee Program, or the agreements between the Province and the Winnipeg Foundation discussed in more detail below.

### Financial Reporting and Trusts and Funds

The financial reporting implications of a trust depend on the nature of the Province's relationship. When the Province establishes a trust, the terms of the arrangement must be reviewed, and depending on the nature of the relationship between the Province and the trust, the financial reporting treatments will differ as noted below:

- **Asset:** A trust fund would be recorded as an asset of the government, if the nature of the relationship between the Province and the trust funds meets the criteria for an asset under PS 3210 (future economic benefit, control, & based on a past transaction)
- **Trust under administration:** A trust fund would be recorded as a trust under administration (that is, not an asset of government and only disclosed in the notes to the financial statements, and payments into the trust would be recorded as expenses) – if the Province is in substance the trustee of the funds, but they receive no future economic benefit and are merely administering the funds based on terms and conditions in an agreement. There are criteria in PS 1300 – Government Reporting Entity outlining when a trust is a “trust under administration”. The Province has a number of trusts under this category disclosed in Note 10 of the *Summary Financial Statements*.
- **Expense:** Payments into a trust are recorded as an expense, with no further disclosure requirements, if the Province is not in substance a trustee of the funds, and the funds do not meet the definition of an asset.

The Province of Manitoba has created several significant new trusts and funds in recent years. We examined the terms and arrangements for each of the significant trusts to assess the appropriate accounting treatment.

During 2019 we examined two categories of newly created trusts and funds:

- The MASC insurance trusts
- The Winnipeg Foundation trusts and funds

**The MASC Insurance Trusts**

As discussed in the above section on our qualifications, the Province has accounted for the MASC Insurance Trusts, as “Trusts Under Administration”. They have not accounted for the assets, and have recorded transfers to the trusts as expenses. However, in our opinion, the MASC insurance trusts, while legally structured as trusts, meet all the characteristics of an asset, and should be accounted for as assets.

<b>MASC Insurance Trusts at a glance</b>		
	<b>Production Insurance Trust</b>	<b>Hail Insurance Trust</b>
Trust Equity Balance at March 31, 2019	\$436 million	\$64 million
Insurance Program funding	AgriInsurance Program  Premiums paid by: Manitoba Canada Insured Producers	Hail Insurance Program  Premiums paid by: Insured producers
Program History	AgriInsurance is a federal-provincial-producer cost-shared program delivered by each province. The Federal Government’s role is to provide program oversight. Canada has been working with Provinces to deliver crop insurance since 1959.	MASC began offering hail insurance to Manitoba Producers in 1970.

## The Winnipeg Foundation Trusts

The Province created four new trust accounts at the Winnipeg Foundation, to support various program initiatives. As disclosed in Note 17 of the *Summary Financial Statements*, the total transferred to these trusts in the year ended March 31, 2019 was \$171 million.

The Province has accounted for these by expensing transfers during the year. The trusts are somewhat complex, as they are structured in a way, where Winnipeg Foundation is the Trustee, not Manitoba, as in the MASC trusts, and the investment revenue will flow back to the Province each year, to be used for specific purposes (providing grants for certain purposes based on certain criteria outlined in each agreement).

We reviewed the terms and conditions of the Winnipeg Foundation trusts as part of our audit, and assessed whether the funds meet criteria for an asset under PSAS. In our view, the Province's position that the Winnipeg Foundation trusts are not an asset controlled by the Province was appropriate based on the terms of the agreements.

The Province has also concluded that when the grant revenue is paid out each year, the Province will recognize this as revenue. We also agreed with this assessment. While the terms of the agreement do not give Manitoba control over the principal of the investments, which is to be held and managed by the Winnipeg Foundation in perpetuity, they do have control over the revenue received each year, as the Province is able to select the grant recipients. While the funds must be used for a specific purpose, the Province receives a benefit from providing these grants, as it helps them deliver programs that help it to meet its mandate and objectives.

Winnipeg Foundation Trusts at a glance				
	Conservation Trust	Grow Trust	Heritage Resources Fund	Military Memorials Conservation Fund
Transfers to Trust/Fund in 2019	\$102 million	\$52 million	\$15 million	\$2 million
Purpose:	The Trust will fund activities that promote the conservation of natural resources by creating, conserving, or enhancing the natural infrastructure for the benefit of Manitobans	The GROW Program will support the enhancement of ecological goods and services on private land, helping landowners contribute to reduced flooding, improved water quality and nutrient management, and support the overall goals of the made-in-Manitoba Climate and Green Plan	Through the program, the Manitoba government will offer annual heritage resources conservation grants.	Through the fund, the province will offer annual grants toward war memorial preservation projects, statues, plaques and other tributes throughout Manitoba.
Grants to be administered by:	Manitoba Habitat Heritage	Manitoba Habitat Heritage	Manitoba Sport, Culture and Heritage	Manitoba Sport, Culture and Heritage

### Comparison of Manitoba's New Trusts

The MASC Insurance Trusts and the Winnipeg Foundation Trust & Funds are structured differently, and these different structures result in different assessments of whether they are controlled by the Province. Below is a comparison of key features of the structures of the two types of trusts.

	MASC Insurance Trusts	Winnipeg Foundation Trusts & Funds
Trustee	MASC (part of GRE)	The Winnipeg Foundation (external to government)
Funds paid into the trusts	The net income of the MASC insurance programs if they are in a surplus position.  MASC also is able to transfer additional funds in its "insurance reserve funds" that are still outside the trust, at its discretion.	Grants paid by the Province.  Private donors are also able to contribute.
Funds paid out of trust	Funds paid out of trusts as directed by MASC to pay indemnities MASC owes related to its insurance programs.  There is no limit on the funds that can be drawn out of the trust to pay indemnities.	The Winnipeg Foundation pays out grant revenue to the Province based on its investment policy.  Only annual investment income is to be paid out of the trust.

## REGIONAL HEALTH AUTHORITIES - ACCOUNTING POLICIES CHANGE

### **Provincial Comptroller's Office Directive**

Under Public Sector Accounting Standards (PSAS), government not-for-profit entities, such as regional health authorities (RHA's), have the option to report using accounting standards for government not for profit organizations. The optional not for profit standards are based on standards used by private sector not for profit organizations and differ from the general PSA standards in some areas.

In order for the province to more actively manage the budgeting, forecasting, and reporting process for the entities it controls, the Provincial Comptroller's Office issued a directive to entities following optional not for profit organization public sector accounting standards to stop following these policies and follow the same policies as the Province. The RHA's were required to change their accounting standards for the year ended March 31, 2019.

### **Capital Funding is no longer matched to amortization expense – creating an impact on the RHAs' bottom line**

The biggest impact of the change in accounting policy to the RHA's is the treatment of funding for capital projects (such as additions to a hospital or building a new personal care home).

Before the 2019 fiscal year, RHA's used the deferral method to account for contributions for capital projects. Under this method, when the RHA received funding specifically for a capital project they would defer it – recording it as a liability on the balance sheet instead of revenue. The revenue would then be matched to the amortization expense of the capital asset over the life of the asset. So the net impact of the funding and usage of the capital asset would have no impact on the annual deficit or surplus.

Under the new accounting standards used by the RHAs in 2019, funding for capital assets cannot be matched to the amortization expense.

There are two main forms of capital funding the RHAs receive.

The first is through promissory notes from the Province of Manitoba's Treasury. In practice these are to be funded through future appropriations from the Province, but legally they are debt of the RHA payable to the Province. Therefore the Province has directed the RHAs to record this form of funding as a liability when received. Then as the funding is provided to the RHAs to pay down the debt and the related interest, the RHA records revenue. The debt incurs interest which the RHAs record as an expense. So for this funding, the revenue is no longer matched perfectly with the amortization expense of the capital assets, but it is recognized over the life of the debt. Because the revenue for the debt repayment (based on the term of the debt) does not match exactly to the amortization of the asset (based on the life of the asset), there is now an impact each year on the annual surplus or deficit.

The second form of funding is capital grants from the Province or from other sources such as the Federal Government, where there is no related debt. Generally these are recognized once used for the specified purpose – so the full amount of funding for a building will be recognized as revenue as soon as the building is completed. Then the amortization expense will be recognized over the life of the building as usual.

For this form of funding the new standards have a much greater impact. The RHA will record revenue when the building is completed with no matching expenses. Then over the life of the asset as amortization is recorded, there will be no matching revenue.

### Impact on the RHA’s Annual Results and Accumulated Surplus

The change in the RHA’s accounting policy had a significant impact on the financial position and annual results in the RHA’s financial statements in 2019, including the restated 2018 figures.

<b>Example – Impact of accounting standards change on 2018 Financial Information on Regional Health Authorities</b>		
	2018 – Originally reported results using government not for profit standards	2018 – Restated results prepared without government not for profit standards
<b>Winnipeg Regional Health Authority</b>		
Annual Surplus (Deficit)	\$420,000	(\$18,635,000)
Accumulated Surplus (Deficit)	(\$24,100,000)	\$515,680,000
<b>Prairie Mountain Health</b>		
Annual Surplus	\$2,266,000	\$8,738,000
Accumulated Surplus	\$7,103,000	\$144,600,000

As shown above, the impact on the any given year’s annual results varies; the 2018 results of WRHA considerably worsened, while the 2018 annual results of Prairie Mountain Health improved. The reason is that under the new standards the timing of capital purchases will have a significant impact on the year to year results.

Given the RHA’s large investment in capital assets, this change had and may continue to have a significant impact—fluctuations in revenue—which might result in annual deficits. To highlight the impact of this change in accounting policy, the RHA’s presented information separately for the annual results related to operating and related to capital, before presenting the combined results in total.

In our past audits of the Public Accounts we identified the consolidation of the controlled reporting entities to be a significant audit risk. One of the drivers of this risk was the requirement to restate entities financial statements to conform with the accounting policies of the Province. While risks still exist with regards to the consolidation, some of the risks related to consolidation of the RHAs will be eliminated now that the RHAs follow the same accounting policies as the Province.

## 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 Municipal Relations.

### Our Involvement

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

### Audit Results

We audited the CRF’s statement of receipts and disbursements for the fiscal year ended March 31, 2019. 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 five members and functions under the authority of the *Co-operative Associations Loans and Loans Guarantee Act*. CLLGB does not have an audit committee.

### Financial Reporting Requirements

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

### Our Involvement

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

### Audit Results

We audited the CLLGB’s financial statements for the fiscal year ended March 31, 2019. Areas of audit significance included:

- Loans – Neechi Foods Co-op Ltd.

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

## 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 to licence and regulate under The Prearranged Funeral Services Act (Regulations).

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

### Financial Reporting Requirements

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

### Our Involvement

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

### Audit Results

We audited the Funeral Board’s financial statements for the fiscal year ended December 31, 2018. 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 seven-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 six 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 and Gaming Control Act* does not require our appointment, stating that “The records, accounts and transactions of the authority in each fiscal year are to be audited by an auditor — who may be the Auditor General — appointed by the Lieutenant Governor in Council.”

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

### Audit Results

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

- Valuation of severance benefits and retirement benefits

Our audit opinions on the financial statements, and compliance with legislative authorities were all 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 four 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, 2019. Areas of audit significance included:

- Accuracy and Completeness of Accounts Payable and Accrued Liabilities

Our audit opinion on the financial statements was unqualified. We plan to issue a management letter to the Chief Financial Officer of Manitoba Health, Seniors and Active Living following-up on outstanding recommendations from prior years. 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 three 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 six months of fiscal year end in accordance with the *Public Schools Finance Board Act*.

### Our Involvement

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

### Audit Results

We audited the PSFB’s financial statements for the fiscal year ended June 30, 2018. Areas of audit significance include:

- Revenue from the Province of Manitoba for the funding of schools program and the 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 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 six months of fiscal year end in accordance with the *University of Manitoba Act*.

### Our Involvement

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

### Audit Results

We audited the University’s financial statements for the fiscal year ended March 31, 2019. Areas of audit significance included:

- Valuation of loan receivable from Triple B.
- Valuation of employee future benefits and pension.

Our audit opinion on the financial statements was unqualified. As a result of our audits, we issued a management letter to the University’s Vice-President (Administration) following up on outstanding recommendations from prior years. 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**

THIS PAGE IS INTENTIONALLY LEFT BLANK



## 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 nine-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, 2018. Areas of audit significance included:

- Valuation of Investments
- Valuation of Pension Obligations

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 Fund

### About The Entity

The Legislative Assembly Pension Fund (“LAPF”) 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*”). LAPF 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 LAPF.

### Financial Reporting Requirements

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

### Our Involvement

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

### Audit Results

We audited the LAPF’s financial statements for the fiscal year ended December 31, 2018. Areas of audit significance included:

- Valuation of Investments
- Valuation of Pension Obligations

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, 2019. Areas of audit significance included:

- Valuation of Investments
- Valuation of Provisions for Future Claims/Liabilities

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Finance and Audit Committee of the 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*. The Fund is maintained to provide a defined benefit pension plan for Manitoba teachers.

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

### Financial Reporting Requirements

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

### Our Involvement

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

### Audit Results

We audited TRAF's financial statements for the fiscal year ended December 31, 2018. Areas of audit significance included:

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

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Audit 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 six months after the transfer, WCFS employees who continued employment with the Province were offered membership in the Civil Service Superannuation Plan, and since that time only limited additional benefits have accrued in the WCFS Plan. The Fund is a registered plan under *The Pension Benefits Act*.

The Fund 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 five-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, 2018. Areas of audit significance included:

- Valuation of Investments
- Valuation of Pension Obligations

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

### Financial Reporting Requirements

The *Northern Affairs Act* requires that “The report of the Auditor General and financial statements of the fund must be included in the Public Accounts of the government.” As such, NAF is required to issue their financial statements within six months of the Province’s March 31 fiscal year end consistent with Public Accounts reporting deadlines. NAF’s most recently issued financial statements are from the year ended March 31, 2015. This financial reporting was issued by the Department of Indigenous and Northern Relations in September 2019.

The Northern Affairs Fund audited financial statements for March 31, 2015 was published in the 2018/19 Public Accounts – Volume 3 section “information provided under statutory requirement”.

We have in the past written to the Minister regarding the long delay in presenting statements for audit. We are currently working on the March 31, 2016 year-end audit.

### Our Involvement

The *Northern Affairs Act* appoints the Office of the Auditor General as the auditor, stating that “At least once in each fiscal year, the Auditor General must conduct and report on an audit of the accounts of the Fund”.

### Audit Results

We audited the NAF’s financial statements for the fiscal year ended March 31, 2015. 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

---

THIS PAGE IS INTENTIONALLY LEFT BLANK



## 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 & 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, 2019. Areas of audit significance included:

- Pension and severance pay liability

Our audit opinion on the financial statements was unqualified. We presented our audit results to the Finance & Audit 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 (“HBOMF”) is established under the *Helen Betty Osborne Memorial Foundation Act*. HBOMF’s purpose is to receive donations, to provide financial assistance to indigenous persons residing in Manitoba who are enrolled in post-secondary studies in Manitoba, and to promote the memory of Helen Betty Osborne.

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

### Financial Reporting Requirements

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

### Our Involvement

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

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

### Audit Results

Our most recent audit of HBOMF’s financial statements was for the fiscal year ended March 31, 2017. Unfortunately, we have been unable to complete this engagement due to the inactivity of the Board. This matter is discussed below. Areas of audit significance included:

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

## *Helen Betty Osborne Memorial Foundation (cont'd)*

Our draft 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. As a result of our audit, we provided the following to the Board Chair in August 2017:

- Draft financial statements for March 31, 2017 for Board approval
- Draft management representation letter for preparation and Board Chair approval
- Draft management letter following up on recommendations from prior years for comment

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

As of October 21, 2019, the Board of Trustees has not approved the financial statements or provided the required management representation letter. Therefore, we have not issued an auditor's report for March 31, 2017 and have not started the audit for the year ended March 31, 2018 or March 31, 2019.

The Department of Education and Training is responsible for the *Helen Betty Osborne Memorial Foundation Act*. We have notified the Department about the outstanding approval by the board and the fact we have not started the 2018 or 2019 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 six-member Board of Directors comprised of Manitoba government senior civil servants, and reports to the Legislature through the Minister of Municipal Relations. LRTP does not have an audit committee.

### Financial Reporting Requirements

LRTP does not have legislated reporting requirements other than those required for the Public Accounts.

### Our Involvement

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

### Audit Results

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

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

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

## 18. Legal Aid Manitoba

### About The Entity

Legal Aid Manitoba (“LAM”) was established under *The Legal Aid Manitoba 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.

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

### Financial Reporting Requirements

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

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

### Our Involvement

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

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

### Audit Results

We audited the LAM's financial statements for the fiscal year ended March 31, 2019. Based on our planning, we did not identify any significant risks that required extra audit attention.

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 LAM'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 MASC’s financial statements for the fiscal year ended March 31, 2019. Areas of audit significance included:

- Loans receivable valuation
- Accounting Treatment of Trusts
- Revenue (Loan interest and insurance premiums)

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 their 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, 2019.

As a result of our audits, we issued a management letter to MASC’s President and CEO with 2 new recommendations and the follow up of 3 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 seven-member Board of Directors functioning under the authority of the *Manitoba Habitat Heritage Act*. MHHC's Finance Committee reports to the Board.

### Financial Reporting Requirements

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

### Our Involvement

The *Manitoba Habitat Heritage Act* appoints the Office of the Auditor General as the auditor of the financial statements, stating that “The Auditor General shall annually audit or cause to be audited the books, records and accounts of the corporation and shall submit a report of each audit so performed to the minister.” We 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, 2019. Areas of audit significance included:

- Capital Assets – land and land use rights
- Prepaid land use rights and related funding
- Salaries and benefits, including severance, sick leave and vacation pay
- Accounting for the Conservation Trust and Grow Trust
- Risk of Fraud in Management Expenses and Reimbursements

Our audit opinions on the Corporation's financial statements for March 31, 2019 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.

## 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:

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

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

### Financial Reporting Requirements

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

### Our Involvement

MHRC appointed the Office of the Auditor General as the auditor. The Housing and Renewal Corporation Act does not specifically require the Office’s appointment as the auditor of the financial statements, stating that “The accounts of the corporation shall, at least once in each year, be audited and reported on by an auditor, who may be the Auditor General.” We 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, 2019. Areas of audit significance included:

- Transition to Public Sector Accounting Standards without the 4200 Series
- 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. As a result of our audits, we issued a management letter to MHRC’s Chief Financial Officer following up on 1 recommendation from prior years. 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 six months of the end of the fiscal year.

### Our Involvement

The *Education Administration Act* appoints the Office of the Auditor General as the auditor of the financial statements as noted above. We 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, 2019. Areas of audit significance included:

- Inventory

Our audit opinion on the financial statements was unqualified. We presented our audit results to LRC’s Chief Operating Officer.

## 23. Manitoba Water Service 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 five 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, 2019. Areas of audit significance included:

- Construction in progress (unbilled construction costs) and grants to municipalities
- 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 the *SOAFA Act*.

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 six months of the end of the fiscal year. This act does not apply to the Estates and Trusts statement.

### Our Involvement

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

We 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, 2019. Areas of audit significance included:

#### SOA Financial Statements

- Accrued and contingent liabilities
- Severance pay benefits liabilities

#### Estates and Trusts Under Administration Statement

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

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, 2019. Areas of audit significance included:

- Accounts receivable and allowance for doubtful accounts
- Deferred revenue and contributions
- Accrued severance benefits
- Salaries and employee benefits expenses

Our audit opinion on the financial statements was unqualified. As a result of our audits, we issued a management letter to UCN’s Chief Financial Officer following up on a recommendation from the prior year. 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, 2018. 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.

THIS PAGE IS INTENTIONALLY LEFT BLANK

## 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

### Auditor General

Norm Ricard

### Deputy Auditor General

Tyson Shtykalo

### Assistant Auditor General

Phil Torchia

### Directors

Natalie Bessette-Asumadu

Wade Bo-Maguire

### Principals

Jeffrey Gilbert

Susan Hay

Jo Johnson

David Storm

Brendan Thiessen

Erika Thomas

### Audit Team

Ryan Amurao

Bryden Boyechko

Shane Charron

Yuki Diaz

Rolet Duenas-Heinrichs

Emelia Jaworski

Alyson Kuzie

Ian Montefrio

Adam Muirhead

Arlene Nebrida

Nicole San Juan

Bohyun Seo

Ganesh Sharma

Lorna Smith

Melanie Torre-Cabacungan

Joana Tubo

Deanna Wiebe

### Communications Manager

Frank Landry

### Admin Support

Jomay Amora-Dueck

Tara MacKay

### Cover Design

Waterloo Design House



**Auditor General**  
MANITOBA

### For more information, please contact our office at:

Office of the Auditor General

500-330 Portage Avenue

Winnipeg, Manitoba R3C 0C4

Phone: 204-945-3790 Fax: 204-945-2169

contact@oag.mb.ca | www.oag.mb.ca

[Facebook.com/AuditorGenMB](https://www.facebook.com/AuditorGenMB)

[Twitter.com/AuditorGenMB](https://twitter.com/AuditorGenMB)

[Linkedin.com/company/manitoba-auditor-general](https://www.linkedin.com/company/manitoba-auditor-general)