

Third Session – Forty-First Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Matt Wiebe
Constituency of Concordia

Vol. LXXI No. 3 - 6 p.m., Monday, June 18, 2018

ISSN 0713-9462

MANITOBA LEGISLATIVE ASSEMBLY
Forty-First Legislature

Member	Constituency	Political Affiliation
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
CURRY, Nic	Kildonan	PC
DRIEDGER, Myrna, Hon.	Charleswood	PC
EICHLER, Ralph, Hon.	Lakeside	PC
EWASKO, Wayne	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	PC
FLETCHER, Steven, Hon.	Assiniboia	Ind.
FONTAINE, Nahanni	St. Johns	NDP
FRIESEN, Cameron, Hon.	Morden-Winkler	PC
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GRAYDON, Clifford	Emerson	PC
GUILLEMARD, Sarah	Fort Richmond	PC
HELWER, Reg	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek	Interlake	PC
JOHNSTON, Scott	St. James	PC
KINEW, Wab	Fort Rouge	NDP
KLASSEN, Judy	Kewatinook	Lib.
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan	Selkirk	PC
LAMOUREUX, Cindy	Burrows	Lib.
LATHLIN, Amanda	The Pas	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Flor	Logan	NDP
MARCELINO, Ted	Tyndall Park	NDP
MARTIN, Shannon	Morris	PC
MAYER, Colleen	St. Vital	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
NESBITT, Greg	Riding Mountain	PC
PALLISTER, Brian, Hon.	Fort Whyte	PC
PEDERSEN, Blaine, Hon.	Midland	PC
PIWNIUK, Doyle	Arthur-Virden	PC
REYES, Jon	St. Norbert	PC
SARAN, Mohinder	The Maples	Ind.
SCHULER, Ron, Hon.	St. Paul	PC
SMITH, Andrew	Southdale	PC
SMITH, Bernadette	Point Douglas	NDP
SMOOK, Dennis	La Verendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather, Hon.	Tuxedo	PC
SWAN, Andrew	Minto	NDP
TEITSMA, James	Radisson	PC
WHARTON, Jeff, Hon.	Gimli	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian, Hon.	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC
YAKIMOSKI, Blair	Transcona	PC
<i>Vacant</i>	St. Boniface	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, June 18, 2018

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Matt Wiebe (Concordia)

VICE-CHAIRPERSON – Mr. Reg Helwer (Brandon West)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Messrs. Bindle, Helwer, Johnston, Ms. Klassen, Messrs. Lindsey, Maloway, Mrs. Mayer, Mr. Michaleski, Ms. Morley-Lecomte, Messrs. Wiebe, Yakimoski

Substitutions:

Mr. Lindsey for Mr. Marcelino

APPEARING:

*Mr. James Allum, MLA for Fort Garry-Riverview
Mr. Norm Ricard, Auditor General*

WITNESSES:

*Hon. Mr. Friesen, Minister of Finance
Mr. Jim Hrichishen, Deputy Minister of Finance
Mr. Scott Sinclair, Associate Deputy Minister of Finance (by leave)*

MATTERS UNDER CONSIDERATION:

Auditor General's Report–Annual Report to the Legislature, dated March 2014

Chapter 3: Government Deficits and Debt

Auditor General's Report – Follow-up of Previously Issued Recommendations, dated May 2015

Section 13: Information Technology Security Management Practices

Auditor General's Report – Follow-up of Recommendations, dated May 2016

Information Technology Security Management Practices

Auditor General's Report – Follow-Up of Recommendations, dated March 2017

Information Technology Security Management Practices

Public Accounts for the fiscal year ending March 31, 2017 (Volumes 1, 2 and 3)

Auditor General's Report – Follow-up of Recommendations, dated March 2018

Accounts and Financial Statements

* * *

Mr. Chairperson: Good evening. Will the Standing Committee on Public Accounts please come to order.

The meeting has been called to consider the following reports: the Auditor General's Report–Annual Report to the Legislature, dated March 2014, Chapter 3: Government Deficits and Debt; Auditor General's Report–Follow-up of Previously Issued Recommendations, dated May 2015, Section 13: Information Technology Security Management Practices; Auditor General's Report–Follow-up of Recommendations, dated May 2016, Information Technology Security Management Practices; Auditor General's Report–Follow-Up of Recommendations, dated March 2017, Information Technology Security Management Practices; and the–excuse me–and the Public Accounts for the fiscal year ending March 31, 2017, volumes 1, 2 and 3; and the Auditor General's Report–Follow-up of Recommendations, dated March 2018, Accounts and Financial Statements.

Committee Substitution

Mr. Chairperson: I would like to inform the committee that under rule 104(2), the following membership substitution is made for the–been made for this evening: Mr. Lindsey for Mr. Marcelino.

* * *

Mr. Chairperson: Before we get started, are there suggestions from the committee as to how long we should sit this evening?

Mr. Jim Maloway (Elmwood): I suggest we sit 'til 7 and revisit.

Mr. Chairperson: Okay, is that agreed by the committee? *[Agreed]*

Are there any suggestions as to the order in which we should consider the reports?

Mr. Maloway: It seems by default that we should be dealing with cybersecurity first.

Mr. Chairperson: Okay. All right, so we can consider the reports in any order we wish, but maybe we could consider them in a global fashion and start with the report that Mr. Maloway—

An Honourable Member: Thank you, Mr. Chair, and I—

Floor Comment: He hasn't recognized you yet.

Mr. Chairperson: Mr. Maloway.

Mr. Maloway: I wanted to begin by—

Mr. Chairperson: Oh, oh, I'm sorry. We're still just going through the formal part of the—okay. All right, let's get back on track here.

So, just for information of the committee, then, we will consider the reports in a global fashion. Is that agreed? *[Agreed]*

Is—the minister, I see, is already at the table. I'd like to invite the deputy minister to join us here and introduce the staff and any other folks at the table.

Okay. Thank you very much. And does the Auditor General, Mr. Ricard, wish to make an opening statement?

Mr. Norm Ricard (Auditor General): I do, but first I would like to introduce the staff members I have with me today. To my left—to my right is Tyson Shtykalo. He's the Deputy Auditor General responsible for our audits of the Public Accounts, other financial statements and information technology. And behind me are Wade Bo-Maguire—he's the director of IT audit, operations and security—and Natalie Bessette-Asumadu, who's the lead principal for the audit of the Public Accounts.

Mr. Chair, the Public Accounts of the Province are comprised of numerous components. Our role is to audit and to express an audit opinion on five statements included in the Public Accounts—namely, the summary financial statements, included in volume 1; the Fiscal Stabilization Account statement of transfers and account balance, also included in volume 1; the schedule of public sector compensation payments of \$50,000 or more, included in volume 2; the statement of amounts paid or payable to members of the Assembly, included in volume 3; and the Northern Affairs Fund financial statements, included in volume 3.

Mr. Chair, the summary financial statements for the year ended March 31st, 2017, received a clean audit opinion. This means that it presented fairly in all material respects the financial position of the Province of Manitoba as at March 31st, 2017, as well as the results of its operations, the changes in its net debt and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Mr. Chair, with respect to chapter 3 of our March 2014 report titled the Government Deficits and Debt, our goal in undertaking the deficit and debt research project was to provide stakeholders and decision makers with research perspectives and fact-based information and materials regarding the issues and impacts of government debt and budgetary deficits. Our act prohibits us from commenting on the merits of government policy decisions, and this would include decisions related to deficit and debt levels. As such, we draw no conclusions nor present our perspectives on the information gathered. This chapter summarizes research about Manitoba's deficit and debt levels. The data and information about Manitoba's deficit and debt levels is compared to other provinces and to the Government of Canada. The report also includes a summary of research of—on deficits and debt from international and national sources.

Mr. Chair, in our March 2018 follow-up report, we note the statuses as at September 30th, 2017, of the seven recommendations issued as a result of our financial statement audits of the Public Accounts and other government organizations for the year ended March 31st, 2013. These recommendations were originally included in our March 2014 report. No new recommendations were issued as a result of our financial statement audit work for the years ended March 31st, 2014, '15 and '16. We note that four of these recommendations remained in progress. This was our third and final follow-up for these recommendations.

Mr. Chair, one of the four recommendations was directed to the Northern Affairs Fund. We recommended that it complete its financial statements in compliance with its act. As at September 30th, 2017, the fund's audited financial statements for the year ended March 31st, 2014, had been issued. We are currently auditing the March 31st, 2015, financial statements that were recently submitted for audit.

Mr. Chair, in our March 2017 follow-up, we noted the statuses as at September 30th, 2016, of the 47 recommendations we made in relation to our audit of the Province's information technology security management practices, originally issued in January 2013. This was our third and final follow-up of these recommendations. Of the 47 recommendations, 23—or approximately half—remained in progress at the time of our follow-up.

Mr. Chair, effective information security management is vital, particularly when considering the value and sensitivity of information located on the Province's information systems, coupled with an acceleration in the frequency and impact of cyber threats, which is a global issue. Our original audit objective was to determine whether business transformation and technology designed and implemented adequate information technology security management practices and controls. We concluded that BTT needed to significantly improve its IT security management practices and controls to properly secure information.

* (18:10)

In addition, we noted the lack of IT security risk assessments, IT security plans and a data classification system meant that the rationale for the design and implementation of IT security practices and controls was not well supported. As such, we could not comment on the completeness, relevance and effectiveness of the practices in place to secure systems and network operations.

Mr. Chair, I would like to highlight three recommendations of particular importance that remained in progress as at September 2016.

Recommendation 2 called for BTT to complete, on a priority basis, a comprehensive IT risk assessment which would include an assessment of IT security risks. IT security risks can impact the confidentiality, integrity or availability of information assets and operations. At the time of our follow-up, BTT had made little progress with this recommendation.

Recommendation 4 called for BTT to develop an IT strategic plan and a properly aligned IT security plan. An IT strategic plan defines how IT supports an organization's objectives. It discusses opportunities and limitations, risks and resource requirements. An appropriately developed IT strategic plan guides IT security planning decisions. Without adequate planning, IT security practices may not be aligned

with government objectives on security. As a result, government may not be making the best use of resources allocated to protecting information.

And, finally, Mr. Chair, recommendation 18 called for the government to implement a data classification standard. Data classification is a key aspect of information management.

Information varies in importance and sensitivity. To properly protect its information assets, an organization must first classify information in terms of its sensitivity, typically defined in a range from public information to confidential, to highly sensitive.

Once data classification standards are defined, organizations implement the needed practices and controls for each level of sensitivity, including media-handling procedures, security checks, logical access controls, physical access controls and processes to remove terminated users. We continue to stress the need for the government to implement a data classification standard.

Mr. Chair, given our last follow-up was two years ago, I urge the committee to request from the department progress reports with supported documentation detailing the actions taken since September 2016 and the actions currently planned to fully implement these three recommendations as well as for any of the other outstanding recommendations the committee may wish to continue following up.

In closing, I would like to thank the many dedicated public servants and the entities we audit for their co-operation and assistance throughout our audit and follow-up processes.

Thank you, Mr. Chair.

Mr. Chairperson: Thank you very much, Mr. Ricard.

Mr. Hrichishen, do you want to introduce your staff at the table?

Mr. Jim Hrichishen (Deputy Minister of Finance): Certainly, thank you. Sitting at the table today we have our Provincial Comptroller, Aurel Tess. Aurel Tess has been with the Province for 17 years, has been Provincial Comptroller since February 2016.

Also sitting at the table are my colleagues: associate deputy minister of Central Services,

Mr. Scott Sinclair. I'll be—in the interests of efficiency and clarity, I'd like to ask Mr. Sinclair to be in a position to respond to questions regarding IT security. As well, Ms. Andrea Saj, our manager of Public Accounts, is joining us at the table. She's been with the Comptroller Division for approximately a year and a half.

Mr. Chairperson: Thank you very much, Mr. Hrichishen. Would you like to make an opening statement this evening?

Mr. Hrichishen: I have a short statement. Thank you.

Mr. Chairperson: You may proceed.

Mr. Hrichishen: First of all, I want to thank the committee for the opportunity to provide some brief comments on the reports to be considered today. I'll endeavour to answer all administrative-related questions posed by the committee on the reports reflected on tonight's agenda. It's always possible we may need to take some questions as notice and provide a specific response to the question in writing at a later time in a timely way.

In respect of our 2014 report to government on debts and deficit, in reviewing this we found that the research and round-table discussions included in this report were helpful in improving the understanding of information on government deficits and debt for the members of the Legislative Assembly and the public in general. The issue of debt and deficits is a critical one for public policy in Canada and, indeed, around the world. The report brings together a considerable amount of information related to the issue of debt and deficits and helps clarify a number of terms and concepts relevant to consideration of these; for example, there's often confusion as to what constitutes debt and borrowing.

Briefly, in respect of the information technology security practices, the security of government data, ICT systems and devices is a top priority for the Manitoba government. We understand how important the security of government information and data is to individuals and, as well, to the public generally as identified by the Auditor General. There have been many ICT security vulnerabilities announced worldwide since the original audit report in 2017. Even with the ever-accelerating cybersecurity threats, there have been no data or information breach or system compromises in this time period for the Manitoba government. The

Manitoba government takes the role of security protection very seriously.

In respect of the Public Accounts for the fiscal year ending March 31, 2017, I won't reiterate much of the material that the—our auditor presented to you, just a quick overview. First of all, from a departmental point of view, we're proud that we're, once again—received an unqualified audit opinion on the March 31, 2017, summary financial statements. Since March 31, 2007, that represents 10 consecutive year-ends that the Province has received an unqualified opinion. The achievement of having 10 consecutive unqualified audit opinions in a row should not be viewed lightly. Other jurisdictions have had recent summary financial statements qualified by their auditor generals, and some jurisdictions have received multiple qualifications.

On occasion, the Department of Finance may have differences of opinion with the Auditor General, but the March 31, 2017, financial statements present fairly in all material respects the financial position and the results of the operations of the Province and insofar as they are in accordance with the Canadian public sector accounting standards. The audit itself was conducted professionally and completed on schedule. The Province's Public Accounts for the year-end March 31, 2017, volumes 1, 2 and 3, were released on September 19th, 2017. This was the earliest release of the Public Accounts in several years.

Very briefly, volume 1 includes the economic report, the financial statement, discussion and analysis and the audited summary financial statements of the government. The Province experienced a summary loss of \$764 million, which was \$147 million under the budgeted loss of \$911 million.

Volume 2 includes the audited schedule of public sector compensation payments of \$50,000 or more in the unaudited schedule of government departments and special operating agencies' payments in excess of \$50,000. Note that the scheduled payments threshold has been changed with these Public Accounts, from \$5,000 to \$50,000. The threshold for payments had not changed in this section since it was established in 1983. A change in the threshold was recommended in March 2014 in a report to the Legislature by the Office of the Auditor General.

Volume 3 includes an audited supplementary schedules related to the core government and other information required for statutory reporting requirements.

In closing, I want to thank the staff of the Comptroller Division who prepare the Public Accounts. I want to thank the staff of Central Services division, business transformation technology, that have been instrumental in ensuring that Manitoba's data, ICT systems and information has remained protected and secure. And I want to thank Mr. Norm Ricard, the Auditor General, and his excellent office staff of professionals. I want to acknowledge their professional and collaborative relationship with the Department of Finance.

Mr. Chairperson: Thank you very much, Mr. Hrichishen.

As per the deputy minister's request, is there leave of the committee to allow questions regarding information technology to be directed to Mr. Sinclair and answered by him directly at the table? Agreed? *[Agreed]*

* (18:20)

Before we proceed any further, I'd like to inform those who are new to this committee of the process that is undertaken with regards to outstanding questions. At the end of every meeting, the research officer reviews the Hansard for any outstanding questions that the witness commits to provide an answer for and will draft a questions-pending-response document and send to the deputy minister. Upon receipt of the answers to those questions, the research officer then forwards the responses to every PAC member and to every other member recorded as having attended that meeting.

Therefore, I am pleased to table the responses provided by the president of Manitoba Hydro to the questions pending responses from May 16th, 2018, meeting. These responses were previously forwarded to all members of the committee by the research officer.

I would like to inform members of the committee that they—the report, the 2014 Auditor General's report, you may not find it in your documents at the table. We have a limited number, and they are on the table behind us. I think there's four copies left, so help yourself if you'd like to look at that.

Before we get into questions, I'd like to remind members that questions of an administrative nature are placed to the deputy minister and that policy questions will not be entertained and are better left for another forum. However, if there is a question that borders on policy and the minister would like to answer that question, or the deputy wants to defer it to the minister to respond to, that is something we would consider.

The floor is now open for questions.

Mr. Maloway: My question, of course, is to the deputy minister. I note that the recommendations coming out of these reports were—the reports for back in 2014, and then of all the recommendations that were there, the government only acted, I think, on half of them and wanted to argue about some of the other ones, some they didn't want to do at all. And so, now, we fast-forward it to '16–2016, and the Auditor General's asking—making three recommendations, and I think we should focus on those and get your written responses to the committee members on the three recommendations that he is making. One was the BTT, the risk assessment and the current risks, which, of course, are changing all the time. And, No. 2, it was a strategic plan, and No. 3 was the data classification and the progress report since 2016.

And, you know, we have a situation where the IT sector moves pretty fast, but government seems to move pretty slow. And we're in this committee—just by the nature of the committee, we're dealing with the money that's already been spent. We're looking out the rear-view mirror and looking at stuff that should have been done that wasn't quite right in 2014, and here we are in 2018 with a new set of risks going forward.

So I'd like you to commit to us or provide these answers of these three questions, the recommendations of the Auditor General, with some sort of an explanation as to why it's taken so long.

Hon. Cameron Friesen (Minister of Finance): I'm just looking for a clarification in terms of the request for the information to be provided in writing. Now, I know we're here at the Public Accounts Committee, and we've made available the senior civil servants for the purpose, exactly, of this discussion. So I'm wondering if members might agree that it would be more expedient to take whatever we get in terms of oral answers. It allows for back and forth in question and answer instead of a written form.

Mr. Maloway: I would be agreeable to that. I just wasn't sure. We're often faced with a inability to provide a verbal response and a fallback to, well, we'll give you a written one someday, right? So, if your option is to give us a verbal one that makes sense, then that would be terrific.

Mr. Scott Sinclair (Associate Deputy Minister of Finance): So, yes, I'm happy to speak to those three. Would you want to take them in order of which they were posed by the auditor?

Mr. Maloway: Well, there was the three recommendations that the Auditor General made in, I believe, 2016. We've—fall of '16, and one was that he was requesting a—answers, I believe, in writing of BTT to risk assessment and risks.

Mr. Sinclair: So, yes. So, with respect to the recommendation related to an IT risk assessment, the department accepts the value in understanding the IT risks that are present, and I think, as the member indicated, that the IT risk profile is rapidly changing. And BTT endeavours through a number of mechanisms, including engagement of forum of public sector CIOs and regular briefings from CSIS on security threats, that BTT is well aware of the landscape with respect to IC—IT security threats.

The challenge related to an IT risk assessment is that it represents a point-in-time assessment that, even by your own admission, is going to be changing relatively rapidly. And, as such, the undertaking of a significant piece of work to engage in a single-point-in-time IT assessment is a costly affair that may not provide the value that's perceived on that front when, again, BTT is regularly engaged in security briefings from organizations similar to ours in the public sector, as well as from CSIS on a regular basis. And IT responses are tailored to those real-time emerging threats that are out there, as opposed to a retrospective look at the IT threats that are in the place.

Mr. Maloway: Well, now, that was an answer to the first recommendation, but, if you recall, there's three that he made.

Number 2 was the strategic plan. Could we deal with that, please?

Mr. Sinclair: So, with respect to a strategic plan, the way that government IT has historically been structured is it's supported by a central agency and then largely driven by, one could argue, multiple IT organizations that are contained within departments. Certainly, we have fewer of them now

to manage than previously but still poses a challenge and a risk to develop a single, coherent IT plan representative of government.

We have been in conversations and in planning the last 18 to 24 months around what the IT structure—infrastructure should be in Manitoba to ensure best value for money, best oversight of those assets. And I think we're much closer to being able to have a singular IT plan for the Province. Once we have that singular view and understanding of how IT is structured within Manitoba, then at that point it would make absolute sense to line up an IT security plan against that IT plan.

But until we have the structures in place that give us—allows us to have a single coherent plan around that, as opposed to 14, 15 disparate IT plans that are set by departments and driven by departments and supported by central agency, we're unable to have a singular IT plan—singular ITC security plan as recommended.

Mr. Maloway: So could you tell me what the elements of that plan would be?

Mr. Sinclair: So, essentially, the elements of the plan would be to articulate a single plan for the Province with respect to priorities of ICT investments identifying what the need and necessary ICT enhancements would be, what the needed and necessary ICT changes or new investments would be.

It would have a governance structure that would be outlined to oversee the determination and decision making around those investments as well as tying it back to future plans with respect to where ICT needs to be moving into the future to meet the needs of Manitobans. And then that would obviously contain a section or a chapter on ICT security threats and how Manitoba can be dealing with those.

With, you know—again, with the one caveat that ICT security is one of those areas that we reference but don't often make published documents around, given the nature of the security elements. We try to keep those things internal to government so that, you know, the dark web—so to speak, as it's referred to—doesn't have a strong awareness of what Manitoba's awareness and approaches to ICT security would be.

Mr. Maloway: Well, going forward, then, what are the immediate hurdles that you have to face in the next six months to a year, you know, in an effort to come up with a strategic plan.

I'd like to know, you know, how many—whether we're still heavy in the servers or whether we've gone onto the cloud. Is that part of the—this part of the mix, here? This issue about going to Windows 10? Is that part of the mix, as well? Could you just kind of explain to us just where we're at right now and where we're going?

* (18:30)

Mr. Sinclair: Certainly, with respect to Windows 10 and cloud, those would be absolutely two elements that would and should be contained within an IT plan. Certainly, Windows 10 represents an example of needed IT investments in existing infrastructure. It's the operating system that the Province uses and there's the reality that Microsoft is changing the supports for its Windows operating system, which also has a fairly significant IT security element to it.

As it goes off support, it challenges Manitoba to maintain patches for that. So, in order to maintain the security of our infrastructure, we need to move towards. That so that's an example of an ICT investment that would be contained in a strategic plan.

Cloud is also another element of that. With respect to emerging technologies and the cost-profile of cloud, Manitoba needs and is currently in the process of developing a cloud-strategy relative to server-based or -owned IT infrastructure assets, and we've already actually begun the process of moving away from strictly a server-owned-asset-on-premises-type environment to some cloud activities based on an assessment of cost and risk and the overall value to the enterprise.

Mr. Maloway: Now I'd like to know how many servers we have at the current time and how does that compare to, say, what we would have had 10 years ago?

Mr. Sinclair: So, I think, the exact count of servers, we would probably want to get back to you so I can give you the appropriate count on that. I think a time-series look at the number of servers we have is—may not tell the story that the member's looking at. Servers—the number of servers we have is also a function of the number of systems that we deploy, and things related to the modernization of those servers.

We did just undergo a very significant server modernization and server move project. IBM closed its service centre on Ellice, which—IBM is our service provider. We've entered into a new contract

for the next seven years with IBM to maintain our server environment, and, as a part of that, there was some server modernization investments around that, which would change our server profile.

So we can endeavour to get back with a count, but it's just that. It's a count. Without additional context, it doesn't tell much of a story.

Mr. Maloway: Thank you very much, Madam—Mr. Chairman. So, getting to the server farms now, like, I understand that when you transferred some—out of some of the servers, that we transferred data to IBM in Mississauga, because they have a big server farm down there, and that some of the data that we put on there were, like, driver's licence records and stuff like that.

That's a couple years ago now, and the question I had at the time was whether they were subject to the Patriot Act, because IBM is part of the—you know, is a United States company, and all United States companies are subject to the Patriot Act. And so I'd like you to expand on that, if you wouldn't mind.

Mr. Sinclair: So I think, at this time, much like the count of the servers, to be able to comment on what data rests on what server would—we'd have to endeavour to come back with that information. Having said that, at this time, the majority of the sensitive information that we—and the systems that we utilize, with the exception of one system that's only remotely maintained for business continuity purposes, the majority of data rests within Manitoba's direct control within servers that we control.

There—as I mentioned, we have moved to some cloud environments. However, those are not—they's—don't maintain or contain long-term data, certainly not data of the type that you're making reference to.

Mr. Maloway: There was a plan, at some point, to allow people to work at home. That was being resisted by BTT. They had their reasons, I gather, but I'm sure there would be, like, a technological component to this as well, as to why you wouldn't want people working at home or working off their cellphones and stuff like that.

Can you get into a little bit about that, about where that idea's gone and what the security challenges would be?

Mr. Sinclair: So, with respect to working off the wired network, so to speak, so whether it's at home or otherwise, just working off the wired network,

that's something that BTT absolutely supports and facilitates through a technology known VPN or virtual private network.

So it's tokens that are provided for staff so that they can access the servers remotely through encrypted server dial in or connections. There are a number of other ways. We've begun to support Wi-Fi—Wi-Fi is available in the building, and individuals are able to access work remotely—wirelessly.

With respect to phones, individuals conduct a large portion of their business—I conduct a very large portion of my business using an iPhone or an iPad, so mobile devices are a critical piece of the workplace technology that we deploy and support.

There are certainly concerns with respect to individuals using non-government issued devices in that environment, and that's a different issue that BTS concerns about, so connecting in or doing business on a personal cellphone or using, you know, personal computers or computers that haven't been purchased or acquired and provided by BTT for business purposes for a number of reasons. Primarily, BTT doesn't have an ability to track and remotely wipe personal devices—and, by personal, I mean devices that an individual provides themselves and they don't operate on an encrypted level, which would be challenging for us—but so long as the workplace technology tools that are provided for and managed by BTT are utilized working remotely over secure networks and working remotely over mobile devices is entirely supported and encouraged.

Mr. Maloway: I'm interested in the super users. How is the difference, I guess, in super users with, like, SAP system, with SAP or super users on the cloud? Like, when you transfer everything over to the cloud, now you're going to have codes, you're going to be working with codes and so on, and the question is how—is there a bigger danger and difficulty when you transfer things onto the cloud versus having your own little server in your office? Because when you've got service in your office, you've got your user codes for, like, SAP and presumably SAP only has a half a dozen people. We dealt with all this in this RackNine, I guess, issues, in the federal election in the past, where with security systems, you know, everyone that's operating in the system has a code to get in to use the system, but as you move up the chain of command, at the very top,

there's a very few number of people who have access to the entire system, okay.

And so how does that work when you're dealing with the cloud? Because seems to me that it might be a little more risky and that if those codes were made available to somebody, you know, anybody could access your system, as opposed to having the server in-house where you could physically see it.

Mr. Sinclair: So I think the concept of a super user and cloud are maybe two separate issues, so if I could answer those independently and maybe there's some tie together on that.

The concept of super users—while there are functional classifications of who can use SAP in different ways, the concept of the super user as somebody who has complete access to the entire system, doesn't, to my knowledge, doesn't actually exist. There's no one person that can access the entirety of the SAP system, due to segregation and the roles that are assigned to individuals at a job level and not a person level actually prevents anybody from having total and complete access to SAP as an enterprise asset.

The chief information officer sitting here with me is at the top of the ICT organization. He, himself, has very little access to SAP, as I found out and asked him can you show me how to do this or can you get me that, so there's actually a very well-defined and sophisticated concept of role segregation within SAP that doesn't provide anybody with singular access to everything.

With respect to cloud, while there are different challenges with cloud versus on-prem servers—on-premise servers—security may not be one of those. There's certainly a category and a class of cloud that is as secure as on-premise servers that are in place, which is another reason why we're actively looking at cloud and how can we properly leverage the technological advancements that cloud would provide.

There are concerns with respect to data repatriation, not necessarily under the Patriot Act, in that sense as to who can access it, but just ensuring that Manitoba will always have access to the data that's put in the cloud. When you relinquish physical possession of it there—risk comes with that. There's also risk associated with the maintenance of on-prem servers, that if they're not maintained currency or that patches aren't appropriately attached or affixed to those, they

become vulnerable to acquisition by outside hostile parties. So there are pros and cons to both models and Manitoba needs to understand which one presents the best value for money and the best—or the best overall lowest risk profile for Manitoba on that front.

* (18:40)

But, certainly, risk associated with access codes or access to cloud is no worse or better than access to on-prem servers in that sense. People can remotely access servers that are within our control much like you can remotely access data in cloud environments that is not in our control.

Mr. Maloway: Now, I don't want to use up all the time because I'm the one who suggested we finish in an hour, but—so we can't possibly cover all the areas. But I am interested in knowing about the SAP modules that we're always, you know, when we first brought it in, we brought in payroll or the—whatever the bottom line was, and then there were all these modules that were supposed to be bought. Are there any of these things—like, have you implemented them all yet, or, if not, how many are out there that we haven't implemented?

Mr. Sinclair: So, yes, certainly with respect to modules, SAP is a large enterprise system that affords the opportunity to do a number of business functions in a manner that would be supported by those modules. There are modules that Manitoba is currently exploring for further implementation on those. A specific one that comes to mind is the—is module around HR functions that we believe has value to Manitoba to enable that piece. Having said that, there are a lot of modules that at one point were planned to be activated but given the—again, the 'rapidge' pace of change within the technology environment, Manitoba is, at this current time, no longer an expressly SAP-first jurisdiction; we look to whatever technological solutions provide the best value for money and the best response to business requirements, and we are looking at a lot more opportunities that may be provided outside of the SAP modules. We will still continue to look at SAP if it's the right way to do it. If it's—if there are other more appropriate ways to do it that are meeting the technological requirements of the business area as well as the technology that's available to us, we may consider things separate from that—of those modules that are available to us.

Mr. Maloway: So, in the beginning, we were on Windows—I don't know what it was way back then.

By the time we got it all installed, there was a new version out already, and millions of more dollars put out for that. I don't know what version—you're on Windows 7 now presumably, and the goal here is to move to, I think, by 2010, for \$38 million, if that's accurate, you're going to move to Windows 10.

The question is, haven't we decreased the number of these desktops? Like, the plan at some point was to get rid of most of them and just simply go onto the cloud was like a dumb terminal, that kind of concept. What kind of numbers are we looking at right now for a refresh of desktops versus, say, in the past?

Mr. Sinclair: So I think there are a number of questions with that. So what version of Windows are we looking to move towards? We're looking to move from Windows 7 to Windows 10. And, with respect to the number of desktops, they're looking to be refreshed or re-imaged to a Windows 10 image. I have to get back to you on the exact number; it's around 13,500 desktop machines.

Having said that, just for clarification purposes, the number that was quoted by the member of the committee, the \$38 million, is actually not a cost to actually purchase Windows 10 licences; it's the cost associated with ensuring those applications, many of them legacy applications that either run server based or desktop based that need to be fixed, patched, upgraded, new ones acquired that will operate in a Windows 10 environment. Windows 10 is a very different operating environment from Windows 7, and the backwards compatibility of many of our applications is not there. So we have to up—that's where most of the costs are related to that \$38-million figure. The cost, actually, to acquire those licences, rather negligible, and, in fact, at this point, largely incurred through our technology—or, our licensing agreements with Microsoft.

Mr. Maloway: Now, is there any progress being made? There always was a plan to involve the municipalities and the school boards. At some point, you know, we could get our SAP at a fraction of the cost if we, you know, had it more, you know, rolled it out to other—more seats, more desks, and with that would come, you know, dark fibre builds and so on, where you could have school boards, and there are some examples in the States, or were some, where they were doing their own dark fibre and they weren't even trenching it; they were just laying it out on the ground, like, a place like Churchill, it'd probably work very well.

And those school boards actually became fairly wealthy by renting their dark fibre back out to the public market. And, you know, we were looking at all that and I have no idea where it's gone. Can you report on any kind of progress on the—I guess it was the final mile, we used to call it. But I mean, the dark fibre builds and whether you, as BTT, are expanding your influence to, you know, municipalities and school boards and hospitals and stuff like that.

Because you know, we had Hydro here the other day and the last meeting, and seems like Hydro's off in its own little silo and I don't know if they're listening to you or not. But my assumption always was that security—which you were the best at years ago—you know, there was—these people should be coming to you, saying what's the best practice, how do we solve this problem and that problem, not sort of walling themselves off in their own little worlds, in their own silos.

So could you give some comments on that? And, with that, I'll just make that my last question, I think.

Mr. Sinclair: So, again, I think there were two questions within that one question: one related to what are we doing within the MUSH sector related to SAP; and then what are we doing within that same sector related to network cabling. Is that—

An Honourable Member: Yes. That would be good.

Mr. Sinclair: Okay.

So with respect to what are we doing on SAP: So, currently, the Winnipeg Regional Health Authority, Blue Cross Manitoba, Manitoba Hydro and Manitoba proper are all SAP users. And we do purchase licence on a bulk basis for all those organizations, so we do get the benefit of bulk procurement with respect to SAP. At this point in time, given the footprint that SAP requires in order for it to be cost effective for an organization to implement, we certainly aren't looking at bringing other public sector organizations into an SAP environment, but those that either choose to do it based on their own business case or already existing, we will continue to work with them on bulk purchasing agreements. One of the key aspects of that was a single purchase of the HANA module, which is a database module that's required to be implemented. And that was purchased on behalf of all four public sector using entities that I referenced.

With respect to network fibre: certainly, that's something that we're always looking to increase the footprint of partners that could utilize. We—school divisions are an example of that, where some utilize the Manitoba network; others choose not to. We think there's a value proposition in that, that we can present to school divisions to look at partnering with that. We work on a regular basis through a special operating agency known as MERLIN, which is the Manitoba education resource learning information network—sorry, that was a mouthful for whoever's copying that down—to see where there's opportunities to procure in a bulk manner and get better value and lower cost unit costs for these acquisitions. The Manitoba network is one of the ones that we regularly have conversations with and, on a fairly regular basis, additional school divisions have come onto that.

Having said that, beyond that, our current CIO has done an awful lot to build strong relationships between CIOs at all public sector agencies, particularly Crowns and eHealth—Manitoba—and we are making significant strides with respect to the bulk purchase of ICT commodities—so mobile devices, desktops, even potentially in the areas of emails, firewalls, other security protection so that we can get best value for money for taxpayers in Manitoba on the acquisition of those assets.

Mr. Maloway: And my final—it's not really a question, it's a suggestion.

I'm wondering if we could have a—like, a briefing extended to the Public Accounts Committee. You used to have a—well, it's on Garry Street now, I think, but you have a classroom there, where you do have the different components of the whole BTT, give a presentation. It's not something you want to do in an hour, but if you could have us over there for half a day or all day, I think the members would be just thrilled to—you know, it would—none of this stuff would be foreign to any of us, if we could spend the day with you learning about it. And it's very—it would be helpful to you, too, I bet.

* (18:50)

Mr. Sinclair: I think if the committee's interested in learning more about BTT and how ICT is operated in the province of Manitoba, we'd be more than happy to extend that opportunity to provide some of that information. I might suggest that we, you know, hold off over the summer so we can get some work done on some of the future things that I've alluded to and we can give you a better picture of where—how ICT

will be organized and structured in the province of Manitoba.

Mr. James Allum (Fort Garry-Riverview): I was just going to suggest, Mr. Chair, that if other members have IT questions, before we move to other matters, maybe it would be fair, while Mr. Sinclair's on a roll here, to get those questions out before proceeding to other issues outside of the IT ones.

Mr. Chairperson: That's a good suggestion.

Any further questions with regards to those particular recommendations?

Mr. Tom Lindsey (Flin Flon): And I'm not sure if this is the right place to ask this question or not, but because I live in a border town, people access our hospital in Flin Flon, but then they get sent to a hospital in Saskatchewan in Saskatoon. But somehow the computer systems can't talk to each other, so there's no way for the results of testing that takes place in Saskatoon to come back to our local hospital.

Is there any possibility that some sort of system can come into play that would accomplish that?

Mr. Sinclair: So I understand the member's question on this front. I think with respect to the integration or interaction of IC-IT systems in the health-care sector, those questions would be appropriately directed to eHealth Manitoba. Manitoba doesn't—Province of Manitoba doesn't provide IT services or support to health authorities or to Manitoba Health. Those are dealt explicitly out of eHealth.

Mr. Allum: I do have one quick question about IT. You indicated that we're going from Windows 7 to Windows 10. I believe Mr. Sinclair did that.

Could you—I—maybe I missed it, but what is the—what would be the total cost of doing that?

Mr. Sinclair: So I think the total cost at this point is unknown. We have a number that we've identified based on preliminary assessment of the number of systems that we believe will not function. That estimate was derived based on some information that was gleaned in conversations with Microsoft Canada about what will work based on the age of various assets.

Just for context, Manitoba operates in excess of 2,000 IT systems—unique, distinct IT systems—that rest either within a server environment or on an individual's desktop. It's the costs associated with

remediating whatever n, whatever number, of systems will not be compatible in Windows 10.

So—and there's a piece of the amount there—the budget that we've identified for this is twofold. One is around prioritization of risk. Obviously, there are systems that absolutely have to function when we transfer from Windows 7 to Windows 10. There are other systems that may not pose as critical a business risk if they happen to not work. And therefore those ones may not be invested in, and departments may be encouraged to look at alternatives to either partnering with another department that has a similar system, looking at delivering that process or program in another way or just simply upgrading to a newer version on that.

So the \$38 million is—right now is a rough order-of-magnitude estimate to upgrade those systems that have been identified as being at risk and having to operate in a Windows 10 environment.

Mr. Allum: Would you consider that—thank you for that, by the way—consider that estimate of \$38 million to be the high end, the mid end? How would you land on where that number might be in a bigger, broader scale?

Mr. Sinclair: I think at this point we're hopeful that that's the number. We've learned a fair bit over the intervening years that IT projects always cost more than first envisioned. And as a result, we've built in fairly generous contingency amounts around that to plan for the unknown.

And, again, if the budget begins—or the costs begin to exceed that envelope, I think, again, we'd be looking at the reprioritization exercise of, do you really need this system? Do you continue to need the system?

Reality is, Manitoba has far too many active systems in order to maintain and manage going forward. And I think the—while it's pain that we don't want to incur, Windows 10 will help us to rationalize some of those systems that are out there and compel departments to think strongly and deeply and thoughtfully about what they need in order to run their business. And there are some systems, we think, that can just simply go away and be done in a different way.

Mr. Reg Helwer (Brandon West): Mr. Sinclair, the \$38-million rough estimate has to deal mostly with departments upgrading. I assume it's not Crowns, not MUSH, not RHAs that is an additional cost to

government and that is known or unknown at this time?

Mr. Sinclair: So the need to upgrade to Windows 10, and, again, it's not an option at this point to upgrade from Windows 7 to Windows 10. Windows—Microsoft has made it very clear that they will not provide what's known as custom support. Manitoba and other public sectors have used the concept of custom support for either operating systems, desktop base or server base for a number of years to put off the need to upgrade to a new environment.

Microsoft has indicated with respect to Windows 7, which is the environment that they will not offer custom support, which means that they will not provide real-time patches, and patches come to Manitoba on almost a daily basis to address known vulnerabilities and security threats, so once Manitoba comes off or once Windows 7 comes off of support, we can't put the enterprise in that environment to have an unsupported operating system. So we have to move to Windows 10, much like every other public and private sector entity is faced with the same decision to upgrade or not to upgrade, and if the choice is to upgrade, there's going to be a cost around that.

Manitoba is, and other governments are, unique in the nature in that we all operate a lot more information systems than a typical entity would, including some of the largest private sector entities don't even come close to operating the number of systems that we do in Manitoba.

Having said that, this number is only inclusive of our costs in Manitoba, core government departments. All of the organizations and agencies that you've referenced will need to be thinking that's a problem for them. They'll need to be thinking of planning for that, and that's a cost that's only, at this point, known to them.

Mr. Chairperson: Seeing that we're coming up very close to our allotted time for the committee tonight, is there a suggestion on how we should proceed?

Mr. Scott Johnston (St. James): Mr. Chairman, I would suggest 8 o'clock.

Mr. Chairperson: Okay. An additional hour to 8 o'clock. Is that agreed by the committee?*[interjection]* Unless we finish sooner, yes. Understood, okay.

Is that agreed by the committee? *[Agreed]*

Mr. Lindsey: So, just to switch gears, I guess. The government recently passed The Fiscal Responsibility and Taxpayer Protection Act. In the view of the Auditor, is the act consistent with generally accepted accounting principles for the purposes of the preparation of public accounts?

Mr. Ricard: The formula for calculating the—

An Honourable Member: Excuse me, Mr. Chair—

Mr. Chairperson: Ms. Mayer.

Mrs. Colleen Mayer (St. Vital): Sorry, Mr. Ricard. I can't hear the answer coming because there's conversations that are a little too loud.

Mr. Chairperson: So, okay, so I'm just going to encourage members to keep the side conversations to a minimum and if I could have Mr. Ricard, if you could be as loud as you can so that members at the table can hear you.

Mr. Ricard: Of course.

Mr. Chairperson: Thank you very much, Ms. Mayer, for identifying that.

Mr. Ricard: The formula in the act to calculate the baseline deficits that you were referring to—I believe it begins with the deficit according to the summary financial statements which is calculated in accordance to public sector accounting standards. Everything else, though, becomes something else. It's just a calculation to come up with a number to be used for political reasons, so it's not a number that is supported by generally accepted accounting principles. It starts off with the summary financial statement deficit, and after that it just becomes a calculation.

Mr. Lindsey: So, if he could just explain that a little better for those of us who aren't accountants, that you start off with something that falls into generally accepted accounting principles and then you kind of throw that all out the window and—

* (19:00)

Mr. Ricard: Unfortunately, I have to rely on my memory now. I wasn't expecting this question, so I don't have the components memorized. It might be a question that the Deputy Minister of Finance could—or the minister, actually, could answer more directly. Unfortunately, I don't have that information in front of me, so I can't answer it to the member's satisfaction.

Mr. Lindsey: Well, could I get one of the two suggested people to answer that?

Mr. Friesen: This—I'd be happy to answer this question because the question is more policy related, and perhaps I can offer a better explanation in terms of this.

So, much the same as the original taxpayer protection legislation that was introduced in the 1990s, the intent of this legislation is of course to underscore the need to drive toward balance and for government to retain its enthusiasm to remain in balance once balance is achieved. In order to do that, it's then necessary to measure how government is doing on—against that goal of reducing the deficit.

So, as the auditor correctly points out, the starting point for this latest iteration of taxpayer protection laws that are clearly being brought for compelling reasons—this government having inherited an almost billion-dollar deficit in the same year as the previous government indicated that they were tracking for a \$422-million loss, so a miss of over \$400 million—in any case, it starts exactly as we said, with the summary loss, and then from there it makes a calculation. And that calculation is designed to do the following: it's designed to create a baseline but to net out exceptional events that can occur in government.

So, much the same as the language you would see in the original legislation going back to the 1990s, it would say in any year there can be a catastrophic loss. There might be a significant economic event. There could be a flood. There could be a fire. And, clearly, that would create a pressure on government that would be unforeseen.

The intent of this bill is to make sure that government keeps its focus on things that are foreseen. And so there are calculations that would net out those events to arrive at what we would think would be a more accurate calculation. But, in essence, what it does, then, is every year it's measuring government's ability to hit its target. That target is reported in the Public Accounts.

This latest bill that replaced the previous one because it had become too amended by the previous government to be useful or to be rectified, this newest iteration of that legislation establishes a \$100-million baseline. If government does not achieve a \$100-million reduction of the deficit, then salaries are foregone by ministers. Actually, this bill goes a step further by withholding from ministers

20 per cent of their salaries, and only when the minimum \$100-million reduction of deficit is achieved are those monies repaid. If only part of the reduction is made, then only part of the salary is. And, if more than \$100 million is not achieved, if no achievement is made, it's a complete loss of that salary.

It's designed to create responsibility and accountability in the part of the government. And, clearly, as I said, it comes for compelling reasons after the failure of the previous government to focus on deficit reduction, which is exactly why the Auditor General undertook the chapter called deficits and debt.

Mr. Lindsey: So, then, the bottom line is it's just not in the same ballpark as generally accepted. It's not consistent with generally accepted accounting principles. Is that correct?

Mr. Ricard: It's correct to say that the baseline deficit number that is calculated, pursuant to the taxpayer protection act, would not be a PSAB-compliant number. It's a number, as the minister explained, that is derived for, I would say, political reasons.

Mr. Lindsey: Thank you for that clarification.

So the act received royal assent on June 2nd. In the auditor's view, was the preparation of the 2016-17 public accounts consistent with the previous practices?

Mr. Ricard: I think I can best answer that question by indicating that for the past several years—I can't remember exactly what year—but, for the past several years, the Province has been receiving unqualified audit opinions from us, meaning that the statements were prepared in compliance with the public sector accounting standards. So there was consistency year to year in the accounting policies and practices followed in coming up with the summary deficit number.

Mr. Lindsey: So was the preparation of the 2016-17 public accounts consistent with the new act, as it was passed?

Mr. Ricard: I'm not sure I'm going to be able to answer your question to your satisfaction here. That—the '16-17 statements were prepared in accordance with public sector accounting standards. We issued a clean audit opinion on that. The baseline deficit calculation begins with the summary deficit as

it's disclosed in the summary financial statements. That received a clean audit opinion.

So it starts in a manner consistent with public sector accounting standards. It's all of the other adjustments that the act proposes to, as the minister described, to take into account extraordinary events to come up with a baseline—a target baseline deficit. That's not to be confused with the deficit for assessing the performance of government. To me, it's two separate things, completely.

Mr. Lindsey: Okay. The act made a notable change to the preparation of summary basis for public accounts. It excluded the net income or loss from the determination of a surplus or deficit for the fiscal year. Is this type of exclusion consistent with generally accepted accounting principles?

Mr. Chairperson: Okay, is—a bit of confusion here, because I believe the questions are for the auditor and—but the minister would like to add to that. But I think the question is still for the auditor, so we'll allow the auditor to answer and then allow the minister, I guess, to add his piece to that.

Mr. Ricard: So I'll try and explain again. The minister may feel the need to supplement my explanation. I think—just to be clear, the formula starts with the summary deficit, and that's a number that we—that is included in the summary financial statement that we express a clean audit opinion on. So we are indicating that the summary deficit was calculated using generally accepted accounting principles.

The—in the—to come up with a baseline deficit according to the taxpayer protection act, there are a number of exclusions that are made for reasons other than coming up with a number that would be consistent with generally accepted accounting principles. I mean, that's two different purposes.

*(19:10)

The baseline deficit is a political target. It's one that the minister explained they use to assess whether ministers receive their full salary. That's the target deficit that they're going after. It removes elements that government believed were extraordinary and presumably out of the control of the government and the ministers. The summary financial statements account for things as they occur, using good accounting practices. The baseline—the taxpayer protection act is a different thing altogether with a different objective. I think it's important to remember that.

Mr. Friesen: Thanks for the chance just to comment here.

There seems to be a bit of confusion about the relationship between the government's balanced budget and taxpayer protection act, the new taxpayer protection and fiscal responsibility act, and the relationship of that to the Public Accounts. And so if I can just help with this statement that The Fiscal Responsibility and Taxpayer Protection Act proceeds from the summary statements of the government, which are audited statements. So these are not made-up numbers. But the government uses as the starting point that summary loss number. And, of course, we take the view—and we've had good conversation at many tables, debate in the House and at Estimates table—take the view that it's important to focus on the summary statements of government, that we must look at the whole government reporting entity to get a clear view of how government is performing—that means inclusive of all those other operations of the Crown corporations and special operating agencies and the health—regional health authorities and the family service agencies.

Now, on that line, in those summary statements, we take that summary loss, and from there we proceed, we do a calculation that is intended to address variances where they occur. I can even recall that in the language of the bill itself it even includes a provision that says—and this is consistent with the previous bill—that says if the federal government was to significantly change a tax measure and government had no prior notice of it—I think it's a 30- or 60-day test—well, then, there would be an ability there to net out that effect, because what we're trying to get at is clearly one of the things the government can control.

The bottom line of the legislation, though, is this. It proceeds from summary statements, which is the appropriate place to proceed. It is designed to show that government takes deficit reduction seriously. It's designed to show accountability in that it makes ministers responsible to hit their targets. And it's designed to give Manitobans greater assurances about government's intention to not only project in their budgets but hit those numbers as demonstrated in the Public Accounts.

Mr. Lindsey: Back to the auditor, just for my simple non-accountant brain, did I hear you say that the number that is called the summary income or loss number for the surplus or deficit is the number that allows political considerations to determine when the

minister's salary gets affected as opposed to a number that would be strictly consistent with generally accepted accounting principles?

Mr. Ricard: The number that the member is referring to, I believe, is—and I don't have the act in front of me, so I'm going on memory here—is called the baseline deficit number or—and that's—that number is calculated using a formula that starts with the summary deficit but is included in the audited financial statements of the Province. The summary deficit number is calculated using generally accepted accounting principles, but this baseline deficit reflects a number of exclusions that would not be consistent with generally accepted accounting principles to come up with a deficit. It's—the baseline deficit is calculated for a totally separate and distinct purpose than the summary deficit is that's included in the summary financial statements.

Mr. Lindsey: Thank you. I think you've almost cleared that up in my brain.

So are you aware of any other provinces or territories where this type of exclusion applies or is used?

Mr. Ricard: Unfortunately, I can't really answer that question because we haven't done a cross-jurisdictional review to see if there are similar acts in other jurisdictions that would include that kind of a calculation.

Mr. Lindsey: I shudder to ask the minister, so maybe I'll ask the deputy minister if there's other jurisdictions that you're aware of that use this same type of exclusion.

Mr. Friesen: I'll take this one because it is, again, a policy question. Just a couple things to make clear here for the member. And I'll accept your ruling on this, Mr. Chair, but the matter isn't under consideration tonight. I'm happy to talk about the reasons for the legislation we've brought and the merits to it. I understand it's a designated bill, so the opposition will see this bill return in the fall. I imagine we'll have fulsome debate as the legislature returns in October and November, and I'm looking forward to that excitedly.

However, for the purposes of tonight, I would suggest to the member that, yes, other jurisdictions also have brought legislation to hold governments' feet to the fire and create greater accountability measures in order to make sure government reduces deficits, eliminates them and stays in balance.

As the Auditor General noted, the starting point for this is a baseline deficit number which is derived starting with the summary loss, as the auditor stated, and then making some adjustments from there like netting out Hydro profit loss and the Fiscal Stabilization Fund in order to arrive at what's called the baseline deficit.

However, for the purposes of this committee and for the official record of this proceeding, it should be also noted that these calculations would only then take place and be measured for the first time after the completion of the 2017-2018 fiscal year, as will be reported in September when those Public Accounts are released for Manitobans.

So that—this calculation and The Fiscal Responsibility and Taxpayer Protection Act does not have an implication on the matters under consideration this evening, including these government deficits and deficit numbers that were referencing deficits in respect of the years 2014, 2013, 2012 and likewise.

Mr. Chairperson: Well, I'm thinking this is maybe just a fairly innocuous question that maybe the minister or deputy minister don't have the answer right in front of them. If they would be willing to commit to bringing that information back to the committee and, under the questions pending response, I think that'd be suitable for the—moving forward as the committee.

Mr. Hrichishen: We will provide that information to the committee.

Mr. Lindsey: So the act outlines the transfers from what it terms the Fiscal Stabilization Account are to be treated as revenue, and transfers to the count—to the account are to be treated as expenditures for the purposes of determining a surplus or deficit. Are such practices consistent with generally accepted accounting principles?

* (19:20)

Mr. Ricard: So transfers in and out of the Fiscal Stabilization Fund—it's important to note that they have absolutely no impact on the summary financial statements. It's money that is just transferred from one pocket to the other. It's—any transfers that occur are eliminated when you look at the summary financial statements.

So, when you calculate the baseline deficit, it's another one of those items that we heard the minister indicate is removed from the deficit as calculated by

the—you know, in the summary financial statements, one of those elements that's—that adds or is taken away, depending on the transfer, to come up with a baseline deficit. But it isn't consistent. There isn't a—you know, a generally accepted accounting policy that deals with fiscal stabilization accounts. It's a creation of the Manitoba government and has been in place for years. And it was particularly used when they reported on the—what they call the core government or the consolidated fund.

But now that the report on the summary—on a summary basis, the Fiscal Stabilization Account is—has no bearing on the summary financial results of the province.

Mr. Chairperson: I just wanted to let all members of the committee know I have one other person on the speakers list; Mr. Bindle has had his hand up and he's patiently waiting. So I'm—and I do like to allow members an opportunity to have a series of questions.

But if there's a natural break, maybe, Mr. Lindsey, in your questions and you'd like to cede the floor—don't hesitate to do that—if I could just ask that as a courtesy.

Mr. Lindsey: I will certainly do that. I just have, I think, one or two more questions on this and then I'll certainly turn the floor over to Mr. Bindle.

Do other provinces or jurisdictions follow similar types of accounting practices, as far as money in, money out?

Mr. Ricard: Because the—quite frankly, because the Fiscal Stabilization Account here doesn't impact the summary financial statements, we really didn't do any kind of analysis to see if other jurisdictions had similar accounts. They would be eliminated upon consolidation, in any event.

Mr. Lindsey: So the act states, an amount applied from the Fiscal Stabilization Account for that fiscal year to support core government operations for that year or to repay debt shall be included as if it were revenue for that year.

Is that consistent with generally accepted accounting principles?

Mr. Ricard: Okay, so I think it's going to be fair to say that nothing in the act is consistent with generally accepted accounting principles, I mean, other than the starting point. The starting point is the

summary deficit according to the summary financial statements prepared on the basis—in accordance with generally accepted accounting principles, but the ins and outs to come up with a baseline deficit are a separate and distinct calculation, not envisioned by generally accepted accounting principles.

Mr. Kelly Bindle (Thompson): I'm going to divert the line of questioning to government deficits and debt and the accounts and financial statements.

And, with reference to the March 14th report, the—section 1.6, the Province of Manitoba's deficit reduction plan, the first statement was that, in 2013, budget indicated a plan to balance the budget by 2016-17, and the 2013 budget projected a net loss or deficit of \$518 million in 2013-14 and a steadily declining deficit in '14-15 and 2015-2016. But we know that didn't happen.

But with reference to the provincial debt, recently, the respected bond rating agency DBRS released its rating for Manitoba. And I'll quote from that rating. DBRS Ltd. confirm the issue of rating and long-term debt and short-term debt ratings of the Province of Manitoba that A (high), A (high) and R-1 (middle), respectively. All trends are stable. The outlook for the provincial credit profile was improving. After a decade of chronic deficit spending and debt growth, budget deficits are now declining and the debt-to-gross domestic product, GDP, ratio is stabilizing.

Preliminary results for the 2018 show a modest improvement with a deficit falling to \$276 million from \$765 million, in 2016-17. More 'significantly'—more significantly, the deficit was \$114 million lower than budgeted, primarily because of lower spending. The province remains strongly committed to deficit reduction and this commitment appears increasingly credible.

Manitoba has outperformed its targets in each of the last two years and lowered its deficit targets. Overall, the Province's 2018-19 budget exceeds DBRS's expectations. DBRS has observed a shift in the culture and institutions of government. There are efforts underway to increase the central capacity within the provincial government and an increasing focus on budget results and program outcomes.

The lowering of deficit targets is positive, though the pace of deficit reduction is largely unchanged, with annual improvements targeted to be in the range of \$105 million to \$140 million.

The objective to balance the budget remains firmly planted in the 2020 to 2024 time frame.

Stable, broad-based growth is expected to persist over the next two years consistent with private sector expectations. The Province has forecast growth of 2 per cent in 2018, and 1.6 in 2019. Strong population growth, elevated capital spending and favourable export market conditions remain conducive to economic activity in the province.

DBRS believes the Province's DBRS-adjusted debt burden has now stabilized at around 41 per cent of GDP and expects the debt burden to remain around this level over the next three years—unquote.

Could the Minister of Finance (Mr. Friesen) please comment on DBRS's calculation of the 41 per cent debt-to-GP ratio for Manitoba, and explain the significance of stabilizing the previous upwards trend of the debt-to-GDP ratio that took place under the previous government?

Mr. Chairperson: So just a reminder that questions tonight should be posed to the deputy minister. If they are policy questions, they certainly could be answered by the minister. But, generally, we would pose the questions to the deputy minister.

An Honourable Member: This is a Finance question.

Mr. Chairperson: Yes.

Mr. Hrichishen.

Mr. Hrichishen: I'll note from the outset that all the credit-rating agencies make adjustments to the debt numbers. They all have a specific definition of debt. Their starting point is always the summary financial statements and the information that is shown in the budget or reported in public accounts, but they make various adjustments.

So each credit rating agency will have a different measure of debt, and often they'll find—we'll find that they're using a different definition of GDP, since a forecast, for example, what's the GDP of Manitoba going to be in 2018? There's various forecasts, and whether you use an average or an estimate from a budget or so on, they'll do it differently.

So prefacing my answer with that, the DBRS estimate of debt-to-GDP for '18-19 is estimated at 41 per cent, and that is down slightly from '17-18, projected at 41.1 per cent, and 42.3 per cent in '16-17. So DBRS, by their assessment, is seeing an

improvement in our debt-to-GDP ratio over the last three years going into the current fiscal year.

Mr. Bindle: What's the significance of stabilizing that? What is that? *[interjection]*

Mr. Chairperson: Mr. Hrichishen.

Mr. Hrichishen: Pardon me. Thank you.

I think there's a couple of things. I—It's not the ratio itself that is important; it's what the ratio means. And, for our credit rating agencies—I think for everyone—the ratio is an important indicator of the implications for our financial situation.

So credit rating agencies will look at three or four principal indicators: the debt-to-GDP ratio, the deficit, the trend in these main indicators over time, debt-to-revenue is another one that's used frequently. Really, what it has to with is your fiscal flexibility.

* (19:30)

It implies certain things for your capacity to respond to unforeseen events like changes in the business cycle. And no matter how stable and diversified your economy is, you will experience changes in the business cycle, which will affect your capacity to provide public services without running deficits because, well, the revenue is based on economic performance.

In the end, the debt-to-GDP ratio is essentially the amount of your mortgage relative to your capacity to raise money to pay it off. And, again, for credit rating agencies, for the flexibility of governments to respond to events, there are obviously implications for debt-servicing costs. They're all quite important, so there's no one thing. It's not the ratio itself, but what it means, so.

Mr. Lindsey: To the minister, I guess: Will the minister commit to include all seconded employees in the public accounts?

Mr. Chairperson: So, just a reminder, and I recognize some members are new to the committee or maybe have been here a limited number of times, generally the questions that are posed tonight should be to the deputy minister and should be not of a policy nature, so, if we can keep them as closely to questions that would be relevant to the deputy minister, that would be appreciated.

Mr. Lindsey: I thank you for that clarification, and I'll save that question for another day, perhaps, in a different place—*[interjection]*—I'm sure we will.

So, I guess, has—I'm not sure that question is going to be pertinent, either.

Mr. Chairperson: There may be an opportunity if the member wanted to ask that same question of the deputy minister, and then it is up to the deputy minister if he feels comfortable answering that. He can defer it to the minister or he can choose to not answer it or say that he doesn't have that information or isn't able to, but maybe I'll suggest that. Does that work for the member?

Mr. Lindsey: Thank you, Mr. Chair, for that clarification.

So can the deputy minister tell us whether there's any commitment to include all seconded employees in the public accounts?

Mr. Hrichishen: The question, I believe, relates to the OAG's recommendation in respect of seconded employees being treated consistently within the Public Accounts reporting. So we have revised, in our note of disclosure in the public sector compensation disclosure report, we have made it more broad to include more information on the exclusion—or exclusion of seconded employees and self-employed contractors in the report.

I'll refer specifically to volume 2 of the 2016-17 Public Accounts, page 3, (a) (ii), right at the bottom of page 3. We have included now the primary, and I'll quote: The primary payroll system used by government also provides payroll services to certain government organizations whose compensation information is not included in this report. When employees of government departments are seconded to these organizations using the payroll system to transfer the costs, their compensation is included in the report of the organization to which they are seconded.

We are aware that the Auditor General has responded and indicated that that does not meet a certain test that they've established for these employees. And I think, as I indicated the last time is when this issue arose, we'll continue to look at how we can address in efficient and complete and transparent way the information that the auditor has recommended that we do. So it is a work-in-progress.

Mr. Lindsey: So, just to clarify in my own mind, right now there's presently people who are seconded who, their salary is not captured. But you said that it's a work-in-progress, so any idea of when that work will be completed?

Mr. Hrichishen: I will not commit to a specific date, but I can tell you that work is ongoing, and our research and communications with other entities who have different payroll systems that we would need to establish some exchange of information in a effective way to meet the auditor's requests. So that work, again, is ongoing.

Mr. Lindsey: So right now there's some people that are working part time for the City and part time for the Province. Are they captured or are they excluded still?

Mr. Hrichishen: Our volume 2, Public Accounts, would report compensation paid by the Province of Manitoba—would not include compensation paid by other businesses or levels of government.

Mr. Lindsey: But those employees, their pay that they get from the government is captured?

Mr. Hrichishen: That's right.

Mr. Johnston: Thank you for your considerations, to the member from Flin Flon.

I have two questions. I'll ask them both together in view of heat and time, Mr. Chairman.

Just wondering, in regards to the deficits and debt, I'm just wondering, as the credit ratings of the Province were challenged, what, if any, precautions did the government take that could have, or tried to address, the financial challenges the Province has faced it in? That's No. 1. And No. 2 is, what is the debt-servicing charges, say, five years ago versus what they are today?

Mr. Hrichishen: In terms of specific actions in respect of potential credit rating changes, and there's an upside and a downside risk for each and every year when a credit rating agency makes a report. Those credit agent—rating agency reports, generally speaking, will influence our borrowing costs. So the bottom line is that we always look to have some flexibility in—when preparing our forecasts. We don't predict changes in credit rating agencies, but we do try to get a very accurate assessment of what our debt-servicing costs are going to be and our interest rates for those.

* (19:40)

To your point, we have seen a change in our borrowing costs over even the last year; we've seen what's—can best be described as a flattening of the yield curve. In other words, relatively significant increase in our borrowing costs at the short end of

the curve, the five-year area, and less so at the 10-year and very little change at the long end.

I guess the point is that debt-servicing costs will rise, all things being equal, because of those interest rates. Credit rating changes, up or down, will affect our borrowing costs by influencing our interest rates that we pay. Just to illustrate, our five-year debt issuance, at this time we expect approximately our all-in borrowing costs interest rate to be 2.6 per cent. A year ago, that was 1.8 per cent. For a 10-year term, we would expect approximately an all-in borrowing cost of 3 per cent, paying 3 per cent, on that borrowing. A year ago, June 19th, 2017, that same cost was 2.45 per cent.

I have the information in respect of our overall debt-servicing costs and those would be our budgeted summary debt-servicing costs for '17-18 fiscal year were \$964 million; the previous year, '16-17, 930; \$855 million in '15-16; \$841 million in '14-15; and \$821 million in 2013-14.

Mr. Blair Yakimoski (Transcona): Mr. Deputy Minister, just a question. I got a few questions here regarding Fiscal Stabilization Fund. What is the reason for this Fiscal Stabilization Fund? Why is it there?

Mr. Friesen: So the—thank you to the member for the question.

Fiscal Stabilization Account was actually established in 1988 by a PC government, and it was there for the purpose of supporting government and, again, mitigating against unforeseen events, essentially giving government the opportunity to have a savings account, to be able to smooth over in times of trouble, as we've seen in this province, the province that is experiences—experienced its share of floods and significant fire events and downturns in the economy that have made it challenging.

That fund was effectively used for a number of years. I can tell you there were payments into that fund in year—some years of \$200 million—\$157 million into that fund in 1995-1996, \$264 million into that fund in 1996-97. Closing balance of that fund saw amounts in excess of \$500 million. But, essentially, over time, because care was not taken by the NDP government subsequent to the 1999 election to manage the account, what you see is actually withdrawals from the account—effectively, I would imagine, to shore up their operating loss position to the point where the existing balance of that fund, at the end of the NDP's

time in office, was \$100 million. So, largely, the balance had been depleted.

Clearly, it was established to protect taxpayers. Clearly, it's been the position of our government that the fund needs to be replenished. That is there for a reason and that is why even in the first year of government, we made a \$10-million payment in. And, again, in this fiscal year, a \$50-million payment into that account. Again, if government cannot have the capacity, if that fund is depleted, to respond to real-world events, economic downturns, environmental events, then it will go to borrowing in order to meet its costs, as the NDP did time and time again, now leaving us with, as the deputy minister just referred to, a debt-service charge of \$1 billion now.

I noted in particular there is two fiscal years there where the debt-service charge climbed from \$855 million in one year to \$930 million in the next year. I remember asking the previous NDP minister why that very sudden increase in debt-service cost, and really no satisfactory answer could be given at that time. But, clearly, the layering on of deficit and deficit and the borrowing programs, capital programs that don't increase in tandem with the growth of the economy puts that strain on debt-service costs over time.

Mr. Yakimoski: Thank you very much, Mr. Minister.

And I'd like to issue a congratulations on meeting and exceeding your budget deficit reduction for the year. For the first time, I noticed, you were able to do that without drawing from the 'fiscali' stabilization fund.

Do you know when the last year was that there wasn't a draw down of that fund? How many years in a row was that fund drawn from?

Mr. Chairperson: So, just before the minister—or deputy minister has a chance to answer, I have a number of speakers. I know Mr. Lindsey has been waiting very patiently to get back, and I can see Mr. Maloway's hand waving. I know he has a bunch of questions as well.

Maybe I'll ask right now if we wanted to, I guess we—Mr. Yakimoski has another question. So maybe we'll just extend the time now.

Is there a suggestion as to how long the committee should sit tonight?

Mr. Allum: I think that's probably wise, but I don't really think we need to go much past 8:15.

An Honourable Member: Yes, agreed.

Mr. Chairperson: Okay. All right. Let's—that's ambitious, we'll see what we can do.

Mr. Friesen: Thank you for the question—

Mr. Chairperson: Oh, I'm sorry. I didn't put the question to the committee.

Is that agreement—8:15 would be our new target?

An Honourable Member: Agreed.

Mr. Chairperson: Am I hearing an agreement from the end of the table?

Some Honourable Members: Agreed.

Mr. Chairperson: Yes, okay. All right.

Mr. Friesen: I'm looking at information here that shows net withdrawals from the Fiscal Stabilization Account proceeding, in 2009-2010, and continuing for every fiscal year and concluding, in 2015 and 2016, in which year the NDP removed \$105 million from the fund.

There has been no subsequent removal of funds from the account since that time.

Mr. Yakimoski: Thank you, Mr. Minister.

I believe I noted in the past there was a time when the previous government ran a surplus, yet they still would have withdrawn from the fund.

Can you perhaps discuss why that might have happened?

Mr. Chairperson: And, just to clarify, this is a question for the deputy minister?

An Honourable Member: I think I—they have to all be at the deputy minister, don't they?

* (19:50)

Mr. Chairperson: So this is a question for the deputy minister.

Mr. Friesen: I believe the deputy minister's deferring to me because this does go somewhat to policy. So, in that vein, I'll take this response.

And there—the member is correct that there were years in which the previous NDP government was declaring that they'd met their budget, but it was because of drawing down—drawing out amounts from Fiscal Stabilization Account. There were a number

of tricks that were played by the previous government.

I can recall from my time as a critic of Finance, whereby in a year the government would make a payment into the Fiscal Stabilization Account essentially with their left hand, and they would draw out an amount that was greater with their right hand. But they would, in the budget speech or throne speech, talk about their commitment to paying into the Fiscal Stabilization Account, even though the net effect was a draw-down.

However, there were other tricks played, too, and the—one of the members of the committee referred to, you know, how the balanced budget and taxpayer protection framework was being constructed, what—how that calculation is now being made.

And let's remember that, previously, the NDP brought many amendments in succession to the previous balanced budget legislation, and one of those changes that they brought was to say, over time when they couldn't make their targets and reduce the deficit, they said, well, let's change the legislation. Instead of trying to do that over one year, we'll try to balance the budget over four years.

When they could not find success in reducing the deficit on the core statements of government, only then did they take an interest in summary reporting because they saw that in those years, large surpluses from Crown corporations would help to mask the extent of their own overspending.

When they found that it would be too onerous for their ministers to accept another salary reduction, as required by the legislation because of their failure to make progress, they decided to amend the legislation to forgo any subsequent reduction in their salaries. In essence, they protected their salaries at the expense of the spirit of the bill.

There were other changes made as well, but I think you get a view of what kinds of activities took place.

Mr. Lindsey: Back to the deputy minister—talked earlier about people that are included and people excluded from the Public Accounts. People that work for, say, the regional health authorities, are their salaries captured in the Public Accounts?

Mr. Hrichishen: Can I clarify, please? Are you referring to individuals who work for health authorities but are paid by the general government,

or people who work for health authorities, is their compensation shown in our Public Accounts?

Mr. Lindsey: Well, just for clarity, let's say the CEO of a health region or—is their salary remuneration included in here?

Mr. Hrichishen: No, they're not. They're—each of the health authorities are required to report their compensation payments separately.

Mr. Lindsey: Well, where does all that information then become publicly available?

Mr. Hrichishen: Typically, it would be in their annual report.

Mr. Maloway: Well, thank you, Mr. Chair. I just don't know where to begin here, but maybe the beginning.

We talked about the Fiscal Stabilization Fund. The minister referred to it and rightly pointed out that it was started by Gary Filmon in 1988, but what he's not pointing out to you—first of all, it's just a savings fund, is what it is. Let's say you have a savings account in your household budget.

And what, in effect, he did, was he'd take a surplus coming out of the last year of the Howard Pawley government, put it into this fund so he could show, I think it was, a \$52-million deficit in the last year of Howard Pawley. That's how it started. But, I mean, there was—there's good reasons for having the fund; don't get me wrong.

Now, one other thing I want to mention: could the deputy give us—provide us—no, he doesn't have to do that right away—but give us a chart on debt-to-GDP figures for a number of jurisdictions—let's start with Canada—show us what the debt-to-GDP figures are for all 10 provinces and the federal government, and then do a comparison, add into your chart some of the countries of the EU? And I think what you're going to find, before we get too excited here about debt-to-GDP—*[interjection]*

You know—well, sure, Greece is the highest at 170 per cent, and all of Europe is, I think, over 100. But, when you get into Canada, I think the highest jurisdiction in Canada would be the federal government at around 50 per cent. It could be out a point or two. And the provinces are in the range of, as I think you indicated, around 42 per cent.

So, whether we, you know, get this down—one government gets it down to 35, and then it goes back up a couple points and comes down, you know, it's

not the end of the world. We're talking about healthy economies here. So I just want to, you know, put some perspective on this. I think it's just good for all of us as MLAs to see that. And no one here wants to have a debt-to-GDP of 170 per cent. We don't want that—obviously not. But we should not be, you know, causing ourselves a lot of grief here about arguing about whether, you know, 34 is a lot better than 35.

So, if you could commit to doing that, that would make me very happy.

Mr. Chairperson: If I could just ask members of the committee to keep the side conversations down, if they could.

Mr. Friesen: Well, I continue to labour under the point that I think much of this conjecture should be outside of the discussions of this table tonight, but I'll defer to you, Mr. Chair, and I'm happy to answer the question of the member.

So the member seems to take the current federal Liberal view that the budget will balance itself. And he says there's no problem under the member's economic, you know, rationale. There's no problem with overspending that drives up summary net debt. And yet what the bond rating agencies clearly said is, there's a problem.

As a matter of fact, if that member would read the annual reports by any of those bond rating agencies—DBRS, Standard & Poor's, Moody's—they always talk about either the trend up or down and for summary net debt. And the member seems to state that well, we're not as bad as Portugal, we're not as bad as Spain. So, therefore, we're pretty good.

That kind of 'lacksadaisical' view is exactly what drove Manitoba to have a summary net debt that got worse and worse in time.

However, I will remind that member that a former Finance minister in this province, one Jennifer Howard, when she was minister of Finance, even said, listen, at 32 per cent net debt-to-GDP, I don't see a problem. But she said, but, if the net debt-to-GDP ever went past 35, now that would be a problem.

And I would challenge that member to go back and find that statement of the former Finance minister, the NDP Finance minister. Now, that Finance minister herself, a former NDP minister, takes exception to the kind of argument that this member puts forward. Even that former

NDP Finance minister, at that moment of time, had said, listen, it's getting worse and that's a problem.

So I don't agree. We just heard from other members at this table the fact that, because of a failure to address the government's inability to produce results at a year end that reflected its budgetary targets at the beginning and the necessary borrowing that the government had to take on to make up the difference, plus its capital investment program that was increasing this kind of to-infinity-and-beyond view of capital investment, increasing at four times the rates of the economy, we felt the effect of that in Manitoba.

* (20:00)

What was the effect? The member's alluded it to tonight: a debt-service cost that, in a single year, jumped by over \$50 million. The next year jumped by another \$50 million. Right now, in this current fiscal year, we are budgeting for over a billion-dollar debt-service cost, an increase of almost \$200 million, money that cannot go for education, health care, infrastructure, affordable housing, tax credits, tax relief.

The member says that soaring net debt has no negative impact on the economy. I don't agree and neither did the former NDP Finance Minister.

Mr. Chairperson: So I—oh, Mr. Hrichishen.

Mr. Hrichishen: I'll just undertake to—I can provide that information. I have some information with me now. And, just to answer as best I can, the information that was requested so the federal government debt-to-GDP is currently 33.9 per cent, and Manitoba's is projected to be 34.3 per cent.

The—what the credit agencies point out, however, is that Manitoba's growth in that ratio has been amongst the highest amongst the provinces, while the federal government is actually going down. So they've gone from 36 per cent to below 34 per cent. So it's the trend, I think, that's important.

In any event, I'll certainly provide that information to you.

Mr. Chairperson: If I could just—to speak to the minister's point about the focus of the questions here, I think we may have gotten off track with the Fiscal Stabilization Fund question and have followed that thread maybe as far as we need to.

If I can just remind members to focus as much as we can on the reports be—in front of the committee this evening.

Mr. Allum: I think at this stage, Mr. Chair, our side has—will stand down from any further questions.

Of course, we want to thank the Auditor General and their staff, and deputy minister and staff from Finance for their very helpful contribution tonight, and especially the examination of BTT and—in relation to—also in relation to generally accepted accounting principles. I think that's been very helpful and very useful for the committee.

And we'll also stand down just to avoid the minister having to ever speak again for this evening or, frankly, to refer to Toy Story for the second time in one day, which is just beyond belief, Mr. Chair. So we'll stand down.

Mr. Chairperson: Seeing no further questions—*[interjection]* Oh.

All right, does the committee agree that we have completed consideration of chapter 3, Government Deficits and Debt, of the Auditor General's Report, Annual Report to the Legislature, dated March 2014? Agreed? *[Agreed]*

Does the committee agree that we have completed consideration of section 13, Information Technology Security Management Practices, of the Auditor General's Report, Follow-Up of Previously Issued Recommendations, dated May 2015? *[Agreed]*

Does the committee agree that we have completed—*[interjection]*

So the Clerk is just advising me that we're having a little bit of trouble hearing the members. There's a number of members around the table. If we can just have participation in making sure that we are all agreed on the passing these particular reports.

Does the committee agree that we have completed consideration of Information Technology Security Management Practices of the Auditor General's Report, Follow-Up of Recommendations, dated May 2016? Agreed? *[Agreed]*

Does the committee agree that we have completed consideration of Information Technology Security Management Practices of the Auditor General's Report, Follow-Up of Recommendations, dated March 2017? Agreed? *[Agreed]*

Does the committee agree that we have completed consideration of Accounts and Financial Statements of the Auditor General's Report, Follow-up of Recommendations, dated March 2018? Agreed? *[Agreed]*

Volume 1 of the Public Accounts for the fiscal year ending March 31st, 2017–pass; volume 2 of the Public Accounts for the fiscal year ending March 31st, 2017–pass; volume 3 of the

Public Accounts for the fiscal year ending March 31st, 2017–pass.

Before we rise, it would be appreciated if members leave behind any unused copies of reports, although I think we may have just passed all of those, and—*[interjection]*—right, so there is—please leave those behind. Don't take them with you.

And the hour being 8:05, what is the will of committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 8:05 p.m.

The Legislative Assembly of Manitoba Debates and Proceedings
are also available on the Internet at the following address:

<http://www.gov.mb.ca/legislature/hansard/hansard.html>