

NEWS RELEASE

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Auditor General highlights concerns with government's 2017/18 financial statements

WINNIPEG – Auditor General Norm Ricard has expressed concerns with Manitoba's 2017/18 summary financial statements, released by the government today. Ricard also released his report *Understanding our Audit Opinion on Manitoba's March 31, 2018 Summary Financial Statements* which contains further information on his qualified audit opinion.

Ricard's audit opinion states that the summary financial statements present Manitoba's financial performance fairly, except for 2 qualifications—or concerns—about significant errors in the statements. This is the first qualified audit opinion on the province's public accounts since 2007.

"The result of these 2 errors is that the summary deficit is overstated by \$347 million. That's half the reported deficit," says Ricard.

The first error noted by Ricard is the removal of the Workers Compensation Board (WCB) as an entity in the consolidated summary financial statements. The statements include all funds, organizations and business enterprises controlled by the government, also known as the government reporting entity. Ricard notes there have been no relevant changes to the *Workers Compensation Act* that would indicate a loss of control. His Office's analysis of the government's relationship with the WCB (as defined in the *WCB Act*), against the criteria of control set in accounting standards, confirmed that the government continued to control the WCB.

"The exclusion of entities from the government reporting entity that are still controlled by government does not provide a complete picture of the financial position and results of government," said Ricard.

The removal of the WCB from the government reporting entity means the WCB's net revenue was not recorded in the summary financial statements, overstating the reported deficit by \$82 million.

The second error involves the transfer of \$265 million from the Manitoba Agricultural Services Corporation to a trust account. Ricard notes the transfer was recognized as an expense for the 2017-18 fiscal year, yet was not authorized until after the fiscal year had ended. "The transaction should not have been recorded in 2018," said Ricard.

Ricard said qualified opinions should be a rare occurrence, and should be taken seriously.

"Adhering to independently set accounting standards is critical to promoting public confidence in the financial statements prepared by public sector entities," said Ricard. "Standards help ensure consistent reporting of financial transactions which allows results to be compared – from period to period and between jurisdictions."

To view the Auditor General's report, please visit <http://www.oag.mb.ca/reports>.

ABOUT THE AUDITOR GENERAL OF MANITOBA

The Auditor General is an officer of the Legislative Assembly mandated to provide independent assurance and advice to Members of the Legislative Assembly. Through its audits, the Office of the Auditor General seeks to identify opportunities to strengthen government operations and enhance performance management and reporting. For more information visit <http://www.oag.mb.ca/>

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